THIRD POINT REINSURANCE (USA) LTD.

Audited Consolidated Financial Statements

Years ended December 31, 2017 and 2016

THIRD POINT REINSURANCE (USA) LTD.
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Report of Independent Auditors

The Board of Directors
Third Point Reinsurance (USA) Ltd.

We have audited the accompanying consolidated financial statements of Third Point Reinsurance (USA) Ltd., which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, changes in shareholder's 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Third Point Reinsurance (USA) Ltd. at December 31, 2017 and 2016, and the consolidated results of its operations and its 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 loss and loss adjustment expenses incurred, net and cumulative net losses and loss adjustment expenses paid for the years ending 2016 and prior which are on pages 29 through 31, and the average annual percentage payout of loss and loss adjustment expenses incurred, net which is on page 32 be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the consolidated 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 3, 2018

THIRD POINT REINSURANCE (USA) LTD.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2017 and 2016
(expressed in thousands of U.S. dollars, except per share and share amounts)

	December 31, 2017	December 31, 2016
Assets		
Equity securities, trading, at fair value (cost - $233,134; 2016 - $182,939)	$ 283,083	$ 197,768
Debt securities, trading, at fair value (cost - $78,832; 2016 - $92,043)	76,085	95,982
Other investments, at fair value	9,934	6,712
Total investments in securities	369,102	300,462
Cash and cash equivalents	2,693	4,032
Restricted cash and cash equivalents	118,333	107,500
Due from brokers	40,190	34,698
Derivative assets, at fair value	9,261	3,627
Interest and dividends receivable	447	814
Reinsurance balances receivable	111,310	94,447
Unearned premium ceded	116,955	107,230
Deferred acquisition costs, net	11,593	11,655
Loss and loss adjustment expenses recoverable	83,912	68,782
Due from affiliates	—	8,572
Other assets	131	2,387
Total assets	$ 863,927	$ 744,206
Liabilities		
Accounts payable and accrued expenses	$ 11,772	$ 3,448
Reinsurance balances payable	75,391	78,978
Unearned premium reserves	155,863	142,741
Loss and loss adjustment expense reserves	111,883	91,709
Securities sold, not yet purchased, at fair value	48,926	12,248
Securities sold under an agreement to repurchase	13,132	—
Due to brokers	150,375	138,152
Derivative liabilities, at fair value	1,798	1,932
Interest and dividends payable	182	60
Due to affiliates	963	—
Total liabilities	570,285	469,268
Commitments and contingent liabilities		
Shareholder's equity		
Common shares (par value $1.00; authorized, 1,000,000; issued and outstanding, 1,000,000 (2016: 1,000,000)	1,000	1,000
Additional paid-in capital	273,072	273,431
Retained earnings (deficit)	3,563	(4,809)
Shareholder's equity attributable to common shareholder	277,635	269,622
Noncontrolling interest in related party	16,007	5,316
Total shareholder's equity	293,642	274,938
Total liabilities, noncontrolling interest and shareholder's equity	$ 863,927	$ 744,206

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

Director **Director**

THIRD POINT REINSURANCE (USA) LTD.
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2017 and 2016
(expressed in thousands of U.S. dollars)

	2017	2016
Revenues		
Gross premiums written	$ 173,689	$ 192,745
Gross premiums ceded	(130,267)	(144,784)
Net premiums written	43,422	47,961
Change in net unearned premium reserves	(3,396)	(2,246)
Net premiums earned	40,026	45,715
Net investment income before management and performance fees to related parties	64,989	22,093
Management and performance fees to related parties	(16,539)	(7,706)
Net investment income	48,450	14,387
Total revenues	88,476	60,102
Expenses		
Loss and loss adjustment expenses incurred, net	27,848	32,628
Acquisition costs, net	11,969	12,850
General and administrative expenses	13,223	10,040
Foreign exchange gain	(10)	—
Total expenses	53,030	55,518
Income before income tax expense	35,446	4,584
Income tax expense	(8,968)	(1,715)
Net income	26,478	2,869
Net income attributable to noncontrolling interest in related party	(806)	(168)
Net income available to common shareholder	$ 25,672	$ 2,701

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

THIRD POINT REINSURANCE (USA) LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
For the years ended December 31, 2017 and 2016
(expressed in thousands of U.S. dollars, except share amounts)

	2017	2016
Common shares		
Balance, beginning and end of year	1,000,000	1,000,000
Common shares		
Balance, beginning and end of year	$ 1,000	$ 1,000
Additional paid-in capital		
Balance, beginning of year	273,431	267,593
Contributions of capital from parent	—	5,000
Share compensation expense	(359)	838
Balance, end of year	273,072	273,431
Retained earnings (deficit)		
Balance, beginning of year	(4,809)	(7,510)
Net income	26,478	2,869
Net income attributable to noncontrolling interest in related party	(806)	(168)
Dividends	(17,300)	—
Balance, end of year	3,563	(4,809)
Shareholder's equity attributable to common shareholder	277,635	269,622
Noncontrolling interest in related party	16,007	5,316
Total shareholder's equity	$ 293,642	$ 274,938

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

THIRD POINT REINSURANCE (USA) LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
(expressed in thousands of U.S. dollars)

	2017	2016
Operating activities		
Net income	$ 26,478	$ 2,869
Adjustments to reconcile net income to net cash used in operating activities:		
Share compensation expense	(359)	838
Net unrealized gain on investments and derivatives	(30,855)	(15,715)
Net realized (gain) loss on investments and derivatives	(30,144)	501
Net foreign exchange gain	(10)	—
Amortization of premium and accretion of discount, net	(196)	147
Changes in assets and liabilities:		
Reinsurance balances receivable	(16,851)	(604)
Deferred acquisition costs, net	62	(1,611)
Unearned premiums ceded	(9,725)	(7,245)
Loss and loss adjustment expenses recoverable	(15,130)	(41,579)
Due from affiliates	9,535	(8,527)
Other assets	2,255	1,702
Interest and dividends receivable, net	489	265
Unearned premium reserves	13,122	9,490
Loss and loss adjustment expense reserves	20,173	55,439
Accounts payable and accrued expenses	8,324	1,895
Reinsurance balances payable	(3,587)	(827)
Net cash used in operating activities	(26,419)	(2,962)
Investing activities		
Purchases of investments	(447,604)	(511,288)
Proceeds from sales of investments	440,092	472,845
Purchases of investments to cover short sales	(101,246)	(167,724)
Proceeds from short sales of investments	132,223	140,945
Change in due to/from brokers, net	6,731	130,069
Increase (decrease) in securities sold under an agreement to repurchase	13,132	(614)
Change in restricted cash and cash equivalents	(10,833)	(73,681)
Net cash provided by (used in) investing activities	32,495	(9,448)
Financing activities		
Contributions of capital from parent	—	5,000
Change in noncontrolling interest in related party, net	9,885	3,143
Dividends to parent	(17,300)	—
Net cash provided by (used in) financing activities	(7,415)	8,143
Net decrease in cash and cash equivalents	(1,339)	(4,267)
Cash and cash equivalents at beginning of period	4,032	8,299
Cash and cash equivalents at end of period	$ 2,693	$ 4,032
Supplementary information		
Interest paid in cash	$ 2,396	$ 1,960
Income taxes paid in cash	$ 298	$ 71

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

Third Point Reinsurance (USA) Ltd.
Notes to the Consolidated Financial Statements
(Expressed in United States Dollars)

1. Organization

Third Point Reinsurance (USA) Ltd. (the "Company" or "Third Point Re USA") was incorporated as an exempted company under the laws of Bermuda on November 21, 2014 and is registered as a Class 4 insurer under the Insurance Act 1978, as amended, and related regulations (the "Act"). Third Point Re USA is a provider of global specialty property and casualty reinsurance products and commenced its reinsurance operations in February 2015.

Third Point Re USA made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity. Third Point Re USA prices and underwrites U.S. domiciled reinsurance business from an office in the United States. Third Point Re USA is a wholly owned subsidiary of Third Point Re (USA) Holdings, Inc. ("TPRUSA"), an intermediate holding company based in the U.S., which is a wholly owned subsidiary of Third Point Re (UK) Holdings Ltd. ("Third Point Re UK"), an intermediate holding company based in the United Kingdom. Third Point Re UK is a wholly owned subsidiary of Third Point Reinsurance Ltd ("Third Point Re"). Third Point Re operates through its two licensed reinsurance subsidiaries, Third Point Reinsurance Company Ltd. ("Third Point Re BDA") and Third Point Re USA. Third Point Re's common shares are listed on the New York Stock Exchange under the symbol "TPRE".

These consolidated financial statements include the results of the Company and certain jointly held assets of Third Point Re USA and Third Point Advisors LLC ("TPAL") (together, the "Company") and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated.

2. Significant accounting policies

The following is a summary of the significant accounting and reporting policies adopted by the Company:

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and the 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 from those estimates. The major estimates reflected in the Company's consolidated financial statements include, but are not limited to, the loss and loss adjustment expense reserves, estimates of written and earned premiums and fair value of financial instruments.

Cash and restricted cash and cash equivalents

Cash and cash equivalents consist of cash held in banks and other short-term, highly liquid investments with original maturity dates of ninety days or less.

Restricted cash and cash equivalents consist of cash held in trust accounts securing obligations under certain reinsurance contracts and cash held with brokers and in trust accounts securing letters of credit issued under credit facilities.

Premium revenue recognition

To the extent that the amount of written premium is estimable, the Company estimates the ultimate premiums for the entire contract period and records this estimate at the inception of the contract. For contracts where the full written premium is not estimable at inception, the Company records written premium for the portion of the contract period for which the amount is estimable. These estimates are based primarily on information in the underlying contracts as well as information provided by clients and/or brokers.

Changes in premium estimates are expected and may result in adjustments in any reporting period. These estimates change over time as additional information regarding the underlying business volume is obtained. Any subsequent adjustments arising on such estimates are recorded in the period in which they are determined.

Premiums written are earned over the exposure period in proportion to the period of risk covered. Unearned premiums represent the portion of premiums written that relate to the remaining term of the underlying policies in force.

Premiums for retroactive exposures in reinsurance contracts are earned at the inception of the contract, as all of the underlying loss events covered by these exposures occurred in the past. If the estimated loss and loss adjustment expense reserve differs from the premium received at inception of a retroactive reinsurance contract, the resulting difference is deferred and recognized over the estimated claim payment period of the related contract with the periodic amortization reflected in earnings as a component of loss and loss adjustment expenses incurred.

Reinsurance premiums ceded

From time to time the Company reduces the risk of losses on business written by reinsuring certain risks and exposures with other reinsurers. The Company remains liable to the extent that any retrocessionaire fails to meet its obligations and to the extent that the Company does not hold sufficient security for their unpaid obligations. Ceded premiums are written during the period in which the risks incept and are earned over the contract period in proportion to the period of risk covered. Unearned premiums ceded consist of the unexpired portion of reinsurance ceded.

Deferred acquisition costs

Acquisition costs consist of commissions, brokerage and excise taxes that are related directly to the successful acquisition of new or renewal reinsurance contracts. These costs are deferred and amortized over the period in which the related premiums are earned. The Company evaluates the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment income is greater than expected future loss and loss adjustment expenses and acquisition costs. If a loss is probable on the unexpired portion of contracts in force, a premium deficiency loss is recognized. As of December 31, 2017, deferred acquisition costs are considered to be fully recoverable and no premium deficiency has been recorded.

Acquisition costs also include profit commissions that are expensed when incurred. Profit commissions are calculated and accrued based on the expected loss experience for contracts and recorded when the current loss estimate indicates that a profit commission is probable under the contract terms.

Loss and loss adjustment expense reserves

The Company's loss and loss adjustment expense reserves include case reserves, reserves for losses incurred but not yet reported ("IBNR reserves") and deferred gains on retroactive reinsurance contracts. Case reserves are established for losses that have been reported, but not yet paid. IBNR reserves represent the estimated loss and loss adjustment expenses that have been incurred by insureds and reinsureds but not yet reported to the insurer or reinsurer, including unknown future development on loss and loss adjustment expenses that are known to the insurer or reinsurer. IBNR reserves are established by management based on actuarially determined estimates of ultimate loss and loss adjustment expenses.

Inherent in the estimate of ultimate loss and loss adjustment expenses are expected trends in claim severity and frequency and other factors that may vary significantly as claims are settled. Accordingly, ultimate loss and loss adjustment expenses may differ materially from the amounts recorded 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 recorded in the consolidated statements of income in the period in which they become known.

Fair value measurement

The Company determines the fair value of financial instruments in accordance with current accounting guidance, which defines fair value and establishes a three level fair value hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Fair value is defined as the price that the Company would receive to sell an asset or would pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Company determines the estimated fair value of each individual security utilizing the highest level inputs available.

The fair value of the Company's assets and liabilities, which qualify as financial instruments, approximates the carrying amounts presented in the consolidated balance sheets.

Investments

The Company's investments are classified as "trading securities" and are carried at fair value with changes in fair value included in earnings in the consolidated statements of income.

The fair value of the Company's investments are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications, industry recognized pricing vendors, and/or internal pricing valuation techniques. Investment transactions are recorded on a trade date basis with balances pending settlement included in due to/from brokers in the consolidated balance sheets.

Realized gains and losses are determined using cost calculated on a specific identification basis. Dividends are recorded on the ex-dividend date. Income and expenses are recorded on the accrual basis including interest and premiums amortized and discounts accreted.

Derivatives

Investments

Derivative instruments within our investment assets managed by our investment manager, Third Point LLC, are recorded in the consolidated balance sheets at fair value, with changes in fair values and realized gains and losses recognized in net investment income in the consolidated statements of income.

Derivatives serve as a key component of the Company's investment strategy and are utilized primarily to structure the portfolio, or individual investments, and to economically match the investment objectives of the Company. The Company's derivatives do not qualify as hedges for financial reporting purposes and are recorded in the consolidated balance sheets on a gross basis and not offset against any collateral pledged or received. Pursuant to the International Swaps and Derivatives Association ("ISDA") master agreements, securities lending agreements and other derivatives agreements, the Company and its counterparties typically have the ability to net certain payments owed to each other in specified circumstances. In addition, in the event a party to one of the ISDA master agreements, securities lending agreements or other derivatives agreements defaults, or a transaction is otherwise subject to termination, the non-defaulting party generally has the right to set off against payments owed to the defaulting party or collateral held by the non defaulting party.

The Company enters into derivative contracts to manage credit risk, interest rate risk, currency exchange risk and other exposure risks. The Company uses derivatives in connection with its risk-management activities to economically hedge certain risks and to gain exposure to certain investments. The utilization of derivative contracts also allows for an efficient means by which to trade certain asset classes.

Fair values of derivatives are determined by using quoted market prices, industry recognized pricing vendors and counterparty quotes when available; otherwise fair values are based on pricing models that consider the time value of money, volatility and the current market and contractual prices of underlying financial instruments.

Share-based compensation

The Company accounts for its share-based compensation transactions using the fair value of the award at the grant date and accounts for forfeitures when they occur. Determining the fair value of share purchase options at the grant date requires estimation and judgment. The Company uses an option-pricing model (Black-Scholes) to calculate the fair value of share purchase options.

For share purchase options or restricted share awards granted that contain both a service and performance condition, the Company recognizes share compensation expense only for the portion of the options or restricted share awards that are considered probable of vesting. Share compensation for share purchase options or restricted share awards considered probable of vesting is expensed over the service (vesting) period on a graded vesting basis. The probability of share purchase options or restricted share awards vesting is evaluated at each reporting period. When the share purchase options or restricted share awards are considered probable of vesting, the Company records a true up of share compensation expense from the grant date (service inception date) to the current reporting period end based on the fair value of the options or restricted share awards at the grant date.

The Company measures grant date fair value for restricted share awards, with a service condition only, based on the price of its common shares at the grant date and the expense is recognized on a straight-line basis over the vesting period.

Income taxes, withholding taxes and uncertain tax positions

The Company provides for income taxes for its operations in income tax paying jurisdictions. The Company's provision relies on estimates and interpretations of currently enacted tax laws. The Company recognizes deferred tax assets and liabilities based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Such temporary differences are primarily due to tax basis discounts on loss and loss adjustment expense reserves and unearned premiums, deferred acquisition costs and unrealized gains (losses) on investments. A valuation allowance against deferred tax assets is recorded if it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. Any adjustments to deferred income taxes are accounted for as changes in estimates and are reflected in the consolidated statements of income in the year in which they are made. Adjustments could be material and could significantly impact earnings in the year they are recorded.

The Company is subject to withholding tax obligations related to dividends, capital gains and interest on certain investments. These withholding taxes are recorded when they become payable and are included in income tax expense in the Company's consolidated statements of income.

The Company has recognized uncertain tax positions related to certain investment transactions in foreign jurisdictions. The Company records its uncertain tax positions based on an estimate of the potential liability, including potential interests and penalties, arising from its investment transactions conducted in foreign countries. The changes in the Company's uncertain tax position is included in income tax expense (benefit) in the Company's consolidated statements of income.

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in the consolidated statements of income on a straight-line basis over the term of the lease.

Comprehensive income

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

Recent accounting pronouncements

Adoption of new accounting standards

In May 2015, the FASB issued Accounting Standards Update 2015-09, *Disclosures about Short-Duration Contracts* (ASU 2015-09). ASU 2015-09 amends ASC 944 (Financial Services - Insurance) to expand the disclosures that an insurance entity must provide about its short-duration insurance contracts. Under ASU 2015-09, the FASB focused on targeted improvements to provide users with additional information about insurance liabilities, including the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities. The amendments in ASU 2015-09 are effective for annual periods beginning after December 15, 2016. The Company has included the additional new disclosures in Note 8 to these consolidated financial statements as of and for the year ended December 31, 2017.

In March 2016, the FASB issued Accounting Standards Update 2016-07, *Investments - Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting* (ASU 2016-07). ASU 2016-07 simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. ASU 2016-07 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. None of the Company's investments qualify for the simplification in ASU 2016-07. As a result, the adoption of this standard did not have any impact on the Company's consolidated financial statements.

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-09, *Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09). ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company made the election to account for forfeitures when they occur, which resulted in no material impact on the Company's consolidated financial statements.

In October 2016, the FASB issued Accounting Standards Update 2016-17, *Consolidation (Topic 810): Interests held through Related Parties that are under Common Control* (ASU 2016-17). ASU 2016-17 alters how the Company needs to consider indirect interests in a variable interest entity held through an entity under common control. The new guidance amended ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, issued in February 2015. ASU 2016-17 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The adoption of ASU 2016-17 did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In March 2016, the FASB issued Accounting Standards Update 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments* (ASU 2016-06). ASU 2016-06 clarifies that determining whether the economic characteristics of a put or call are clearly and closely related to its debt host requires only an assessment of the four-step decision sequence outlined in FASB ASC paragraph 815-15-25-24. Additionally, entities are not required to separately assess whether the contingency itself is clearly and closely related. The ASU is effective for interim and annual periods in fiscal years beginning after December 15, 2017. As a result of the Company's investments being valued at fair value and the Company not holding the type of instruments addressed by the adoption of ASU 2016-06, the adoption of this standard is not expected to have any impact on the Company's consolidated financial statements.

3. Restricted cash and cash equivalents and restricted investments

Restricted cash and cash equivalents and restricted investments as of December 31, 2017 and 2016 consisted of the following:

	December 31, 2017	December 31, 2016
	($ in thousands)	
Restricted cash securing letter of credit facilities (1)	$ 100,792	95,249
Restricted cash securing other reinsurance contracts (2)	17,541	12,251
Total restricted cash and cash equivalents	118,333	107,500
Restricted investments securing other reinsurance contracts (2)	12,668	12,710
Total restricted cash and cash equivalents and restricted investments	$ 131,001	$ 120,210

(1) Restricted cash securing letter of credit facilities primarily pertains to letters of credit issued to clients and cash securing these obligations that the Company will not be released until the underlying reserves have been settled. The time period for which the Company expects these letters of credit to be in place varies from contract to contract, but can last several years.

(2) Restricted cash and restricted investments securing other reinsurance contracts pertain to trust accounts securing the Company's contractual obligations under certain reinsurance contracts that the Company will not be released from until all underlying risks have expired or have been settled. Restricted investments include certain investments in debt securities including U.S. Treasury securities and sovereign debt. The time period for which the Company expects these trust accounts to be in place varies from contract to contract, but can last several years.

4. Investments

The Company's investments are managed by its investment manager, Third Point LLC ("Third Point LLC" or the "Investment Manager"), under a long-term investment management contract. The Company directly owns the investments that are held in a separate account and managed by Third Point LLC. The following is a summary of the separate account managed by Third Point LLC:

	December 31, 2017	December 31, 2016
Assets	($ in thousands)	
Total investments in securities	$ 369,102	$ 300,462
Cash and cash equivalents	4	3
Restricted cash and cash equivalents	118,333	107,500
Due from brokers	40,190	34,698
Derivative assets, at fair value	9,261	3,627
Interest and dividends receivable	447	814
Total assets	537,337	447,104
Liabilities and noncontrolling interest in related party		
Accounts payable and accrued expenses	794	208
Securities sold, not yet purchased	48,926	12,248
Securities sold under an agreement to repurchase	13,132	—
Due to brokers	150,375	138,152
Derivative liabilities, at fair value	1,798	1,932
Interest and dividends payable	182	60
Noncontrolling interest in related party	16,007	5,316
Total liabilities and noncontrolling interest in related party	231,214	157,916
Total net investments managed by Third Point LLC	$ 306,123	$ 289,188

Fair Value Measurements

The Company's Investment Manager has a formal valuation policy that sets forth the pricing methodology for investments to be used in determining the fair value of each security in the Company's portfolio. The valuation policy is updated and approved at least on an annual basis by Third Point LLC's valuation committee (the "Committee"). The Committee is comprised of officers and employees who are senior business management personnel of Third Point LLC and meets monthly. The Committee's role is to review and verify the propriety and consistency of the valuation methodology to determine the fair value of investments. The Committee also reviews any due diligence performed and approves any changes to current or potential external pricing vendors.

Investments are carried at fair value. The fair values of investments are estimated using prices obtained from third-party pricing services, when available. However, situations may arise where the Company believes that the fair value provided by the third-party pricing service does not represent current market conditions. In those situations, Third Point LLC may use dealer quotes to value the investments. The methodology for valuation is generally determined based on the investment's asset class per the Company's Investment Manager's valuation policy. For investments where fair values from pricing services or brokers are unavailable, fair values are estimated using information obtained by the Company's Investment Manager.

U.S. GAAP disclosure requirements establish a framework for measuring fair value, including a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The three-level hierarchy of inputs is summarized below:

- Level 1 – Quoted prices available in active markets/exchanges for identical investments as of the reporting date.

- Level 2 – Observable inputs to the valuation methodology other than unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 inputs include, but are not limited to, prices quoted for similar assets or liabilities in active markets/exchanges, prices quoted for identical or similar assets or liabilities in markets that are not active and fair values determined through the use of models or other valuation methodologies.
- Level 3 – Pricing inputs unobservable for the investment and include activities where there is little, if any, market activity for the investment. The inputs applied in the determination of fair value require significant management judgment and estimation.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.

Situations may arise when market quotations or valuations provided by external pricing vendors are available but the fair value may not represent current market conditions. In those cases, Third Point LLC may substitute valuations provided by external pricing vendors with multiple broker-dealer quotations.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources other than those of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

Securities listed on a national securities exchange or quoted on NASDAQ are valued at their last sales price as of the last business day of the period. Listed securities with no reported sales on such date and over-the-counter ("OTC") securities are valued at their last closing bid price if held long by the Company, and last closing ask price if held short by the Company. As of December 31, 2017, securities valued at $48.6 million (December 31, 2016 - $43.5 million), representing 12.9% (December 31, 2016 - 14.3%) of investments in securities and derivative assets, and $0.2 million (December 31, 2016 - $0.3 million), representing 0.5% (December 31, 2016 - 1.8%) of securities sold, not yet purchased and derivative liabilities, are valued based on broker quotes.

Private securities, real estate and related debt investments are those not registered for public sale and are carried at an estimated fair value at the end of the period, as determined by Third Point LLC. Valuation techniques used by Third Point LLC may include market approach, last transaction analysis, liquidation analysis and/or using discounted cash flow models where the significant inputs could include but are not limited to additional rounds of equity financing, financial metrics such as revenue multiples or price-earnings ratio, discount rates and other factors. In addition, third party valuation firms may be employed to conduct investment valuations of such private securities. The third party valuation firms provide written reports documenting their recommended valuation as of the determination date for the specified investments.

As of December 31, 2017, the Company had $17.1 million (December 31, 2016 - $8.1 million) of investments fair valued by the Company's Investment Manager representing approximately 4.5% (December 31, 2016 - 2.7%) of total investments in securities and derivative assets of which 92.6% were also separately valued by third party valuation firms using information obtained from the Company's Investment Manager. As a result of the inherent uncertainty of valuation for private securities, the estimated fair value may differ materially from the value that would have been used had a ready market existed for these investments. The actual value at which these securities could be sold or settled with a willing buyer or seller may differ from the Company's estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

The Company's free standing derivatives are recorded at fair value, and are included in the consolidated balance sheets in derivative assets and derivative liabilities. Third Point LLC values exchange-traded derivatives at their last sales price on the exchange where they are primarily traded. OTC derivatives, which include swap, option, swaption, forward, future and contract for differences, are valued by an industry recognized third party valuation vendor when available; otherwise, fair values are obtained from broker quotes that are based on pricing models that consider the time value of money, volatility, and the current market and contractual prices of the underlying financial instruments.

The Company values its investments in limited partnerships at fair value, which is estimated based on the Company's share of the net asset value ("NAV") of the limited partnerships as provided by the investment managers of the underlying investment funds. The resulting net gains or net losses are reflected in the consolidated statements of income. These investments are included in investment in funds valued at NAV and excluded from the presentation of investments categorized by the level of the fair value hierarchy. These investments are non-redeemable and distributions are made by the investment funds as underlying investments are monetized.

As of December 31, 2017 and 2016, the Company's asset-backed securities ("ABS") holdings were as follows:

	2017		2016	
	($ in thousands)			
Subprime RMBS	$ —	—%	$ 15,550	46.3%
Reperforming loans	39,386	82.7%	5,889	17.5%
Market place loans	6,619	13.9%	5,721	17.0%
Other [(1)]	1,620	3.4%	6,456	19.2%
	$ 47,625	100.0%	$ 33,616	100.0%

(1) Other includes: U.S. Alt-A positions, collateralized debt obligations, commercial mortgage-backed securities, non-U.S. RMBS and student loans ABS.

As of December 31, 2017, all of the Company's ABS holdings were private-label issued, non-investment grade securities, and none of these securities were guaranteed by a government sponsored entity. These investments are valued using broker quotes or a recognized third-party pricing vendor. All of these classes of ABS are sensitive to changes in interest rates and any resulting change in the rate at which borrowers sell their properties, refinance, or otherwise pre-pay their loans. As an investor in these classes of ABS, the Company may be exposed to the credit risk of underlying borrowers not being able to make timely payments on loans or the likelihood of borrowers defaulting on their loans. In addition, the Company may be exposed to significant market and liquidity risks.

The key inputs for corporate, government and sovereign bond valuation are coupon frequency, coupon rate and underlying bond spreads. The key inputs for ABS are yield, probability of default, loss severity and prepayment.

Key inputs for OTC valuations vary based on the type of underlying security on which the contract was written:

- The key inputs for most OTC option contracts include notional, strike price, maturity, payout structure, current foreign exchange forward and spot rates, current market price of the underlying security and volatility of the underlying security.
- The key inputs for most forward contracts include notional, maturity, forward rate, spot rate, various interest rate curves and discount factor.
- The key inputs for swap valuation will vary based on the type of underlying on which the contract was written. Generally, the key inputs for most swap contracts include notional, swap period, fixed rate, credit or interest rate curves, current market or spot price of the underlying security and the volatility of the underlying security.

The following tables present the Company’s investments, categorized by the level of the fair value hierarchy as of December 31, 2017 and 2016:

	December 31, 2017			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets	($ in thousands)			
Equity securities	$ 272,685	$ 2,594	$ —	$ 275,279
Private common equity securities	—	—	595	595
Private preferred equity securities	—	—	7,209	7,209
Total equities	272,685	2,594	7,804	283,083
Asset-backed securities	—	44,062	3,563	47,625
Bank debt	—	1,729	—	1,729
Corporate bonds	—	8,351	1,231	9,582
U.S. Treasury securities	—	12,668	—	12,668
Sovereign debt	—	3,149	—	3,149
Other debt securities	—	619	713	1,332
Total debt securities	—	70,578	5,507	76,085
Options	237	358	—	595
Rights and warrants	—	21	56	77
Real estate	—	—	6,831	6,831
Trade claims	—	891	—	891
Total other investments	237	1,270	6,887	8,394
Derivative assets (free standing)	—	9,261	—	9,261
	$ 272,922	$ 83,703	$ 20,198	376,823
Investments in funds valued at NAV				1,540
Total assets				$ 378,363
Liabilities				
Equity securities	$ 45,223	$ —	$ —	$ 45,223
Corporate bonds	—	2,695	—	2,695
Options	321	687	—	1,008
Total securities sold, not yet purchased	45,544	3,382	—	48,926
Derivative liabilities (free standing)	—	1,550	248	1,798
Total liabilities	$ 45,544	$ 4,932	$ 248	$ 50,724

	December 31, 2016			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets	($ in thousands)			
Equity securities	$ 188,644	$ 2,255	$ —	$ 190,899
Private common equity securities	—	—	595	595
Private preferred equity securities	—	—	6,274	6,274
Total equities	188,644	2,255	6,869	197,768
Asset-backed securities	—	31,278	2,338	33,616
Bank debt	—	6,435	1,107	7,542
Corporate bonds	—	27,621	1,154	28,775
U.S. Treasury securities	—	12,710	—	12,710
Sovereign debt	—	13,339	—	13,339
Total debt securities	—	91,383	4,599	95,982
Options	44	91	—	135
Trade claims	—	1,196	—	1,196
Total other investments	44	1,287	—	1,331
Derivative assets (free standing)	127	3,500	—	3,627
	$ 188,815	$ 98,425	$ 11,468	$ 298,708
Investments in funds valued at NAV				5,381
Total assets				$ 304,089
Liabilities				
Equity securities	$ 9,462	$ —	$ —	$ 9,462
Corporate bonds	—	2,318	—	2,318
Options	—	468	—	468
Total securities sold, not yet purchased	9,462	2,786	—	12,248
Derivative liabilities (free standing)	212	1,544	176	1,932
Total liabilities	$ 9,674	$ 4,330	$ 176	$ 14,180

During the years ended December 31, 2017 and 2016, the Company made no significant reclassifications of assets or liabilities between Levels 1 and 2.

The following table presents the reconciliation of all investments measured at fair value using Level 3 inputs for the years ended December 31, 2017 and 2016:

	January 1, 2017	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) [1]	December 31, 2017
			($ in thousands)			
Assets						
Private common equity securities	$ 595	$ —	$ —	$ —	$ —	$ 595
Private preferred equity securities	6,274	—	578	(376)	733	7,209
Asset-backed securities	2,338	3,371	9,231	(9,638)	(1,739)	3,563
Bank debt	1,107	—	—	(1,518)	411	—
Corporate bonds	1,154	—	182	(93)	(12)	1,231
Other debt securities	—	—	637	—	76	713
Rights and warrants	—	—	—	—	56	56
Real estate	—	—	6,770	—	61	6,831
Total assets	$ 11,468	$ 3,371	$ 17,398	$ (11,625)	$ (414)	$ 20,198
Liabilities						
Derivative liabilities (free standing)	$ (176)	$ —	$ —	$ (30)	$ (42)	$ (248)
Total liabilities	$ (176)	$ —	$ —	$ (30)	$ (42)	$ (248)

	January 1, 2016	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) [1]	December 31, 2016
			($ in thousands)			
Assets						
Private common equity securities	$ 540	$ —	$ 8	$ —	$ 47	$ 595
Private preferred equity securities	3,021	—	2,728	(8)	533	6,274
Asset-backed securities	327	2,174	869	(468)	(564)	2,338
Bank debt	995	—	445	(122)	(211)	1,107
Corporate bonds	—	—	1,982	(926)	98	1,154
Total assets	$ 4,883	$ 2,174	$ 6,032	$ (1,524)	$ (97)	$ 11,468
Liabilities						
Derivative liabilities (free standing)	$ (128)	$ —	$ —	$ (48)	$ —	$ (176)
Total liabilities	$ (128)	$ —	$ —	$ (48)	$ —	$ (176)

(1) Total change in realized and unrealized gains (losses) recorded on Level 3 financial instruments is included in net investment income in the consolidated statements of income.

Total change in unrealized gains (losses) on fair value of assets using significant unobservable inputs (Level 3) held at the year ended December 31, 2017 was $(1.1) million (2016 - $0.1 million).

The following table summarizes significant unobservable inputs used in determining the fair value of the Level 3 investments held by the Company. Level 3 investments not presented in the table below are insignificant or do not have any unobservable inputs to disclose, as they are valued primarily using dealer quotes, or at cost.

December 31, 2017

Assets	Fair value ($ in thousands)	Valuation technique	Unobservable input	Range
Private equity investments	$ 4,712	Market approach	Volatility	35.0% - 65.0%
			Time to exit	0.5 - 1.8 years
			Multiple	7.8 - 24.4x
Real estate	6,831	Discounted cash flow	Discount rate	9.5%
			Capitalization rate	6.5% - 10.0%
Other debt securities	713	Discounted cash flow	Capitalization rate	10.0%
Rights and warrants	55	Discounted cash flow	Discount rate	13.5%
			Time to exit	5.0 years
		Market approach	Multiple	3.8 - 4.6x

December 31, 2016

Assets	Fair value ($ in thousands)	Valuation technique	Unobservable input	Range
Private equity investments	$ 6,069	Market approach	Discount	5.0% - 25.0%
			Volatility	40.0% - 60.0%
			Time to exit	0.4 - 2.8 years
			Multiple	2.0 - 3.8x

Private equity investments

The Company measures the fair value of these investments using a market approach which typically utilizes guideline comparable company trading multiples and/or a discounted cash flow analysis. Under the guideline comparable company multiples approach, the Company determines comparable public companies based on industry, size, developmental stage, strategy, etc., and then calculates a trading multiple for each comparable company. The trading multiple may then be discounted for various considerations as appropriate. The concluded multiple is then applied to the subject company to calculate the value of the subject company. The discounted cash flow model involves using the financial information of the portfolio companies to develop revenue and income projections for the subject company for future years based on information on growth rates relative to the company's development stage. The enterprise value of the subject company is calculated by discounting the projected cash flows and the terminal value to net present value. The fair value of the company's debt is reduced from the enterprise value to determine the equity value.

Real estate and other debt securities

The values of the investments are based upon available information concerning the market for real estate property investments and the underlying assets of the other debt investments. The valuation methods include, but are not limited to the following: (1) forecasts of future net cash flows based on the Investment Manager's analysis of future earnings from the investment plus anticipated net proceeds from the sale, disposition or resolution of the investment; (2) discounted earnings multiples applied to stabilized income or adjusted earnings from the investment; (3) recent sales of comparable investments.

Rights and warrants

The values of the investments are based on the valuation techniques discussed in private equity investments above as they relate to the same underlying securities.

For the years ended December 31, 2017 and 2016, there were no changes in the valuation techniques as they relate to the above.

5. Securities purchased under an agreement to sell, securities sold under an agreement to repurchase and securities lending transactions

The Company may enter into repurchase and reverse repurchase agreements with financial institutions in which the financial institution agrees to resell or repurchase securities and the Company agrees to repurchase or resell such securities at a mutually agreed price upon maturity. These agreements are generally collateralized by corporate or government bonds or asset-backed securities. As the Company held only repurchase agreements as of December 31, 2017, these positions are not impacted by counterparty netting agreements. Interest payable and receivable related to these transactions are included in interest payable and receivable in the consolidated balance sheets. Generally, repurchase and reverse repurchase agreements mature within 30 to 90 days. The Company may lend securities for securities lending transactions or pledge securities and/or cash for securities borrowed transactions. The value of any securities loaned is reflected in investments in securities. Any collateral received is reflected in due to brokers in the consolidated balance sheets.

The Company's repurchase and securities lending agreements may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. It is the Company's policy to monitor and control collateral under such agreements.

The following table presents the remaining contractual maturity of the repurchase agreements and securities lending transactions by class of collateral pledged as of December 31, 2017 and 2016:

December 31, 2017	Overnights and continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
			($ in thousands)		
Repurchase agreements					
Asset-backed securities	$ —	$ 10,774	$ 2,358	$ —	$ 13,132

December 31, 2016	Overnights and continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
			($ in thousands)		
Securities lending transactions					
U.S. Treasury and agency securities	$ 18	$ —	$ —	$ —	$ 18

6. Due from/to brokers

The Company holds substantially all of its investments through prime brokers pursuant to agreements between the Company and each prime broker. The brokerage arrangements differ from broker to broker, but generally cash and investments in securities are available as collateral against investments in securities sold, not yet purchased and derivative positions, if required.

As of December 31, 2017 and 2016, the Company's due from/to brokers were comprised of the following:

	December 31, 2017	December 31, 2016
	($ in thousands)	
Due from brokers		
Cash held at brokers	$ 38,982	$ 29,012
Receivable from unsettled trades [1]	1,208	5,686
	$ 40,190	$ 34,698
Due to brokers		
Borrowing from prime brokers	$ 149,060	$ 131,852
Payable from unsettled trades	1,315	6,300
	$ 150,375	$ 138,152

(1) Receivables relating to securities sold by the Company are recorded as receivable from unsettled trades in due from brokers in the Company's consolidated balance sheets. During the year ended December 31, 2015, the Company's investment manager, Third Point LLC, exercised appraisal rights relating to an underlying investment, which was bought by a private equity firm. As of December 31, 2016, $4.7 million was included in receivable from unsettled trades in due from brokers while the Company awaited the court decision regarding the sale price. In the second quarter of 2017, the court decision resulted in the Company receiving the total value of $4.7 million as well as interest of $0.6 million for the trial period.

Due from/to brokers include cash balances maintained with the Company's prime brokers, receivables and payables from unsettled trades and proceeds from securities sold, not yet purchased. In addition, due from/to brokers includes cash collateral received and posted from OTC and repurchase agreement counterparties. As of December 31, 2017, the Company's borrowing from prime brokers includes a total non-U.S. currency balance of $9.7 million (December 31, 2016 - $4.1 million).

The Company uses prime brokerage borrowing arrangements to provide collateral for its letter of credit facilities and to fund trust accounts securing certain reinsurance contracts. As of December 31, 2017, the Company had $131.0 million (December 31, 2016 - $120.2 million) of restricted cash and investments securing letter of credit facilities and certain reinsurance contracts. Margin debt balances were collateralized by cash held by the broker and certain of the Company's securities. Margin interest was paid either at the daily broker call rate or based on London Inter-bank Offered Rate. Amounts are borrowed through committed facilities with terms of up to 90 days, secured by assets of the Company held by the prime broker, and incur interest based on the Company's negotiated rates. This interest expense is reflected in net investment income in the consolidated statements of income.

7. Derivatives

The following tables identify the listing currency, fair value and notional amounts of derivative instruments included in the consolidated balance sheets, categorized by primary underlying risk. Balances are presented on a gross basis.

	As of December 31, 2017		
	Listing currency [1]	**Fair Value**	**Notional Amounts [2]**
Derivative Assets by Primary Underlying Risk		**($ in thousands)**	
Credit			
Credit Default Swaps - Protection Purchased	USD	988	6,226
Total Return Swaps - Long Contracts	EGP	3,277	3,277
Equity Price			
Contracts for Differences - Long Contracts	BRL/CHF/EUR/USD	2,148	19,755
Contracts for Differences - Short Contracts	NOK/SEK	539	3,406
Total Return Swaps - Long Contracts	BRL/USD	2,014	12,070
Interest Rates			
Interest Rate Swaptions	JPY	71	8,528
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	HKD/JPY	224	61,845
Total Derivative Assets		$ 9,261	$ 115,107

	Listing currency [1]	**Fair Value**	**Notional Amounts [2]**
Derivative Liabilities by Primary Underlying Risk		**($ in thousands)**	
Commodity Price			
Credit			
Credit Default Swaps - Protection Purchased	USD	151	2,398
Credit Default Swaps - Protection Sold	USD	248	279
Equity Price			
Contracts for Differences - Long Contracts	BRL/EUR/USD	276	11,694
Contracts for Differences - Short Contracts	DKK/USD	99	1,509
Total Return Swaps - Long Contracts	BRL/USD	8	5,346
Total Return Swaps - Short Contracts	USD	232	6,553
Interest Rates			
Interest Rate Swaptions	JPY	9	8,467
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	BRL/CHF/CNH/EUR/HKD/SAR	775	71,670
Total Derivative Liabilities (free standing)		$ 1,798	$ 107,916

(1) BRL = Brazilian Real, CHF = Swiss Franc, CNH = Chinese Yuan, DKK = Danish Krone, EGP = Egyptian Pound, EUR = Euro, HKD = Hong Kong Dollar, JPY = Japanese Yen, NOK = Norwegian Krone, SAR = Saudi Arabian Riyal, SEK = Swedish Krona, USD = US Dollar..

(2) The absolute notional exposure represents the Company's derivative activity as of December 31, 2017, which is representative of the volume of derivatives held during the period.

Derivative Assets by Primary Underlying Risk	Listing currency (1)	Fair Value	Notional Amounts (2)
	As of December 31, 2016		
		($ in thousands)	
Credit			
Credit Default Swaps - Protection Purchased	EUR/USD	$ 1,442	$ 11,127
Equity Price			
Contracts for Differences - Long Contracts	EUR/GBP	234	4,883
Total Return Swaps - Long Contracts	BRL/USD	82	2,544
Total Return Swaps - Short Contracts	JPY	24	1,167
Interest Rates			
Interest Rate Swaps	GBP/USD	325	25,737
Interest Rate Swaptions	JPY/USD	709	55,146
Sovereign Debt Futures - Short Contracts	USD	127	14,022
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	CAD/CNH/GBP/MXN	82	5,599
Foreign Currency Options - Purchased	CNH/EUR/HKD/JPY/SAR	602	66,636
Total Derivative Assets		$ 3,627	$ 186,861

Derivative Liabilities by Primary Underlying Risk	Listing currency (1)	Fair Value	Notional Amounts (2)
		($ in thousands)	
Credit			
Credit Default Swaps - Protection Purchased	USD	$ 436	$ 5,726
Credit Default Swaps - Protection Sold	USD	259	524
Equity Price			
Contracts for Differences - Short Contracts	EUR/ZAR	148	1,522
Total Return Swaps - Long Contracts	USD	30	3,185
Total Return Swaps - Short Contracts	JPY	170	1,322
Interest Rates			
Interest Rate Swaps	GBP	95	7,778
Interest Rate Swaptions	JPY/USD	140	54,114
Sovereign Debt Futures - Short Contracts	EUR/GBP	212	21,112
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	EUR/JPY/SAR	265	28,075
Foreign Currency Options - Sold	CNH/JPY	177	48,403
Total Derivative Liabilities (free standing)		$ 1,932	$ 171,761

(1) BRL = Brazilian Real, CAD = Canadian Dollar, CNH = Chinese Yuan, EUR = Euro, GBP = British Pound, HKD = Hong Kong Dollar, JPY = Japanese Yen, MXN = Mexican Peso, SAR = Saudi Arabian Riyal, USD = US Dollar, ZAR = South African Rand.

(2) The absolute notional exposure represents the Company's derivative activity as of December 31, 2016, which is representative of the volume of derivatives held during the period.

The following table sets forth, by major risk type, the Company's realized and unrealized gains (losses) relating to derivatives for the years ended December 31, 2017 and 2016. Realized and unrealized gains (losses) related to free standing derivatives are included in net investment income in the consolidated statements of income. Realized and unrealized gains (losses) related to embedded derivatives are included in other expenses in the consolidated statements of income.

	2017		2016	
Free standing Derivatives - Primary Underlying Risk	**Realized Gain (Loss)**	**Unrealized Gain (Loss)***	**Realized Gain (Loss)**	**Unrealized Gain (Loss)***
Commodity Price	($ in thousands)			
Commodity Future Options - Purchased	—	—	84	—
Credit				
Credit Default Swaps - Protection Purchased	(868)	242	696	(1,053)
Credit Default Swaps - Protection Sold	84	(101)	(368)	389
Total Return Swaps - Long Contracts	97	261	—	—
Equity Price				
Contracts for Differences - Long Contracts	7,497	1,638	(557)	311
Contracts for Differences - Short Contracts	320	588	(158)	(458)
Total Return Swaps - Long Contracts	2,275	1,955	(883)	332
Total Return Swaps - Short Contracts	(2,008)	(86)	(587)	(154)
Interest Rates				
Commodity Futures - Short Contracts	—	—	(36)	(6)
Fixed Income Swap - Short Contracts	—	—	(12)	—
Interest Rate Swaps	(410)	(230)	28	230
Interest Rate Swaptions	(44)	(270)	(46)	117
Sovereign Debt Futures - Short Contracts	(1,022)	85	1,369	(85)
Foreign Currency Exchange Rates				
Foreign Currency Forward Contracts	(1,352)	(369)	265	(331)
Foreign Currency Options - Purchased	(851)	120	(305)	(304)
Foreign Currency Options - Sold	287	(11)	80	(12)
	$ 4,005	$ 3,822	$ (430)	$ (1,024)

* Unrealized gain (loss) relates to derivatives still held at reporting date.

The Company's derivative contracts are generally subject to International Swaps and Derivatives Association ("ISDA") Master Agreements or other similar agreements that contain provisions setting forth events of default and/or termination events ("credit-risk-related contingent features"), including but not limited to provisions setting forth maximum permissible declines in the Company's net asset value. Upon the occurrence of a termination event with respect to an ISDA Agreement, the Company's counterparty could elect to terminate the derivative contracts governed by such agreement, resulting in the realization of any net gains or losses with respect to such derivative contracts and the return of collateral held by such party.

The Company obtains/provides collateral from/to various counterparties for OTC derivative and futures contracts in accordance with bilateral collateral agreements. During the year ended December 31, 2017, no termination events were triggered under the ISDA Master Agreements. As of December 31, 2017, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $0.5 million (December 31, 2016 - $0.8 million) for which the Company posted collateral in the form of cash of $12.5 million (December 31, 2016 - $5.7 million) in the normal course of business. Similarly, the Company held collateral (approximately $nil) in cash from certain counterparties as of December 31, 2017. If the credit-risk-related contingent features underlying these instruments had been triggered as of December 31, 2017 and the Company had to settle these instruments immediately, no additional amounts would be required to be posted that would exceed the settlement amounts of open derivative contracts or in the case of cross margining relationships, the assets in the Company's prime brokerage accounts are sufficient to offset the derivative liabilities.

The Company's derivatives do not qualify as hedges for financial reporting purposes and are recorded in the consolidated financial statements on a gross basis and not offset against any collateral pledged or received. Pursuant to ISDA master agreements and other counterparty agreements, the Company and its counterparties typically have the ability to net certain payments owed to each other in specified circumstances. In addition, in the event a party to one of the ISDA master agreements or other derivatives agreements defaults, or a transaction is otherwise subject to termination, the non-defaulting party generally has the right to offset against payments owed to the defaulting party or collateral held by the non-defaulting party.

The Company has pledged cash collateral to counterparties to support the current value of amounts due to the counterparties based on the value of the underlying security. As of December 31, 2017 and 2016, the gross and net amounts of derivative instruments and repurchase and reverse repurchase agreements that are subject to enforceable master netting arrangements or similar agreements were as follows:

		Gross Amounts not Offset in the Consolidated Balance Sheet		
December 31, 2017 Derivative Contracts	**Gross Amount (1)**	**Financial Instruments**	**Cash Collateral Received**	**Net Amount**
Financial assets, derivative assets and collateral received		($ in thousands)		
Counterparty 1	$ 3	$ 3	$ —	$ —
Counterparty 2	166	88	—	78
Counterparty 3	4,803	341	—	4,462
Counterparty 4	308	308	—	—
Counterparty 5	1,813	809	—	1,004
Counterparty 6	699	1	—	698
Counterparty 7	166	—	—	166
Counterparty 8	1,575	382	—	1,193
Counterparty 9	86	86	—	—
	$ 9,619	$ 2,018	$ —	$ 7,601

		Gross Amounts not Offset in the Consolidated Balance Sheet		
December 31, 2017 Derivative Contracts	**Gross Amount (2)**	**Financial Instruments**	**Cash Collateral Pledged**	**Net Amount**
Financial liabilities, derivative liabilities and collateral pledged		($ in thousands)		
Counterparty 1	$ 159	$ 3	$ 156	$ —
Counterparty 2	88	88	—	—
Counterparty 3	341	341	—	—
Counterparty 4	452	308	144	—
Counterparty 5	809	809	—	—
Counterparty 6	1	1	—	—
Counterparty 8	382	382	—	—
Counterparty 9	149	86	63	—
Counterparty 15	$ 104	$ —	$ —	104
	$ 2,485	$ 2,018	$ 363	$ 104
Securities sold under an agreement to repurchase				
Counterparty 4	13,132	13,132	—	—
	$ 13,132	$ 13,132	$ —	$ —

(1) The gross amounts of assets presented in the consolidated balance sheets presented above includes the fair value of derivative contract assets as well as gross OTC option contract assets of $0.4 million included in other investments in the consolidated balance sheets.

(2) The gross amounts of liabilities presented in the consolidated balance sheets presented above includes the fair value of derivative contract liabilities as well as gross OTC option contract liabilities of $0.7 million included in securities sold, not yet purchased in the consolidated balance sheets.

December 31, 2016 Derivative Contracts	Gross Amounts not Offset in the Consolidated Balance Sheet Gross Amount (1)	Financial Instruments	Cash Collateral Received	Net Amount
Financial assets, derivative assets and collateral received	($ in thousands)			
Counterparty 1	$ 49	$ 49	$ —	$ —
Counterparty 2	379	80	—	299
Counterparty 3	1,052	631	—	421
Counterparty 4	217	217	—	—
Counterparty 5	1,115	398	—	717
Counterparty 6	834	152	402	280
Counterparty 7	30	—	—	30
Counterparty 8	36	36	—	—
Counterparty 9	5	5	—	—
	$ 3,717	$ 1,568	$ 402	$ 1,747

December 31, 2016 Derivative Contracts	Gross Amounts not Offset in the Consolidated Balance Sheet Gross Amount (2)	Financial Instruments	Cash Collateral Pledged	Net Amount
Financial liabilities, derivative liabilities and collateral pledged	($ in thousands)			
Counterparty 1	$ 395	$ 49	$ 346	$ —
Counterparty 2	80	80	—	—
Counterparty 3	631	631	—	—
Counterparty 4	506	217	289	—
Counterparty 5	398	398	—	—
Counterparty 6	152	152	—	—
Counterparty 8	129	36	—	93
Counterparty 9	109	5	104	—
	$ 2,400	$ 1,568	$ 739	$ 93
Securities lending transactions				
Counterparty 3	$ 17	$ 17	$ —	$ —
	$ 17	$ 17	$ —	$ —

(1) The gross amounts of assets presented in the consolidated balance sheets presented above includes the fair value of derivative contract assets as well as gross OTC option contract assets of $0.1 million included in other investments in the consolidated balance sheets.

(2) The gross amounts of liabilities presented in the consolidated balance sheets presented above includes the fair value of derivative contract liabilities as well as gross OTC option contract liabilities of $0.5 million included in securities sold, not yet purchased in the consolidated balance sheets.

8. Loss and loss adjustment expense reserves

As of December 31, 2017 and 2016, loss and loss adjustment expense reserves in the consolidated balance sheets was comprised of the following:

	December 31, 2017	December 31, 2016
	($ in thousands)	
Case loss and loss adjustment expense reserves	$ 34,534	$ 25,280
Incurred but not reported loss and loss adjustment expense reserves	77,349	66,429
	$ 111,883	$ 91,709

The following table represents the activity in the loss and loss adjustment expense reserves for the years ended December 31, 2017 and 2016:

	2017	2016
	($ in thousands)	
Gross reserves for loss and loss adjustment expenses, beginning of year	$ 91,709	$ 36,270
Less: loss and loss adjustment expenses recoverable, beginning of year	(68,782)	(27,203)
Net reserves for loss and loss adjustment expenses, beginning of year	22,927	9,067
Increase (decrease) in net loss and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	25,560	31,701
Prior years	2,288	927
Total incurred loss and loss adjustment expenses	27,848	32,628
Net loss and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(9,191)	(11,317)
Prior years	(13,614)	(7,451)
Total net paid losses	(22,805)	(18,768)
Foreign currency translation	1	—
Net reserves for loss and loss adjustment expenses, end of year	27,971	22,927
Plus: loss and loss adjustment expenses recoverable, end of year	83,912	68,782
Gross reserves for loss and loss adjustment expenses, end of year	$ 111,883	$ 91,709

Changes in the Company's loss and loss adjustment expense reserves result from re-estimating loss reserves and from changes in premium earnings estimates. Furthermore, many of the Company's contracts have sliding scale or profit commissions whereby loss reserve development can be offset by changes in acquisition costs that vary inversely with loss experience. In some instances, the Company can have loss reserve development on contracts where there is no sliding scale or profit commission or where the loss ratio falls outside of the loss ratio range to which the sliding scale or profit commission applies.

The $2.3 million increase in prior years' reserves, for the year ended December 31, 2017 includes $1.1 million of net adverse reserve development related to increases in loss reserve estimates and $1.2 million of additional loss reserves resulting from increases in premium earnings estimates on certain contracts. The net increase in loss reserves as well as the impact of any offsetting changes in acquisition costs as a result of sliding scale or profit commissions is explained as follows:

- The $1.1 million of net adverse prior years' reserve development for the year ended December 31, 2017 was accompanied by net decreases of $0.3 million in acquisition costs, resulting in a net increase of $0.8 million in net underwriting loss, primarily due to:
    - $0.8 million of net adverse underwriting loss development relating to non-standard auto contracts, primarily due to the inability of cedents to promptly react to increasing frequency and severity trends, resulting in underpriced business and adverse selection;
    - $0.3 million of net adverse underwriting loss development relating to our Texas homeowners' reinsurance contracts, primarily as a result of our cedents to promptly react to increasing severity trends, resulting in underpriced business and adverse selection; partially offset by
    - $0.3 million of net favorable underwriting loss development relating to several workers' compensation contracts written from 2012 to 2014, driven by better than expected loss experience.
- The $1.2 million increase in loss and loss adjustment expenses incurred related to the increase in premium earnings estimates on certain contracts was accompanied by a $0.5 million increase in acquisition costs, for a total of $1.7 million increase in loss and loss adjustment expenses incurred and acquisition costs. The related

increase in earned premium related to the increase in premium estimates was $1.7 million, resulting in a minimal improvement to the net underwriting results for the year ended December 31, 2017.

- In total, the change in net underwriting loss for prior periods due to loss reserve development and adjustments to premium earnings estimates was an increase in net underwriting loss of $0.8 million for the year ended December 31, 2017.

The net paid losses for the year ended December 31, 2017 included $6.2 million of paid losses related to contracts that were commuted during the year ended December 31, 2017 (2016 - $nil).

Incurred and paid development tables by accident year

The Company manages its business on the basis of one operating segment, property and casualty reinsurance. The Company has disaggregated its loss information presented in the tables below by the different lines of business included in this segment. The Company has presented the below development tables for all accident years shown using exchange rates as at December 31, 2017. All accident years prior to the current year have been restated and presented using the current year exchange rate.

The Company's loss reserve analysis is based primarily on underwriting year data. The preparation of accident year development tables requires an allocation of underwriting year data to the corresponding accident years. For instance, a contract written in one particular underwriting year may have exposure to losses from two or more accident years. These allocations are done using accident year loss payment and reporting patterns, along with premium earnings patterns.These patterns are derived from either company-specific or industry historical loss data, depending on availability and applicability. The Company believes that its allocations are reasonable; however, to the extent that the Company's allocation procedure for loss and loss adjustment expenses incurred differs from actual historical development, the actual loss development may differ materially from the loss development presented.

As described in the roll forward of loss and loss adjustment expense reserves section above, changes in the Company's loss and loss adjustment expense reserves result from both re-estimating loss reserves as well as changes in premium estimates. In addition, many of the Company's contracts have sliding scale or profit commissions whereby loss reserve development can be offset by changes in acquisition costs. See additional disclosure above on the net impact on underwriting income after considering the impact of changes in premium estimates and the impact of acquisition costs for the years ended December 31, 2017 and 2016.

Property and Casualty Reinsurance

The following tables provide a breakdown of the Company's loss and loss adjustment expenses incurred, net and net loss and loss adjustment expenses paid by accident year by line of business for the Company's prospective reinsurance contracts for the years ended December 31, 2017 and 2016. The information related to loss and loss adjustment expenses incurred, net and net loss and loss adjustment expenses paid for the years ended December 31, 2015 through 2016 is presented as supplementary information and is unaudited:

Property

Loss and loss adjustment expenses incurred, net				
Accident year	**2015**	**2016**	**2017**	**IBNR loss and LAE reserves, net**
		($ in thousands)		
	<----------- Unaudited ----------->			
2015	$ 1,663	$ 1,571	$ 1,637	$ 32
2016	—	3,337	3,602	554
2017	—	—	4,206	1,244
Total			$ 9,445	$ 1,830

Cumulative net losses and loss adjustment expenses paid			
Accident year	**2015**	**2016**	**2017**
		($ in thousands)	
	<----------- Unaudited ----------->		
2015	$ 392	$ 1,376	$ 1,486
2016	—	1,562	2,725
2017	—	—	2,406
Total			$ 6,617
Property - net reserves for loss and loss adjustment expenses, end of year			$ 2,828

Workers' Compensation

Loss and loss adjustment expenses incurred, net				
Accident year	**2015**	**2016**	**2017**	**IBNR loss and LAE reserves, net**
		($ in thousands)		
	<----------- Unaudited ----------->			
2015	1,767	1,555	1,556	679
2016	—	7,863	7,641	3,321
2017	—	—	7,609	5,578
Total			$ 16,806	$ 9,578

Cumulative net losses and loss adjustment expenses paid			
Accident year	**2015**	**2016**	**2017**
		($ in thousands)	
	<----------- Unaudited ----------->		
2015	16	416	571
2016	—	531	2,372
2017	—	—	674
Total			$ 3,617
Workers' Compensation - net reserves for loss and loss adjustment expenses, end of year			$ 13,189

Auto

Accident year	Loss and loss adjustment expenses incurred, net 2015	2016	2017	IBNR loss and LAE reserves, net
	($ in thousands)			
	<----------- Unaudited ----------->			
2015	$ 7,991	$ 9,142	$ 9,210	$ 121
2016	—	18,801	20,807	778
2017	—	—	11,349	3,392
Total			$ 41,366	$ 4,291

Accident year	Cumulative net losses and loss adjustment expenses paid 2015	2016	2017
	($ in thousands)		
	<----------- Unaudited ----------->		
2015	$ 2,291	$ 8,276	$ 8,765
2016	—	9,011	18,775
2017	—	—	5,887
Total			$ 33,427
Auto - net reserves for loss and loss adjustment expenses, end of year			$ 7,939

Other Casualty

Accident year	Loss and loss adjustment expenses incurred, net 2015	2016	2017	IBNR loss and LAE reserves, net
	($ in thousands)			
	<----------- Unaudited ----------->			
2015	$ 230	$ 335	$ 310	$ 235
2016	—	1,391	1,465	1,185
2017	—	—	1,957	1,936
Total			$ 3,732	$ 3,356

Accident year	Cumulative net losses and loss adjustment expenses paid 2015	2016	2017
	($ in thousands)		
	<----------- Unaudited ----------->		
2015	$ —	$ —	$ —
2016	—	—	—
2017	—	—	—
Total			$ —
Other Casualty - net reserves for loss and loss adjustment expenses, end of year			$ 3,732

Credit & Financial Lines

Loss and loss adjustment expenses incurred, net				
Accident year	2015	2016	2017	IBNR loss and LAE reserves, net
		($ in thousands)		
	<----------- Unaudited ----------->			
2015	$ 126	$ 100	$ 106	$ 15
2016	—	308	357	51
2017	—	—	262	38
Total			$ 725	$ 104

Cumulative net losses and loss adjustment expenses paid			
Accident year	2015	2016	2017
		($ in thousands)	
	<----------- Unaudited ----------->		
2015	$ 9	$ 91	$ 90
2016	—	214	306
2017	—	—	224
Total			$ 620
Credit & Financial Lines - net reserves for loss and loss adjustment expenses, end of year			$ 105

Other Specialty

Loss and loss adjustment expenses incurred, net				
Accident year	2015	2016	2017	IBNR loss and LAE reserves, net
		($ in thousands)		
	<----------- Unaudited ----------->			
2015	$ —	$ —	$ —	$ —
2016	—	—	—	—
2017	—	—	179	178
Total			$ 179	$ 178

Cumulative net losses and loss adjustment expenses paid			
Accident year	2015	2016	2017
		($ in thousands)	
	<----------- Unaudited ----------->		
2015	$ —	$ —	$ —
2016	—	—	—
2017	—	—	1
Total			$ 1
Other Specialty - net reserves for loss and loss adjustment expenses, end of year			$ 178

Reconciliation of loss development information to loss and loss adjustment expense reserves

The following table provides a reconciliation of the Company's loss and loss expense reserves as of December 31, 2017:

	2017
	($ in thousands)
Property and Casualty Reinsurance	
Property	$ 2,828
Workers' Compensation	13,189
Auto	7,939
Other Casualty	3,732
Credit & Financial Lines	105
Other Specialty	178
Net reserves for loss and loss adjustment expenses, end of year	27,971
Loss and loss adjustment expenses recoverable	83,912
Gross reserves for loss and loss adjustment expenses, end of year	$ 111,883

Cumulative claims frequency

The Company determined that the disclosure of claim frequency analysis was impracticable. As a result, no claims frequency information has been disclosed. The Company's business is primarily comprised of reinsurance contracts written on a quota share or aggregate loss basis and the underlying claim count information is not provided for most contracts. Furthermore, even if claim counts were made available by the Company's cedents, the quota share cession percentage varies for each contract, resulting in the cedent claim counts not being a meaningful measure of the Company's loss exposure.

Claims duration

The following table is presented as supplementary information and presents the Company's historical average annual percentage payout of loss and loss adjustment expenses incurred, net by age, as of December 31, 2017:

	Year 1	Year 2	Year 3
		(Unaudited)	
Prospective reinsurance contracts			
Property	41.5%	46.2%	6.8 %
Workers' Compensation	5.6%	24.9%	10.0 %
Auto	40.0%	56.0%	5.3 %
Other Casualty	—%	—%	— %
Credit & Financial Lines	51.3%	52.0%	(1.0)%
Other Specialty	0.6%	—%	— %

The Company was incorporated on November 21, 2014, commenced underwriting operations in February 2015 and predominantly writes a mix of personal and commercial lines. As a result, the Company has limited historical data and is unable to present a full cycle of claim payments.

9. Management, performance and founders fees

The Company and TPRUSA are party to Joint Venture and Investment Management Agreement (the "Investment Agreement") with Third Point LLC and Third Point Advisors LLC ("TP GP") under which Third Point LLC manages certain jointly held assets.

Pursuant to the Investment Agreements, TP GP receives a performance fee allocation equal to 20% of the net investment income of the applicable company's share of the investment assets managed by Third Point LLC. The performance fee accrued on net investment income is included in liabilities as a performance fee payable to related party during the period, unless funds are redeemed from the Joint Venture accounts, in which case, the proportionate share of performance fee, as described in Note 16, associated with the redemption is earned and allocated to noncontrolling interest in related party. At the end of each year, the remaining portion of the performance fee payable that has not been included in noncontrolling interest in related party through redemptions is earned and then allocated to TP GP's capital account in accordance with the Investment Agreements.

The performance fee is subject to a loss carryforward provision pursuant to which TP GP is required to maintain a loss recovery account, which represents the sum of all prior period net loss amounts, not offset by prior year net profit amounts, and that is allocated to future profit amounts until the loss recovery account has returned to a positive balance. Until such time, no performance fees are payable under the Investment Agreements.

Additionally, Third Point LLC is entitled to receive management fees, which are paid monthly. Pursuant to the Investment Agreements, a total management fee of 1.5%, (2.0% up to December 22, 2016), of net investments managed by Third Point LLC was paid to Third Point LLC and certain founding investors.

For the years ended December 31, 2017 and 2016, management and performance fees to related parties are as follows:

	2017	2016
	($ in thousands)	
Management fees - Third Point LLC	$ 4,654	$ 934
Management fees - Founders [1]	—	4,629
Performance fees - TP GP	11,885	2,143
	$ 16,539	$ 7,706

(1) KEP TP Bermuda Ltd., KIA TP Bermuda Ltd., Pine Brook LVR, L.P., P RE Opportunities Ltd. and Dowling Capital Partners I, L.P., collectively the "Founders", received a share of the management fees in proportion to their initial investments in Third Point Reinsurance Ltd. until December 22, 2016.

As of December 31, 2017, $11.9 million (December 31, 2016 - $2.1 million) related to performance fees earned by TP GP were included in noncontrolling interest in related party. See Note 14 for additional information.

10. Letter of credit facilities

As of December 31, 2017, the Company had entered into the following letter of credit facilities:

	Facility	Utilized	Collateral
		($ in thousands)	
Citibank	100,000	74,979	74,979
Lloyds Bank	50,000	25,813	25,813
	$ 150,000	$ 100,792	$ 100,792

(1) During the year, the BNP Paribas facility of $50.0 million was not renewed.

The Company's letter of credit facilities are bilateral agreements that generally renew on an annual basis. The letters of credit issued under the letter of credit facilities are fully collateralized. See Note 3 for additional information.

11. Net investment income

Net investment income for the years ended December 31, 2017 and 2016 consisted of the following:

Net investment income by type	2017	2016
	($ in thousands)	
Net realized gains (losses) on investments and investment derivatives	$ 30,144	$ (501)
Net unrealized gains on investments and investment derivatives	30,855	15,715
Net gains (losses) on foreign currencies	85	(420)
Dividend and interest income	8,891	10,118
Dividends paid on securities sold, not yet purchased	(726)	(279)
Other expenses	(4,260)	(2,540)
Net investment income before management and performance fees to related parties	64,989	22,093
Management and performance fees to related parties	(16,539)	(7,706)
Net investment income	$ 48,450	$ 14,387

12. Income taxes

The Company provides for income tax expense or benefit based upon pre-tax income or loss reported in the consolidated statements of income and the provisions of currently enacted tax laws.

The Company is incorporated under the laws of Bermuda and is subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company is not subject to any income or capital gains taxes in Bermuda. In the event that such taxes are imposed, the Company would be exempted from any such taxes until March 2035 under the Tax Assurance Certificates issued to such entities pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, as amended. The Company made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (3) creating the base erosion anti-abuse tax (BEAT), a new minimum tax; (4) creating a new limitation on deductible interest expense; and (5) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

As a result of the change in the U.S. federal corporate tax rate from 35% to 21%, effective January 1, 2018, the Company has recorded a decrease related to deferred tax assets and deferred tax liabilities of $2.6 million and $6.8 million, respectively, with a corresponding net adjustment decreasing deferred income tax expense by $4.2 million for the year ended December 31, 2017. Although the Company believes that it has accounted for the most significant tax effects of the Tax Act, there may be further changes that could impact the Company’s calculations of certain deferred tax amounts. For example, the Company has not fully incorporated the revisions to the discounting rules for loss reserves into its calculation of this deferred tax asset. The Company does not anticipate material changes to its effective tax rate as a result of the other changes included in the Tax Act.

The Company is subject to withholding taxes on income sourced in the United States and in other countries, subject to each countries’ specific tax regulations. Income subject to withholding taxes includes, but is not limited to, dividends, capital gains and interest on certain investments.

For the years ended December 31, 2017 and 2016, the Company recorded income tax expense, as follows:

	2017	2016
	($ in thousands)	
Income tax expense	$ 8,958	$ 1,671
Withholding taxes on certain investment transactions	10	44
Income tax expense	$ 8,968	$ 1,715

The following table presents the Company's current and deferred incomes taxes for the year ended December 31, 2017 and 2016:

	2017	2016
	($ in thousands)	
Current tax expense	$ 312	$ 44
Deferred tax expense	8,656	1,671
Income tax expense	$ 8,968	$ 1,715

The following table presents the tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities as of December 31, 2017 and 2016:

	2017	2016
		($ in thousands)
Deferred tax assets:		
Discounting of loss and loss adjustment expense reserves	$ 330	$ 451
Unearned premiums	1,634	2,486
Temporary differences in recognition of expenses	138	1,134
Net operating and capital loss carryforward	1,545	7,818
Total deferred tax assets	3,647	11,889
Deferred tax liabilities:		
Deferred acquisition costs	7,798	4,079
Unrealized gains on investments	2,435	5,438
Total deferred tax liabilities	10,233	9,517
Net deferred tax assets (liabilities)	$ (6,586)	$ 2,372

The deferred tax assets and liabilities as of December 31, 2017 and 2016 were related to U.S. income tax. To evaluate the recoverability of the deferred tax assets, the Company considers the timing of the reversal of deferred income and expense items as well as the likelihood that the Company will generate sufficient taxable income to realize future tax benefits. The Company believes that it is more likely than not that it will generate sufficient taxable income and realize the future tax benefits in order to recover the deferred assets and, accordingly, no valuation allowance was recorded as of December 31, 2017 and 2016. As of December 31, 2017, deferred tax assets include $2.1 million net operating loss that can be carried forward for twenty years and part of which will begin to expire in 2035.

13. Share-based compensation

On July 15, 2013, the Third Point Reinsurance Ltd. 2013 Omnibus Incentive Plan ("Omnibus Plan") was approved by the Board of Directors and subsequently on August 2, 2013 by the Shareholders of the Company. An aggregate of 21,627,906 common shares were made available under the Omnibus Plan. This number of shares includes the shares available under the Third Point Reinsurance Ltd. Share Incentive Plan ("Share Incentive Plan"). Awards under the

Omnibus Plan may be made in the form of performance awards, restricted shares, restricted share units, share options, share appreciation rights and other share-based awards.

As of December 31, 2017, 9,330,000 (December 31, 2016 - 9,418,538) of Third Point Re's common shares were available for future issuance under the equity incentive compensation plans.

The following table provides the total share-based compensation expense included in general and administrative expenses during the years ended December 31, 2017 and 2016:

	2017	2016
	($ in thousands)	
Management and director options	$ —	$ 746
Restricted shares with service condition (1)	(667)	333
Restricted shares with service and performance condition	308	(241)
	$ (359)	$ 838

(1) Net of forfeitures of $0.9 million in the year ended December 31, 2017 (December 31, 2016 - $nil)

As of December 31, 2017, the Company had $1.1 million (December 31, 2016 - $0.6 million) of unamortized share compensation expense, which is expected to be amortized over a weighted average period of 1.6 years (December 31, 2016 - 1.2 years).

Management and director options

The management options issued under the Share Incentive Plan were subject to a service and performance condition. The service condition will be met with respect to 20% of the management options on each of the first five anniversary dates following the grant date of the management options. The performance condition with respect to the management options was met as a result of the IPO. Prior to the IPO, 8,572,594 of the management options were considered exercisable subject to the service condition. After the IPO, the remaining 2,357,633 management options had met the performance condition.

The aggregate intrinsic value of options outstanding and options exercisable as of December 31, 2017 was $nil and $nil, respectively (2016 - $0.2 million and $0.2 million, respectively). For the year ended December 31, 2017, the Company received proceeds of $1.5 million (2016 - $2.0 million) from the exercise of options.

Restricted shares with service condition

Restricted shares vest either ratably or at the end of the required service period and contain certain restrictions during the vesting period, relating to, among other things, forfeiture in the event of termination of employment or service and transferability.

For the year ended December 31, 2017 and 2016, Third Point Re did not issue restricted shares with service condition only to employees of the Company.

Restricted shares with service and performance condition

Beginning in December 2014, Third Point Re granted on an annual basis performance-based restricted shares to certain employees pursuant to the Omnibus Plan. Performance-based restricted shares vest based on continued service and the achievement of certain financial performance measures over a three-year measurement period. The number of performance-based restricted shares that will be retained upon vesting will vary based on the level of achievement of the performance goals. The formula for determining the amount of shares that will vest is based on underwriting performance of the property and casualty reinsurance segment including underwriting income and the amount of float generated, as defined in the relevant award agreements.

Defined contribution retirement plans

The Company's employees are eligible for retirement benefits through defined contribution retirement plans. The Company and employees contribute an amount equal to a specified percentage of each employee's salary. Expenses related to the defined contribution plans were $0.2 million for each of the years ended December 31, 2017 and 2016.

14. Noncontrolling interest in related party

Noncontrolling interest in related party represents the portion of equity in consolidated subsidiary not attributable, directly or indirectly, to the Company. The ownership interest in consolidated subsidiary held by the party other than the Company has been presented in the consolidated balance sheets, as a separate component of shareholder's equity.

As of December 31, 2017 and 2016, the joint venture created through the Investment Agreement (Note 9) has been considered a variable interest entity and has been consolidated in accordance with ASC 810 *Consolidation* (ASC 810). Since the Company was deemed to be the primary beneficiary, the Company has consolidated the joint venture and has recorded TP GP's minority interest as noncontrolling interest in related party in the consolidated statements of shareholder's equity.

The following table is a reconciliation of beginning and ending carrying amount of total noncontrolling interest in related party resulting from the consolidation of the Company's joint venture:

	2017	2016
	($ in thousands)	
Balance, beginning of period	$ 5,316	$ 2,005
Net income attributable to total noncontrolling interest in related party	806	168
Contributions [(1)]	11,885	3,143
Redemptions	(2,000)	—
Balance, end of period	$ 16,007	$ 5,316

(1) Contributions include performance fees earned during the period. See Note 9 for additional information.

Non-consolidated variable interest entities

The Company invests in limited partnerships and other investment vehicles as part of its overall investment strategy. Some of these entities are affiliated with our investment manager, Third Point LLC. The activities of these variable interest entities are generally limited to holding investments and the Company's involvement in these entities is passive in nature. The Company does not have the power to direct the activities which most significantly impact the variable interest entities economic performance and therefore, the Company is not the primary beneficiary of these variable interest entities.

As of December 31, 2017 and 2016, the following entities were not consolidated as per ASC 810: *Consolidation:*

TP Lux Holdco LP

The Company is a limited partner in TP Lux Holdco LP (the "Cayman HoldCo"), which is an affiliate of the Investment Manager. The Cayman HoldCo was formed as a limited partnership under the laws of the Cayman Islands and invests and holds debt and equity interests in TP Lux HoldCo S.a.r.l, a Luxembourg private limited liability company (the "LuxCo") established under the laws of the Grand-Duchy of Luxembourg, which is also an affiliate of the Investment Manager.

LuxCo's principal objective is to act as a collective investment vehicle to purchase Euro debt and equity investments. The Company invests in the Cayman HoldCo alongside other investment funds managed by the Investment Manager. As of December 31, 2017, the Company held a 2.3% (December 31, 2016 - 1.9%) interest in the Cayman Holdco. The Company accounts for its investment in the limited partnership under the variable interest model, in which the Company is not the primary beneficiary, at NAV, as a practical expedient for fair value, in the consolidated balance sheets. The Company records changes in the fair value of this investment in the consolidated statements of income.

As of December 31, 2017, the estimated fair value of the investment in the limited partnership was $0.1 million (December 31, 2016 - $5.1 million). The Company received net distributions of $5.4 million from the Cayman Holdco during the year ended December 31, 2017 due to the disposition of underlying investments (December 31, 2016 - $4.9 million net contributions). The valuation policy with respect to this investment in a limited partnership is further described in Note 4. The Company's maximum exposure to loss as a result of its involvement with this investment is limited to the carrying value of the investment.

TP DR Holdings LLC

The Company holds an equity and debt investment in TP DR Holdings LLC ("TP DR"), which is an affiliate of the Investment Manager. In December 2016, TP DR was formed as a limited liability company under the laws of the Cayman Islands to invest and own 100% equity interest in DCA Holdings Six Ltd. and its wholly owned subsidiary group. TP DR's principal objective is to own, develop and manage properties in the Dominican Republic.

The Company invests in TP DR alongside other investment funds managed by the Investment Manager and third-party investors. As of December 31, 2017, Third Point Re USA held a 0.9% equity (December 31, 2016 - 0.9%) and 1.7% debt interest (December 31, 2016 - 1.8%) in TP DR. The Company accounts for its equity investment in TP DR under the variable interest model, in which the Company is not the primary beneficiary, at NAV, as a practical expedient for fair value, in the consolidated balance sheets. The Company records changes in the fair value of this investment in the consolidated statements of income.

As of December 31, 2017, the estimated fair value of the investment was $1.6 million (December 31, 2016 - $1.3 million), corresponding to $0.5 million of equity (December 31, 2016 - $0.1 million) and $1.1 million of debt interest (December 31, 2016 - $1.2 million). During the year ended December 31, 2017, the Company contributed securities worth $nil (December 31, 2016 - $0.9 million) and cash of $0.3 million (December 31, 2016 - $0.3 million) to TP DR . The Company has no further commitments or guarantees with respect to TP DR. The valuation policy with respect to this investment in investment funds is further described in Note 4. The Company's maximum exposure to loss as a result of its involvement with this investment is limited to the carrying value of the investment.

Ventures Entities

The Company holds equity interests in Venture One Holdings LLC, Venture Three Holdings LLC, Venture Four Holdings LLC and Venture Five Holdings LLC (collectively, the "Ventures entities"), which are affiliates of the Investment Manager. The Company invests in the Ventures entities alongside other investment funds managed by the Investment Manager. The primary purpose of these entities is to make investments in direct commercial real estate and real estate debt.

The Company accounts for its equity interests in the Ventures entities under the variable interest model, in which the Company is not the primary beneficiary. As of December 31, 2017, the Ventures entities held $7.5 million of the Company's real estate and other debt investments, which are included in investments in securities in the consolidated balance sheets. The Company records changes in the fair value of this investment in the consolidated statements of income. The valuation policy with respect to this investment is further described in Note 4. The Company's maximum exposure to loss as a result of its involvement with this investment is limited to the carrying value of the investment.

15. Related party transactions

In addition to the transactions disclosed in Notes 4, 9 and 14 to these consolidated financial statements, the following transactions are classified as related party transactions, as the counterparty has either a direct or indirect shareholding in the Company or the Company has an investment in such counterparty.

Third Point Loan L.L.C.

Third Point Loan L.L.C. ("Loan LLC") and Third Point Ventures LLC ("Ventures LLC" and, together with Loan LLC, "Nominees") serve as nominees of the Company and other affiliated investment management clients of the Investment

Manager for certain investments. The Nominees have appointed the Investment Manager as its true and lawful agent and attorney. As of December 31, 2017, Loan LLC held $12.0 million (December 31, 2016 - $16.1 million) and Ventures LLC held $0.8 million (December 31, 2016 - $3.0 million) of the Company's investments, which are included in investments in securities and derivative contracts in the consolidated balance sheets. The Company's pro rata interest in the underlying investments registered in the name of the Nominees and the related income and expense are reflected in the consolidated balance sheets and the consolidated statements of income. The valuation policy, with respect to investments held by Nominees, is further describe in Note 4.

Third Point Re BDA

In February 2015, the Company entered into a quota share reinsurance contract with Third Point Re BDA, a company related by common control. Under the quota share reinsurance contract, the Company cedes 75% of its assumed business to Third Point Re BDA. The consolidated balance sheets and statements of loss include the following amounts related to the reinsurance contract with Third Point Re BDA for the years ended December 31, 2017 and 2016:

	2017	2016
	($ thousands)	
Balance sheets		
Unearned premium ceded	$ 116,723	$ 106,535
Deferred acquisition costs, net	42,951	42,422
Loss and loss adjustment expenses ceded	83,912	68,782
Reinsurance balances payable	73,645	76,642
Statements of income		
Gross premiums ceded	130,267	143,884
Earned premiums ceded	120,078	137,147
Loss and loss adjustment expenses	83,545	97,885
Acquisition costs, net	$ 44,314	$ 48,139

As of December 31, 2017, Third Point Re BDA issued $49.7 million (December 31, 2016 - $20.6 million) of letters of credit to the benefit of clients of the Company. The cash collateral securing these letters of credit is included in restricted cash in Third Point Re BDA's balance sheet.

Services Agreements

Third Point Re BDA

The Company and Third Point Re have entered into a services agreement with Third Point Re BDA, pursuant to which Third Point Re BDA and Third Point Re provide certain finance, actuarial, legal and administrative support services to Third Point Re USA and Third Point Re USA provides certain IT and actuarial services to Third Point Re BDA and Third Point Re. For the year ended December 31, 2017, the Company recognized $4.6 million (2016 - $1.9 million) of service fee expense, which is included in the Company's general and administrative expenses.

Net Worth Maintenance Agreement

Third Point Re USA also has entered into a Net Worth Maintenance Agreement with Third Point Re, pursuant to which Third Point Re has agreed to commit funds sufficient to maintain a minimum level of capital at Third Point Re USA of $250 million (the "Net Worth Maintenance Agreement").

16. Financial instruments with off-balance sheet risk or concentrations of credit risk

Off-balance sheet risk

In the normal course of business, the Company trades various financial instruments and engages in various investment activities with off-balance sheet risk. These financial instruments include securities sold, not yet purchased, forwards, futures, options, swaptions, swaps and contracts for differences. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at specified future dates. Each of these financial instruments contains varying degrees of off-balance sheet risk whereby changes in the fair values of the securities underlying the financial instruments or fluctuations in interest rates and index values may exceed the amounts recognized in the consolidated balance sheets.

Securities sold, not yet purchased are recorded as liabilities in the consolidated balance sheets and have market risk to the extent that the Company, in satisfying its obligations, may be required to purchase securities at a higher value than that recorded in the consolidated balance sheets. The Company's investments in securities and commodities and amounts due from brokers are partially restricted until the Company satisfies the obligation to deliver securities sold, not yet purchased.

Forward and futures contracts are a commitment to purchase or sell financial instruments, currencies or commodities at a future date at a negotiated rate. Forward and futures contracts expose the Company to market risks to the extent that adverse changes occur to the underlying financial instruments such as currency rates or equity index fluctuations.

Option contracts give the purchaser the right, but not the obligation, to purchase from or sell to the option writer financial instruments, commodities or currencies within a defined time period for a specified price. The premium received by the Company upon writing an option contract is recorded as a liability, marked to market on a daily basis and is included in securities sold, not yet purchased in the consolidated balance sheets. In writing an option, the Company bears the market risk of an unfavorable change in the financial instrument underlying the written option. Exercise of an option written by the Company could result in the Company selling or buying a financial instrument at a price different from the current fair value.

In the normal course of trading activities in its investment portfolio, the Company trades and holds certain derivative contracts, such as written options, which constitute guarantees. The maximum payout for written put options is limited to the number of contracts written and the related strike prices and the maximum payout for written call options is dependent upon the market price of the underlying security at the date of a payout event. As of December 31, 2017, the investment portfolio had a maximum payout amount of approximately $48.0 million (December 31, 2016 - $11.6 million) relating to written put option contracts with expiration ranging from one month to seven months from the balance sheet date. The maximum payout amount could be offset by the subsequent sale, if any, of assets obtained via the settlement of a payout event. The fair value of these written put options as of December 31, 2017 was $0.4 million (December 31, 2016 - $0.2 million) and is included in securities sold, not yet purchased in the consolidated balance sheets.

Swaption contracts give the Company the right, but not the obligation, to enter into a specified interest-rate swap within a specified period of time. The Company's market and counterparty credit risk is limited to the premium paid to enter into the swaption contract and net unrealized gains.

Total return swaps, contracts for differences, index swaps, and interest rate swaps that involve the exchange of cash flows between the Company and counterparties are based on the change in the fair value of a particular equity, index, or interest rate on a specified notional holding. The use of these contracts exposes the Company to market risks equivalent to actually holding securities of the notional value but typically involve little capital commitment relative to the exposure achieved. The gains or losses of the Company may therefore be magnified on the capital commitment.

Credit derivatives

Credit default swaps protect the buyer against the loss of principal on one or more underlying bonds, loans, or mortgages in the event the issuer suffers a credit event. Typical credit events include failure to pay or restructuring of obligations, bankruptcy, dissolution or insolvency of the underlying issuer. The buyer of the protection pays an initial and/or a periodic premium to the seller and receives protection for the period of the contract. If there is not a credit event, as defined in the contract, the buyer receives no payments from the seller. If there is a credit event, the buyer receives a payment from the seller of protection as calculated by the contract between the two parties.

The Company may also enter into index and/or basket credit default swaps where the credit derivative may reference a basket of single-name credit default swaps or a broad-based index. Generally, in the event of a default on one of the underlying names, the buyer will receive a pro-rata portion of the total notional amount of the credit default index or basket contract from the seller. When the Company purchases single-name, index and basket credit default swaps, the Company is exposed to counterparty nonperformance.

Upon selling credit default swap protection, the Company may expose itself to the risk of loss from related credit events specified in the contract. Credit spreads of the underlying positions together with the period of expiration is indicative of the likelihood of a credit event under the credit default swap contract and the Company's risk of loss. Higher credit spreads and shorter expiration dates are indicative of a higher likelihood of a credit event resulting in the Company's payment to the buyer of protection. Lower credit spreads and longer expiration dates would indicate the opposite and lowers the likelihood the Company needs to pay the buyer of protection. As of December 31, 2017, there was no cash collateral received specifically related to written credit default swaps as collateral is based on the net exposure associated with all derivative instruments subject to applicable netting agreements with counterparties and may not be specific to any individual derivative contract.

The following table sets forth certain information related to the Company's written credit derivatives as of December 31, 2017 and 2016:

December 31, 2017	Maximum Payout/ Notional Amount (by period of expiration)			Fair Value of Written Credit Derivatives (2)		
Credit Spreads on underlying (basis points)	0-5 years	5 years or Greater Expiring Through 2046	Total Written Credit Default Swaps (1)	Asset	Liability	Net Asset/ (Liability)
			($ in thousands)			
Single name (0 - 250)	$ —	$ 279	$ 279	$ —	$ 248	$ (248)
	$ —	$ 279	$ 279	$ —	$ 248	$ (248)

December 31, 2016	Maximum Payout/ Notional Amount (by period of expiration)			Fair Value of Written Credit Derivatives (2)		
Credit Spreads on underlying (basis points)	0-5 years	5 years or Greater Expiring Through 2046	Total Written Credit Default Swaps (1)	Asset	Liability	Net Asset/ (Liability)
			($ in thousands)			
Single name (0 - 250)	$ —	$ 524	$ 524	$ —	$ 259	$ (259)
	$ —	$ 524	$ 524	$ —	$ 259	$ (259)

(1) As of December 31, 2017 and 2016, the Company did not hold any offsetting buy protection credit derivatives with the same underlying reference obligation.

(2) Fair value amounts of derivative contracts are shown on a gross basis prior to cash collateral or counterparty netting.

Concentrations of credit risk

Investments

In addition to off-balance sheet risks related to specific financial instruments, the Company may be subject to concentrations of credit risk with certain counterparties. Substantially all securities transactions and individual counterparty concentrations are with major securities firms, such as prime brokers or their affiliates. However, the Company reduces its credit risk with counterparties by entering into master netting agreements. Therefore, assets represent the Company's greater unrealized gains less unrealized losses for derivative contracts in which the Company has master netting agreements. Similarly, liabilities represent the Company's greater unrealized losses less unrealized gains for derivative contracts in which the Joint Venture has master netting agreements. Furthermore, the Company obtains collateral from counterparties to reduce its exposure to counterparty credit risk.

The Company's maximum exposure to credit risk associated with counterparty nonperformance on derivative contracts is limited to the net unrealized gains by counterparties inherent in such contracts which are recognized in the consolidated balance sheets. As of December 31, 2017, the Company's maximum counterparty credit risk exposure was $9.6 million (December 31, 2016 - $3.7 million).

Underwriting

The Company is exposed to credit risk in several reinsurance contracts with companies that write credit risk insurance, which primarily consists of mortgage insurance credit risk. Loss experience in these lines of business is cyclical and is affected by the state of the general economic environment. The Company provides its clients in these lines of business with reinsurance protection against credit deterioration, defaults or other types of financial non-performance. The Company mitigates the risks associated with these credit-sensitive lines of business through the use of risk management techniques such as risk diversification and monitoring of risk aggregations.

The Company has exposure to credit risk as it relates to its business written through brokers, if any of the Company's brokers are unable to fulfill their contractual obligations with respect to payments to the Company. In addition, in some jurisdictions, if the broker fails to make payments to the insured under the Company's policy, the Company may remain liable to the insured for the deficiency. The Company's exposure to such credit risk is somewhat mitigated in certain jurisdictions by contractual terms.

The Company has exposure to credit risk related to balances receivable under our reinsurance contracts, including funds withheld and premiums receivable, and the possibility that counterparties may default on their obligations to the Company. The risk of counterparty default is partially mitigated by the fact that any amount owed from a reinsurance counterparty would be netted against any losses or acquisition costs the Company would pay in the future. The Company monitors the collectability of these balances on a regular basis.

17. Commitments and Contingencies

Operating lease

The Company leases office space in New Jersey, U.S.A. The lease has been accounted for as an operating lease. Total rent expense for the year ended December 31, 2017 was $0.2 million (2016 - $0.2 million).

Future minimum rental commitments as of December 31, 2017 under this lease are expected to be as follows:

	($ in thousands)
2018	241
2019	245
2020	249
2021	42
Thereafter	—
	$ 777

Agreements

Third Point LLC

On June 22, 2016, the Company and Third Point Re USA entered into an amended and restated Joint Venture and Investment Management Agreement with Third Point LLC and TP GP for an additional five year term, effective on December 22, 2016. These agreements have similar terms to the expired agreements, however, the management fee was reduced from 2% to 1.5%

Investments

In the normal course of business, the Company, as part of its investment strategy, enters into contracts that contain a variety of indemnifications and warranties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote. Thus, no amounts have been accrued related to such indemnifications. The Company also indemnifies TP GP, Third Point LLC and its employees from and against any loss or expense, including, without limitation any judgment, settlement, legal fees and other costs. Any expenses related to this indemnification are reflected in net investment income in the consolidated statements of income.

Litigation

From time to time in the normal course of business, the Company may be involved in formal and informal dispute resolution procedures, which may include arbitration or litigation, the outcomes of which determine the rights and obligations under the Company's reinsurance contracts and other contractual agreements. In some disputes, the Company may seek to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company may resist attempts by others to collect funds or enforce alleged rights. While the final outcome of legal disputes that may arise cannot be predicted with certainty, the Company is not currently involved in any material formal or informal dispute resolution procedures.

18. Statutory requirements

Under the Bermuda Insurance Act 1978, as amended, and related regulations, Third Point Re USA is subject to capital requirements calculated using the Bermuda Solvency and Capital Requirement ("BSCR") model, which is a standardized statutory risk-based capital model used to measure the risk associated with Third Point Re USA's assets, liabilities and premiums. Third Point Re USA's required statutory capital and surplus under the BSCR model is referred to as the enhanced capital requirement ("ECR"). Third Point Re USA is required to calculate and submit the ECR to the Bermuda Monetary Authority ("BMA"), annually. Following receipt of the submission of Third Point Re USA's ECR the BMA has the authority to impose additional capital requirements (capital add-ons) if it deems necessary. If a company fails to maintain or meet its ECR, the BMA may take various degrees of regulatory action. In 2016, the BMA implemented the economic balance sheet ("EBS") framework, which is now used as the basis to determine the Company's ECR. Under the new framework, assets and liabilities are mainly assessed and included on the EBS at fair value, with the insurer's U.S. GAAP balance sheet serving as a starting point. The model also requires insurers to estimate insurance technical provisions, which consist of the insurer's insurance related balances valued based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate, with the addition of a risk margin to reflect the uncertainty in the underlying cash flows. As of December 31, 2017 and 2016, Third Point Re USA met the ECR.

As of December 31, 2017 and 2016, the principal difference between statutory capital and surplus and shareholder's equity presented in accordance with GAAP is that prepaid expenses is a non-admitted assets for statutory purposes.

Third Point Re USA is also required under its Class 4 license to maintain minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of their relevant liabilities for general business. As of December 31, 2017 and 2016, Third Point Re USA met their minimum liquidity ratio requirement.

The following is a summary of actual and required statutory capital and surplus, based on the EBS framework, of the Company as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
	($ in thousands)	
Actual statutory capital and surplus	$ 268,568	$ 282,552
Required statutory capital and surplus	$ 93,726	$ 89,514

The Company had statutory net income of $25.7 million and $2.7 million for the years ended December 31, 2017 and 2016, respectively.

Dividend restrictions

Third Point Re USA may declare dividends subject to it continuing to meet its solvency and capital requirements, which includes continuing to hold statutory capital and surplus equal to or exceeding its ECR. Third Point Re USA is prohibited from declaring or paying in any fiscal year dividends of more than 25% of its prior year's statutory capital and surplus, unless Third Point Re USA files with the BMA a signed affidavit by at least two members of the Board of Directors attesting that a dividend would not cause Third Point Re USA to fail to meet its capital requirements.

Third Point Re USA is also restricted by the amount of shareholder's equity that is available for the payment of dividends and must maintain a minimum shareholder's equity of $250.0 million as per the Net Worth Maintenance Agreement. As of December 31, 2017, Third Point Re USA could pay dividends in 2018 of approximately $27.6 million (December 31, 2016 - $19.6 million).

In March 2017, July 2017 and October 2017 Third Point Re USA declared and paid dividends of $8.3 million, $5.0 million and $4.0 million, respectively, to TPRUSA.

19. Subsequent events

The Company has evaluated subsequent events through April 3, 2018 , the date of issuance of the audited consolidated financial statements.