SOMPO INTERNATIONAL

Audited Consolidated Financial Statements

Sompo International Holdings Ltd.

For the Period from March 28, 2017 to December 31, 2017

With Report of Independent Auditors

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08, Bermuda
P.O. Box HM 463
Hamilton HM BX, Bermuda

Tel: +1 441 295 7000
Fax: +1 441 295 5193
ey.com

Report of Independent Auditors

The Board of Directors
Sompo International Holdings Ltd.

We have audited the accompanying consolidated financial statements of Sompo International Holdings Ltd., which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statement of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from March 28, 2017 to December 31, 2017, 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 audit. We conducted our audit 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 Sompo International Holdings Ltd. at December 31, 2017, and the consolidated results of its operations and its cash flows for the period from March 28, 2017 to December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred and paid claims development prior to the most recent year and the average annual percentage payout of incurred claims disclosed on pages 26 through 35 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young Ltd.

Hamilton, Bermuda
April 17, 2018

SOMPO INTERNATIONAL HOLDINGS LTD.
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2017
(In thousands of United States dollars except share amounts)

ASSETS		
Investments		
Fixed maturity investments, trading at fair value (amortized cost: $1,454,374)	$	1,446,975
Fixed maturity investments, available for sale at fair value (amortized cost: $5,990,483)		5,980,687
Short-term investments, trading at fair value (amortized cost: $20,409)		20,667
Short-term investments, available for sale at fair value (amortized cost: $83,100)		82,850
Equity securities, trading at fair value (cost: $223)		184
Equity securities, available for sale at fair value (cost: $539,254)		558,122
Other investments		565,744
Total investments		8,655,229
Cash and cash equivalents		1,640,217
Premiums receivable, net		1,836,477
Insurance and reinsurance balances receivable		107,827
Deferred acquisition costs		239,891
Prepaid reinsurance premiums		892,751
Reinsurance recoverable on unpaid losses		2,487,887
Reinsurance recoverable on paid losses		490,899
Accrued investment income		47,189
Goodwill and intangible assets		2,070,601
Net receivable on sales of investments		100,537
Other assets		429,442
Total assets	$	18,998,947
LIABILITIES		
Reserve for losses and loss expenses	$	6,915,401
Reserve for unearned premiums		2,431,351
Reinsurance balances payable		899,020
Debt		727,768
Net payable on purchases of investments		310,043
Deferred tax liability		10,850
Other liabilities		491,915
Total liabilities		11,786,348
Commitments and contingent liabilities		—
SHAREHOLDERS' EQUITY		
Common shares, ordinary - 3 issued and outstanding		—
Additional paid-in capital		7,361,742
Accumulated other comprehensive income		67,489
Retained loss		(392,933)
Total shareholder's equity available to Sompo International		7,036,298
Non-controlling interests		176,301
Total shareholders' equity		7,212,599
Total liabilities and shareholders' equity	$	18,998,947

See accompanying notes to the consolidated financial statements.

SOMPO INTERNATIONAL HOLDINGS LTD.
CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
FOR THE PERIOD FROM MARCH 28, 2017 TO DECEMBER 31, 2017
(In thousands of United States dollars)

Revenues		
Gross premiums written	$	3,228,705
Ceded premiums written		(1,418,569)
Net premiums written		1,810,136
Change in unearned premiums		304,592
Net premiums earned		2,114,728
Net investment income		190,057
Net realized and unrealized gains		20,921
Net impairment losses recognized in net loss		(1,807)
Other underwriting income		13,674
Total revenues		2,337,573
Expenses		
Net losses and loss expenses		1,891,324
Acquisition expenses		126,101
General and administrative expenses		235,212
Corporate expenses		38,948
Amortization of goodwill and intangibles		556,401
Net foreign exchange losses		18,959
Interest expense		26,330
Losses on debt repurchase		10,131
Total expenses		2,903,406
Loss before income taxes		(565,833)
Income tax benefit		106,092
Net loss		(459,741)
Net losses attributable to non-controlling interests		66,808
Net loss available to Sompo International	$	(392,933)
Comprehensive loss		
Net loss	$	(459,741)
Other comprehensive income		
Net unrealized holding gains on investments arising during the period (net of other-than-temporary impairment losses recognized in other comprehensive income, reclassification adjustment and applicable deferred income taxes of $4,336)		11,335
Foreign currency translation adjustments		56,154
Other comprehensive income		67,489
Comprehensive loss		(392,252)
Comprehensive loss attributable to non-controlling interests		66,808
Comprehensive loss attributable to Sompo International	$	(325,444)

See accompanying notes to the consolidated financial statements.

SOMPO INTERNATIONAL HOLDINGS LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM MARCH 28, 2017 TO DECEMBER 31, 2017
(In thousands of United States dollars)

Common shares	
Balance, beginning of period	—
Contribution of capital received from the parent	—
Balance, end of period	—
Additional paid-in capital	
Balance, beginning of period	6,247,219
Contribution of capital received from the parent	1,114,523
Balance, end of period	7,361,742
Accumulated other comprehensive income	
Cumulative foreign currency translation adjustments:	
Balance, beginning of period	—
Foreign currency translation adjustments	56,154
Balance, end of period	56,154
Unrealized holding gains on investments, net of deferred taxes:	
Balance, beginning of period	—
Net unrealized holding gains arising during the period, net of other-than-temporary impairment losses and reclassification adjustment	11,335
Balance, end of period	11,335
Total accumulated other comprehensive income	67,489
Retained loss	
Balance, beginning of period	—
Net loss	(459,741)
Net loss attributable to non-controlling interests	66,808
Balance, end of period	(392,933)
Total shareholder's equity available to Sompo International	7,036,298
Non-controlling interests	176,301
Total shareholders' equity	$ 7,212,599

See accompanying notes to the consolidated financial statements.

SOMPO INTERNATIONAL HOLDINGS LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MARCH 28, 2017 TO DECEMBER 31, 2017
(In thousands of United States dollars)

Cash flows provided by operating activities:		
Net loss	$	(459,741)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of net premium on investments		24,205
Amortization of goodwill, intangibles and depreciation		570,358
Net realized and unrealized gains		(20,921)
Net impairment losses recognized in net loss		1,807
Losses on debt repurchase		10,131
Deferred taxes		(112,736)
Equity in earnings of other investments		(29,807)
Premiums receivable, net		508,741
Deferred acquisition costs		(233,326)
Prepaid reinsurance premiums		256,082
Reinsurance recoverable		(952,993)
Reserve for losses and loss expenses		1,349,769
Reserve for unearned premiums		(559,165)
Reinsurance balances payable		(150,429)
Other		3,086
Net cash flows provided by operating activities		205,061
Cash flows provided by investing activities		
Proceeds from sales and maturities of trading investments		963,567
Proceeds from sales and maturities of available for sale investments		2,502,431
Proceeds from the redemption of other investments		70,147
Purchases of trading investments		(14,713)
Purchases of available for sale investments		(3,349,577)
Purchases of other investments		(35,057)
Net purchases of other assets		(11,751)
Purchases of fixed assets		(28,126)
Net cash paid for subsidiary acquisition		(74)
Net cash flows provided by investing activities		96,847
Cash flows provided by financing activities		
Issuance of common shares		330,000
Settlement of equity awards following acquisition of Endurance Holdings by Sompo Holdings		(102,163)
Net distributions to non-controlling interests		(35,518)
Proceeds from issuance of repurchase agreements		50,056
Repayment of repurchase agreements		(50,056)
Proceeds from issuance of debt		232
Repayments of debt		(100,218)
Net cash flows provided by financing activities		92,333
Effect of exchange rate changes on cash and cash equivalents		20,298
Net increase in cash and cash equivalents		414,539
Cash and cash equivalents, beginning of period		1,225,678
Cash and cash equivalents, end of period	$	1,640,217

See accompanying notes to the consolidated financial statements.

1. Organization

Sompo International Holdings Ltd. ("Sompo International", together with its subsidiaries, the "Company") was organized as a Bermuda holding company on March 24, 2017, and is a wholly-owned subsidiary of Sompo Japan Nipponkoa Insurance Inc. ("SJNKI"). SJNKI is an insurer based in, and licensed under, the laws of Japan. SJNKI is a wholly-owned subsidiary of Sompo Holdings, Inc. ("Sompo Holdings"), a publicly-owned holding company, formed under the laws of Japan, whose capital stock is traded on the Tokyo Stock Exchange.

On March 28, 2017, (the "Closing Date"), Sompo Holdings completed its acquisition of Endurance Specialty Holdings Ltd. ("Endurance Holdings") following receipt of all shareholder and regulatory approvals. Pursuant to the agreement and plan of merger entered on October 5, 2016 (the "Merger Agreement"), Endurance Holdings ordinary shares ceased trading on the New York Stock Exchange and each Endurance Holdings issued and outstanding ordinary share was canceled and converted into the right to receive $93.00 per share. Under the terms of the Merger Agreement, the aggregate consideration for the acquisition was $6,288.7 million in cash.

On September 27, 2017, Sompo International entered into a Stock and Asset Purchase and Sale Agreement (the "Purchase and Sale Agreement") with Endurance Holdings. Pursuant to the terms of the Purchase and Sale Agreement, Endurance Holdings transferred substantially all of its assets and liabilities to Sompo International, effective September 27, 2017 (the "Asset Transfer Date"). The net assets of Endurance Holdings were transferred to Sompo International on the Asset Transfer Date at book value in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and were accounted for as a business combination with an entity under common control. For additional information, see Note 3, Asset transfers from Endurance Holdings and Sompo America.

Furthermore, on December 31, 2017, Sompo International undertook an internal restructuring and as a result, Endurance U.S. Holdings Corp. ("Endurance U.S. Holdings"), a wholly-owned indirect subsidiary of Sompo International, merged with Sompo America Holdings Inc. ("Sompo America"), an affiliated wholly-owned subsidiary of SJNKI, at U.S. GAAP book value, with Endurance U.S. Holdings being the surviving entity. Consequently, three operating subsidiaries of Sompo America became wholly-owned subsidiaries of Endurance U.S. Holdings: Sompo America Insurance Company ("Sompo America Insurance"), Sompo America Fire & Marine Insurance Company ("Sompo America Fire & Marine"), and Sompo Seguros Mexico, S.A. de C.V. ("Sompo Mexico"). For additional information, see Note 3, Asset transfers from Endurance Holdings and Sompo America.

These transactions were considered as transactions with entities under common control and were recorded based on their carrying value as of the date of common control on March 28, 2017. The carrying value of Endurance Holdings included the purchase price allocations and related goodwill and intangible assets which resulted from applying push down accounting related to the acquisition of Endurance Holdings by Sompo Holdings, see Note 10, Goodwill and intangible assets. The Consolidated Statement of Loss and Comprehensive Loss includes revenues and expenses from the date of common control of March 28, 2017.

Sompo International writes specialty lines of insurance and reinsurance on a global basis through its wholly-owned operating subsidiaries:

Operating Subsidiaries	Domicile
Endurance Specialty Insurance Ltd. ("Endurance Bermuda")	Bermuda
Blue Capital Management Ltd. ("BCML"), manager of Blue Water Re Ltd. and Blue Water Re II Ltd.	Bermuda
Endurance Worldwide Insurance Limited ("Endurance U.K.")	England
Endurance at Lloyd's, managing agent for Lloyd's Syndicate 5151	England
Endurance Assurance Corporation ("Endurance Assurance", formerly Endurance Reinsurance Corporation of America)	Delaware
Endurance American Insurance Company ("Endurance American")	Delaware
Endurance American Specialty Insurance Company ("Endurance American Specialty")	Delaware
Endurance Risk Solutions Assurance Co. ("Endurance Risk Solutions")	Delaware
American Agri-Business Insurance Company ("American Agri-Business"), managed by ARMtech Insurance Services, Inc. (together with American Agri-Business, "ARMtech")	Texas
Sompo America Insurance Company	New York
Sompo America Fire & Marine Insurance Company	New York
Sompo Seguros Mexico, S.A. de C.V.	Mexico

1. Organization, cont'd.

In addition, as part of the collateralized reinsurance and third party asset management operations under the name "Blue Capital", Sompo International and Endurance Bermuda together own 33.2% of Blue Capital Reinsurance Holdings Ltd. ("BCRH") and Endurance Bermuda owns 28.5% of Blue Capital Alternative Income Fund Limited ("BCAI").

BCRH is a Bermuda-based exempted limited liability holding company managed by BCML that provides fully-collateralized property catastrophe reinsurance and invests in various insurance-linked securities through its wholly-owned Bermuda-based subsidiaries, Blue Capital Re. Ltd. ("Blue Capital Re") and Blue Capital Re ILS Ltd. ("Blue Capital Re ILS"). BCRH's shares are listed on the New York Stock Exchange and the Bermuda Stock Exchange.

BCAI is a closed-ended mutual fund incorporated in Bermuda and managed by BCML that serves as the feeder fund for the Blue Capital Global Reinsurance SA-1 cell (the "BCGR Cell"). BCAI's shares are listed on the Specialist Fund Market of the London Stock Exchange and on the Bermuda Stock Exchange.

BCML is a wholly-owned subsidiary that provides investment and insurance management services to the Blue Capital vehicles primarily through business written in Blue Water Re Ltd. ("Blue Water Re"), a wholly-owned special purpose insurer. See Note 4, Investments, for additional information with respect to the Blue Capital entities.

2. Significant accounting policies

The consolidated financial statements have been prepared on the basis of U.S. GAAP and include the accounts of Sompo International and its wholly-owned subsidiaries, BCRH and the BCGR Cell, from March 28, 2017, the date when these entities became under common control. All intercompany transactions and balances have been eliminated in consolidation. The following are significant accounting and reporting policies adopted by the Company:

(a) Premiums and related expenses

The Company's insurance premiums are earned pro rata over the term of the applicable risk period specified in the insurance policy. The Company's insurance policies cover losses occurring or claims made during the term of the policy. Generally, the Company receives a fixed premium which is identified in the policy and is recorded on the inception date of the contract or when premiums are determinable and earned evenly over the policy term. This premium will only adjust if the underlying insured values adjust. Accordingly, the Company monitors the underlying insured values and records additional or return premiums in the period in which amounts are reasonably determinable.

The Company's reinsurance premiums are earned in proportion to the amount of reinsurance protection provided over the applicable risk period established in the reinsurance contract. Reinsurance contracts written on a losses occurring basis cover losses which occur during the term of the reinsurance contract, typically 12 months. Accordingly, the Company earns the premium on a losses occurring reinsurance contract evenly over the reinsurance contract term. Reinsurance contracts written on a policies attaching basis cover losses from the underlying insurance policies incepting during the terms of the reinsurance contracts. Losses under a policies attaching reinsurance contract may occur after the end date of the reinsurance contract, so long as they are losses from policies that began during the reinsurance contract period. The Company typically earns the premiums for policies attaching reinsurance contracts over a 24-month period in proportion to the amount of reinsurance protection provided to reflect the extension of the risk period past the term of the contract and the varying levels of reinsurance protection provided during the reinsurance contract period.

In addition to the applicable risk period, the Company's estimate of its reinsurance premiums written is based on the type of reinsurance contracts underwritten. For excess of loss reinsurance contracts, the deposit premium, as defined in the contract, is generally considered to be the best estimate of the reinsurance contract's written premium at inception. The Company earns reinstatement premiums upon the occurrence of a loss under the reinsurance contract. Reinstatement premiums are calculated in accordance with the contract terms based upon the ultimate loss estimate associated with each contract. For proportional reinsurance contracts, the Company estimates premium, commissions and related expenses based on broker and ceding company estimates and also utilizes judgment in establishing proportional reinsurance contract estimates.

2. Significant accounting policies, cont'd.

(a) Premiums and related expenses, cont'd.

Premiums on the Company's excess of loss and proportional reinsurance contracts are estimated at the time the business is underwritten. Accordingly, this is the amount the Company records as written premium in the period the reinsurance contract is underwritten. As actual premiums are reported by the ceding companies, management evaluates the appropriateness of the original premium estimates and any adjustments to these estimates are recorded in the period in which they become known.

Premiums receivable are recorded at amounts due less any allowance for estimated uncollectible premiums receivable. At December 31, 2017, the Company had an allowance for estimated uncollectible premiums receivable of $10.1 million.

Acquisition expenses are costs that vary with and are directly related to the successful production of new and renewal business, and consist principally of commissions and brokerage expenses. Acquisition and general and administrative expenses are shown net of commissions, other fees and expense allowances associated with and earned on ceded business. These costs are deferred and amortized over the periods in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated net investment income is considered in determining the recoverability of deferred acquisition costs.

(b) Reserve for losses and loss expenses

The Company’s reserve for losses and loss expenses includes case reserves and reserves for losses incurred but not reported (referred to as "IBNR reserves"). Case reserves are established for losses that have been reported, but not yet paid. IBNR reserves represent a provision for claims that have been incurred but not yet reported to the Company, as well as future loss development on losses already reported, in excess of the case reserves. Case reserves and IBNR reserves are established by management based on reports from reinsurance intermediaries, ceding companies and insureds, and consultations with independent legal counsel. In addition, reserves for IBNR losses and loss expenses are established by management based on reported losses and loss expenses, and actuarially determined estimates of ultimate losses and loss expenses.

The Company uses a variety of actuarial methods to estimate the ultimate losses and loss expenses incurred by the Company. One actuarial method used by the Company to estimate reserves for losses and loss expenses is the expected loss ratio approach, which is based on expected results independent of current loss reporting activity. This approach is typically used for immature loss periods (i.e., the current accident year). Another actuarial method used by the Company to estimate reserves for losses and loss expenses is known as the Bornhuetter-Ferguson method. The Bornhuetter-Ferguson method uses an initial loss estimate (expected loss technique) for each accident year by business line and type of contract. Under this method, IBNR is set equal to the initial loss estimate multiplied by the expected percent of loss yet to be reported at each valuation date. In a given quarter, if reported losses are less than expected, then the difference would result in a decrease in estimated ultimate losses. If losses are greater than expected, then the difference would result in an increase in estimated ultimate losses. A third actuarial method used by the Company to estimate reserves for losses and loss expenses is known as the loss development method. The loss development method extrapolates the current value of reported losses to ultimate expected losses by using selected reporting patterns of losses over time. The selected reporting patterns are based on historical information (organized into loss development triangles) and are adjusted to reflect the changing characteristics of the book of business written by the Company. Management uses these multiple actuarial methods, supplemented with professional judgment, to establish the best estimate of reserves for losses and loss expenses.

The Company's loss and loss expense reserves are reviewed regularly, and adjustments, if any, are reflected in earnings in the period in which they become known. The establishment of new loss and loss expense reserves or the adjustment of previously recorded loss and loss expense reserves could result in significant positive or negative changes to the Company's financial condition for any particular period. While management believes the Company's estimate of loss and loss expense reserves is reasonable, the ultimate loss experience may not be reliably predicted, and it is possible losses and loss expenses may be materially different than the total reserve for losses and loss expenses recorded by the Company.

2. Significant accounting policies, cont'd.

(c) Reinsurance

Reinsurance recoverable on paid and unpaid losses represent estimates of losses and loss expenses that will be recovered from reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the provisions of the reinsurance agreements and consistent with the establishment of the Company's reserve for losses and loss expenses. Ceding commissions earned on ceded business are classified as an offset to acquisition and general and administrative expenses.

(d) Investments

The Company currently classifies its fixed maturity investments, short-term investments and equity securities as trading or available for sale. Trading securities are carried at estimated fair value, with related net realized and unrealized gains or losses included in net loss.

Available for sale securities are carried at estimated fair value, with related net unrealized gains or losses excluded from net loss and included in shareholders' equity as a component of accumulated other comprehensive income. Investment transactions are recorded on a trade date basis. The Company determines the fair value of its trading and available for sale investments in accordance with current accounting guidance, which defines fair value and establishes a fair value hierarchy based on inputs to the various valuation techniques used for each fair value measurement. The use of valuation techniques for any given investment requires a significant amount of judgment and consideration of factors specific to the underlying investment. Fair value measurements determined by the Company seek to maximize observable inputs and minimize the use of unobservable inputs.

Current accounting guidance establishes three levels as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets in markets that are active, quoted prices for identical or similar assets in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect the Company's own views about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The Company determines the estimated fair value of each individual security utilizing the highest level inputs available.

If the Company has the intent to sell a fixed maturity or short-term security classified as available for sale in an unrealized loss position or it is more likely than not that the Company will be required to sell the available for sale security, the Company deems the security to be other-than-temporarily impaired and writes down the carrying value of the security to fair value, thereby establishing a new cost basis. The amount of the write-down is recognized in net loss as an other-than-temporary impairment ("OTTI") loss.

For fixed maturity and short-term investments classified as available for sale in an unrealized loss position for which a decision to sell has not been made and it is not more likely than not that the Company will be required to sell the security, the Company performs additional reviews to determine whether the investment will recover its amortized cost. If the amortized cost of the Company's fixed maturity and short-term investments classified as available for sale is, based upon the judgment of management, unlikely to be recovered, the Company writes down the investment by the amount representing the credit related portion of the decline in value, thereby establishing a new cost basis. The amount of the write-down is recognized in net loss as an OTTI loss. The new cost basis is not changed for subsequent recoveries in fair value.

2. Significant accounting policies, cont'd.

(d) Investments, cont'd.

To the extent the Company determines that the amortized cost of the Company's fixed maturity and short-term investments classified as available for sale is likely to be recovered and the decline in value is related to non-credit factors (such as interest rates, market conditions, etc.) and not due to credit related factors, that remaining non-credit portion of the unrealized loss is recorded as a part of accumulated other comprehensive income in the shareholders' equity section of the Company's Consolidated Balance Sheet.

For equity securities classified as available for sale, the Company considers its ability and intent to hold the equity security in an unrealized loss position for a reasonable period of time to allow for a full recovery. When the Company determines that the decline in value of an equity security is other-than-temporary, the Company reduces the cost of the equity security to its fair value and recognizes the loss in the Consolidated Statement of Loss and Comprehensive Loss. The new cost basis is not changed for subsequent recoveries in fair value.

Other investments within the Company's investment portfolio are comprised of hedge funds, private investment funds and other investment funds that generally invest in senior secured bank debt, high yield credit securities, distressed debt, macro strategies, multi-strategy, equity long/short strategies, distressed real estate, and energy sector private equity ("alternative funds"). Other investments are accounted for using the equity method of accounting whereby the initial investment is recorded at cost. The carrying values of these investments are increased or decreased to reflect the Company's share of income or loss, which is included in net investment income, and are decreased for dividends. Due to the timing of the delivery of the final valuations reported by the managers of certain of our alternative funds, our investments in those funds are estimated based on the most recently available information including period end valuation statements, period end estimates, or, in some cases, prior month or quarter valuation statements.

(e) Cash equivalents and short-term investments

Cash equivalents include highly liquid short-term deposits and securities with maturities of 90 days or less at the time of purchase. Cash equivalents are valued at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities. Deposits and securities with maturities greater than 90 days and less than 1 year are classified as short-term investments.

(f) Goodwill and intangible assets

The Company has elected to adopt an accounting alternative available to private companies to amortize goodwill over ten years and to test goodwill for impairment at the Company level rather than the reporting unit level. Identifiable intangible assets with finite lives are amortized on an accelerated or straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually at the beginning of the fourth quarter, or more often if impairment indicators arise. In making an assessment of the value of its goodwill and intangible assets, the Company uses both market based and non-market based valuations.

(g) Foreign exchange

Assets and liabilities of foreign operations whose functional currency is not the United States dollar are translated at exchange rates in effect at the balance sheet date. Revenues and expenses of such foreign operations are translated at weighted average exchange rates during the year. The effect of the translation adjustments for foreign operations is included in accumulated other comprehensive income, net of applicable deferred income taxes. Other monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rates in effect at the balance sheet date with the resulting net foreign exchange gains and losses included in net loss. Revenues and expenses denominated in foreign currencies are translated at the prevailing exchange rate on the transaction date.

(h) Derivatives

Current accounting guidance requires the recognition of all derivative financial instruments including embedded derivative instruments, as either assets or liabilities in the Consolidated Balance Sheet at fair value.

The Company may use various derivative instruments such as foreign exchange forward, future and option contracts; industry loss warranty swaps; interest rate futures, swaps, swaptions, and options; credit default swaps; LIBOR swaps; commodity futures and options; weather swaps and options; loss development covers; and to-be-announced mortgage-backed securities. These derivative instruments are used to manage exposure to interest rate and currency risk, to enhance

2. Significant accounting policies, cont'd.

(h) Derivatives, cont'd.

the efficiency of the Company's investment portfolio, to economically hedge certain risks, and as part of its weather risk management business. Derivatives are recorded at fair value with changes in fair value and any gains or losses are recognized in net realized and unrealized gains, net foreign exchange losses, or other underwriting income in the Consolidated Statement of Loss and Comprehensive Loss.

Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions may be netted by the counterparty.

(i) Income taxes

The Company accounts for income taxes for its subsidiaries operating in taxable jurisdictions. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. The accounting guidance allows for the recognition of tax benefits of uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. A liability is established for any tax benefit claimed in a tax return in excess of this threshold. Income tax related interest and penalties are included as income tax benefit.

(j) Use of estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Variable interest entity

Entities that do not have sufficient equity at risk to allow the entity to finance its activities without additional financial support or in which the equity investors, as a group, do not have the characteristic of a controlling financial interest are referred to as variable interest entities ("VIE"). A VIE is consolidated by the variable interest holder that is determined to have the controlling financial interest (primary beneficiary) as a result of having both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. The Company determines whether it is the primary beneficiary of an entity subject to consolidation based on a qualitative assessment of the VIE's capital structure, contractual terms, nature of the VIE's operations and purpose and the Company's relative exposure to the related risks of the VIE on the date it becomes initially involved in the VIE. The Company reassesses its VIE determination with respect to an entity on an ongoing basis. See also Note 4, Investments.

(l) Non-controlling interests

The Company accounts for non-controlling interests in the shareholders' equity section of the Company's Consolidated Balance Sheet in accordance with current accounting guidance regarding consolidation. Net loss attributable to non-controlling interest is presented separately in the Company's Consolidated Statement of Loss and Comprehensive Loss.

(m) Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. ASU 2014-09 also provides guidance on accounting for certain contract costs and will also require new disclosures. ASU 2014-09 was to be effective for non-public business entities in annual periods beginning after December 15, 2017, however, in July 2015, the FASB decided to defer by one year the effective dates of ASU 2014-09, and as a result, ASU 2014-09 will be effective for non-public business entities in annual and interim period beginning after December 15, 2018. Early adoption is permitted. Based on its review, the Company has determined that this standard specifically excludes revenue from the following sources: insurance contracts, Topic 944, Financial Services-Insurance and

2. Significant accounting policies, cont'd.

(m) Recent accounting pronouncements, cont'd.

investment income; Topic 320, Investments-Debt and Equity Securities; Topic 323, Investments-Equity Methods and Joint Ventures; Topic 325, Investment-Others; and Topic 815, Derivatives and Hedging. As substantially all of the Company's revenues are subject to the topics above that are excluded from the standard, the Company has determined that this standard will not have a material impact on the Company's Consolidated Financial Statements.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net loss, simplifies the impairment assessment of equity investments without readily determinable values by requiring a qualitative assessment to identify impairment, eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost, requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the organization has elected to measure the liabilities in accordance with the fair value option, requires the separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and clarifies that the reporting organization should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the organization’s other deferred tax assets. ASU 2016-01 is effective for non-public business entities in fiscal years beginning after December 15, 2018 with early adoption permitted for certain specific provisions of ASU 2016-01. The Company anticipates adopting this guidance effective January 1, 2018. The adoption of this guidance is expected to have a material impact on the Company's results of operations as changes in fair value of equity securities will be included in net loss rather than other comprehensive income. At December 31, 2017, accumulated other comprehensive income included $18.9 million of net unrealized gains on equity securities, net of taxes.

In February 2016, the FASB issued ASU No. 2016-02, Leases (“ASU 2016-02”). ASU 2016-02 requires lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous guidance. ASU 2016-02 is effective for non-public business entities for annual periods beginning after December 15, 2019. Early application is permitted. The Company is currently evaluating the impact of this guidance.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 modifies the recognition of credit losses by replacing the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is applicable to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables, and other financial assets that have the contractual right to receive cash. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The Company's invested assets are measured at fair value, and therefore those invested assets would not be impacted by the adoption of ASU 2016-13. The Company has other financial assets, such as reinsurance recoverables, that could be impacted by the adoption of ASU 2016-13. ASU 2016-13 is effective for non-public business entities in annual and interim periods beginning after December 15, 2020. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company’s Consolidated Statement of Loss and Comprehensive Loss and financial position.

3. Asset transfers from Endurance Holdings and Sompo America

On September 27, 2017, Endurance Holdings contributed substantially all of its net assets to Sompo International. The net assets of $6.6 billion were transferred to Sompo International on September 27, 2017 at U.S. GAAP book value and were accounted for as a transaction with an entity under common control since the ultimate parent of both Sompo International and Endurance Holdings was Sompo Holdings.

Similarly on December 31, 2017, Sompo America was merged with Endurance U.S. Holdings, a wholly-owned indirect subsidiary of Sompo International, with Endurance U.S. Holdings continuing as the surviving company. The Sompo America net assets of $801.2 million were transferred to Endurance U.S. Holdings on December 31, 2017 at U.S. GAAP book value and were accounted for as a business combination with an entity under common control.

4. Investments

Composition of Net Investment Income and of Invested Assets

The components of net investment income for the period from March 28, 2017 to December 31, 2017 are as follows:

Fixed income investments	$	152,207
Equity securities		15,097
Other investments		29,807
Cash and cash equivalents		6,435
	$	203,546
Investment expenses		(13,489)
Net investment income	$	190,057

Contractual maturities of the Company's fixed maturity and short-term investments are shown below as of December 31, 2017. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

		Amortized Cost		Fair Value
Due within one year	$	404,330	$	403,406
Due after one year through five years		2,507,214		2,495,549
Due after five years through ten years		1,364,375		1,371,081
Due after ten years		71,422		71,778
Residential mortgage-backed securities		1,620,792		1,607,252
Commercial mortgage-backed securities		612,707		611,418
Collateralized loan and debt obligations		370,752		372,941
Asset-backed securities		596,774		597,754
Total	$	7,548,366	$	7,531,179

4. Investments, cont'd.

The following table summarizes the fair value of the fixed maturity investments, short-term investments and equity securities classified as trading at December 31, 2017.

Fixed maturity investments		
U.S. government and agencies securities	$	71,392
U.S. state and municipal securities		2,602
Foreign government securities		57,427
Government guaranteed corporate securities		2,672
Corporate securities		674,996
Residential mortgage-backed securities		336,179
Commercial mortgage-backed securities		104,760
Collateralized loan and debt obligations		53,185
Asset-backed securities		143,762
Total fixed maturity investments		1,446,975
Short-term investments		20,667
Total fixed income investments	$	1,467,642
Equity securities		
Equity investments	$	184
Total equity securities	$	184

In addition to the Company's fixed maturity, short-term and equity investments, the Company invests in alternative funds. The Company's alternative funds are recorded on the Company's Consolidated Balance Sheet as "other investments". At December 31, 2017 the Company had invested, net of capital returned, a total of $546.4 million in other investments. At December 31, 2017 the carrying value of other investments was $565.7 million.

The following table summarizes the composition and redemption restrictions of other investments as of December 31, 2017:

	Market Value	Unfunded Commitments	Ineligible for Redemption in 2018
Alternative funds			
Hedge funds	$ 431,674	$ —	$ 5,445
Private investment funds	99,682	115,665	99,682
Other investment funds	34,388	—	33,731
Total other investments	$ 565,744	$ 115,665	$ 138,858

Hedge funds – The redemption frequency of the hedge funds range from monthly to biennially with notice periods from 30 to 180 days. Over one year, it is estimated that the Company can liquidate approximately 98.7% of the hedge fund portfolio, with the remainder over the following two years.

Private investment funds – The Company generally has no right to redeem its interest in any private investment funds in advance of dissolution of the applicable partnership. Instead, the nature of these investments is that distributions are received by the Company in connection with the distribution of income or the liquidation of the underlying assets of the applicable limited partnership. It is estimated that the majority of the underlying assets of the limited partnerships would liquidate over 5 to 10 years from inception of the limited partnership. A secondary market, with unpredictable liquidity, exists for limited partner interests in private investment funds.

Other investment funds – Other investment funds includes funds on deposit with Lloyd's, which are restricted, and the Company's investment in BCAI, which represents the net carrying value of the Company's investment in BCAI that has not been deployed into the BCGR cell.

4. Investments, cont'd.

Net Realized and Unrealized Gains

Realized and unrealized gains and losses are recognized in earnings using the first in, first out method. The analysis of gross realized gains and losses, net unrealized gains on trading securities, and the change in the fair value of investment-related derivative financial instruments for the period from March 28, 2017 to December 31, 2017 are as follows:

Gross realized gains on investment sales	$	31,595
Gross realized losses on investment sales		(22,089)
Net unrealized gains on trading securities		2,900
Change in fair value of derivative financial instruments[1]		8,515
Net realized and unrealized gains	$	20,921

(1) For additional information on the Company's derivative financial instruments, see Note 9, Derivatives.

Unrealized Gains and Losses

The Company classifies some of its investments in fixed maturity investments, short-term investments and equities as available for sale. The amortized cost, fair value and related gross unrealized gains and losses on the Company's securities classified as available for sale at December 31, 2017 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity investments				
U.S. government and agencies securities	$ 1,179,143	$ 4,637	$ (12,245)	$ 1,171,535
U.S. state and municipal securities	249,859	3,227	(1,195)	251,891
Foreign government securities	211,748	3,739	(1,576)	213,911
Government guaranteed corporate securities	12,869	326	(25)	13,170
Corporate securities	1,777,778	13,141	(12,218)	1,778,701
Residential mortgage-backed securities	1,279,796	3,557	(12,280)	1,271,073
Commercial mortgage-backed securities	507,950	2,985	(4,277)	506,658
Collateralized loan and debt obligations	318,104	1,817	(165)	319,756
Asset-backed securities	453,236	2,213	(1,457)	453,992
Total fixed maturity investments	$ 5,990,483	$ 35,642	$ (45,438)	$ 5,980,687
Short-term investments	83,100	94	(344)	82,850
Total fixed income investments	$ 6,073,583	$ 35,736	$ (45,782)	$ 6,063,537
Equity securities				
Equity investments	$ 539,254	$ 23,267	$ (4,399)	$ 558,122
Total equity securities	$ 539,254	$ 23,267	$ (4,399)	$ 558,122

4. Investments, cont'd.

The following table summarizes, for all available for sale securities in an unrealized loss position at December 31, 2017, the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position.

	Less than 12 months		12 months or greater		Total	
	Unrealized Losses[1]	Fair Value	Unrealized Losses[1]	Fair Value	Unrealized Losses[1]	Fair Value
Fixed maturity investments						
U.S. government and agencies securities	$ (12,245)	$ 940,384	$ —	$ —	$ (12,245)	$ 940,384
U.S. state and municipal securities	(1,195)	88,833	—	—	(1,195)	88,833
Foreign government securities	(1,576)	105,086	—	—	(1,576)	105,086
Government guaranteed corporate securities	(25)	1,575	—	—	(25)	1,575
Corporate securities	(12,218)	1,027,125	—	—	(12,218)	1,027,125
Residential mortgage-backed securities	(12,280)	763,375	—	—	(12,280)	763,375
Commercial mortgage-backed securities	(4,277)	307,519	—	—	(4,277)	307,519
Collateralized loan and debt obligations	(165)	75,499	—	—	(165)	75,499
Asset-backed securities	(1,457)	281,242	—	—	(1,457)	281,242
Total fixed maturity investments	$ (45,438)	$ 3,590,638	$ —	$ —	$ (45,438)	$ 3,590,638
Short-term investments	(344)	60,781	—	—	(344)	60,781
Total fixed income investments	$ (45,782)	$ 3,651,419	$ —	$ —	$ (45,782)	$ 3,651,419
Equity securities						
Equity investments	$ (4,399)	$ 133,601	$ —	$ —	$ (4,399)	$ 133,601
Total equity securities	$ (4,399)	$ 133,601	$ —	$ —	$ (4,399)	$ 133,601

(1) Gross unrealized losses include unrealized losses on non-OTTI and non-credit OTTI securities recognized in accumulated other comprehensive income at December 31, 2017.

As of December 31, 2017, 2,033 available for sale securities were in an unrealized loss position aggregating $50.2 million. Of those, none at December 31, 2017 had been in a continuous unrealized loss position for twelve months or greater.

During the period from March 28, 2017 to December 31, 2017, the Company impaired certain fixed maturity and equity securities where the present value of the cash flows expected to be collected were less than the amortized cost, and therefore recognized in net loss total other-than-temporary impairments of $1.8 million. As of December 31, 2017, the Company did not have the intent to sell any of the remaining equity securities in an unrealized loss position.

4. Investments, cont'd.

Other Investments

The Company is involved in the normal course of business with VIEs primarily as a passive investor in residential and commercial mortgage-backed securities and through its interests in various other investments that are structured as limited partnerships considered to be third party VIEs. The Company determines whether it is the primary beneficiary of an entity subject to consolidation based on a qualitative assessment of the VIE's capital structure, contractual terms, nature of the VIE's operations and purpose, and the Company's relative exposure to the related risks of the VIE on the date it becomes initially involved in the VIE. The Company determined that it was not the primary beneficiary for any of these investments as of December 31, 2017. The Company believes its exposure to loss with respect to these investments is generally limited to the investment carrying amounts reported in the Company's Consolidated Balance Sheet and any unfunded investment commitments.

Collateralized Reinsurance Entities

As of December 31, 2017, Sompo International and Endurance Bermuda together owned 33.2% of BCRH. BCRH is considered a VIE under U.S. GAAP and the Company has determined that it is BCRH's primary beneficiary. As a result, the Company fully consolidates the assets, liabilities and operations of BCRH and its subsidiaries within its Consolidated Financial Statements. The interests in BCRH and its subsidiaries that the Company fully consolidates that are attributable to third-party investors are reported within the Company's Consolidated Financial Statements as non-controlling interests. BCRH's shareholder rights do not include redemption features within the control of the third party shareholders. The Company reassesses its VIE determination with respect to BCRH on an ongoing basis.

As of December 31, 2017, Sompo International owned 28.5% of BCAI. BCAI is considered a "voting interest entity" under U.S. GAAP and, because the Company owns less than 50% of its outstanding ordinary shares, the Company does not consolidate BCAI's assets, liabilities or operations within its Consolidated Financial Statements. However, the BCGR Cell and Blue Water Re, the Company's wholly-owned Bermuda-based special purpose insurance vehicle, are considered VIEs under U.S. GAAP and the Company has determined that it is the primary beneficiary of these entities. Therefore, as funds held in BCAI are deployed into the BCGR Cell, and ultimately into Blue Water Re, they are included in the Company's consolidated financial statements. Conversely, as funds previously deployed by BCAI and the BCGR Cell into Blue Water Re are returned to BCAI, they are no longer included in the Company's consolidated financial statements. The interests in the BCGR Cell and Blue Water Re that the Company fully consolidate that are attributable to third-party investors are reported within the Company's consolidated financial statements as non-controlling interests. BCAI's shareholder rights do not include redemption features within the control of the third party shareholders. The Company reassesses its VIE determinations with respect to the BCGR Cell and Blue Water Re on an ongoing basis.

The following table summarizes the movements in the non-redeemable non-controlling interests balance for the period from March 28, 2017 to December 31, 2017:

Non-controlling interests, beginning balance	$	278,627
Loss attributable to third-party investments in the BCGR Cell		(35,183)
Loss attributable to third-party investments in BCRH		(31,625)
Net loss attributable to non-controlling interests		(66,808)
Net preferred share redemption attributable to third-party investments in the BCGR Cell [(1)]		(32,042)
Net investments attributable to third-parties in BCRH		38
Net change in third-party investments in non-controlling interests		(32,004)
Dividends declared by BCRH attributable to non-controlling interests		(3,514)
Non-controlling interests - ending balance	$	176,301

(1) The redemption from the BCGR Cell was required to fund expenses, settle redemption shares and fund dividends by BCAI.

5. Fair value measurement

The Company determines the fair value of its fixed maturity investments, short-term investments, equity securities, and other assets and liabilities in accordance with current accounting guidance, which defines fair value and establishes a fair value hierarchy based on inputs to the various valuation techniques used for each fair value measurement. The Company determines the estimated fair value of each individual security utilizing the highest level inputs available. Valuation inputs by security type may include the following:

- Government and agencies fixed maturity securities – These securities are generally priced by pricing services or index providers. The pricing services or index providers may use current market trades for securities with similar quality, maturity and coupon. If no such trades are available, the pricing service typically uses analytical models which may incorporate option adjusted spreads, daily interest rate data and market/sector news. The Company generally classifies the fair values of government and agencies securities in Level 2. Current issue U.S. government securities are generally valued based on Level 1 inputs, which use the market approach valuation technique.
- Government guaranteed corporate fixed maturity securities – These securities are generally priced by pricing services or index providers. The pricing service or index providers may use current market trades for securities with similar quality, maturity and coupon. If no such trades are available, the pricing service typically uses analytical spread models which may incorporate inputs from the U.S. treasury curve or LIBOR. The Company generally classifies the fair values of its government guaranteed corporate securities in Level 2.
- Corporate fixed maturity securities – These securities are generally priced by pricing services or index providers. The pricing services or index providers typically use discounted cash flow models that incorporate benchmark curves for treasury, swap and high issuance credits. Credit spreads are developed from current market observations for like or similar securities. The Company generally classifies the fair values of its corporate securities in Level 2.
- Equity securities – These securities are generally priced by pricing services or index providers. Depending on the type of underlying equity security or equity fund, the securities are priced by pricing services or index providers based on quoted market prices in active markets or through a discounted cash flow model that incorporates benchmark curves for treasury, swap and credit for like or similar securities. The Company generally classifies the fair values of its equity securities in Level 1 or 2.
- Structured securities including agency and non-agency, residential and commercial mortgage, asset-backed securities and collateralized loan and debt obligations – These securities are generally priced by broker/dealers. Broker/dealers may use current market trades for securities with similar qualities. If no such trades are available, inputs such as bid and offer, prepayment speeds, the U.S. treasury curve, swap curve and cash settlement may be used in a discounted cash flow model to determine the fair value of a security. The Company generally classifies the fair values of its structured securities in Level 2.
- Other assets and liabilities – A portion of other assets and liabilities are composed of a variety of derivative instruments used to enhance the efficiency of the investment portfolio and economically hedge certain risks. These instruments are generally priced by pricing services, broker/dealers and/or recent trading activity. The market value approach valuation technique is used to estimate the fair value for these derivatives based on significant observable market inputs. Certain derivative instruments are priced by pricing services based on quoted market prices in active markets. These derivative instruments are generally classified in Level 1. Other derivative instruments are priced using industry valuation models and are considered Level 2, as the inputs to the valuation model are based on observable market inputs. Also included in this line item are proprietary, non-exchange traded derivative-based risk management products primarily used to address weather and energy risks. The trading market for these weather derivatives are generally linked to energy and agriculture commodities, weather and other natural phenomena. In instances where market prices are not available, the Company uses industry or internally developed valuation techniques such as spread option, Black Scholes, quanto and simulation modeling to determine fair value and classifies these in Level 3. These models may reference prices for similar instruments.

5. Fair value measurement, cont'd.

The carrying values of cash and cash equivalents, accrued investment income, other investments, net receivable on sales of investments, net payable on purchases of investments and other financial instruments not described above approximated their fair values at December 31, 2017.

The following table sets forth the Company's fixed maturity investments, equity securities, short-term investments and other assets and liabilities categorized by the level within the hierarchy in which the fair value measurements fall at December 31, 2017:

	Total at December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Fixed maturity investments				
U.S. government and agencies securities	$ 1,242,927	$ 34,672	$ 1,208,255	$ —
U.S. state and municipal securities	254,493	—	254,493	—
Foreign government securities	271,338	—	271,338	—
Government guaranteed corporate securities	15,842	—	15,842	—
Corporate securities	2,453,697	—	2,279,736	173,961
Residential mortgage-backed securities	1,607,252	—	1,607,252	—
Commercial mortgage-backed securities	611,418	—	611,418	—
Collateralized loan and debt obligations	372,941	—	372,941	—
Asset-backed securities	597,754	—	597,754	—
Total fixed maturity investments	7,427,662	34,672	7,219,029	173,961
Equity securities				
Equity investments	558,306	27,628	530,678	—
Total equity securities	558,306	27,628	530,678	—
Short-term investments	103,517	—	103,517	—
Other assets (see Note 9)	269,424	2,099	208,555	58,770
Total assets	$ 8,358,909	$ 64,399	$ 8,061,779	$ 232,731
Liabilities				
Other liabilities (see Note 9)	$ 143,800	$ 1,259	$ 98,571	$ 43,970

During the period from March 28, 2017 to December 31, 2017, no investments were transferred into Level 3, and no investments were transferred out of Level 3 to Level 2.

Level 3 assets represented 2.8% of the Company's total available for sale and trading investments and derivative assets at December 31, 2017. As of December 31, 2017, Level 3 securities were primarily comprised of corporate securities and weather derivatives. There were no material changes in the Company's valuation techniques for the period from March 28, 2017 to December 31, 2017.

5. Fair value measurement, cont'd.

Other assets and other liabilities measured at fair value included assets of $60.8 million and liabilities of $44.3 million related to proprietary, non-exchange traded derivative-based risk management products used in the Company's weather risk management business, and hedging and trading activities related to these risks. In instances where market prices are not available, the Company may use industry or internally developed valuation techniques such as historical analysis and simulation modeling to determine fair value and are considered Level 3.

Observable and unobservable inputs to these valuation techniques vary by contract requirements and commodity type, are validated using market-based or independently sourced parameters where applicable and may typically include the following:

- Observable inputs: contract price, notional, option strike, term to expiry, interest rate, contractual limits, temperature, rainfall, windspeed, wave height, snow fall, cyclone category;
- Unobservable inputs: correlation, composite weather variable; and
- Both observable and unobservable: forward commodity price.

The Company's weather curves are determined by taking the average payouts for each transaction within its portfolio utilizing detrended historical weather measurements. The Company's commodity curves are determined using historical market data scaled to currently observed market prices. The range of each unobservable input could vary based on the specific commodity, including, but not limited to natural gas, electricity, crude, liquids, temperature or precipitation. Due to the diversity of the portfolio, the range of unobservable inputs could be wide-spread as reflected in the below table on quantitative information. The unobservable inputs are validated at each reporting period and are only changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data.

The following table presents a reconciliation of the beginning and ending balances for all assets and liabilities measured at fair value on a recurring basis using Level 3 inputs during for the period from March 28, 2017 to December 31, 2017.

	Fixed maturity investments	Other assets	Total assets	Other liabilities
Level 3, beginning of period	$ 187,690	$ 42,760	$ 230,450	$ (37,877)
Total equity income and losses and realized and unrealized gains and losses included in losses	(14,833)	—	(14,833)	—
Total income and losses included in other underwriting income	—	836	836	7,134
Change in unrealized gains and losses included in other comprehensive income	187	—	187	—
Purchases	58,228	—	58,228	—
Issues	—	22,420	22,420	(37,212)
Sales	(57,311)	—	(57,311)	—
Settlements	—	(7,246)	(7,246)	23,985
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Level 3, end of period	$ 173,961	$ 58,770	$ 232,731	$ (43,970)

6. Reserve for losses and loss expenses

Activity in the reserve for losses and loss expenses for the period from March 28, 2017 to December 31, 2017 is summarized as follows:

Gross reserve for losses and loss expenses, beginning of period [1]	$	5,496,635
Reinsurance recoverable on unpaid losses [1]		1,602,311
Net reserve for losses and loss expenses, beginning of period [1]		3,894,324
Incurred related to:		
Current year		1,983,723
Prior years		(92,399)
Total incurred		1,891,324
Paid related to:		
Current year		(567,888)
Prior years		(844,808)
Total paid		(1,412,696)
Foreign currency translation and other		54,562
Net reserve for losses and loss expenses, end of period		4,427,514
Reinsurance recoverable on unpaid losses		2,487,887
Gross reserve for losses and loss expenses, end of period	$	6,915,401

(1) Represents the fair value of Endurance Holding's and Sompo America's reserve for losses and loss expenses and reinsurance recoverable transferred to Sompo International.

During the period from March 28, 2017 to December 31, 2017, the Company's estimated ultimate losses for prior accident years were reduced by $92.4 million due to lower claims emergence than originally estimated by the Company.

Reserves for losses and loss expenses are based in part upon the estimation of losses resulting from catastrophic events. Estimation of these losses and loss expenses are based upon the Company's historical claims experience and is inherently difficult because of the Company's short operating history and the possible severity of catastrophe claims. Therefore, the Company uses both proprietary and commercially available models, as well as historical reinsurance industry catastrophe claims experience in addition to its own historical data for purposes of evaluating trends and providing an estimate of ultimate claims costs.

A significant portion of the Company's contracts and policies cover excess layers for high severity exposures. Underwriting results and ultimate claims payments for this type of coverage are therefore not typically reported to the Company until later in the contract and policy lives. As a result, the level of losses reported to date is not necessarily indicative of expected future results.

6. Reserve for losses and loss expenses, cont'd.

The Company monitors the performance of its underwriting operations through review of discrete information related to its two reportable segments, Insurance and Reinsurance. Within each of these segments, the Company writes a variety of different types of insurance and reinsurance. For reporting purposes, management has combined its many business units, including within the Insurance segment - agriculture, casualty and other specialty, professional lines and property, marine/energy and aviation; and within the Reinsurance segment - catastrophe, property, casualty, professional lines and specialty. Management believes that the businesses combined within these business lines have similarities that make it appropriate to evaluate each as a group.

The Company has included reserves acquired on a retrospective basis within its existing lines of business. In addition, the Company has restated all periods reflected in the various tables at the foreign exchange rates as of December 31, 2017.

The Company incorporates a variety of actuarial methods and judgments in its reserving process. Two key inputs in the various actuarial methods employed by the Company are initial expected loss ratios and expected loss reporting patterns. These key inputs impact the potential variability in the estimate of the reserve for losses and loss expenses and are applicable to each of the Company's business segments. The Company's loss and loss expense reserves consider and reflect, in part, deviations resulting from differences between expected loss and actual loss reporting as well as judgments relating to the weights applied to the reserve levels indicated by the actuarial methods. Expected loss reporting patterns are based upon internal and external historical data and assumptions regarding claims reporting trends over a period of time that extends beyond the Company's own operating history.

IBNR Reserves and Claims Frequency

The Company establishes loss and loss expense reserves to provide for the estimated costs of paying claims under insurance policies and reinsurance contracts underwritten by the Company. These reserves include estimates for both claims that have been reported and those that have been incurred but not reported and include estimates of all expenses associated with processing and settling these claims. Estimating the ultimate cost of future claims and claim adjustment expenses is based on management judgment and thus, actual losses incurred may vary significantly from management's estimates.

For insurance policies, the Company generally receives claims notices that are recorded by the claims staff within our underwriting, financial and claims systems. When we are notified of insured losses or discover potential losses as part of our claims audits, claims personnel record a case reserve as appropriate for the estimated amount of the exposure at that time. Reserves are also established to provide for the estimated expense of settling claims, including legal and other fees and the general expenses of administering the claims adjustment process.

The Company counts an insurance claim when either an indemnity or allocated adjustment expense amount has been paid, or at any quarter end, the Company recorded a case reserve.

The Company's Reinsurance segment and line of business include contracts written on a proportional or excess of loss basis. For proportional reinsurance business, the Company receives a bordereau indicating the Company's share of losses as well as other financial items. The Company does not have direct access to claims frequency information, and as such, the number of claims represented by the losses reported cannot be determined by the Company. The Company has determined that it is impracticable to provide claims frequency information related to its reinsurance contracts written on a proportional basis. The amount of IBNR related to proportional reinsurance contracts was $697.0 million at December 31, 2017.

For Reinsurance contracts written on an excess of loss basis, the Company has developed claims frequency information. The Company determines claims frequency for excess of loss contracts when either a loss has been paid or at any quarter-end, the Company recorded a case reserve. Claims are counted by contract.

6. Reserve for losses and loss expenses, cont'd.

The following tables show, by segment by line of business, the incurred losses and loss expenses and cumulative paid losses and loss expenses, net of reinsurance, as of December 31, 2017. The following also includes the amount of IBNR reserves recorded as well as the cumulative number of reported claims for the Insurance segment lines of business and only excess of loss reinsurance contracts for the Reinsurance segment lines of business. Information for years prior to 2017 are presented as required supplementary information and is unaudited.

Insurance Segment - Agriculture

	Incurred losses and loss expenses, net of reinsurance										December 31, 2017	
	For the years ended December 31,											
Accident Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**IBNR reserves**	**Cumulative number of reported claims**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2008	$ 333,380	$ 318,709	$ 313,296	$ 313,800	$ 313,814	$ 313,938	$ 313,834	$ 313,834	$ 313,834	$ 313,834	$ —	30.036
2009	—	298,914	284,277	280,798	281,667	281,594	281,365	281,365	281,365	281,365	—	26,540
2010	—	—	305,131	280,330	280,409	280,166	280,008	280,008	280,008	280,008	—	18,331
2011	—	—	—	520,388	509,531	508,424	507,930	507,847	507,847	507,847	—	37,061
2012	—	—	—	—	581,455	576,836	573,376	572,995	572,469	572,469	—	38,297
2013	—	—	—	—	—	566,483	563,158	562,122	562,826	562,048	—	44,045
2014	—	—	—	—	—	—	451,710	451,843	449,705	449,942	—	53,808
2015	—	—	—	—	—	—	—	241,501	227,634	223,142	—	39,174
2016	—	—	—	—	—	—	—	—	200,353	198,956	—	29,969
2017	—	—	—	—	—	—	—	—	—	288,956	25,197	36,219
Total										$ 3,678,567		

	Cumulative paid losses and loss expenses, net of reinsurance									
	For the years ended December 31,									
Accident Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 239,498	$ 310,235	$ 313,196	$ 313,708	$ 313,722	$ 313,859	$ 313,834	$ 313,834	$ 313,834	$ 313,834
2009	—	178,206	281,996	280,468	280,991	281,058	281,365	281,365	281,365	281,365
2010	—	—	144,296	279,397	279,768	279,859	280,008	280,008	280,008	280,008
2011	—	—	—	461,335	506,905	507,790	507,918	507,847	507,847	507,847
2012	—	—	—	—	478,797	573,781	572,885	572,995	572,469	572,469
2013	—	—	—	—	—	438,034	562,046	562,075	561,652	562,048
2014	—	—	—	—	—	—	352,202	448,046	449,705	449,942
2015	—	—	—	—	—	—	—	122,696	222,212	223,093
2016	—	—	—	—	—	—	—	—	75,894	198,890
2017	—	—	—	—	—	—	—	—	—	133,055
Total										$ 3,522,551
									Reserve for losses and loss expenses, net of reinsurance	$ 156,016

6. Reserve for losses and loss expenses, cont'd.

Insurance Segment - Casualty & Other Specialty

	Incurred losses and loss expenses, net of reinsurance										December 31, 2017	
	For the years ended December 31,											
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR reserves	Cumulative number of reported claims
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2008	$ 355,255	$ 357,031	$ 388,874	$ 417,047	$ 408,810	$ 389,696	$ 378,564	$ 366,373	$ 350,147	$ 350,026	$ 35,561	8,252
2009	—	269,659	305,249	296,292	292,506	288,401	280,284	269,356	252,267	247,183	25,707	7,400
2010	—	—	215,663	244,526	241,930	233,730	217,796	191,631	178,806	171,890	23,294	8,662
2011	—	—	—	222,628	236,154	284,478	284,965	258,184	243,866	237,925	37,238	11,698
2012	—	—	—	—	246,352	264,986	267,980	258,696	254,513	214,633	47,038	14,875
2013	—	—	—	—	—	260,679	270,000	302,577	322,459	321,033	87,723	13,602
2014	—	—	—	—	—	—	228,559	236,389	246,339	229,161	80,976	16,023
2015	—	—	—	—	—	—	—	242,436	249,934	261,880	87,910	17,145
2016	—	—	—	—	—	—	—	—	264,047	257,974	147,177	14,796
2017	—	—	—	—	—	—	—	—	—	312,043	251,000	20,811
Total										$ 2,603,748		

	Cumulative paid losses and loss expenses, net of reinsurance									
	For the years ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 43,497	$ 97,812	$ 149,951	$ 196,766	$ 228,856	$ 268,609	$ 286,141	$ 292,596	$ 298,070	$ 301,363
2009	—	23,435	68,675	107,678	133,606	173,915	186,932	199,587	207,746	211,936
2010	—	—	9,311	23,713	56,962	99,982	123,080	131,480	141,112	144,212
2011	—	—	—	11,009	34,031	57,299	88,866	131,110	138,442	171,885
2012	—	—	—	—	15,575	42,343	72,898	102,632	130,830	153,106
2013	—	—	—	—	—	19,523	52,459	141,798	180,166	209,405
2014	—	—	—	—	—	—	17,608	54,937	88,105	115,923
2015	—	—	—	—	—	—	—	32,022	80,638	140,979
2016	—	—	—	—	—	—	—	—	26,561	72,444
2017	—	—	—	—	—	—	—	—	—	23,655
Total										$ 1,544,908
									Reserve for losses and loss expenses from accident year 2007 and prior, net of reinsurance	103,685
									Adjustment for unallocated claim expenses	63,457
									Reserve for losses and loss expenses, net of reinsurance	$ 1,225,982

6. Reserve for losses and loss expenses, cont'd.

Insurance Segment - Professional Lines

	Incurred losses and loss expenses, net of reinsurance										December 31, 2017	
	For the years ended December 31,											
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR reserves	Cumulative number of reported claims
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2008	$ 64,694	$ 64,442	$ 85,214	$ 89,903	$ 98,744	$ 111,328	$ 129,497	$ 139,976	$ 166,269	$ 165,244	$ 2,714	359
2009	—	101,354	118,872	104,861	107,037	109,881	100,413	92,605	94,243	108,811	4,513	1,062
2010	—	—	108,454	105,696	101,676	93,016	82,506	74,941	69,472	75,781	5,201	1,826
2011	—	—	—	102,432	98,773	99,886	80,408	99,409	106,040	118,205	10,350	1,742
2012	—	—	—	—	102,958	104,444	102,512	80,677	70,419	94,856	13,325	2,138
2013	—	—	—	—	—	79,849	80,593	71,425	62,360	64,355	15,507	2,413
2014	—	—	—	—	—	—	65,462	67,548	58,470	66,867	20,490	4,221
2015	—	—	—	—	—	—	—	76,359	74,095	102,429	29,660	5,761
2016	—	—	—	—	—	—	—	—	111,250	121,085	65,991	6,333
2017	—	—	—	—	—	—	—	—	—	107,543	93,035	5,784
Total										$ 1,025,176		

	Cumulative paid losses and loss expenses, net of reinsurance									
	For the years ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ (39)	$ 1,805	$ 13,935	$ 15,795	$ 16,520	$ 48,905	$ 72,483	$ 98,677	$ 113,083	$ 128,465
2009	—	1,043	8,754	32,191	37,998	56,124	73,070	77,627	80,199	79,265
2010	—	—	1,915	15,998	27,540	36,489	46,966	48,962	51,868	65,092
2011	—	—	—	2,369	11,769	21,268	33,642	71,784	85,006	102,983
2012	—	—	—	—	2,527	13,129	22,182	29,799	35,622	64,685
2013	—	—	—	—	—	2,192	13,806	21,288	26,782	37,873
2014	—	—	—	—	—	—	1,165	7,079	20,018	41,685
2015	—	—	—	—	—	—	—	1,229	7,116	32,759
2016	—	—	—	—	—	—	—	—	2,314	32,824
2017	—	—	—	—	—	—	—	—	—	6,993
Total										$ 592,624
									Reserve for losses and loss expenses from accident year 2007 and prior, net of reinsurance	91
									Adjustment for unallocated claim expenses	30,006
									Reserve for losses and loss expenses, net of reinsurance	$ 462,649

6. Reserve for losses and loss expenses, cont'd.

Insurance Segment - Property, Marine/Energy & Aviation

	Incurred losses and loss expenses, net of reinsurance										December 31, 2017	
	For the years ended December 31,											
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR reserves	Cumulative number of reported claims
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2008	$ 137,999	$ 125,733	$ 106,265	$ 95,358	$ 106,869	$ 102,725	$ 101,376	$ 100,367	$ 99,565	$ 101,374	$ 360	639
2009	—	79,016	64,312	37,111	34,999	32,769	31,300	31,408	31,121	33,394	366	769
2010	—	—	113,662	68,673	61,462	58,838	57,272	58,653	58,713	55,040	336	1,805
2011	—	—	—	199,100	177,332	161,515	159,411	164,679	168,089	160,833	397	3,003
2012	—	—	—	—	207,006	172,337	159,257	159,276	159,662	166,183	2,790	3,410
2013	—	—	—	—	—	153,314	135,368	121,357	114,707	117,052	4,622	3,990
2014	—	—	—	—	—	—	171,957	144,386	129,149	130,820	7,345	5,301
2015	—	—	—	—	—	—	—	214,855	210,678	213,719	11,104	7,249
2016	—	—	—	—	—	—	—	—	270,234	246,281	29,192	11,511
2017	—	—	—	—	—	—	—	—	—	435,383	104,217	13,384
Total										$ 1,660,079		

	Cumulative paid losses and loss expenses, net of reinsurance									
	For the years ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 50,753	$ 74,822	$ 81,995	$ 83,888	$ 96,151	$ 97,195	$ 99,385	$ 100,060	$ 99,388	$ 100,946
2009	—	16,880	27,683	30,353	30,965	31,229	30,890	31,188	31,012	32,976
2010	—	—	18,997	39,732	45,342	48,904	52,084	54,504	56,491	54,264
2011	—	—	—	30,369	87,267	112,031	134,918	149,967	156,725	157,786
2012	—	—	—	—	27,595	105,326	117,380	134,375	142,059	160,201
2013	—	—	—	—	—	31,332	78,855	92,664	99,520	106,749
2014	—	—	—	—	—	—	38,219	77,189	99,421	111,477
2015	—	—	—	—	—	—	—	59,723	149,036	183,348
2016	—	—	—	—	—	—	—	—	82,947	170,552
2017	—	—	—	—	—	—	—	—	—	138,294
Total										$ 1,216,593
									Reserve for losses and loss expenses from accident year 2007 and prior, net of reinsurance	8,129
									Adjustment for unallocated claim expenses	22,190
									Reserve for losses and loss expenses, net of reinsurance	$ 473,805

6. Reserve for losses and loss expenses, cont'd.

Reinsurance Segment - Catastrophe

	Incurred losses and loss expenses, net of reinsurance										December 31, 2017	
	For the years ended December 31,											
Accident Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**IBNR reserves**	**Cumulative number of reported claims**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2008	$ 407,114	$ 380,762	$ 391,035	$ 394,592	$ 386,041	$ 384,306	$ 383,992	$ 386,788	$ 383,475	$ 377,112	$ 158	359
2009	—	104,086	76,492	60,726	57,608	56,904	58,618	60,585	62,463	58,878	455	192
2010	—	—	277,881	240,363	231,847	231,994	237,318	243,464	230,110	195,166	1,558	258
2011	—	—	—	628,379	597,994	595,643	609,709	618,303	630,477	593,273	1,305	625
2012	—	—	—	—	245,149	180,283	163,247	154,378	151,141	151,139	3,360	366
2013	—	—	—	—	—	158,748	131,119	129,634	125,961	124,148	979	325
2014	—	—	—	—	—	—	142,148	127,797	127,487	127,223	1,162	284
2015	—	—	—	—	—	—	—	61,573	48,363	53,788	8,624	271
2016	—	—	—	—	—	—	—	—	142,594	141,671	5,502	205
2017	—	—	—	—	—	—	—	—	—	350,059	120,659	68
Total										$ 2,172,457		

	Cumulative paid losses and loss expenses, net of reinsurance									
	For the years ended December 31,									
Accident Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 156,291	$ 257,630	$ 317,932	$ 355,567	$ 377,364	$ 380,231	$ 382,275	$ 384,340	$ 382,318	$ 376,724
2009	—	28,500	47,394	50,070	51,478	52,644	55,819	59,182	61,496	58,285
2010	—	—	64,018	129,784	157,726	178,803	198,803	213,178	213,792	190,058
2011	—	—	—	236,365	391,051	501,098	567,611	599,577	621,251	587,292
2012	—	—	—	—	56,633	105,764	126,821	134,307	136,881	139,728
2013	—	—	—	—	—	35,312	84,335	108,059	118,072	119,891
2014	—	—	—	—	—	—	50,063	108,271	117,766	123,262
2015	—	—	—	—	—	—	—	20,574	32,341	41,508
2016	—	—	—	—	—	—	—	—	43,782	105,451
2017	—	—	—	—	—	—	—	—	—	220,343
Total										$ 1,962,542
									Reserve for losses and loss expenses from accident year 2007 and prior, net of reinsurance	144
									Adjustment for unallocated claim expenses	5,905
									Reserve for losses and loss expenses, net of reinsurance	$ 215,964

6. Reserve for losses and loss expenses, cont'd.

Reinsurance Segment - Property

	Incurred losses and loss expenses, net of reinsurance										December 31, 2017	
	For the years ended December 31,											
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR reserves	Cumulative number of reported claims
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2008	$ 174,462	$ 152,789	$ 134,047	$ 124,187	$ 125,887	$ 127,912	$ 128,016	$ 126,648	$ 123,968	$ 128,585	$ 17	616
2009	—	152,230	124,010	116,973	114,996	115,202	115,970	116,072	112,641	113,283	448	924
2010	—	—	222,737	217,983	191,579	188,073	189,773	189,561	176,209	195,799	1,042	958
2011	—	—	—	346,088	336,939	314,439	314,352	307,641	337,301	364,606	1,033	711
2012	—	—	—	—	316,321	261,149	242,324	241,467	246,048	241,786	3,405	444
2013	—	—	—	—	—	256,925	241,137	218,954	200,488	192,713	2,829	548
2014	—	—	—	—	—	—	213,660	213,780	199,652	191,417	7,499	561
2015	—	—	—	—	—	—	—	188,719	185,894	179,173	9,052	564
2016	—	—	—	—	—	—	—	—	171,524	167,236	5,950	372
2017	—	—	—	—	—	—	—	—	—	179,436	59,216	53
Total										$ 1,954,034		

	Cumulative paid losses and loss expenses, net of reinsurance									
	For the years ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 31,530	$ 80,433	$ 105,256	$ 108,267	$ 111,016	$ 119,722	$ 123,489	$ 124,930	$ 122,448	$ 127,427
2009	—	28,338	71,771	90,589	98,025	104,336	107,670	110,444	108,258	109,388
2010	—	—	50,342	118,160	142,248	164,072	176,818	181,455	171,266	191,176
2011	—	—	—	78,272	174,070	256,048	287,457	293,353	327,961	358,266
2012	—	—	—	—	53,908	147,090	192,442	215,131	231,104	228,380
2013	—	—	—	—	—	55,894	139,066	174,114	176,947	178,931
2014	—	—	—	—	—	—	51,886	134,915	159,017	164,054
2015	—	—	—	—	—	—	—	37,775	100,418	138,643
2016	—	—	—	—	—	—	—	—	33,813	111,384
2017	—	—	—	—	—	—	—	—	—	37,567
Total										$ 1,645,216
Reserve for losses and loss expenses from accident year 2007 and prior, net of reinsurance										4,547
Adjustment for unallocated claim expenses										4,431
Reserve for losses and loss expenses, net of reinsurance										$ 317,796

6. Reserve for losses and loss expenses, cont'd.

Reinsurance Segment - Casualty

	Incurred losses and loss expenses, net of reinsurance										December 31, 2017	
	For the years ended December 31,											
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR reserves	Cumulative number of reported claims
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2008	$ 112,686	$ 118,742	$ 116,210	$ 114,796	$ 107,342	$ 101,619	$ 98,510	$ 97,265	$ 93,738	$ 96,989	$ 9,657	405
2009	—	116,647	127,101	124,350	128,104	126,637	122,101	115,450	115,033	106,818	6,293	443
2010	—	—	187,044	180,268	176,450	171,315	173,076	160,519	159,786	150,457	13,911	520
2011	—	—	—	199,172	200,048	198,151	205,199	196,106	197,958	194,268	21,002	631
2012	—	—	—	—	196,919	192,373	194,100	184,449	175,562	176,241	19,666	751
2013	—	—	—	—	—	180,389	174,592	172,132	165,974	159,837	28,353	955
2014	—	—	—	—	—	—	127,143	122,149	120,771	131,317	35,671	735
2015	—	—	—	—	—	—	—	121,715	121,968	118,758	36,094	345
2016	—	—	—	—	—	—	—	—	149,902	144,085	60,716	188
2017	—	—	—	—	—	—	—	—	—	149,683	102,302	29
Total										$ 1,428,453		

	Cumulative paid losses and loss expenses, net of reinsurance									
	For the years ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 8,471	$ 17,333	$ 30,523	$ 43,918	$ 51,826	$ 58,414	$ 67,851	$ 72,587	$ 75,901	$ 80,950
2009	—	7,366	21,840	34,769	51,575	61,614	70,557	76,462	83,891	89,743
2010	—	—	14,856	34,500	57,028	75,320	92,413	104,068	114,905	123,854
2011	—	—	—	28,039	51,002	77,751	104,398	116,523	141,453	153,715
2012	—	—	—	—	30,664	54,454	75,452	92,068	105,205	117,812
2013	—	—	—	—	—	18,590	35,821	56,577	71,690	94,134
2014	—	—	—	—	—	—	10,402	33,226	49,963	66,077
2015	—	—	—	—	—	—	—	15,817	34,395	50,335
2016	—	—	—	—	—	—	—	—	18,860	46,890
2017	—	—	—	—	—	—	—	—	—	21,347
Total										$ 844,857
									Reserve for losses and loss expenses from accident year 2007 and prior, net of reinsurance	107,656
									Adjustment for unallocated claim expenses	11,094
									Reserve for losses and loss expenses, net of reinsurance	$ 702,346

6. Reserve for losses and loss expenses, cont'd.

Reinsurance Segment - Professional Lines

	Incurred losses and loss expenses, net of reinsurance										December 31, 2017	
	For the years ended December 31,											
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR reserves	Cumulative number of reported claims
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2008	$ 41,800	$ 50,279	$ 47,157	$ 44,676	$ 47,087	$ 44,530	$ 42,866	$ 41,603	$ 39,063	$ 37,859	$ 654	254
2009	—	41,473	43,047	41,725	40,807	35,815	36,603	36,517	38,763	37,140	893	195
2010	—	—	58,223	58,638	67,406	62,256	53,895	46,731	45,095	42,407	1,209	112
2011	—	—	—	55,837	56,560	55,312	44,947	36,716	31,416	32,895	5,480	58
2012	—	—	—	—	43,540	42,464	43,447	36,728	30,597	32,066	2,212	81
2013	—	—	—	—	—	49,001	49,581	45,450	41,471	29,950	4,892	49
2014	—	—	—	—	—	—	92,189	89,162	90,960	79,327	21,051	80
2015	—	—	—	—	—	—	—	130,790	131,027	128,573	62,672	85
2016	—	—	—	—	—	—	—	—	150,624	152,439	106,662	17
2017	—	—	—	—	—	—	—	—	—	159,513	150,972	5
Total										$ 732,169		

	Cumulative paid losses and loss expenses, net of reinsurance									
	For the years ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 341	$ 2,156	$ 6,200	$ 12,752	$ 22,496	$ 26,811	$ 30,169	$ 32,873	$ 33,434	$ 34,808
2009	—	1,043	3,339	7,973	15,675	19,193	23,479	27,049	32,339	34,728
2010	—	—	2,276	7,375	14,508	24,538	31,340	36,127	36,208	38,043
2011	—	—	—	1,685	4,943	9,405	15,168	20,124	22,142	24,682
2012	—	—	—	—	965	1,929	4,204	9,147	13,757	20,071
2013	—	—	—	—	—	997	2,561	6,694	11,636	18,547
2014	—	—	—	—	—	—	1,149	6,445	22,821	39,925
2015	—	—	—	—	—	—	—	2,935	14,351	37,370
2016	—	—	—	—	—	—	—	—	1,923	16,844
2017	—	—	—	—	—	—	—	—	—	1,461
Total										$ 266,479
									Reserve for losses and loss expenses from accident year 2007 and prior, net of reinsurance	7,221
									Adjustment for unallocated claim expenses	6,943
									Reserve for losses and loss expenses, net of reinsurance	$ 479,854

6. Reserve for losses and loss expenses, cont'd.

Reinsurance Segment - Specialty

	Incurred losses and loss expenses, net of reinsurance										December 31, 2017	
	For the years ended December 31,											
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR reserves	Cumulative number of reported claims
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2008	$ 125,401	$ 94,062	$ 92,051	$ 79,915	$ 79,064	$ 77,569	$ 75,360	$ 73,757	$ 67,616	$ 67,790	$ 4,172	176
2009	—	98,333	81,171	73,288	69,592	67,507	65,235	62,736	62,403	57,784	2,072	124
2010	—	—	123,888	107,778	97,866	87,097	85,400	84,965	83,085	80,919	664	162
2011	—	—	—	111,746	100,868	87,061	82,743	83,213	82,243	79,203	865	189
2012	—	—	—	—	135,936	112,301	100,187	92,650	86,339	80,017	1,596	213
2013	—	—	—	—	—	103,728	94,049	92,833	84,519	73,273	2,741	220
2014	—	—	—	—	—	—	121,855	118,162	109,912	95,856	5,305	239
2015	—	—	—	—	—	—	—	154,496	153,681	144,918	17,548	263
2016	—	—	—	—	—	—	—	—	162,260	164,789	52,400	98
2017	—	—	—	—	—	—	—	—	—	187,061	121,150	37
Total										$ 1,031,610		

	Cumulative paid losses and loss expenses, net of reinsurance									
	For the years ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 15,699	$ 38,436	$ 47,584	$ 52,636	$ 59,146	$ 62,090	$ 64,664	$ 65,180	$ 61,558	$ 61,584
2009	—	13,298	33,154	39,451	43,816	47,568	52,493	52,647	55,080	53,646
2010	—	—	15,165	48,097	57,876	64,253	68,969	72,126	74,851	76,987
2011	—	—	—	22,843	44,583	61,107	68,957	73,818	75,848	75,861
2012	—	—	—	—	29,869	53,808	64,354	72,622	74,629	74,006
2013	—	—	—	—	—	14,783	37,709	52,103	62,546	62,989
2014	—	—	—	—	—	—	23,854	50,122	67,088	71,861
2015	—	—	—	—	—	—	—	19,071	70,736	100,452
2016	—	—	—	—	—	—	—	—	19,491	70,758
2017	—	—	—	—	—	—	—	—	—	25,231
Total										$ 673,375
									Reserve for losses and loss expenses from accident year 2007 and prior, net of reinsurance	27,611
									Adjustment for unallocated claim expenses	7,256
									Reserve for losses and loss expenses, net of reinsurance	$ 393,102

6. Reserve for losses and loss expenses, cont'd.

Reconciliation of Claims Development Tables to Gross Reserve for Losses and Loss Expenses

The following is a reconciliation of the net incurred and paid claims development tables to the reserve for losses and loss expenses in the Consolidated Balance Sheet at December 31, 2017.

	December 31, 2017		
	Net reserve for losses and loss expenses	Reinsurance recoverable on unpaid losses	Gross reserve for losses and loss expenses
Insurance			
Agriculture	$ 156,016	$ 155,871	$ 311,887
Casualty & other specialty	1,225,982	956,686	2,182,668
Professional lines	462,649	401,748	864,397
Property, marine/energy & aviation	473,805	665,873	1,139,678
Reinsurance			
Catastrophe	215,964	189,511	405,475
Property	317,796	8,063	325,859
Casualty	702,346	3,512	705,858
Professional lines	479,854	2,469	482,323
Specialty	393,102	104,154	497,256
Total	$ 4,427,514	$ 2,487,887	$ 6,915,401

Historical Claims Duration

The following is unaudited required supplementary information about historical average claims duration by line of business.

	Average annual percentage payout of incurred claims by age, net of reinsurance (number of years)									
	1	2	3	4	5	6	7	8	9	10
Insurance Segment										
Agriculture	71.3%	26.3%	0.2%	0.2%	0.3%	—%	—%	—%	—%	—%
Casualty & other specialty	18.5%	29.1%	33.6%	27.5%	22.4%	13.0%	11.0%	5.6%	4.3%	3.5%
Professional lines	1.9%	9.5%	12.2%	15.2%	15.0%	15.2%	8.3%	10.9%	5.9%	6.2%
Property, marine/ energy & aviation	60.1%	67.8%	25.0%	15.1%	11.4%	11.6%	6.2%	5.1%	2.1%	0.5%
Reinsurance Segment										
Catastrophe	40.7%	32.4%	15.0%	8.9%	4.5%	3.0%	1.8%	0.8%	0.9%	0.3%
Property	23.1%	37.2%	18.8%	6.7%	3.3%	4.3%	3.5%	4.1%	0.3%	0.7%
Casualty	11.5%	13.5%	12.9%	12.0%	9.6%	8.8%	7.0%	6.5%	4.2%	7.2%
Professional lines	1.9%	9.5%	12.2%	15.2%	15.0%	15.2%	8.3%	10.9%	5.9%	6.2%
Specialty	17.7%	37.2%	15.6%	8.0%	4.7%	4.1%	2.1%	1.8%	1.3%	2.9%

7. Reinsurance

The effects of reinsurance on premiums earned and written during the period from March 28, 2017 to December 31, 2017 are as follows:

	Earned	Written
Direct	$ 2,476,632	$ 2,301,548
Assumed	1,266,532	927,157
Ceded	(1,628,436)	(1,418,569)
	$ 2,114,728	$ 1,810,136

The Company purchases reinsurance to reduce its exposure to risk of loss in certain insurance and reinsurance lines of business. Reinsurance recoverables are recorded as assets if the reinsurer is deemed able to meet its obligations. Ceded reinsurance contracts do not relieve the Company from its obligations to policyholders. The Company remains primarily liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

During the period from March 28, 2017 to December 31, 2017, the Company recorded ceded losses of $1,672.5 million.

8. Debt and financing arrangements

Credit Facilities

On November 2, 2017, Sompo International and certain designated subsidiaries entered into a $200.0 million Uncommitted Letter of Credit and Reimbursement Agreement with Mizuho Bank, Ltd. (the "Mizuho Credit Facility"). As of December 27, 2017, the size of the Mizuho Credit Facility was increased from $200.0 million to $350.0 million of uncommitted capacity. The Mizuho Credit Facility requires the compliance with certain customary restrictive covenants. The Obligors (as defined in the Mizuho Credit Facility) are required to pay a fee of 0.2% on the daily aggregate amount of letters of credit issued payable quarterly in arrears. As of December 31, 2017, there were letters of credit outstanding under the Mizuho Credit Facility of approximately $165.2 million.

On December 21, 2017, Sompo International and certain designated subsidiaries became an applicant under the Continuing Letter of Credit Agreement (for Standby Letters of Credit) with Bank of Tokyo-Mitsubishi UFJ, Ltd. (the "BTMU Credit Facility"). The BTMU Credit Facility is a $100.0 million unsecured letter of credit facility. The BTMU Credit Facility requires the compliance with certain customary restrictive covenants. Each applicant is required to pay a fee of 0.2% on the daily aggregate amount of letters of credit issued payable quarterly in arrears. As of December 31, 2017, there were no letters of credit outstanding under the BTMU Credit Facility.

On March 23, 2016, Endurance Holdings and certain designated subsidiaries entered into a $450.0 million five-year letter of credit facility with JPMorgan Chase Bank, N.A. ("JPMorgan") as administrative agent (the "JPM Credit Facility"). Effective September 27, 2017, the JPM Credit Facility was amended to replace Endurance Holdings with Sompo International. Sompo International assumed all the rights, duties and obligations of Endurance Holdings as the Parent Borrower pursuant to the terms of the JPM Credit Facility, including the Parent Borrower Guaranty as defined in the JPM Credit Facility. Effective October 30, 2017, Endurance Holdings ceased to be a party to the JPM Credit Facility. The JPM Credit Facility requires the compliance with certain customary restrictive covenants. The Company is required to pay a fee of 0.4% per annum on the daily stated amount of outstanding letters of credit issued under the JPM Credit Facility. In addition, the JPM Credit Facility requires the Company to pay to the Lenders a commitment fee of 0.125% per annum on the average daily amount of the unused commitments of the Lenders. The JPM Credit Facility permits a Lender, if requested and in its discretion, to issue a letter of credit pursuant to which it fronts for the other Lenders. For such letters of credit, such fronting lenders may receive certain fronting fees from the Company.

As of December 31, 2017, there were letters of credit outstanding under the JPM Credit Facility of $14.5 million.

8. Debt and financing arrangements, cont'd.

Other Uncommitted Letter of Credit Agreements

The Company is party to certain uncommitted letter of credit reimbursement agreements ("LOC Agreements") that allow for the issuance of letters of credit in a variety of currencies, including U.S. dollars. The fees paid under the LOC Agreements depend on the amount of the outstanding letters of credit and vary from 0.3% to 0.45% on the principal amount of letters of credit outstanding to a fee negotiated at the time of issuance of the individual letters of credit. As of December 31, 2017, there were letters of credit outstanding under the LOC Agreements of $29.8 million.

7% Senior Notes

Endurance Holdings issued $335.0 million principal amount of 7% Senior Notes due July 15, 2034 (the "7% Senior Notes"). All rights, duties and obligations related to the 7% Senior Notes were transferred to Sompo International as part of the net asset transfer on September 27, 2017. The 7% Senior Notes are senior unsecured obligations of the Company and rank equally with all of Sompo International existing and future unsecured and unsubordinated debt. The 7% Senior Notes are junior to claims of creditors of Sompo International's subsidiaries, including policyholders, trade creditors, debt holders, and taxing authorities.

The indentures governing the 7% Senior Notes contain customary covenants and events of default for senior unsecured indebtedness, including events of default for non-payment of principal or interest, breaches of covenants, insolvency of the Company or a default by the Company under other outstanding indebtedness. The Company was in compliance with all covenants contained within the indentures governing the 7% Senior Notes as of December 31, 2017.

4.7% Senior Notes

On September 27, 2017 Sompo International replaced Endurance Holdings, as parent guarantor, and assumed all rights, duties and obligations of Endurance Holdings and The Bank of New York Mellon, as trustee, under the Fourth Supplemental Indenture, dated as of July 31, 2015 (the "Fourth Supplemental Indenture"). The Fourth Supplemental Indenture amended the Indenture, dated as of July 15, 2003 (as amended and supplemented from time to time (collectively, the "Senior Notes Supplemental Indentures")) applicable to the 4.7% Senior Unsecured Notes Due 2022 (the "4.7% Senior Notes") originally issued on October 2, 2012 in an aggregate principal amount of $300.0 million. The Senior Notes Supplemental Indentures provide for the unconditional assumption of the due and punctual payment of the principal of, any premium and interest on and any additional amounts with respect to the 4.7% Senior Notes and the performance of every obligation in the Senior Notes Indenture and the 4.7% Senior Notes to be performed or observed. The 4.7% Senior Notes bear a rate of interest equal to 4.7% per annum, payable semi-annually in arrears on April 15 and October 15 each year. The 4.7% Senior Notes mature on October 15, 2022. The 4.7% Senior Notes contain customary covenants and events of default for senior unsecured indebtedness, including events of default for non-payment of principal or interest, breaches of covenants, insolvency of the Company or a default by the Company under other outstanding indebtedness. The Company was in compliance with all covenants contained within the indentures governing the 4.7% Senior Notes as of December 31, 2017.

The 4.7% Senior Notes are senior unsecured obligations of Sompo International and rank equally with all of Sompo International's existing and future unsecured and unsubordinated debt. The 4.7% Senior Notes are junior to claims of creditors of Sompo International's subsidiaries, including policyholders, trade creditors, debt holders, and taxing authorities.

8. Debt and financing arrangements, cont'd.

Trust Preferred Securities

On September 27, 2017, Sompo International replaced Endurance Holdings, as parent guarantor, and assumed all rights, duties and obligations of Endurance Holdings, as trustee (the "Trustee"), under the Second Supplemental Indenture, dated as of July 31, 2015 (the "Second Supplemental Indenture"). The Second Supplemental Indenture amended the Junior Subordinated Indenture, dated as of January 6, 2006 (as amended and supplemented from time to time (collectively, the "Junior Subordinated Supplemental Indentures")). The Junior Subordinated Supplemental Indentures provided for the express assumption by the Company of the due and punctual payment of the principal of and any premium and interest (including any additional interest) on the unsecured junior subordinated deferrable interest notes and the performance of every covenant of the Junior Subordinated Indenture. The Trust Preferred Securities were originally issued in January 2006 in an aggregate principal amount of $100.0 million. The Trust Preferred Securities were due to mature on March 30, 2036 and bear interest at a floating rate of 3-month LIBOR plus 3.8%, reset quarterly. The Trust Preferred Securities could be redeemed prior to maturity at a redemption price equal to 100% of the principal amount thereof plus accrued interest, provided that the prior approval of any applicable insurance regulatory authority with respect to such redemption had been received.

On August 16, 2017, the Company delivered to Wilmington Trust Company, the Trustee, a notice of redemption in full of 100% of the outstanding Trust Preferred Securities. The Company redeemed the Trust Preferred Securities on September 30, 2017 (the “Redemption Date”), pursuant to the optional redemption provisions of the Second Supplemental Indenture. As the Redemption Date was not a Business Day (as defined in the Second Supplemental Indenture), the payment of interest and principal in respect of the Trust Preferred Securities was made on October 2, 2017. The redemption price for the Trust Preferred Securities was $101.3 million, which comprised the amount for the redemption of 100% of the principal amount of $100.0 million of the Trust Preferred Securities and $1.3 million in accrued and unpaid interest. Interest on the Trust Preferred Securities ceased to accrue on and after the Redemption Date. The Company recognized a loss on the redemption of the Trust Preferred Securities of $10.1 million during the period from March 28, 2017 to December 31, 2017.

Interest Payments

The Company made aggregate interest payments of $27.1 million during the period from March 28, 2017 to December 31, 2017.

BCRH Credit Agreement

On May 6, 2016, the Company, through a wholly-owned subsidiary, entered into a credit facility agreement with BCRH (the "BCRH Credit Facility"). The BCRH Credit Facility provides BCRH with an unsecured $20.0 million revolving credit facility for working capital and general corporate purposes and expires on September 30, 2018. Borrowings under the BCRH Credit Facility bear interest, set at the time of the borrowing, at a rate equal to the applicable LIBOR rate plus 150 basis points. The BCRH Credit Facility contains covenants that limit BCRH's ability, among other things, to grant liens on its assets, sell assets, merge or consolidate, or incur debt. If BCRH fails to comply with any of these covenants, the Company could terminate the BCRH Credit Facility and exercise remedies against BCRH. In addition, in the event of a default in the performance of any of the agreements or covenants under certain management agreements with BCML by BCRH, the Company has the right to terminate the BCRH Credit Facility. As of December 31, 2017, BCRH had no outstanding borrowings under the BCRH Credit Facility.

BCAI Credit Agreement

On May 16, 2016, the Company, through a wholly-owned subsidiary, entered into a credit facility agreement with BCAI (the "BCAI Credit Facility"). The BCAI Credit Facility provides BCAI with an unsecured $20.0 million revolving credit facility for working capital and general corporate purposes and expires on September 30, 2018. Borrowings under the BCAI Credit Facility bear interest, set at the time of the borrowing, at a rate equal to the applicable LIBOR rate plus 150 basis points. The BCAI Credit Facility contains covenants that limit BCAI's ability, among other things, to grant liens on its assets, sell assets, merge or consolidate, or incur debt. If BCAI fails to comply with any of these covenants, the Company could terminate the BCAI Credit Facility and exercise remedies against BCAI. In addition, in the event of a default in the performance of any of the agreements or covenants under certain management agreements with BCML by BCAI, the Company has the right to terminate the BCAI Credit Facility. As of December 31, 2017, BCAI had no outstanding borrowings under the BCAI Credit Facility.

9. Derivatives

The Company regularly transacts in certain derivative-based weather risk management products primarily to address weather and energy risks on behalf of third parties. The markets for these derivatives are generally linked to energy and agriculture commodities, weather and other natural phenomena. Generally, the Company's current portfolio of such derivative contracts is of short duration and such contracts are predominantly seasonal in nature. The Company also invests a portion of its investments with third party investment managers with investment guidelines that permit the use of derivative instruments. The Company may enter derivative transactions directly or as part of strategies employed by its external investment managers.

The Company's objectives for holding these derivatives are as follows:

Interest Rate Futures, Swaps, Swaptions and Options - to manage exposure to interest rate risk, which can include increasing or decreasing its exposure to this risk through modification of the portfolio composition and duration.

Industry Loss Warranty ("ILW") Swaps - to manage underwriting risk. The Company has entered into ILW swap contracts which provide reinsurance-like protection to the Company for specific loss events associated with certain lines of its business. The Company has also sold ILW protection, which provides reinsurance-like protection to third parties for specific loss events.

Foreign Exchange Forwards, Futures and Options - as part of its overall currency risk management and investment strategies.

Credit Default Swaps - to manage market exposures. The Company may assume or economically hedge credit risk through credit default swaps to replicate or hedge investment positions. The original term of these credit default swaps is generally five years or less.

To-Be-Announced Mortgage-backed Securities (“TBAs”) - to enhance investment performance and as part of the overall investment strategy. TBAs represent commitments to purchase or sell a future issuance of agency mortgage-backed securities. For the period between the purchase of a TBA and issuance of the underlying securities, the Company’s position is accounted for as a derivative.

Energy and Weather Contracts - to address weather and energy risks. The Company may purchase or sell contracts with financial settlements based on the performance of an index linked to a quantifiable weather element, such as temperature, precipitation, snowfall or windspeed, and structures with multiple risk triggers indexed to a quantifiable weather element and a weather sensitive commodity price, such as temperature and electrical power or natural gas. Generally, the Company’s current portfolio of energy and weather derivative contracts is of comparably short duration and such contracts are predominantly seasonal in nature.

Loss Development Cover – as part of the sale of Montpelier U.S. Insurance Company ("MUSIC") to Selective Insurance Group, Inc. ("Selective"), Montpelier Reinsurance Ltd. (now Endurance Bermuda) entered into a loss development cover with MUSIC which ensures that MUSIC's reserve for losses and loss expenses relating to retained business written on or prior to December 31, 2011 remains adequate. Under the loss development cover, any future adverse development associated with such retained reserves will be protected by Endurance Bermuda and any future favorable development associated with such retained reserves will benefit Endurance Bermuda.

9. Derivatives, cont'd.

The fair values and the related notional values of derivatives at December 31, 2017 are noted below.

	Fair Value	Notional Principal Amount
Derivatives recorded in other assets		
Foreign exchange forward contracts	$ 210	$ 5,631
Credit default swaps	188	2,700
Interest rate swaps	45	6,651
Interest rate futures	60	19,514
ILWs	6	—
TBAs	208,090	203,000
Energy and weather contracts	60,825	140,187
Total recorded in other assets	$ 269,424	
Derivatives recorded in other liabilities		
Foreign exchange forward contracts	$ 646	$ 32,020
Interest rate swaps	210	14,723
Interest rate futures	151	67,464
TBAs	96,657	94,400
Loss development cover	1,815	24,211
Energy and weather contracts	44,321	269,715
Total recorded in other liabilities	$ 143,800	
Net derivative asset	$ 125,624	

At December 31, 2017, derivative assets of $269.4 million and liabilities of $143.6 million were subject to master netting agreements, which provide for the ability to settle the derivative asset and liability with each counterparty on a net basis. Interest rate futures are not subject to master netting agreements. At December 31, 2017, the Company's derivative instruments were recorded on a gross basis in the Consolidated Balance Sheet.

The gains and losses on the Consolidated Statement of Loss and Comprehensive Loss for derivatives for the period from March 28, 2017 to December 31, 2017 were as follows:

Total loss included in net foreign exchange losses from foreign exchange forward contracts	$ (884)
Interest rate futures	2,218
Credit default swaps	142
Interest rate swaps	284
ILWs	5,595
TBAs	276
Total gains included in net realized and unrealized gains	8,515
Energy and weather contracts	8,535
Total gain included in other underwriting income	8,535
Total gains from derivatives	$ 16,166

10. Goodwill and intangible assets

The following table shows an analysis of goodwill and intangible assets for the period from March 28, 2017 to December 31, 2017:

	Goodwill	Intangible assets with indefinite lives	Intangible assets with finite lives	Total
Net balance, beginning of period [1]	$ 1,335,396	$ 132,400	$ 1,139,500	$ 2,607,296
Amortization	(100,691)	—	(455,710)	(556,401)
Foreign currency translation	12,488	—	7,218	19,706
Net balance at December 31, 2017	$ 1,247,193	$ 132,400	$ 691,008	$ 2,070,601
Gross balance	$ 1,335,396	$ 132,400	$ 1,139,500	$ 2,607,296
Accumulated amortization	(100,691)	—	(455,710)	(556,401)
Accumulated foreign currency translation	12,488	—	7,218	19,706
Net balance at December 31, 2017	$ 1,247,193	$ 132,400	$ 691,008	$ 2,070,601

(1) Assumed via transfer of net assets from Endurance Holdings.

The original value of identifiable intangible assets consisted of the following, and are included in goodwill and intangible assets on the Company's Consolidated Balance Sheet, net of amortization and foreign currency translation at December 31, 2017:

	Original Value	Economic Useful Life
Key non-contractual relationships	$ 97,800	10
Other non-contractual relationships	199,300	Various
Trade names	40,100	Various
Insurance licenses	37,600	Indefinite
Non-compete agreements	6,500	Various
Lloyd's syndicate capacity	80,400	Indefinite
Lloyd's syndicate distribution channel	5,100	10
Renewal rights	263,300	15
Value of business acquired ("VOBA")	527,400	2
Asset management contracts	14,400	Indefinite
Identifiable intangible assets at original value	$ 1,271,900	

An explanation of the identifiable intangible assets is as follows:

- Key non-contractual relationships - these relationships included the Company's top brokers and consideration was given to the expectation of the renewal of these relationships and the associated expenses;
- Other non-contractual relationships - these relationships consisted of the Company's brokers with the exception of those top brokers previously listed above as key non-contractual relationships and consideration was given to the expectation of the renewal of these relationships and the associated expenses;
- Trade names - represents the value of the Endurance Holdings, ARMtech and Blue Capital brands;
- Insurance licenses - the value of insurance licenses providing the ability to write reinsurance in 51 jurisdictions in the U.S.;
- Non-compete agreements - represent non-compete agreements with key employees;
- Lloyd's syndicate capacity - the value of the syndicate capacity, which represents the Company's authorized premium income limit to write insurance business in the Lloyd's marketplace;

10. Goodwill and intangible assets, cont'd.

- Lloyd's syndicate distribution channel - the value of sales of insurance policies that result directly from relationships between Lloyd's and the brokers in the Lloyd's marketplace;
- Renewal rights - the value of policy renewal rights taking into consideration written premium on assumed retention ratios and the insurance cash flows and the associated equity cash flows from these renewal policies over the expected life of the renewals;
- VOBA - the expected future losses and expenses associated with the policies that were in-force as of the Closing Date of the transaction were estimated and compared to the future premium remaining expected to be earned. The difference between the risk-adjusted future loss and expenses, discounted to present value and the unearned premium reserve, was estimated to be the VOBA; and
- Asset management contracts - represents the value of the Blue Capital asset management contracts acquired.

For the period from March 28, 2017 to December 31, 2017, management performed a qualitative assessment of the impairment of the fair value of the Company's intangible assets with indefinite lives. Through the performance of the assessment management concluded no impairment was necessary of the Company's intangible assets.. Further, no impairment of the Company's goodwill asset was noted following the annual impairment review during the period from March 28, 2017 to December 31, 2017.

The useful life of intangible assets with finite lives, including goodwill, ranges from one to 15 years, with a weighted average amortization period of 6.2 years. The Company expects the amortization of the intangible assets with finite lives to approximate $205.7 million in 2018, $118.1 million in 2019, $92.8 million in 2020, $88.5 million in 2021, $45.7 million in 2022 and $133.1 million thereafter. The Company expects the amortization of goodwill to approximate $133.5 million per year for the next five years and $567.2 million thereafter.

11. Commitments and contingencies

Concentrations of credit risk. The areas where significant concentrations of credit risk may exist include reinsurance recoverables, investments and cash and cash equivalents. The Company's reinsurance recoverables on paid and unpaid losses at December 31, 2017 amounted to $2,978.8 million, and resulted from reinsurance arrangements entered into in the normal course of operations. A credit exposure exists with respect to reinsurance recoverables as they may become uncollectible. The Company manages its credit risk in its reinsurance relationships by transacting with reinsurers that it considers financially sound and, if necessary, the Company may hold collateral in the form of cash, trust accounts and/or irrevocable letters of credit. This collateral can be drawn on for amounts that remain unpaid beyond specified time periods on an individual reinsurer basis.

As of December 31, 2017, substantially all the Company's cash and investments were held by eight custodians.

The Company's investment guidelines limit the amount of credit exposure to any one issuer other than the U.S. Treasury and certain other foreign government obligations rated AAA.

Major production sources. The following table shows the percentage of gross premiums written generated through the Company's largest brokers for the period from March 28, 2017 to December 31, 2017:

Broker	
Marsh & McLennan Companies, Inc.	24.9%
Aon Benfield	13.4%
Willis Companies	9.0%
Total of largest brokers	47.3%

Letters of credit. As of December 31, 2017, the Company had issued letters of credit of $209.5 million under its credit facilities and letter of credit reimbursement agreements in favor of certain ceding companies to collateralize obligations.

11. Commitments and contingencies, cont'd.

Investment commitments. As of December 31, 2017, the Company had pledged cash and cash equivalents and fixed maturity investments of $650.4 million, respectively, in favor of certain ceding companies to collateralize obligations. As of December 31, 2017, the Company had also pledged $44.9 million of its cash and fixed maturity investments as required to meet collateral obligations for $44.3 million in secured letters of credit outstanding under its credit facilities. In addition, at December 31, 2017, cash and fixed maturity investments with fair values of $308.9 million were on deposit with U.S. state regulators, respectively.

The Company is subject to certain commitments with respect to other investments at December 31, 2017. See Note 4, Investments.

Investment assets held in trust. Blue Water Re and Blue Water Re II do not operate with a financial strength rating and, instead, fully collateralizes their reinsurance obligations through cash and cash equivalents held in trust funds established by Blue Water Re and Blue Water Re II (the "Blue Water Trusts") for the benefit of ceding companies. As of December 31, 2017, the fair value of assets held in the Blue Water Trusts was $364.1 million, which met the minimum values required on that date.

As of December 31, 2017, Blue Capital Re had pledged $164.8 million of its cash and cash equivalents to trust accounts established for the benefit of Blue Water Re.

Blue Capital Re ILS fully collateralizes its insurance-linked security obligations through cash and cash equivalents held in trust funds established by Blue Capital Re ILS (the "Blue Capital Re ILS Trusts") for the benefit of third parties. As of December 31, 2017, the fair value of assets held in the Blue Capital Re ILS Trusts was $5.0 million, which met the minimum value required on that date.

During 2015, Endurance Bermuda established a multi-beneficiary reinsurance trust (the "Endurance Reinsurance Trust") domiciled in Delaware. The Endurance Reinsurance Trust was established as a means of providing statutory credit to Endurance Bermuda's U.S. cedants. As of December 31, 2017, the fair value of the assets held in the Endurance Reinsurance Trust exceeded $852.6 million, the minimum value required on that date.

During 2015, Endurance Bermuda also established a second multi-beneficiary reinsurance trust (the "Reduced Collateral Trust") domiciled in Delaware. The Reduced Collateral Trust was established as a means of providing statutory credit to Endurance Bermuda's U.S. cedants in connection with a reduction in collateral requirements in certain states. As of December 31, 2017, the fair value of the assets held in the Reduced Collateral Trust exceeded $38.8 million, the minimum value required on that date.

Endurance Bermuda is party to a reinsurance trust (the "MUSIC Trust"). The MUSIC Trust was established as a means of providing statutory credit to MUSIC in support of the business retained in connection with the 2011 sale of MUSIC to Selective. As of December 31, 2017, the fair value of the assets held in the MUSIC Trust was $25.2 million, the minimum value required on that date.

The Company is party to a Lloyd's Deposit Trust Deed (the "Lloyd's Capital Trust") in order to meet Endurance Corporate Capital Limited ("ECCL")'s ongoing funds at Lloyd's ("FAL") requirements. The minimum value of cash and investments held by the Lloyd’s Capital Trust is determined on the basis of ECCL's Individual Capital Assessment, which is used to determine the required amount of FAL. As of December 31, 2017, the fair value of assets held in the Lloyd's Capital Trust was $323.6 million, which met the minimum value required on that date.

Premiums received by Syndicate 5151 are required to be received into the Lloyd's Premiums Trust Funds (the "Premiums Trust Funds"). Under the Premiums Trust Funds' deeds, assets may only be used for the payment of claims and valid expenses for a stated period of time. As of December 31, 2017, the fair value of assets held in the Premiums Trust Funds was $240.2 million.

The Company's investment assets held in trust appear on the Company's Consolidated Balance Sheet as cash and cash equivalents, fixed maturity investments, short-term investments and accrued investment income, as appropriate.

11. Commitments and contingencies, cont'd.

Lloyd's New Central Fund. The Lloyd's New Central Fund is available to satisfy claims if a member of Lloyd's is unable to meet its obligations to policyholders. The Lloyd's New Central Fund is funded by an annual levy imposed on members, which is determined annually by Lloyd's as a percentage of each member's gross written premiums (0.35% with respect to 2017). In addition, the Council of Lloyd's has power to call on members to make an additional contribution to the Lloyd's New Central Fund of up to 3% of their underwriting capacity each year should it decide that such additional contributions are necessary. The Company currently estimates that its 2017 obligation to the Lloyd's New Central Fund will be approximately $1.4 million and accrues for this obligation ratably throughout the year on a quarterly basis.

Lloyd's also imposes other charges on its members and the syndicates on which they participate, including an annual subscription charge (0.40% of gross written premiums with respect to 2017), a market modernization levy (2017 - 0.09%) and an overseas business charge, levied as a percentage of gross international premiums (defined as business outside the U.K. and the Channel Islands), with the percentage depending on the type of business written. Lloyd's also has power to impose additional charges under Lloyd's Powers of Charging Byelaw. The Company currently estimates that its 2017 obligation to Lloyd's for such charges will be approximately $3.4 million and accrues for this obligation ratably throughout the year on a quarterly basis.

Reinsurance commitments. In the ordinary course of business, the Company enters into reinsurance agreements that may include terms which could require the Company to collateralize certain of its obligations.

Employment agreements. The Company has entered into employment agreements with certain officers that provide for long term incentive awards, executive benefits and severance payments under certain circumstances.

Operating leases. The Company leases office space and office equipment under operating leases. Future minimum lease commitments at December 31, 2017 are as follows:

Year ending December 31,	Amount
2018	$ 24,431
2019	26,438
2020	25,090
2021	23,005
2022	21,101
2023 and thereafter	141,531
	$ 261,596

Total lease expense under operating leases for the period from March 28, 2017 to December 31, 2017 was $18.5 million. Total sublease income included in total lease expense under operating leases for the period from March 28, 2017 to December 31, 2017 was $0.2 million.

Legal Proceedings. The Company is party to various legal proceedings generally arising in the normal course of its business. While any proceeding contains an element of uncertainty, the Company does not believe that the eventual outcome of any litigation or arbitration proceeding to which it is presently a party could have a material adverse effect on its financial condition, results of operations or business. Pursuant to the Company's insurance and reinsurance agreements, disputes are generally required to be finally settled by arbitration.

12. Shareholders' equity

The Company's share capital at December 31, 2017 is comprised as follows:

Common shares	
Authorized - $1.00 par value each	1,000
Issued, outstanding and fully paid:	
Ordinary common shares - $1.00 par value each	3

Accumulated other comprehensive income

The following table presents the changes in accumulated other comprehensive income balances by component for the period from March 28, 2017 to December 31, 2017:

	Unrealized gains on available for sale securities	Foreign currency translation adjustments	Total
Beginning balance	$ —	$ —	$ —
Other comprehensive income before reclassifications	30,840	56,154	86,994
Amounts reclassified from accumulated other comprehensive income [1]	(19,505)	—	(19,505)
Net current period other comprehensive income	11,335	56,154	67,489
Ending balance	$ 11,335	$ 56,154	$ 67,489

(1) All amounts are net of tax.

The following table presents the significant items reclassified out of accumulated other comprehensive income during the period from March 28, 2017 to December 31, 2017:

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the Consolidated Statements of Loss and Comprehensive Loss
Unrealized holding gains on available for sale securities	$ (21,748)	Net realized and unrealized gains
	1,807	Net impairment losses recognized in net loss
	(19,941)	Total before income taxes
	436	Income tax benefit
	$ (19,505)	Total net of income taxes

13. Related party transactions

Affiliates of the Company during the period from March 28, 2017 to December 31, 2017 included Sompo Holdings, its ultimate parent company, and the following subsidiary companies of Sompo Holdings:

Affiliates	Domicile
SJNKI	Japan
Sompo Canopius Lloyd's Syndicate 4444	England

Intercompany reinsurance arrangements

The Company reinsured affiliates for property and casualty risks on an excess-of-loss and quota share basis. The Company also ceded a portion of it's direct and assumed business to affiliates.

The following table presents the impact in the Consolidated Statement of Loss and Comprehensive Loss of the related party reinsurance arrangements during the period from March 28, 2017 to December 31, 2017:

Gross premiums written	$	17,225
Ceded premiums written		(107,050)
Net premiums earned		(83,691)
Net losses and loss expenses		(67,352)
Acquisition expenses		(20,716)

The following table presents the impact in the Consolidated Balances Sheet of the related party reinsurance arrangements at December 31, 2017:

Premiums receivable	$	4,049
Prepaid reinsurance premiums		41,273
Reinsurance recoverable on unpaid losses		223,742
Reinsurance recoverable on paid losses		30,145
Reserve for losses and loss expenses		7,520
Reserve for unearned premiums		6,257
Reinsurance balances payable		28,120

14. Pension plan

The Company provides pension benefits to eligible employees through various defined contribution plans sponsored by the Company. Under the Company's defined contribution plans, the Company makes contributions to its employees' accounts in amounts ranging from 3% to 12% of its employees’ eligible earnings. In addition, under certain defined contribution plans, employee contributions may be supplemented by matching contributions made by the Company based on the level of employee contribution. Lastly, the Company may provide additional contributions, depending on its annual financial performance. The employee and Company contributions in the defined contribution plans are invested at the election of each employee in one or more of several investment portfolios offered by third party investment advisors. Company contributions for the period from March 28, 2017 to December 31, 2017 resulted in an expense of $13.1 million being recorded in earnings.

15. Statutory requirements and dividend restrictions

The Company's insurance and reinsurance operations are subject to insurance and/or reinsurance laws and regulations in the jurisdictions in which they operate, the most significant of which are Bermuda, the United States, the United Kingdom and Singapore. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the insurance regulatory authorities.

The combined statutory capital and combined statutory net income (loss) for the Company's principal operating subsidiaries, excluding Syndicate 5151, in their respective jurisdictions were as follows:

Statutory capital	Bermuda 2017	United States 2017	U.K. [1] 2017	Singapore 2017
Required statutory capital	$ 1,986,361	$ 346,469	$ 172,868	$ 3,741
Actual statutory capital	5,202,911	1,569,806	485,759	83,470

Statutory net income (loss)	Bermuda	United States	U.K.	Singapore
Year Ended 31 December, 2017	$ 334,033	$ (1,120)	$ (43,624)	$ 24,001

(1) U.K. includes the statutory capital of Endurance U.K.

Bermuda

As a Bermuda holding company, Sompo International is subject to the Bermuda Companies Act 1981, which limits the Company's ability to pay dividends and make distributions to its shareholders. The Company's retained earnings are unrestricted; however, the Company is not permitted to declare or pay a dividend, or make a distribution out of contributed surplus, if it is, or would after the payment be, unable to pay its liabilities as they come due, or if the realizable value of its assets would be less than its liabilities. Sompo International had, as of December 31, 2017,$7,361.7 million in contributed surplus, less a retained loss of $392.9 million, available to declare or pay a dividend, or make a distribution out of contributed surplus, so long as Sompo International remained in compliance with the Bermuda Companies Act 1981 following such dividend or distribution. Sompo International; relies on dividends from Endurance Bermuda to provide cash flow required for debt service and dividends to shareholders.

Endurance Bermuda

Endurance Bermuda is a registered Class 4 insurer under the Insurance Act 1978 ("Bermuda Insurance Act") and related regulations as amended (the "Insurance Act"). Endurance Bermuda is required to maintain minimum solvency standards and to hold available statutory capital and surplus equal to or exceeding the Enhanced Capital Requirement as determined by the Bermuda Monetary Authority ("BMA") based upon a standard mathematical model that correlates the risk underwritten to the capital that is dedicated to the business. The required capital noted in the table above has been based on the Enhanced Capital Requirement. In addition to the Enhanced Capital Requirement, Endurance Bermuda is required to maintain a minimum statutory liquidity ratio and solvency margin. For all periods presented herein, Endurance Bermuda materially exceeded these minimum requirements.

Endurance Bermuda's ability to pay dividends and make capital distributions is subject to certain regulatory restrictions based on the Enhanced Capital Requirement, limits on the amount of Endurance Bermuda's premiums written and net reserves for losses and loss expenses and a minimum general capital and surplus requirement of $100.0 million. At December 31, 2017, Endurance Bermuda can pay dividends of $1,130.9 million to Sompo International without prior approval under Bermuda law.

Blue Water Re and Blue Water Re II

Blue Water Re and Blue Water Re II are registered with the BMA as Special Purpose Insurers and are not subject to the BMA's Bermuda Solvency Capital Requirement ("BSCR"); however, the Bermuda Insurance Act limits the maximum amount of annual dividends and distributions that may be paid by Blue Water Re and Blue Water Re II. There is no minimum solvency margin or liquidity ratio that must be maintained by Blue Water Re or Blue Water Re II so long as the value of their assets exceed the value of their liabilities. At December 31, 2017, Blue Water Re's assets exceeded the value of its liabilities by $184.4 million, and Blue Water Re II's assets exceeded the value of its liabilities by $5.8 million. Blue Water Re and Blue Water Re II did not declare or pay any dividends to their parent, BCML, during 2017.

15. Statutory requirements and dividend restrictions, cont'd.

Blue Capital Re

Blue Capital Re is registered with the BMA as a Class 3A insurer. The Bermuda Insurance Act requires Blue Capital Re to maintain minimum levels of statutory capital and surplus to maintain minimum liquidity ratios and to meet minimum solvency margins. At December 31, 2017, Blue Capital Re exceeded these minimum requirements. At December 31, 2017, Blue Capital Re can pay dividends of $23.9 million to its parent without prior approval under Bermuda law.

BCML

BCML is licensed and supervised by the BMA to carry on investment business and as an insurance agent/manager. BCML is not subject to any material minimum solvency requirements.

United States

Endurance Assurance, Endurance American, Endurance American Specialty and Endurance Risk Solutions are subject to regulation by the Delaware Department of Insurance. American Agri-Business is subject to regulation by the Texas Department of Insurance. Sompo American Insurance and Sompo America Fire & Marine are subject to regulation by the New York Department of Insurance. Sompo International's Delaware, Texas, and New York domiciled entities must maintain a minimum level of statutory capital as established by such jurisdictions. The amount of required capital is determined through the use of the Risk Based Capital model established by the National Association of Insurance Commissioners and adopted by Delaware, Texas and New York. The required capital noted in the table above has been based on the Risk Based Capital model and represents the authorized control level risk based capital for these entities.

Dividends for each U.S. operating subsidiary are limited to the greater of 10% of policyholders' surplus or statutory net income, excluding realized capital gains for Sompo International's Delaware domiciled entities. In addition, dividends may only be declared or distributed out of earned surplus. At December 31, 2017, Endurance Assurance, Endurance American, Endurance Risk Solutions and Endurance American Specialty did not have earned surplus and thus were precluded from declaring or distributing dividends during 2017 without the prior approval of the applicable insurance regulator. If the parent company is also an insurer, as is the case with Endurance American, Endurance American Specialty and Endurance Risk Solutions, the parent company or companies must also meet their own dividend eligibility requirements in order to pass along any dividends received from subsidiary insurance companies. During 2017, American Agri-Business paid a dividend of $2.5 million. At December 31, 2017, American Agri-Business (with notice to the Texas Department of Insurance) could pay dividends of $3.7 million without prior regulatory approval. At December 31, 2017, Sompo America Insurance could pay dividends of $57.2 million and Sompo American Fire & Marine could pay dividends of $7.5 million. No dividends were paid during 2017 by Sompo American Insurance or Sompo American Fire & Marine.

U.K.

Endurance U.K.

The required and actual statutory capital amounts in the "U.K." category in the table above include amounts related to Endurance U.K. Under the jurisdiction of the United Kingdom's Prudential Regulation Authority ("PRA"), Endurance U.K. must maintain a margin of solvency at all times under the Solvency II Directive from the European Insurance and Occupational Pensions Authority which was effective January 1, 2016. The regulations stipulate that insurers are required to calculate their minimum capital requirement ("MCR") and solvency capital requirement ("SCR"). Insurers can either apply for approval of an internal model to calculate the SCR or adopt the standard formula. Endurance U.K. has utilized the standard formula for the SCR since transition to Solvency II regime from December 31, 2016. As of December 31, 2017, the provisional SCR was $172.9 million and there was surplus capital of $312.9 million with actual Own Funds Available of $485.8 million.

The PRA regulatory requirements impose no explicit restrictions on Endurance U.K.'s ability to pay a dividend, but Endurance U.K. would have to notify the PRA 28 days prior to any proposed dividend payment. Dividends may only be distributed from profits available for distribution. At December 31, 2017, Endurance U.K did not have retained profits available for distribution.

15. Statutory requirements and dividend restrictions, cont'd.

Endurance at Lloyd's

The Company participates in the Lloyd's market through Syndicate 5151, which is managed by Endurance at Lloyd's and is capitalized through ECCL. As a corporate member of Lloyd's, ECCL is subject to the oversight of the Council of Lloyd's.

ECCL is required to deposit cash, securities or letters of credit (or a combination of these assets) with Lloyd's in order to satisfy its FAL requirements, which are met through the Lloyd's Capital Trust. At December 31, 2017, ECCL had total tier 1 capital of $295.7 million which is made up of Funds At Lloyds of $323.6 million and the syndicate's reconciliation reserve less foreseeable distributions, deficit of $27.9 million.

Singapore

Endurance Bermuda's Singapore branch ("Singapore Branch") is subject to Fund Solvency and Capital Adequacy requirements by the Monetary Authority of Singapore as a foreign company in Singapore and is regulated by the Monetary Authority of Singapore pursuant to the Insurance Act in Singapore. At December 31, 2017, the Singapore Branch complied with the capital requirements promulgated by the Monetary Authority of Singapore.

Switzerland

In 2008, Endurance Bermuda established a branch in Zurich, Switzerland named Endurance Specialty Insurance Ltd. Pembroke (Bermuda) Zurich Branch. In 2015, Endurance U.K. established a branch in Zurich named Endurance Worldwide Insurance Limited, London, Zurich Branch. Swiss law does not impose additional regulation upon a Swiss branch of a foreign reinsurer.

16. Taxes

The Company has operating subsidiaries and branch operations in the United States, United Kingdom, Switzerland and Singapore, which are subject to the relevant taxes in those jurisdictions. During 2015, the United States Internal Revenue Service ("IRS") commenced an examination of the 2012-2013 income tax returns of Endurance Bermuda. The audit was settled in 2017 with no changes to the income tax returns.

In January 2017, the Switzerland tax authority issued a tax assessment for the Swiss branch of Endurance Bermuda for years 2013 and 2014. The Company disagreed with the assessment and is appealing the assessment. Although the timing and ultimate resolution of the Swiss assessment is uncertain, the Company does not expect the resolution of the examinations to result in a material change to the Company's financial position, results of operations or cash flows. As of December 31, 2017, none of the Company's other operating subsidiaries or branch operations were under examination in any of the jurisdictions in which they operate. The Company remains subject to examination for tax years 2009 through 2017.

Sompo International and Endurance Bermuda are not required to pay any income or capital gains taxes in Bermuda. Endurance Bermuda has received written assurance dated May 16, 2011 and Sompo International has received written assurance dated March 24, 2017 from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966 of Bermuda, as amended, that in the event any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not be applicable to the Company until March 31, 2035 provided that the assurance is subject to the condition that it will not prevent the application of any taxes payable by the Company in respect of real property or leasehold interests in Bermuda held by it. Sompo International and Endurance Bermuda intend to operate in a manner such that they will owe no United States tax other than premium excise tax and withholding taxes on certain investments.

The income tax benefit was as follows for the period from March 28, 2017 to December 31, 2017:

Current income tax expense	$	(9,102)
Deferred income tax benefit		115,194
Income tax benefit	$	106,092

16. Taxes, cont'd.

Of the 2017 current income tax expense, $9.6 million related to taxes incurred in the United States, $0.4 million related to taxes incurred in Mexico, and $0.9 million related to tax benefit in the United Kingdom. Of the deferred income tax benefit, $94.1 million related to deferred income tax benefit in the United States, $0.4 million related to deferred income tax benefit in Mexico, $19.1 million related to deferred income tax benefit in the United Kingdom and $1.6 million related to deferred income tax benefit in Bermuda including its branches.

The actual income tax benefit attributable to loss for the period from March 28, 2017 to December 31, 2017 differed from the amount computed by applying the combined effective rate of 0% under Bermuda law to loss before income taxes, as a result of the following:

Computed expected tax expense	$	—
Tax benefit effect on foreign taxes		115,044
Change in valuation allowance		(8,952)
Income tax benefit	$	106,092

Deferred income taxes represent the tax effect of the differences between the book and tax bases of assets and liabilities. Net deferred income tax assets and liabilities consisted of the following as of December 31, 2017:

Deferred income tax assets:		
Unearned premium	$	23,497
Loss reserves		30,464
Net operating loss carryforward		60,491
Deferred compensation		8,847
Deferred interest		30,012
Unrealized investment losses		1,221
Realized investment losses		5,520
Syndicate losses declared in future periods		15,081
Other		8,400
Total deferred income tax assets		183,533
Deferred income tax liabilities:		
Deferred acquisition costs		(1,109)
Loss reserves		(13,800)
Unrealized investment gains		(1,699)
Temporary differences related to acquisition		(132,516)
Other		(587)
Total deferred income tax liabilities		(149,711)
Valuation allowance		(44,672)
Net deferred income tax liability	$	(10,850)

Net income tax payments for the period from March 28, 2017 to December 31, 2017 totaled $18.6 million. Net operating loss carryforwards gross of tax in the amount of $238.9 million, $36.2 million, and $34.8 million are available for application against future taxable income in the United States, United Kingdom, and Endurance Bermuda's branches in Singapore, respectively. These net operating loss carry forwards have no expiration date in the United Kingdom and Singapore. In the United States, the net operating loss carry forwards expire through 2037.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. At December 31, 2017, management has established a valuation allowance of $44.7 million against net deferred tax assets of the Company. The valuation allowance was $41.2 million against certain of the United States subsidiaries deferred tax assets and a full valuation allowance of $3.5 million against Endurance Bermuda's Singapore branch.

As of December 31, 2017 the Company had no material uncertain tax positions.

16. Taxes, cont'd.

Effective December 22, 2017, the U.S. enacted tax legislation which is referred to as the Tax Cuts and Jobs Act of 2017 (“TCJA”). The TCJA made significant changes to the Internal Revenue Code effective January 1, 2018 including but not limited to a reduction in the corporate tax rate from 35% to 21%, changes in the loss reserve discounting methodology, and implementation of a base erosion and anti-abuse tax.

Income tax amounts are recorded based on initial analysis and current interpretation of the tax reform legislation. Given the complexity of the legislation, anticipated guidance from the U.S. Treasury, and the potential for additional guidance from the FASB, these income tax amounts may be adjusted during 2018.

17. Subsequent events

On January 3, 2018, Sompo International announced it has reached an agreement to purchase the operating subsidiaries of Lexon Surety Group LLC ("Lexon") for $200.0 million plus the Undistributed Earnings from January 1, 2017 through the date of close. Lexon, the second largest independent surety insurer in the U.S., is comprised of Lexon Insurance Company, Bond Safeguard Insurance Company and Fortress National Group LLC. Lexon has been offering a broad array of commercial and contract surety bonds, court and probate bonds, and U.S. custom bonds through a nationwide network of agents since 2001. The transaction is pending regulatory approvals.

On February 8, 2018, Sompo International announced that it had reached an agreement to purchase A&A, S.r.l. ("A&A"), a leader in the Italian agriculture insurance market since 1996, for a base purchase price of Euro 10.0 million plus one or more variable contingent amounts in accordance with the Sales and Purchase Agreement. The transaction closed on March 27, 2018.