THIRD POINT REINSURANCE COMPANY LTD.

Audited Consolidated Financial Statements

Years ended December 31, 2017 and 2016

THIRD POINT REINSURANCE COMPANY LTD.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Building a better
working world

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Report of Independent Auditors

The Board of Directors
Third Point Reinsurance Company Ltd.

We have audited the accompanying consolidated financial statements of Third Point Reinsurance Company 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.

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Third Point Reinsurance Company 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 30 through 37, and the average annual percentage payout of loss and loss adjustment expenses incurred, net which is on page 39 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
March 28, 2018

THIRD POINT REINSURANCE COMPANY 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 - $1,635,601; 2016 - $1,202,927)	$ 1,999,967	$ 1,309,086
Debt securities, trading, at fair value (cost - $632,490; 2016 - $944,672)	599,073	961,975
Other investments, at fair value	27,797	75,989
Total investments in securities	2,626,837	2,347,050
Cash and cash equivalents	4,626	3,848
Restricted cash and cash equivalents	422,803	191,440
Due from brokers	264,903	249,893
Derivative assets, at fair value	64,111	23,805
Interest and dividends receivable	3,327	5,691
Reinsurance balances receivable	439,479	365,466
Deferred acquisition costs, net	247,200	209,963
Due from affiliates	1,558	—
Other assets	8,423	7,915
Total assets	$ 4,083,267	$ 3,405,071
Liabilities		
Accounts payable and accrued expenses	$ 26,872	$ 5,487
Reinsurance balances payable	41,004	42,155
Deposit liabilities	129,133	104,905
Unearned premium reserves	610,378	520,870
Loss and loss adjustment expense reserves	692,599	582,202
Securities sold, not yet purchased, at fair value	345,352	80,420
Securities sold under an agreement to repurchase	16,486	—
Due to brokers	619,830	761,449
Derivative liabilities, at fair value	12,705	14,118
Interest and dividends payable	1,036	326
Due to affiliates	—	62
Total liabilities	2,495,395	2,111,994
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	1,092,524	1,088,892
Retained earnings	396,729	172,827
Shareholder's equity attributable to common shareholder	1,490,253	1,262,719
Noncontrolling interest in related party	97,619	30,358
Total shareholder's equity	1,587,872	1,293,077
Total liabilities, noncontrolling interest and shareholder's equity	$ 4,083,267	$ 3,405,071

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

Director **Director**

THIRD POINT REINSURANCE COMPANY 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	$ 598,198	$ 568,513
Gross premiums ceded	(2,475)	(1,425)
Net premiums written	595,723	567,088
Change in net unearned premium reserves	(88,691)	(22,613)
Net premiums earned	507,032	544,475
Net investment income before management and performance fees to related parties	457,675	136,439
Management and performance fees to related parties	(114,172)	(52,001)
Net investment income	343,503	84,438
Total revenues	850,535	628,913
Expenses		
Loss and loss adjustment expenses incurred, net	342,210	363,304
Acquisition costs, net	176,935	209,300
General and administrative expenses	34,589	24,488
Other expenses	12,674	8,387
Foreign exchange (gains) losses	12,340	(19,521)
Total expenses	578,748	585,958
Income before income tax expense	271,787	42,955
Income tax expense	(2,718)	(6,781)
Net income	269,069	36,174
Net income attributable to noncontrolling interest in related party	(3,167)	(1,073)
Net income available to common shareholder	$ 265,902	$ 35,101

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

THIRD POINT REINSURANCE COMPANY 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	1,088,892	1,081,354
Share compensation expense	3,632	7,538
Balance, end of year	1,092,524	1,088,892
Retained earnings		
Balance, beginning of year	172,827	152,726
Net income	269,069	36,174
Net income attributable to noncontrolling interest in related party	(3,167)	(1,073)
Dividends	(42,000)	(15,000)
Balance, end of year	396,729	172,827
Shareholder’s equity attributable to common shareholder	1,490,253	1,262,719
Noncontrolling interest in related party	97,619	30,358
Total shareholder’s equity	$ 1,587,872	$ 1,293,077

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

THIRD POINT REINSURANCE COMPANY 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	$ 269,069	$ 36,174
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Share compensation expense	3,632	7,538
Net interest (income) expense on deposit liabilities	2,800	(164)
Net unrealized gain on investments and derivatives	(224,174)	(56,368)
Net realized gain on investments and derivatives	(194,872)	(33,680)
Net foreign exchange (gains) losses	12,340	(19,521)
Amortization of premium and accretion of discount, net	492	4,792
Changes in assets and liabilities:		
Reinsurance balances receivable	(66,574)	(84,105)
Deferred acquisition costs, net	(37,237)	(22,914)
Due to/from affiliates, net	(1,620)	379
Other assets	(529)	(3,228)
Interest and dividends receivable, net	3,074	2,958
Unearned premium reserves	89,508	22,613
Loss and loss adjustment expense reserves	92,881	142,784
Accounts payable and accrued expenses	21,286	(2,016)
Reinsurance balances payable	(1,057)	18,710
Net cash provided by (used in) operating activities	(30,981)	13,952
Investing activities		
Purchases of investments	(2,651,922)	(3,218,655)
Proceeds from sales of investments	2,788,158	3,031,753
Purchases of investments to cover short sales	(690,507)	(1,096,680)
Proceeds from short sales of investments	916,329	905,477
Change in due to/from brokers, net	(156,629)	236,950
Increase (decrease) in securities sold under an agreement to repurchase	16,486	(8,330)
Change in restricted cash and cash equivalents	(231,363)	105,656
Net cash used in investing activities	(9,448)	(43,829)
Financing activities		
Increase in deposit liabilities, net	19,113	22,023
Change in noncontrolling interest in related party, net	64,094	15,133
Dividends paid to parent	(42,000)	(15,000)
Net cash provided by financing activities	41,207	22,156
Net increase (decrease) in cash and cash equivalents	778	(7,721)
Cash and cash equivalents at beginning of year	3,848	11,569
Cash and cash equivalents at end of year	**$ 4,626**	**$ 3,848**
Supplementary information		
Interest paid in cash	$ 10,949	$ 13,017
Income taxes paid in cash	$ 7,232	$ 5,869

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

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

1. Organization

Third Point Reinsurance Company Ltd. (the "Company" or "Third Point Re BDA"), a wholly-owned subsidiary of Third Point Reinsurance Ltd. ("Third Point Re"), was incorporated as an exempted company under the laws of Bermuda on October 6, 2011 and is registered as a Class 4 insurer under the Insurance Act 1978, as amended, and related regulations (the "Act"). Third Point RE BDA is a provider of global specialty property and casualty reinsurance products and commenced reinsurance operations in January 2012. Third Point Re's common shares are listed on the New York Stock Exchange under the symbol "TPRE". Third Point Re operates through its two licensed reinsurance subsidiaries, Third Point Re BDA and Third Point Reinsurance (USA) Ltd. ("Third Point Re USA").

These consolidated financial statements include the results of the Company and certain jointly held assets of Third Point Re BDA 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 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. Deferred gains represent the underwriting profit related to retroactive exposures in reinsurance contracts at inception and are deferred and amortized over the estimated future settlement period of the contract. Deferred gains are included in loss and loss adjustment expense reserves. If the premium received is lower than the estimated loss and loss adjustment expense reserves assumed at inception of a retroactive reinsurance contract, the resulting difference is deferred and recorded in other assets. This difference is also amortized over the estimated future settlement period of the contract.

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.

Deposit liabilities

Certain contracts do not transfer sufficient insurance risk to be deemed reinsurance contracts and are accounted for using the deposit method of accounting. Management exercises judgment in determining whether contracts transfer sufficient risk to be accounted for as reinsurance contracts. Using the deposit method of accounting, a deposit liability, rather than written premium, is initially recorded based upon the consideration received less any explicitly identified premiums or fees. In subsequent periods, the deposit liability is adjusted by calculating the effective yield on the deposit to reflect actual payments to date and future expected payments. In some cases, the effective yield on the contract may be negative, which will result in the recognition of other income.

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.

Embedded derivatives

Certain of the Company's reinsurance contracts contain interest crediting features that vary based on the net investment return on investments managed by Third Point LLC. These contractual features are considered embedded derivatives in accordance with U.S. GAAP. We include the estimated fair value of these embedded derivatives in the consolidated balance sheets with the host contract in order to reflect the expected settlement of these features with the host contract. The change in estimated fair value of these embedded derivatives are recorded in other expenses in the consolidated statements of income.

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.

Other expenses

Other expenses are comprised of expenses relating to interest crediting features in certain reinsurance and deposit contracts as well as changes in value of embedded derivatives in reinsurance contracts and deposit liability contracts that have variable interest crediting features. Variable and fixed interest crediting features are calculated on funds transferred to the Company where interest is credited based on actual cash received into a notional experience account. The ceding company can typically elect to commute at specific points in time in exchange for the amounts held in the notional experience account. For those contracts that contain variable interest crediting features, actual investment returns realized by the Company are included in the calculation, which can increase the overall effective interest crediting rate on those contracts. Variable interest credit features are accounted for as embedded derivatives. Fixed interest credits on reinsurance contracts and deposit liability contracts and changes in value of embedded derivative are included other expenses in the consolidated statements of income.

Foreign currency transactions

The Company’s functional currency is the U.S. dollar. Transactions involving monetary assets and liabilities denominated in foreign currencies have been converted into U.S. dollars at the exchange rate in effect on the balance sheet date, and the related revenues and expenses are converted using specific rates for the period, as appropriate. Net foreign currency transaction gains and losses arising from these activities are reported in the consolidated statements of income in the period in which they arise.

Certain of the Company's investments are denominated in foreign currencies and thus, are subject to the risk associated with foreign currency fluctuations. These investments are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investments and income and expenses denominated in foreign currencies are translated in U.S. dollar amounts on the respective dates of such transactions. The Company does not isolate the portion of the net investment income resulting from changes in foreign exchange rates on investments, dividends and interest from the fluctuations arising from changes in fair values of securities and derivatives held within the total net investments managed by Third Point LLC. Periodic payments received or paid on swap agreements are recorded as realized gain or loss on investment transactions. Such fluctuations are included within net investment income in the consolidated statements of income.

Withholding taxes and uncertain tax positions

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 did not 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]	$ 149,695	$ 136,573
Restricted cash securing other reinsurance contracts [2]	273,108	54,867
Total restricted cash and cash equivalents	422,803	191,440
Restricted investments securing other reinsurance contracts [2]	313,761	414,599
Total restricted cash and cash equivalents and restricted investments	$ 736,564	$ 606,039

(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 separate accounts 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	$ 2,625,995	$ 2,319,378
Cash and cash equivalents	4	2
Restricted cash and cash equivalents	422,803	191,440
Due from brokers	264,903	249,893
Derivative assets, at fair value	64,111	23,805
Interest and dividends receivable	3,327	5,691
Total assets	3,381,143	2,790,209
Liabilities and noncontrolling interest in related party		
Accounts payable and accrued expenses	4,343	1,166
Securities sold, not yet purchased	345,352	80,420
Securities sold under an agreement to repurchase	16,486	—
Due to brokers	619,830	761,449
Derivative liabilities, at fair value	12,705	14,118
Interest and dividends payable	1,036	326
Noncontrolling interest in related party	97,619	30,358
Total liabilities and noncontrolling interest in related party	1,097,371	887,837
Total net investments managed by Third Point LLC	$ 2,283,772	$ 1,902,372

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 $185.8 million (December 31, 2016 - $271.8 million), representing 6.9% (December 31, 2016 - 11.6%) of investments in securities and derivative assets, and $1.8 million million (December 31, 2016 - $1.7 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 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 $66.3 million (December 31, 2016 - $55.0 million) of investments fair valued by the Company's Investment Manager representing approximately 2.5% (December 31, 2016 - 2.3%) of total investments in securities and derivative assets of which 96.9% 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 also has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value with changes in fair value of the embedded derivative reported in other expenses. The Company's embedded derivatives relate to interest crediting features in certain reinsurance and deposit contracts that vary based on the returns on the Company's investments managed by Third Point LLC. The Company determines the fair value of the embedded derivatives using models developed by the Company. See discussion of accounting policy for embedded derivatives in Note 2 for additional information.

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	$ —	—%	$ 101,602	45.9%
Reperforming loans	120,968	68.0%	38,470	17.4%
Market place loans	45,965	25.8%	38,422	17.4%
Other (1)	10,941	6.2%	42,742	19.3%
	$ 177,874	100.0%	$ 221,236	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.

In 2015, the Company made a $25.0 million investment in the Kiskadee Diversified Fund Ltd. (the "Kiskadee Fund"), a fund vehicle managed by Hiscox Insurance Company (Bermuda) Limited. The Kiskadee Fund invests in property catastrophe exposures through collateralized reinsurance transactions and other insurance-linked investments. During the year ended December 31, 2017, the Company redeemed $26.7 million (2016 - $0.3 million). The Company has elected the fair value option for this investment. This investment is included in investment in funds valued at NAV and is excluded from the presentation of investments categorized by the level of the fair value hierarchy. The fair value is estimated based on the Company's share of the NAV in the Kiskadee Fund, as provided by the investment manager, and was $0.8 million as of December 31, 2017 (December 31, 2016 - $27.7 million). The resulting net gains or losses are reflected in the consolidated statements of income.

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	$ 1,927,694	$ 18,157	$ —	$ 1,945,851
Private common equity securities	—	—	4,199	4,199
Private preferred equity securities	—	—	49,917	49,917
Total equities	1,927,694	18,157	54,116	1,999,967
Asset-backed securities	—	154,129	23,745	177,874
Bank debt	—	12,821	—	12,821
Corporate bonds	—	58,867	8,637	67,504
U.S. Treasury securities	—	237,326	—	237,326
Sovereign debt	—	99,420	—	99,420
Other debt securities	—	4,128	—	4,128
Total debt securities	—	566,691	32,382	599,073
Options	1,736	2,620	—	4,356
Rights and warrants	—	147	379	526
Trade claims	—	6,605	—	6,605
Total other investments	1,736	9,372	379	11,487
Derivative assets (free standing)	—	64,111	—	64,111
	$ 1,929,430	$ 658,331	$ 86,877	2,674,638
Investments in funds valued at NAV				16,310
Total assets				$ 2,690,948
Liabilities				
Equity securities	$ 318,992	$ —	$ —	$ 318,992
Corporate bonds	—	19,004	—	19,004
Options	2,347	5,009	—	7,356
Total securities sold, not yet purchased	321,339	24,013	—	345,352
Derivative liabilities (free standing)	—	10,868	1,837	12,705
Derivative liabilities (embedded)	—	—	171	171
Total liabilities	$ 321,339	$ 34,881	$ 2,008	$ 358,228

	December 31, 2016			
	Quoted prices in active markets	Significant other observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
Assets	($ in thousands)			
Equity securities	$ 1,262,322	$ —	$ —	$ 1,262,322
Private common equity securities	—	—	4,204	4,204
Private preferred equity securities	—	—	42,560	42,560
Total equities	1,262,322	—	46,764	1,309,086
Asset-backed securities	—	205,946	15,290	221,236
Bank debt	—	42,111	7,243	49,354
Corporate bonds	—	181,404	8,101	189,505
U.S Treasury securities	—	314,306	—	314,306
Sovereign debt	—	187,574	—	187,574
Total debt securities	—	931,341	30,634	961,975
Options	299	590	—	889
Trade claims	—	7,826	—	7,826
Total other investments	299	8,416	—	8,715
Derivative assets (free standing)	834	22,971	—	23,805
	$ 1,263,455	$ 962,728	$ 77,398	2,303,581
Investments in funds valued at NAV				67,274
Total assets				$ 2,370,855
Liabilities				
Equity securities	$ 61,995	$ —	$ —	$ 61,995
Corporate bonds	—	15,365	—	15,365
Options	—	3,060	—	3,060
Total securities sold, not yet purchased	61,995	18,425	—	80,420
Derivative liabilities (free standing)	1,396	11,572	1,150	14,118
Derivative liabilities (embedded)	—	—	92	92
Total liabilities	$ 63,391	$ 29,997	$ 1,242	$ 94,630

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	$ 4,204	$ —	$ —	$ —	$ (5)	$ 4,199
Private preferred equity securities	42,560	—	4,199	(1,726)	4,884	49,917
Asset-backed securities	15,290	22,465	63,527	(66,028)	(11,509)	23,745
Bank debt	7,243	—	4	(10,491)	3,244	—
Corporate bonds	8,101	—	1,395	(908)	49	8,637
Rights and warrants	—	—	—	—	379	379
Total assets	$ 77,398	$ 22,465	$ 69,125	$ (79,153)	$ (2,958)	$ 86,877
Liabilities						
Derivative liabilities (free standing)	$ (1,150)	$ —	$ —	$ (14)	$ (673)	$ (1,837)
Derivative liabilities (embedded)	(92)	—	—	—	(79)	(171)
Total liabilities	$ (1,242)	$ —	$ —	$ (14)	$ (752)	$ (2,008)

	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	$ 3,817	$ —	$ 52	$ —	$ 335	$ 4,204
Private preferred equity securities	21,157	—	17,846	(52)	3,609	42,560
Asset-backed securities	2,290	15,216	4,564	(3,059)	(3,721)	15,290
Bank debt	6,665	—	2,803	(806)	(1,419)	7,243
Corporate bonds	3,252	—	10,669	(6,362)	542	8,101
Sovereign debt	21	—	—	(20)	(1)	—
Total assets	$ 37,202	$ 15,216	$ 35,934	$ (10,299)	$ (655)	$ 77,398
Liabilities						
Derivative liabilities (free standing)	$ (892)	$ —	$ —	$ (258)	$ —	$ (1,150)
Derivative liabilities (embedded)	(5,563)	—	6,072	(861)	260	(92)
Total liabilities	$ (6,455)	$ —	$ 6,072	$ (1,119)	$ 260	$ (1,242)

(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 $(8.4) million (2016 - $0.9 million).

For assets and liabilities that were transferred into Level 3 during the period, gains (losses) are presented as if the assets or liabilities had been transferred into Level 3 at the beginning of the period; similarly, for assets and liabilities that were transferred out of Level 3 during the year, gains (losses) are presented as if the assets or liabilities had been transferred out of Level 3 at the beginning of the year.

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	$ 32,795	Market approach	Volatility	35.0% - 65.0%
			Time to exit	0.5 - 1.8 years
			Multiple	7.8 - 24.4x
Rights and warrants	378	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	$ 41,539	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.

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	$ —	$ —	$ 16,486	$ —	$ 16,486

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	$ 292	$ —	$ —	$ —	$ 292

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	$ 256,485	$ 211,193
Receivable from unsettled trades (1)	8,418	38,700
	$ 264,903	$ 249,893
Due to brokers		
Borrowing from prime brokers	$ 610,207	$ 723,724
Payable from unsettled trades	9,623	37,725
	$ 619,830	$ 761,449

(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, $32.9 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 $32.9 million as well as interest of $4.4 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 $60.4 million (December 31, 2016 - $17.9 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 $736.6 million (December 31, 2016 - $606.0 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	$ 7,217	$ 44,367
Total Return Swaps - Long Contracts	EGP	21,968	21,968
Equity Price			
Contracts for Differences - Long Contracts	BRL/CHF/EUR/USD	15,150	144,113
Contracts for Differences - Short Contracts	DKK/NOK/SEK/USD	3,845	28,586
Total Return Swaps - Long Contracts	BRL/USD	13,922	84,318
Total Return Swaps - Short Contracts	USD	1	—
Interest Rates			
Interest Rate Swaptions	JPY	468	56,422
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	HKD/JPY	1,540	450,092
Total Derivative Assets		$ 64,111	$ 829,866

	Listing currency (1)	**Fair Value**	**Notional Amounts (2)**
Derivative Liabilities by Primary Underlying Risk		**($ in thousands)**	
Credit			
Credit Default Swaps - Protection Purchased	USD	$ 1,099	$ 17,020
Credit Default Swaps - Protection Sold	USD	1,837	2,072
Equity Price			
Contracts for Differences - Long Contracts	BRL/EUR/USD	1,924	81,506
Contracts for Differences - Short Contracts	DKK/EUR/USD	677	6,974
Total Return Swaps - Long Contracts	BRL/USD	65	45,512
Total Return Swaps - Short Contracts	USD	1,653	46,104
Interest Rates			
Interest Rate Swaptions	JPY	61	56,015
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	BRL/CHF/CNH/EUR/HKD/SAR	5,389	501,828
Total Derivative Liabilities (free standing)		$ 12,705	$ 757,031
Embedded derivative liabilities in reinsurance contracts (3)	USD	$ 171	$ 20,000
Total Derivative Liabilities (embedded)		$ 171	$ 20,000

(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.

(3) The fair value of embedded derivatives in reinsurance contracts is included in reinsurance balances payable in the consolidated balance sheets.

	As of December 31, 2016		
	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Assets by Primary Underlying Risk		**($ in thousands)**	
Credit			
Credit Default Swaps - Protection Purchased	EUR/USD	$ 9,463	$ 73,200
Equity Price			
Contracts for Differences - Long Contracts	EUR/GBP	1,531	31,996
Total Return Swaps - Long Contracts	BRL/USD	535	16,596
Total Return Swaps - Short Contracts	JPY	159	7,529
Interest Rates			
Interest Rate Swaps	GBP/USD	2,137	169,834
Interest Rate Swaptions	JPY/USD	4,645	369,670
Sovereign Debt Futures - Short Contracts	USD	834	93,569
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	CAD/CNH/GBP/MXN	571	42,155
Foreign Currency Options - Purchased	CNH/EUR/HKD/JPY/SAR	3,930	434,829
Total Derivative Assets		$ 23,805	$ 1,239,378

	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Liabilities by Primary Underlying Risk		**($ in thousands)**	
Credit			
Credit Default Swaps - Protection Purchased	USD	$ 2,850	$ 37,458
Credit Default Swaps - Protection Sold	USD	1,693	3,419
Equity Price			
Contracts for Differences - Long Contracts	GBP	—	67
Contracts for Differences - Short Contracts	EUR/ZAR	958	9,902
Total Return Swaps - Long Contracts	USD	1,645	23,615
Total Return Swaps - Short Contracts	JPY/USD	1,132	8,773
Interest Rates			
Interest Rate Swaps	GBP	627	51,337
Interest Rate Swaptions	JPY/USD	916	362,938
Sovereign Debt Futures - Short Contracts	EUR/GBP	1,396	138,811
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	EUR/JPY/SAR	1,744	186,779
Foreign Currency Options - Sold	CNH/JPY	1,157	315,437
Total Derivative Liabilities (free standing)		$ 14,118	$ 1,138,536
Embedded derivative liabilities in reinsurance contracts (3)	USD	$ 92	$ 20,000
Total Derivative Liabilities (embedded)		$ 92	$ 20,000

(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.

(3) The fair value of embedded derivatives in reinsurance contracts is included in reinsurance balances payable in the consolidated balance sheets.

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	—	—	567	—
Credit				
Credit Default Swaps - Protection Purchased	(2,594)	(1,220)	3,615	(5,788)
Credit Default Swaps - Protection Sold	521	(619)	(3,641)	3,760
Total Return Swaps - Long Contracts	(25)	1,739	—	—
Equity Price				
Contracts for Differences - Long Contracts	50,550	11,696	(3,566)	1,934
Contracts for Differences - Short Contracts	2,288	4,127	(95)	(3,121)
Total Return Swaps - Long Contracts	14,588	14,968	(5,952)	1,625
Total Return Swaps - Short Contracts	(13,884)	(679)	(4,225)	(1,044)
Interest Rates				
Commodity Futures - Short Contracts	—	—	(245)	(46)
Fixed Income Swap - Short Contracts	—	—	(82)	—
Interest Rate Swaps	(2,694)	(1,510)	177	1,510
Interest Rate Swaptions	(310)	(1,786)	(294)	752
Sovereign Debt Futures - Short Contracts	(6,776)	562	9,150	(562)
Foreign Currency Exchange Rates				
Foreign Currency Forward Contracts	(9,118)	(2,679)	(3,012)	(1,930)
Foreign Currency Options - Purchased	(5,865)	1,044	(2,033)	(1,925)
Foreign Currency Options - Sold	1,896	(69)	537	(91)
	$ 28,577	$ 25,574	$ (9,099)	$ (4,926)
Embedded Derivatives				
Embedded derivatives in reinsurance contracts	$ —	$ (79)	$ —	$ 260
Total Derivative Liabilities (embedded)	$ —	$ (79)	$ —	$ 260

* 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 $3.2 million (December 31, 2016 - $5.3 million) for which the Company posted collateral in the form of cash of $90.5 million (December 31, 2016 - $43.1 million) in the normal course of business. Similarly, the Company held collateral (approximately $3.2 million) 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	$ 164	$ 164	$ —	$ —
Counterparty 2	1,177	618	—	559
Counterparty 3	32,510	2,364	—	30,146
Counterparty 4	2,375	2,375	—	—
Counterparty 5	12,985	5,838	—	7,147
Counterparty 6	4,639	8	2,122	2,509
Counterparty 7	1,211	—	1,100	111
Counterparty 8	11,053	2,581	—	8,472
Counterparty 9	617	617	—	—
	$ 66,731	$ 14,565	$ 3,222	$ 48,944

		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	$ 1,181	$ 164	$ 1,017	$ —
Counterparty 2	618	618	—	—
Counterparty 3	2,364	2,364	—	—
Counterparty 4	3,360	2,375	985	—
Counterparty 5	5,838	5,838	—	—
Counterparty 6	8	8	—	—
Counterparty 8	2,581	2,581	—	—
Counterparty 9	1,032	617	415	—
Counterparty 15	$ 732	$ —	$ 732	—
	$ 17,714	$ 14,565	$ 3,149	$ —
Securities sold under an agreement to repurchase				
Counterparty 4	16,486	16,486	—	—
	$ 16,486	$ 16,486	$ —	$ —

(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 $2.6 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 $5.0 million included in securities sold, not yet purchased in the consolidated balance sheets.

December 31, 2016 Derivative Contracts	Gross Amount (1)	Financial Instruments	Cash Collateral Received	Net Amount
	Gross Amounts not Offset in the Consolidated Balance Sheet			
Financial assets, derivative assets and collateral received	($ in thousands)			
Counterparty 1	$ 486	$ 486	$ —	$ —
Counterparty 2	2,768	527	—	2,241
Counterparty 3	7,600	4,129	—	3,471
Counterparty 4	1,422	1,422	—	—
Counterparty 5	6,221	2,629	—	3,592
Counterparty 6	5,428	2,447	2,981	—
Counterparty 7	197	—	197	—
Counterparty 8	241	241	—	—
Counterparty 9	32	32	—	—
	$ 24,395	$ 11,913	$ 3,178	$ 9,304

December 31, 2016 Derivative Contracts	Gross Amount (2)	Financial Instruments	Cash Collateral Pledged	Net Amount
	Gross Amounts not Offset in the Consolidated Balance Sheet			
Financial liabilities, derivative liabilities and collateral pledged	($ in thousands)			
Counterparty 1	$ 2,564	$ 486	$ 2,078	$ —
Counterparty 2	527	527	—	—
Counterparty 3	4,129	4,129	—	—
Counterparty 4	3,321	1,422	1,899	—
Counterparty 5	2,629	2,629	—	—
Counterparty 6	2,447	2,447	—	—
Counterparty 8	848	241	—	607
Counterparty 9	713	32	681	—
	$ 17,178	$ 11,913	$ 4,658	$ 607
Securities lending transactions				
Counterparty 3	$ 285	$ 285	$ —	$ —
	$ 285	$ 285	$ —	$ —

(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 $0.6 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 $3.1 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	$ 106,988	$ 74,050
Incurred but not reported loss and loss adjustment expense reserves	584,923	506,211
Deferred gains on retroactive reinsurance contracts	688	1,941
	$ 692,599	$ 582,202

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	$ 582,202	$ 456,980
Less: loss and loss adjustment expenses recoverable, beginning of year	(1)	(125)
Net reserves for loss and loss adjustment expenses, beginning of year	582,201	456,855
Increase (decrease) in net loss and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	397,240	340,301
Prior years	(53,547)	24,049
Amortization of deferred gains on retroactive reinsurance contracts	(1,483)	(1,046)
Total incurred loss and loss adjustment expenses	342,210	363,304
Net loss and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(101,608)	(94,603)
Prior years	(148,833)	(125,791)
Total net paid losses	(250,441)	(220,394)
Foreign currency translation	17,516	(17,564)
Net reserves for loss and loss adjustment expenses, end of year	691,486	582,201
Plus: loss and loss adjustment expenses recoverable, end of year	1,113	1
Gross reserves for loss and loss adjustment expenses, end of year	$ 692,599	$ 582,202

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 $55.0 million net favorable development in prior years' reserves, which includes amortization of deferred gains, for the year ended December 31, 2017 includes $23.4 million of net favorable reserve development related to decreases in loss reserve estimates and $31.6 million decrease in loss reserves resulting from decreases in premium earnings estimates on certain contracts. The net favorable development 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 $23.4 million of net favorable prior years' reserve development for the year ended December 31, 2017 was accompanied by net increases of $20.1 million in acquisition costs, resulting in a $3.3 million improvement in net underwriting results, primarily due to:

    - $5.6 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;
    - $1.5 million of net favorable underwriting loss development from several other contracts as a result of better than expected loss experience; partially offset by
    - $3.8 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.

- The $31.6 million net favorable development in loss and loss adjustment expenses incurred resulting from decreases in earned premium earnings estimates was accompanied by $22.2 million decrease in acquisition costs, for a total of $53.8 million decrease in loss and loss adjustment expenses incurred and acquisition costs. The decrease in loss and loss adjustment expenses incurred and acquisition costs was due to a decrease in prior period earned premium of $51.7 million. The decrease in prior period earned premium was the result of changes in ultimate premium and earning pattern estimates. The net impact was an improvement of $2.1 million 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 resulted in an improvement of $5.4 million in the net underwriting results for the year ended December 31, 2017.

The $23.0 million increase in prior years' reserves, which includes amortization of deferred gains, for the year ended December 31, 2016 includes $9.6 million of net adverse reserve development related to increases in loss reserve estimates and $13.4 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 $9.6 million of net adverse prior years' reserve development for the year ended December 31, 2016 was accompanied by net increases of $2.1 million in acquisition costs, resulting in a net increase of $11.7 million in net underwriting loss, primarily due to:

    - $4.8 million of net adverse underwriting loss development relating to one multi-line contract written since 2014. This contract contains underlying commercial auto physical damage and auto extended warranty exposure. The adverse loss experience is a result of an increase in the number of reported claims and inadequate pricing in certain segments of the underlying business;

    - $3.7 million of net adverse underwriting loss development relating to our Florida homeowners' reinsurance contracts primarily as a result of higher than anticipated water damage claims and an increase in the practice of assignment of benefits whereby homeowners assign their rights for filing and settling claims to attorneys and public adjusters, which has led to increases in the frequency of claims reported as well as the severity of losses and loss adjustment expenses. Contracts for which we experienced this adverse loss development have not been renewed;

    - $3.3 million of net adverse underwriting loss development relating to a workers' compensation contract written from 2012 to 2014 under which we have been experiencing higher than expected reported claims development that led to an increase in our previous loss assumptions on this contract;

    - $3.2 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; and

    - $2.3 million of net favorable underwriting loss development from several other contracts.

- The $13.4 million increase in loss and loss adjustment expenses incurred related to the increase in premium earnings estimates on certain contracts was accompanied by a $6.6 million increase in acquisition costs, for a total of $20.0 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 $19.7 million, resulting in a $0.3 million increase to the net underwriting loss for the year ended December 31, 2016.

- 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 $11.9 million for the year ended December 31, 2016.

The net paid losses for the years ended December 31, 2017 and 2016 included $18.6 million and $1.0 million of paid losses related to contracts that were commuted during the years ended December 31, 2017 and 2016, respectively.

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 prospective and retroactive reinsurance. For its prospective reinsurance business, the Company further disaggregated by the different lines of business included in this segment. The Company's retroactive reinsurance contracts have been presented by year of inception. The Company's retroactive reinsurance contracts within each inception year share similar characteristics and as a result, have not been disaggregated further. 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 - Prospective Reinsurance Contracts

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, 2012 through 2016 is presented as supplementary information and is unaudited:

Property

Accident year	2012	2013	2014	2015	2016	2017	IBNR loss and LAE reserves, net
	Loss and loss adjustment expenses incurred, net						
	($ in thousands)						
	<---------- Unaudited ---------->						
2012	$ 10,917	$ 8,672	$ 9,375	$ 9,353	$ 9,416	$ 9,472	$ 31
2013	—	27,765	24,980	25,766	25,882	25,785	101
2014	—	—	40,256	40,920	41,336	44,627	640
2015	—	—	—	48,668	50,962	52,998	3,674
2016	—	—	—	—	42,078	39,436	7,025
2017	—	—	—	—	—	37,031	10,909
Total						$ 209,349	$ 22,380

Accident year	2012	2013	2014	2015	2016	2017
	Cumulative net losses and loss adjustment expenses paid					
	($ in thousands)					
	<---------- Unaudited ---------->					
2012	$ 4,656	$ 8,381	$ 9,075	$ 9,186	$ 9,352	$ 9,400
2013	—	14,635	22,229	24,023	25,167	25,406
2014	—	—	19,420	34,381	38,448	42,775
2015	—	—	—	22,315	42,006	46,873
2016	—	—	—	—	20,031	29,146
2017	—	—	—	—	—	22,307
Total						$ 175,907
Property - net reserves for loss and loss adjustment expenses, end of year						$ 33,442

Workers' Compensation

Accident year	2012	2013	2014	2015	2016	2017	IBNR loss and LAE reserves, net
	Loss and loss adjustment expenses incurred, net						
	($ in thousands)						
	<---------- Unaudited ---------->						
2012	$ 4,037	$ 4,534	$ 5,066	$ 5,596	$ 5,715	$ 5,720	$ 78
2013	—	27,449	28,616	33,365	33,449	33,252	2,107
2014	—	—	40,247	46,558	47,190	43,464	6,694
2015	—	—	—	33,992	35,594	33,250	9,402
2016	—	—	—	—	32,570	31,564	12,139
2017	—	—	—	—	—	33,466	22,394
Total						$ 180,716	$ 52,814

Accident year	2012	2013	2014	2015	2016	2017
	Cumulative net losses and loss adjustment expenses paid					
	($ in thousands)					
	<---------- Unaudited ---------->					
2012	$ 93	$ 624	$ 3,017	$ 4,280	$ 4,969	$ 4,796
2013	—	2,587	9,142	16,840	22,826	26,956
2014	—	—	4,073	15,946	24,277	29,571
2015	—	—	—	2,654	10,342	16,433
2016	—	—	—	—	3,455	10,864
2017	—	—	—	—	—	3,912
Total						$ 92,532
Workers' Compensation - net reserves for loss and loss adjustment expenses, end of year						$ 88,184

Auto

	Loss and loss adjustment expenses incurred, net						
Accident year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**IBNR loss and LAE reserves, net**
				($ in thousands)			
	<---		**Unaudited**		--->		
2012	$ 13,247	$ 12,264	$ 11,777	$ 11,534	$ 11,433	$ 11,333	$ 10
2013	—	20,830	19,990	19,472	19,338	19,483	61
2014	—	—	104,896	103,473	103,568	103,661	347
2015	—	—	—	74,686	79,563	80,339	988
2016	—	—	—	—	58,984	65,096	2,448
2017	—	—	—	—	—	37,409	13,539
Total						$ 317,321	$ 17,393

	Cumulative net losses and loss adjustment expenses paid					
Accident year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
				($ in thousands)		
	<---		**Unaudited**		--->	
2012	$ 5,619	$ 9,989	$ 11,387	$ 11,450	$ 11,382	$ 11,318
2013	—	8,673	17,244	18,686	19,066	19,363
2014	—	—	45,766	97,651	101,626	102,868
2015	—	—	—	40,159	72,489	77,335
2016	—	—	—	—	29,047	58,736
2017	—	—	—	—	—	17,660
Total						$ 287,280
Auto - net reserves for loss and loss adjustment expenses, end of year						$ 30,041

Other Casualty

	Loss and loss adjustment expenses incurred, net						
Accident year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**IBNR loss and LAE reserves, net**
				($ in thousands)			
	<---		**Unaudited**		--->		
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013	—	—	—	—	—	—	—
2014	—	—	5,480	7,519	7,316	4,903	1,644
2015	—	—	—	45,328	47,980	33,086	16,145
2016	—	—	—	—	61,691	50,653	35,790
2017	—	—	—	—	—	68,223	64,460
Total						$ 156,865	$ 118,039

	Cumulative net losses and loss adjustment expenses paid					
Accident year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
				($ in thousands)		
	<---		**Unaudited**		--->	
2012	$ —	$ —	$ —	$ —	$ —	$ —
2013	—	—	—	—	—	—
2014	—	—	16	340	1,390	2,226
2015	—	—	—	310	3,612	9,052
2016	—	—	—	—	621	6,164
2017	—	—	—	—	—	1,418
Total						$ 18,860
Other Casualty - net reserves for loss and loss adjustment expenses, end of year						$ 138,005

Credit & Financial Lines

	Loss and loss adjustment expenses incurred, net						
Accident year	2012	2013	2014	2015	2016	2017	IBNR loss and LAE reserves, net
				($ in thousands)			
	<---------- Unaudited ---------->						
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013	—	364	408	113	107	99	22
2014	—	—	5,846	2,653	2,427	2,204	859
2015	—	—	—	5,119	4,944	4,652	1,819
2016	—	—	—	—	10,435	10,372	6,426
2017	—	—	—	—	—	13,506	11,922
Total						$ 30,833	$ 21,048

	Cumulative net losses and loss adjustment expenses paid					
Accident year	2012	2013	2014	2015	2016	2017
			($ in thousands)			
	<---------- Unaudited ---------->					
2012	$ —	$ —	$ —	$ —	$ —	$ —
2013	—	—	11	66	74	78
2014	—	—	42	784	1,038	1,318
2015	—	—	—	393	1,036	1,955
2016	—	—	—	—	800	2,020
2017	—	—	—	—	—	875
Total						$ 6,246
Credit & Financial Lines - net reserves for loss and loss adjustment expenses, end of year						$ 24,587

Multi-line

	Loss and loss adjustment expenses incurred, net						
Accident year	2012	2013	2014	2015	2016	2017	IBNR loss and LAE reserves, net
				($ in thousands)			
	<---------- Unaudited ---------->						
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013	—	23,282	4,272	4,564	4,564	4,564	—
2014	—	—	41,188	34,570	37,738	35,489	16,338
2015	—	—	—	86,605	100,023	107,837	30,203
2016	—	—	—	—	132,050	121,724	37,665
2017	—	—	—	—	—	101,037	39,451
Total						$ 370,651	$ 123,657

	Cumulative net losses and loss adjustment expenses paid					
Accident year	2012	2013	2014	2015	2016	2017
			($ in thousands)			
	<---------- Unaudited ---------->					
2012	$ —	$ —	$ —	$ —	$ —	$ —
2013	—	—	1,243	4,563	4,563	4,563
2014	—	—	1,245	14,289	19,476	18,969
2015	—	—	—	30,914	58,792	74,646
2016	—	—	—	—	39,413	76,791
2017	—	—	—	—	—	54,216
Total						$ 229,185
Multi-line - net reserves for loss and loss adjustment expenses, end of year						$ 141,466

Other Specialty

Accident year	Loss and loss adjustment expenses incurred, net 2012	2013	2014	2015	2016	2017	IBNR loss and LAE reserves, net
	($ in thousands)						
	<---------- Unaudited ---------->						
2012	$ 52,105	$ 49,942	$ 50,055	$ 50,055	$ 50,065	$ 50,104	$ 1
2013	—	2,308	24,274	23,450	23,138	23,135	1
2014	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—
2017	—	—	—	—	—	3,854	3,851
Total						$ 77,093	$ 3,853

Accident year	Cumulative net losses and loss adjustment expenses paid 2012	2013	2014	2015	2016	2017
	($ in thousands)					
	<---------- Unaudited ---------->					
2012	$ 2,666	$ 48,455	$ 50,024	$ 50,025	$ 50,067	$ 50,103
2013	—	—	22,232	23,138	23,134	23,135
2014	—	—	—	—	—	—
2015	—	—	—	—	—	—
2016	—	—	—	—	—	—
2017	—	—	—	—	—	3
Total						$ 73,241
Other Specialty - net reserves for loss and loss adjustment expenses, end of year						$ 3,852

Property and Casualty Reinsurance - Retroactive Reinsurance Contracts

The Company writes reinsurance contracts that provide limited protection against adverse development on loss originating from multiple accident years. The Company has other retroactive exposure within contracts that provide primarily prospective coverage. These contracts are included in the prospective reinsurance tables above. These contracts are typically part of prospective reinsurance contracts with a small portion of retroactive exposure resulting from the delay between the dates when the relevant contract was bound and the dates on which each incepted. The information below includes loss and loss adjustment expenses incurred, net and loss and loss adjustment expenses paid, net, by accident year for the Company's retroactive reinsurance contracts presented by year of inception of the retroactive reinsurance contracts.

The Company's estimate for loss and loss adjustment expenses incurred, net, at inception of all retroactive reinsurance contracts entered into to date was the same when the contract incepted and at the relevant year end position. As a result, there was no development in the year of inception for any of the Company's retroactive reinsurance contracts written to date. In addition, there were no loss and loss adjustment expenses paid, net, at inception of the Company's retroactive reinsurance contracts. 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, 2012 through 2016 is presented as supplementary information and is unaudited.

Contracts incepting in the year ended December 31, 2012

The Company did not enter into any retroactive reinsurance contracts during the year ended December 31, 2012.

Contracts incepting in the year ended December 31, 2013

Accident year	Loss and loss adjustment expenses incurred, net 2013	2014	2015	2016	2017	IBNR loss and LAE reserves, net
	($ in thousands)					
	<---------------------------- Unaudited ---------------------------->					
2008	$ —	$ —	$ —	$ —	$ —	$ —
2009	—	—	—	—	—	—
2010	914	704	704	704	704	—
2011	5,419	4,173	4,173	4,173	4,173	—
2012	10,197	7,853	7,853	7,853	7,853	—
2013	4,908	3,779	3,779	3,779	3,779	—
2014	—	—	—	—	—	—
2015	—	—	—	—	—	—
2016	—	—	—	—	—	—
2017	—	—	—	—	—	—
Total					$ 16,509	$ —

Accident year	Cumulative net loss and loss adjustment expenses paid 2013	2014	2015	2016	2017
	($ in thousands)				
	<---------------------------- Unaudited ---------------------------->				
2008	$ —	$ —	$ —	$ —	$ —
2009	—	—	—	—	—
2010	—	279	704	704	704
2011	—	1,654	4,173	4,173	4,173
2012	—	3,113	7,853	7,853	7,853
2013	—	1,498	3,779	3,779	3,779
2014	—	—	—	—	—
2015	—	—	—	—	—
2016	—	—	—	—	—
2017	—	—	—	—	—
Total					$ 16,509
Net reserves for loss and loss adjustment expenses from 2008 to 2017					—
Net reserves for loss and loss adjustment expenses prior to 2008					12,402
Contracts incepting in the year ended December 31, 2013 - net reserves for loss and loss adjustment expenses, end of year					$ 12,402

Contracts incepting in the year ended December 31, 2014

	Loss and loss adjustment expenses incurred, net				
Accident year	**2014**	**2015**	**2016**	**2017**	**IBNR loss and LAE reserves, net**
			($ in thousands)		
	<------------------- **Unaudited** ------------------->				
2008	$ 281	$ —	$ —	$ —	$ —
2009	382	—	—	—	—
2010	444	—	—	—	—
2011	4,184	3,411	3,025	3,231	3,231
2012	12,002	10,658	9,451	10,094	10,094
2013	18,640	16,715	14,822	15,831	15,831
2014	10,548	9,469	8,396	8,968	8,968
2015	—	—	—	—	—
2016	—	—	—	—	—
2017	—	—	—	—	—
Total				$ 38,124	$ 38,124

	Cumulative net loss and loss adjustment expenses paid			
Accident year	**2014**	**2015**	**2016**	**2017**
		($ in thousands)		
	<------------------- **Unaudited** ------------------->			
2008	$ —	$ —	$ —	$ —
2009	—	—	—	—
2010	—	—	—	—
2011	—	—	—	—
2012	—	—	—	—
2013	—	—	—	—
2014	—	—	—	—
2015	—	—	—	—
2016	—	—	—	—
2017	—	—	—	—
Total				$ —
Net reserves for loss and loss adjustment expenses from 2008 to 2017				38,124
Net reserves for loss and loss adjustment expenses prior to 2008				—
Contracts incepting in the year ended December 31, 2014 - net reserves for loss and loss adjustment expenses, end of year				$ 38,124

Contracts incepting in the year ended December 31, 2015

Loss and loss adjustment expenses incurred, net				
Accident year	2015	2016	2017	IBNR loss and LAE reserves, net
	($ in thousands)			
	<--------- Unaudited --------->			
2008	$ 2,010	$ 2,010	$ 1,385	$ 1,385
2009	2,510	2,510	1,729	1,729
2010	24,750	24,750	19,100	19,100
2011	21,238	21,238	16,350	16,350
2012	15,917	15,917	12,223	12,223
2013	13,616	13,616	10,400	10,400
2014	15,802	15,802	12,095	12,095
2015	2,596	2,596	1,788	1,788
2016	—	—	—	—
2017	—	—	—	—
Total			$ 75,070	$ 75,070

Cumulative net loss and loss adjustment expenses paid			
Accident year	2015	2016	2017
	($ in thousands)		
	<--------- Unaudited --------->		
2008	$ —	$ —	$ —
2009	—	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	—	—	—
2014	—	—	—
2015	—	—	—
2016	—	—	—
2017	—	—	—
Total			$ —
Net reserves for loss and loss adjustment expenses from 2008 to 2017			75,070
Net reserves for loss and loss adjustment expenses prior to 2008			328
Contracts incepting in the year ended December 31, 2015 - net reserves for loss and loss adjustment expenses, end of year			$ 75,398

Contracts incepting in the year ended December 31, 2016

The Company did not enter into any retroactive reinsurance contracts during the year ended December 31, 2016.

Contracts incepting in the year ended December 31, 2017

Loss and loss adjustment expenses incurred, net		
Accident year	**2017**	**IBNR loss and LAE reserves, net**
	($ in thousands)	
2008	$ 183	$ 183
2009	317	317
2010	445	445
2011	1,678	1,678
2012	2,227	2,227
2013	3,425	3,425
2014	9,788	9,788
2015	12,865	12,865
2016	24,375	24,375
2017	49,994	49,994
Total	$ 105,297	$ 105,297

Cumulative net loss and loss adjustment expenses paid	
Accident year	**2017**
	($ in thousands)
2008	$ —
2009	—
2010	—
2011	—
2012	—
2013	—
2014	—
2015	—
2016	—
2017	—
Total	$ —
Net reserves for loss and loss adjustment expenses from 2008 to 2017	105,297
Net reserves for loss and loss adjustment expenses prior to 2008	—
Contracts incepting in the year ended December 31, 2017 - net reserves for loss and loss adjustment expenses, end of year	$ 105,297

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)
Prospective reinsurance contracts		
Property	$	33,442
Workers' Compensation		88,184
Auto		30,041
Other Casualty		138,005
Credit & Financial Lines		24,587
Multi-line		141,466
Other Specialty		3,852
Retroactive reinsurance contracts		
Contracts incepting in the year ended December 31, 2012		—
Contracts incepting in the year ended December 31, 2013		12,402
Contracts incepting in the year ended December 31, 2014		38,124
Contracts incepting in the year ended December 31, 2015		75,398
Contracts incepting in the year ended December 31, 2016		—
Contracts incepting in the year ended December 31, 2017		105,297
Net reserves for loss and loss adjustment expenses, end of year		690,798
Loss and loss adjustment expenses recoverable		
Property		1,113
Deferred gains on retroactive reinsurance contracts		688
Gross reserves for loss and loss adjustment expenses, end of year	$	692,599

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	Year 4	Year 5	Year 6
			(Unaudited)			
Prospective reinsurance contracts						
Property	50.4%	32.5%	8.1%	5.1 %	1.3%	0.5 %
Workers' Compensation	8.2%	20.6%	25.6%	17.4 %	12.2%	(3.0)%
Auto	46.7%	43.7%	7.4%	1.2 %	0.5%	(0.6)%
Other Casualty	1.1%	9.2%	18.9%	17.0 %	n/a	n/a
Credit & Financial Lines	4.9%	17.5%	29.0%	10.6 %	3.9%	n/a
Multi-line	23.6%	30.1%	34.0%	(0.7)%	—%	n/a
Other Specialty	1.8%	93.7%	3.5%	— %	—%	0.1 %
Retroactive reinsurance contracts						
Contracts incepting in the year ended December 31, 2013	4.3%	23.5%	31.2%	4.6 %	3.4%	n/a
Contracts incepting in the year ended December 31, 2014	—%	—%	—%	— %	n/a	n/a
Contracts incepting in the year ended December 31, 2015	—%	—%	—%	n/a	n/a	n/a
Contracts incepting in the year ended December 31, 2017	—%	n/a	n/a	n/a	n/a	n/a

The Company was incorporated on October 6, 2011, commenced underwriting operations in January 2012 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 Third Point Re 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	$ 32,079	$ 6,176
Management fees - Founders [1]	—	30,692
Performance fees - TP GP	82,093	15,133
	$ 114,172	$ 52,001

(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, $82.1 million (December 31, 2016 - $15.1 million) related to performance fees earned by TP GP were included in noncontrolling interest in related party. See Note 16 for additional information.

10. Deposit accounted contracts

The following table represents activity in the deposit contracts for the years ended December 31, 2017 and 2016:

	2017	2016
	($ in thousands)	
Balance, beginning of year	$ 104,905	$ 83,955
Consideration received	22,658	22,463
Consideration receivable	2,080	—
Net investment expense (income) allocation	2,800	(164)
Payments	(3,545)	(915)
Foreign currency translation	235	(434)
Balance, end of year	$ 129,133	$ 104,905

11. 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	$ 200,000	$ 88,283	$ 88,283
Lloyds Bank	75,000	61,412	61,412
	$ 275,000	$ 149,695	$ 149,695

(1) During the year ended December 31, 2017, the J.P. Morgan 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.

12. 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 on investments and investment derivatives	$ 194,872	$ 34,006
Net unrealized gains on investments and investment derivatives	224,339	54,575
Net gains (losses) on foreign currencies	6,356	(2,137)
Dividend and interest income	57,005	67,042
Dividends paid on securities sold, not yet purchased	(4,998)	(1,698)
Other expenses	(19,813)	(16,882)
Net gain (loss) on investment in Kiskadee Fund	(86)	1,533
Net investment income before management and performance fees to related parties	457,675	136,439
Management and performance fees to related parties	(114,172)	(52,001)
Net investment income	$ 343,503	$ 84,438

13. Other expenses

Other expenses for the years ended December 31, 2017 and 2016 consisted of the following:

	2017	2016
	($ in thousands)	
Investment expense (income) and change in fair value of embedded derivatives in deposit liabilities	$ 2,800	$ (164)
Investment expense and change in fair value of embedded derivatives in reinsurance contracts	9,874	8,551
	$ 12,674	$ 8,387

14. 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 are 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 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.

The Company has recorded uncertain tax positions related to investment transactions in certain foreign jurisdictions. As of December 31, 2017, the Company has accrued $1.9 million (December 31, 2016 - $1.6 million) for uncertain tax positions.

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

	2017	2016
	($ in thousands)	
Change in uncertain tax positions	$ 155	$ 147
Withholding taxes on certain investment transactions	2,563	6,634
Income tax expense	$ 2,718	$ 6,781

15. 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	$ 648	$ 5,308
Restricted shares with service condition	40	489
Restricted shares with service and performance condition	2,944	1,741
	$ 3,632	$ 7,538

As of December 31, 2017, the Company had $4.4 million (December 31, 2016 - $4.0 million) of unamortized share compensation expense, which is expected to be amortized over a weighted average period of 1.5 years (December 31, 2016 - 1.4 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.

The aggregate intrinsic value of options outstanding and options exercisable as of December 31, 2017 was $23.5 million and $23.3 million, respectively (2016 - $7.8 million and $6.9 million, respectively). For the year ended December 31, 2017, the Company received proceeds of $nil (2016 - $3.2 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 \$0.6 million for the year ended December 31, 2017 (December 31, 2016 - \$0.7 million).

16. Noncontrolling interest in related party

Noncontrolling interest in related party represents the portion of equity in consolidated subsidiaries not attributable, directly or indirectly, to the Company. The ownership interest in consolidated subsidiaries held by parties other than the Company have 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	$ 30,358	$ 14,152
Net income attributable to total noncontrolling interest in related party	3,167	1,073
Contributions [1]	82,093	15,133
Redemptions	(17,999)	—
Balance, end of period	$ 97,619	$ 30,358

(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 13.3% (December 31, 2016 - 12.0%) 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 $0.5 million (December 31, 2016 - $32.4 million). The Company received net distributions of $34.2 million from the Cayman HoldCo during the year ended December 31, 2017 due to the disposition of underlying investments (December 31, 2016 - $30.6 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.

Third Point Hellenic Recovery US Feeder Fund, L.P.

The Company is a limited partner in Third Point Hellenic Recovery US Feeder Fund, L.P. (the "Hellenic Fund"), which is an affiliate of the Investment Manager. The Hellenic Fund was formed as a limited partnership under the laws of the Cayman Islands on April 12, 2013 and invests and holds debt and equity interests.

The Company has committed to invest $10.9 million (December 31, 2016 - $10.6 million) in the Hellenic Fund. Capital distributions of $1.5 million (2016 - $0.2 million) were made during the year ended December 31, 2017.

As of December 31, 2017, the estimated fair value of the Company's investment in the Hellenic Fund was $4.9 million (December 31, 2016 - $5.5 million), representing a 2.9% interest (December 31, 2016 - 2.8%). 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.

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, the Company held a 6.1% equity (December 31, 2016 - 6.2%) and 11.5% debt interest (December 31, 2016 - 11.9%) 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 $11.1 million (December 31, 2016 - $8.2 million), corresponding to $3.2 million of equity (December 31, 2016 - $0.7 million) and $7.9 million of debt interest (December 31, 2016 - $7.5 million). During the year ended December 31, 2017, the Company contributed securities worth $nil (December 31, 2016 - $6.2 million) and cash of $2.1 million (December 31, 2016 - $1.6 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.

Cloudbreak II Cayman Ltd and TP Trading II LLC

The Company holds an equity interest in Cloudbreak II Cayman Ltd, Cloudbreak II US LLC (collectively, the "Cloudbreak entities") and TP Trading II LLC which are affiliates of the Investment Manager. The Company invests in the Cloudbreak entities and TP Trading II LLC alongside other investment funds managed by the Investment Manager.

These entities' are invested in a structure whose primary purpose is to purchase consumer loans for securitization and warrants from a marketplace lending platform.

As of December 31, 2017, the Cloudbreak entities held $4.0 million of the Company's asset-backed security investments, which are included in investments in securities in the consolidated balance sheets. The Company's pro rata interest in the underlying investments is registered in the name of Cloudbreak II US LLC and the related income and expense are reflected in the consolidated balance sheets and the consolidated statements of income.

As of December 31, 2017, the Company held a 8.1% interest in TP Trading II LLC. The Company accounts for its equity investment in TP Trading II LLC 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 $5.2 million. 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 these investments are limited to the carrying value of the investments.

17. Related party transactions

In addition to the transactions disclosed in Notes 4, 9 and 16 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 $87.6 million (December 31, 2016 - $108.0 million) and Ventures LLC held $5.5 million (December 31, 2016 - $19.6 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 USA

In February 2015, the Company entered into a quota share reinsurance contract with Third Point Re USA, a company related by common control. The consolidated balance sheets and consolidated statements of income include the following amounts related to the reinsurance contract with Third Point Re USA for the years ended December 31, 2017 and 2016:

	2017	2016
	($ thousands)	
Balance sheets		
Reinsurance balances receivable	$ 72,119	$ 76,642
Deferred acquisition costs	44,078	42,422
Unearned premium reserves	116,723	106,535
Loss and loss adjustment expenses reserves	83,912	68,782
Statements of income		
Gross premiums written	130,267	143,884
Net premiums earned	120,078	137,147
Loss and loss adjustment expenses incurred	83,545	97,885
Acquisition costs, net	$ 45,512	$ 48,139

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

Services Agreements

Third Point Re USA

The Company and Third Point Re have entered into a services agreement with Third Point Re USA, pursuant to which the Company 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 the Company and Third Point Re. For the year ended December 31, 2017, the Company recognized $4.6 million (2016 - $1.9 million) of net service fee income, which is included as a deduction in the Company's general and administrative expenses.

Third Point Re Marketing (UK)

TPRUK entered into an agreement with the Company whereby TPRUK recharges the Company for the provision of marketing services performed in the United Kingdom on behalf of the Company. For the year ended December 31, 2017, the Company recognized fees of $1.1 million (2016 - $0.6 million), which are included in the Company's general and administrative expenses.

18. 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 $351.2 million (December 31, 2016 - $75.9 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 $3.1 million (December 31, 2016 - $1.1 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)	$ —	$ 2,072	$ 2,072	$ —	$ 1,837	$ (1,837)
	$ —	$ 2,072	$ 2,072	$ —	$ 1,837	$ (1,837)

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)	$ —	$ 3,419	$ 3,419	$ —	$ 1,693	$ (1,693)
	$ —	$ 3,419	$ 3,419	$ —	$ 1,693	$ (1,693)

(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 $66.7 million (December 31, 2016 - $24.4 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.

19. Commitments and Contingencies

Operating lease

Third Point Re leases office space in Bermuda for the benefit of the Company. The lease has been accounted for as an operating lease. Total rent expense for the year ended December 31, 2017 was $0.6 million (2016 - $0.6 million).

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

	($ in thousands)
2018	$ 630
2019	642
2020	601
2021	—
2022	—
Thereafter	—
	$ 1,873

Agreements

Third Point LLC

On June 22, 2016, the Company and Third Point Re,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%.

NetJets

In September 2016, the Company traded in its existing aircraft and acquired from NetJets Sales Inc. ("NetJets") an undivided 31.25% interest in a new aircraft for a five year period. The agreement with NetJets provides for monthly management fees, occupied hourly fees and other fees.

Future minimum management fee commitments as of December 31, 2017 under the existing agreement is expected to be as follows:

	($ in thousands)
2018	$ 723
2019	750
2020	779
2021	538
2022	—
	$ 2,790

Investments

Loan and other participation interests purchased by the Company, such as bank debt, may include revolving credit arrangements or other financing commitments obligating the Company to advance additional amounts on demand. As of December 31, 2017, the Company had one unfunded capital commitment of $3.2 million related to its investment in the Hellenic Fund (see Note 16 for additional information).

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.

20. Statutory requirements

Under the Bermuda Insurance Act 1978, as amended, and related regulations, Third Point Re BDA 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 BDA's assets, liabilities and premiums. Third Point Re BDA's required statutory capital and surplus under the BSCR model is referred to as the enhanced capital requirement ("ECR"). Third Point Re BDA is required to calculate and submit the ECR to the Bermuda Monetary Authority, or the BMA, annually. Following receipt of the submission of Third Point Re BDA'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 BDA met its 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 BDA is also required under its Class 4 license to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business. As of December 31, 2017 and 2016, Third Point Re BDA met its 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	$ 1,430,174	$ 1,307,635
Required statutory capital and surplus	$ 759,527	$ 638,681

The Company had statutory net income of $265.9 million and $35.1 million for the years ended December 31, 2017 and 2016, respectively.

Dividend restrictions

Third Point Re BDA 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. In addition, the Company 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 it files with the BMA a signed affidavit by at least two members of the Board of Directors attesting that a dividend would not cause the Company to fail to meet its capital requirements. As of December 31, 2017, the Company could pay dividends in 2018 of approximately $357.5 million (December 31, 2016 - $326.9 million) without providing an affidavit to the BMA. In July 2017 and October 2017 Third Point Re BDA declared and paid dividends of $40.0 million and $2.0 million, respectively, to Third Point Re.

21. Subsequent events

The Company has evaluated subsequent events through March 28, 2018 , the date of issuance of the audited consolidated financial statements.