

RENAISSANCERE HOLDINGS LTD
Form 10-Q
October 31, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
Q QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 001-14428
RENAISSANCERE HOLDINGS LTD.
(Exact Name Of Registrant As Specified In Its Charter)
Bermuda 98-014-1974
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification Number)
Renaissance House, 12 Crow Lane HM 19
Pembroke, Bermuda
(Address of Principal Executive Offices) (Zip Code)

(441) 295-4513
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes Q No o

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes Q No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Act.
Large accelerated filer Q, Accelerated filer o, Non-accelerated filer o (do not check if a smaller reporting company),
Smaller reporting company o, Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes No

The number of Common Shares, par value US \$1.00 per share, outstanding at October 26, 2018 was 40,265,961.

RENAISSANCERE HOLDINGS LTD.
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NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Form 10-Q”) of RenaissanceRe Holdings Ltd. (the “Company” or “RenaissanceRe”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us. In particular, statements using words such as “may”, “should”, “estimate”, “expect”, “anticipate”, “intend”, “believe”, “predict”, “potential”, or words of similar import generally involve forward-looking statements. For example, we may include certain forward-looking statements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” with regard to trends in results, prices, volumes, operations, investment results, margins, combined ratios, fees, reserves, market conditions, risk management and exchange rates. This Form 10-Q also contains forward-looking statements with respect to our business and industry, such as those relating to our strategy and management objectives, market standing and product volumes, competition and new entrants in our industry, industry capital, insured losses from loss events, government initiatives and regulatory matters affecting the reinsurance and insurance industries.

The inclusion of forward-looking statements in this report should not be considered as a representation by us or any other person that our current objectives or plans will be achieved. Numerous factors could cause our actual results to differ materially from those addressed by the forward-looking statements, including the following:

- the failure to obtain regulatory approvals or satisfy other conditions to completion of the proposed TMR Stock Purchase (as defined herein);
- risks that the TMR Stock Purchase disrupts or distracts from current plans and operations;
- the ability to recognize the benefits of the TMR Stock Purchase;
- the amount of the costs, fees, expenses and charges related to the TMR Stock Purchase;
- the frequency and severity of catastrophic and other events we cover;
- the effectiveness of our claims and claim expense reserving process;
- our ability to maintain our financial strength ratings;
- the effect of climate change on our business;
- collection on claimed retrocessional coverage, and new retrocessional reinsurance being available on acceptable terms and providing the coverage that we intended to obtain;
- the effects of United States (“U.S.”) tax reform legislation and possible future tax reform legislation and regulations, including changes to the tax treatment of our shareholders or investors in our joint ventures or other entities we manage;
- the effect of emerging claims and coverage issues;
- continued soft reinsurance underwriting market conditions;
- our reliance on a small and decreasing number of reinsurance brokers and other distribution services for the preponderance of our revenue;
- our exposure to credit loss from counterparties in the normal course of business;
- the effect of continued challenging economic conditions throughout the world;
- a contention by the Internal Revenue Service (the “IRS”) that Renaissance Reinsurance Ltd. (“Renaissance Reinsurance”), or any of our other Bermuda subsidiaries, is subject to taxation in the U.S.;

- the success of any of our strategic investments or acquisitions, including our ability to manage our operations as our product and geographical diversity increases;
- our ability to retain our key senior officers and to attract or retain the executives and employees necessary to manage our business;
- the performance of our investment portfolio;
- losses we could face from terrorism, political unrest or war;
- the effect of cybersecurity risks, including technology breaches or failure, on our business;
- our ability to successfully implement our business strategies and initiatives;
- our ability to determine the impairments taken on our investments;
- the effects of inflation;
- the ability of our ceding companies and delegated authority counterparties to accurately assess the risks they underwrite;
- the effect of operational risks, including system or human failures;
- our ability to effectively manage capital on behalf of investors in joint ventures or other entities we manage;
- foreign currency exchange rate fluctuations;
- our ability to raise capital if necessary;
- our ability to comply with covenants in our debt agreements;
- changes to the regulatory systems under which we operate, including as a result of increased global regulation of the insurance and reinsurance industries;
- changes in Bermuda laws and regulations and the political environment in Bermuda;
- our dependence on the ability of our operating subsidiaries to declare and pay dividends;
- aspects of our corporate structure that may discourage third-party takeovers and other transactions;
- the cyclical nature of the reinsurance and insurance industries;
- adverse legislative developments that reduce the size of the private markets we serve or impede their future growth;
- consolidation of competitors, customers and insurance and reinsurance brokers;
- the effect on our business of the highly competitive nature of our industry, including the effect of new entrants to, competing products for and consolidation in the (re)insurance industry;
- other political, regulatory or industry initiatives adversely impacting us;
- increasing barriers to free trade and the free flow of capital;
- international restrictions on the writing of reinsurance by foreign companies and government intervention in the natural catastrophe market;
- the effect of Organisation for Economic Co-operation and Development (the “OECD”) or European Union (“EU”) measures to increase our taxes and reporting requirements;
- the effect of the vote by the U.K. to leave the EU;
- changes in regulatory regimes and accounting rules that may impact financial results irrespective of business operations; and
- our need to make many estimates and judgments in the preparation of our financial statements.

As a consequence, our future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of us. The factors listed above, which are discussed in more detail in our filings with the U.S. Securities and Exchange Commission (“SEC”), including our Annual Report on Form 10-K (“Form 10-K”) for the year ended December 31, 2017, should not be construed as exhaustive. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to revise or update forward-looking statements to reflect new information, events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RenaissanceRe Holdings Ltd. and Subsidiaries

Consolidated Balance Sheets

(in thousands of United States Dollars, except share and per share amounts)

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets		
Fixed maturity investments trading, at fair value – amortized cost \$7,901,884 at September 30, 2018 (December 31, 2017 – \$7,434,870)	\$7,814,779	\$7,426,555
Short term investments, at fair value	2,461,415	991,863
Equity investments trading, at fair value	413,271	388,254
Other investments, at fair value	738,919	594,793
Investments in other ventures, under equity method	117,307	101,974
Total investments	11,545,691	9,503,439
Cash and cash equivalents	453,041	1,361,592
Premiums receivable	1,787,095	1,304,622
Prepaid reinsurance premiums	795,496	533,546
Reinsurance recoverable	1,204,059	1,586,630
Accrued investment income	46,690	42,235
Deferred acquisition costs	497,733	426,551
Receivable for investments sold	406,062	103,145
Other assets	121,724	121,226
Goodwill and other intangible assets	238,803	243,145
Total assets	\$17,096,394	\$15,226,131
Liabilities, Noncontrolling Interests and Shareholders' Equity		
Liabilities		
Reserve for claims and claim expenses	\$4,952,498	\$5,080,408
Unearned premiums	2,058,851	1,477,609
Debt	990,749	989,623
Reinsurance balances payable	1,970,913	989,090
Payable for investments purchased	555,556	208,749
Other liabilities	147,328	792,771
Total liabilities	10,675,895	9,538,250
Commitments and Contingencies		
Redeemable noncontrolling interests	1,533,978	1,296,506
Shareholders' Equity		
Preference shares: \$1.00 par value – 16,010,000 shares issued and outstanding at September 30, 2018 (December 31, 2017 – 16,000,000)	650,000	400,000
Common shares: \$1.00 par value – 40,265,961 shares issued and outstanding at September 30, 2018 (December 31, 2017 – 40,023,789)	40,266	40,024
Additional paid-in capital	42,395	37,355
Accumulated other comprehensive (loss) income	(1,483) 224
Retained earnings	4,155,343	3,913,772
Total shareholders' equity attributable to RenaissanceRe	4,886,521	4,391,375
Total liabilities, noncontrolling interests and shareholders' equity	\$17,096,394	\$15,226,131

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries

Consolidated Statements of Operations

For the three and nine months ended September 30, 2018 and 2017

(in thousands of United States Dollars, except per share amounts) (Unaudited)

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Revenues				
Gross premiums written	\$625,677	\$ 640,269	\$2,762,672	\$ 2,389,774
Net premiums written	\$453,255	\$ 483,221	\$1,720,808	\$ 1,583,102
Decrease (increase) in unearned premiums	78,594	64,571	(319,292)	(287,000)
Net premiums earned	531,849	547,792	1,401,516	1,296,102
Net investment income	80,696	40,257	208,528	148,745
Net foreign exchange (losses) gains	(4,566)	(156)	(11,496)	11,118
Equity in earnings of other ventures	7,648	1,794	14,331	5,830
Other income	497	2,996	480	7,053
Net realized and unrealized gains (losses) on investments	13,630	42,052	(86,415)	143,538
Total revenues	629,754	634,735	1,526,944	1,612,386
Expenses				
Net claims and claim expenses incurred	410,510	1,221,696	642,380	1,557,364
Acquisition expenses	109,761	76,761	312,524	248,294
Operational expenses	40,593	42,537	119,408	131,586
Corporate expenses	6,841	4,413	21,875	14,335
Interest expense	11,769	11,799	35,304	32,416
Total expenses	579,474	1,357,206	1,131,491	1,983,995
Income (loss) before taxes	50,280	(722,471)	395,453	(371,609)
Income tax (expense) benefit	(1,451)	18,977	(2,550)	14,739
Net income (loss)	48,829	(703,494)	392,903	(356,870)
Net (income) loss attributable to redeemable noncontrolling interests	(6,440)	204,277	(90,822)	132,338
Net income (loss) attributable to RenaissanceRe	42,389	(499,217)	302,081	(224,532)
Dividends on preference shares	(9,708)	(5,595)	(20,899)	(16,786)
Net income (loss) available (attributable) to RenaissanceRe common shareholders	\$32,681	\$ (504,812)	\$281,182	\$ (241,318)
Net income (loss) available (attributable) to RenaissanceRe common shareholders per common share – basic	\$0.82	\$ (12.75)	\$7.02	\$ (6.04)
Net income (loss) available (attributable) to RenaissanceRe common shareholders per common share – diluted	\$0.82	\$ (12.75)	\$7.02	\$ (6.04)
Dividends per common share	\$0.33	\$ 0.32	\$0.99	\$0.96

See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries
 Consolidated Statements of Comprehensive Income (Loss)
 For the three and nine months ended September 30, 2018 and 2017
 (in thousands of United States Dollars) (Unaudited)

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Comprehensive income (loss)				
Net income (loss)	\$48,829	\$ (703,494)	\$392,903	\$ (356,870)
Change in net unrealized gains on investments	(382)	300	(1,707)	(972)
Comprehensive income (loss)	48,447	(703,194)	391,196	(357,842)
Net (income) loss attributable to redeemable noncontrolling interests	(6,440)	204,277	(90,822)	132,338
Comprehensive (income) loss attributable to redeemable noncontrolling interests	(6,440)	204,277	(90,822)	132,338
Comprehensive income (loss) attributable to RenaissanceRe	\$42,007	\$ (498,917)	\$300,374	\$ (225,504)

See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2018 and 2017
(in thousands of United States Dollars) (Unaudited)

	Nine months ended	
	September 30, 2018	September 30, 2017
Preference shares		
Balance – January 1	\$400,000	\$400,000
Issuance of shares	250,000	—
Balance – September 30	650,000	400,000
Common shares		
Balance – January 1	40,024	41,187
Repurchase of shares	—	(1,322)
Exercise of options and issuance of restricted stock awards	242	164
Balance – September 30	40,266	40,029
Additional paid-in capital		
Balance – January 1	37,355	216,558
Repurchase of shares	—	(187,269)
Offering expenses	(7,883)	—
Change in redeemable noncontrolling interests	340	(307)
Exercise of options and issuance of restricted stock awards	12,583	3,870
Balance – September 30	42,395	32,852
Accumulated other comprehensive (loss) income		
Balance – January 1	224	1,133
Change in net unrealized gains on investments	(1,707)	(972)
Balance – September 30	(1,483)	161
Retained earnings		
Balance – January 1	3,913,772	4,207,699
Cumulative effect of adoption of ASU 2016-09 (Note 2)	—	2,213
Net income (loss)	392,903	(356,870)
Net (income) loss attributable to redeemable noncontrolling interests	(90,822)	132,338
Dividends on common shares	(39,611)	(38,624)
Dividends on preference shares	(20,899)	(16,786)
Balance – September 30	4,155,343	3,929,970
Total shareholders' equity	\$4,886,521	\$4,403,012

See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2018 and 2017
(in thousands of United States Dollars) (Unaudited)

	Nine months ended	
	September 30, 2018	September 30, 2017
Cash flows provided by operating activities		
Net income (loss)	\$ 392,903	\$ (356,870)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Amortization, accretion and depreciation	30,936	18,586
Equity in undistributed earnings of other ventures	(13,016)	19,559
Net realized and unrealized losses (gains) on investments	86,415	(143,538)
Net unrealized gains included in net investment income	(17,778)	(2,686)
Change in:		
Premiums receivable	(482,473)	(533,943)
Prepaid reinsurance premiums	(261,950)	(194,496)
Reinsurance recoverable	382,571	(1,308,740)
Deferred acquisition costs	(71,182)	(99,589)
Reserve for claims and claim expenses	(127,910)	2,344,019
Unearned premiums	581,242	481,496
Reinsurance balances payable	981,823	360,471
Other	(593,055)	17,433
Net cash provided by operating activities	888,526	601,702
Cash flows used in investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	8,221,481	7,663,002
Purchases of fixed maturity investments trading	(8,692,688)	(7,798,285)
Net sales of equity investments trading	15,490	61,571
Net purchases of short term investments	(1,465,451)	(146,326)
Net (purchases) sales of other investments	(130,649)	5,181
Net purchases of investments in other ventures	(20,952)	—
Return of investment from investment in other ventures	8,464	20,000
Net cash used in investing activities	(2,064,305)	(194,857)
Cash flows provided by (used in) financing activities		
Dividends paid – RenaissanceRe common shares	(39,611)	(38,624)
Dividends paid – preference shares	(20,899)	(16,786)
RenaissanceRe common share repurchases	—	(188,591)
Issuance of debt, net of expenses	—	295,866
Repayment of debt	—	(250,000)
Issuance of preference shares, net of expenses	242,371	—
Net third party redeemable noncontrolling interest share transactions	96,021	(44,193)
Taxes paid on withholding shares	(7,079)	(13,694)
Net cash provided by (used in) financing activities	270,803	(256,022)
Effect of exchange rate changes on foreign currency cash	(3,575)	9,596
Net (decrease) increase in cash and cash equivalents	(908,551)	160,419
Cash and cash equivalents, beginning of period	1,361,592	421,157
Cash and cash equivalents, end of period	\$ 453,041	\$ 581,576

See accompanying notes to the consolidated financial statements

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RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2018

(unless otherwise noted, amounts in tables expressed in thousands of United States (“U.S.”) dollars, except shares, per share amounts and percentages) (Unaudited)

NOTE 1. ORGANIZATION

This report on Form 10-Q should be read in conjunction with the RenaissanceRe’s Annual Report on Form 10-K (“Form 10-K”) for the fiscal year ended December 31, 2017.

RenaissanceRe was formed under the laws of Bermuda on June 7, 1993. Together with its wholly owned and majority-owned subsidiaries and DaVinciRe (as defined below), the Company provides property, casualty and specialty reinsurance and certain insurance solutions to its customers.

Renaissance Reinsurance, a Bermuda-domiciled reinsurance company, is the Company’s principal reinsurance subsidiary and provides property, casualty and specialty reinsurance coverages to insurers and reinsurers on a worldwide basis.

Renaissance Reinsurance U.S. Inc. (“Renaissance Reinsurance U.S.”) is a reinsurance company domiciled in the state of Maryland that provides property, casualty and specialty reinsurance coverages to insurers and reinsurers, primarily in the Americas.

RenaissanceRe Underwriting Managers U.S. LLC, a specialty reinsurance agency domiciled in the state of Connecticut, provides specialty treaty reinsurance solutions on both a quota share and excess of loss basis; and writes business on behalf of RenaissanceRe Specialty U.S. Ltd. (“RenaissanceRe Specialty U.S.”), a Bermuda-domiciled reinsurer, which operates subject to U.S. federal income tax, and RenaissanceRe Syndicate 1458 (“Syndicate 1458”). Syndicate 1458 is the Company’s Lloyd’s syndicate. RenaissanceRe Corporate Capital (UK) Limited (“RenaissanceRe CCL”), a wholly owned subsidiary of RenaissanceRe, is Syndicate 1458’s sole corporate member and RenaissanceRe Syndicate Management Ltd. (“RSML”), a wholly owned subsidiary of RenaissanceRe, is the managing agent for Syndicate 1458.

The Company also manages property, casualty and specialty reinsurance business written on behalf of joint ventures, which principally include Top Layer Reinsurance Ltd. (“Top Layer Re”), recorded under the equity method of accounting, and DaVinci Reinsurance Ltd. (“DaVinci”). Because the Company owns a noncontrolling equity interest in, but controls a majority of the outstanding voting power of DaVinci’s parent, DaVinciRe Holdings Ltd. (“DaVinciRe”), the results of DaVinci and DaVinciRe are consolidated in the Company’s financial statements and all significant intercompany transactions have been eliminated. Redeemable noncontrolling interest - DaVinciRe represents the interests of external parties with respect to the net income and shareholders’ equity of DaVinciRe. Renaissance Underwriting Managers, Ltd. (“RUM”), a wholly owned subsidiary of RenaissanceRe, acts as exclusive underwriting manager for these joint ventures in return for fee-based income and profit participation.

RenaissanceRe Medici Fund Ltd. (“Medici”) is an exempted fund, incorporated under the laws of Bermuda. Medici’s objective is to seek to invest substantially all of its assets in various insurance based investment instruments that have returns primarily tied to property catastrophe risk. Third-party investors have subscribed for a portion of the participating, non-voting common shares of Medici. Because the Company owns a noncontrolling equity interest in, but controls a majority of the outstanding voting power of Medici’s parent, RenaissanceRe Fund Holdings Ltd. (“Fund Holdings”), the results of Medici and Fund Holdings are consolidated in the Company’s financial statements and all significant inter-company transactions have been eliminated. Redeemable noncontrolling interest - Medici represents the interests of external parties with respect to the net income and shareholders’ equity of Medici.

Upsilon RFO Re Ltd., formerly known as Upsilon Reinsurance II Ltd. (“Upsilon RFO”), a Bermuda domiciled special purpose insurer (“SPI”), is a managed joint venture formed by the Company primarily to provide additional capacity to the worldwide aggregate and per-occurrence primary and retrocessional property catastrophe excess of loss market. Upsilon RFO is considered a variable

interest entity (“VIE”) and the Company is considered the primary beneficiary. As a result, Upsilon RFO is consolidated by the Company and all significant inter-company transactions have been eliminated.

RenaissanceRe Upsilon Fund Ltd. (“Upsilon Fund”), an exempted Bermuda segregated accounts company, was formed by the Company to provide a fund structure through which third-party investors can invest in reinsurance risk managed by the Company. As a segregated accounts company, Upsilon Fund is permitted to establish segregated accounts to invest in and hold identified pools of assets and liabilities. Each pool of assets and liabilities in each segregated account is structured to be ring-fenced from any claims from the creditors of Upsilon Fund’s general account and from the creditors of other segregated accounts within Upsilon Fund. Third-party investors purchase redeemable, non-voting preference shares linked to specific segregated accounts of Upsilon Fund and own 100% of these shares. Upsilon Fund is an investment company and is considered a VIE. The Company is not considered the primary beneficiary of Upsilon Fund and, as a result, the Company does not consolidate the financial position and results of operations of Upsilon Fund.

Effective November 7, 2016, Fibonacci Reinsurance Ltd. (“Fibonacci Re”), a Bermuda-domiciled SPI, was formed to provide collateralized capacity to Renaissance Reinsurance and its affiliates. Fibonacci Re raises capital from third-party investors and the Company, via private placements of participating notes which are listed on the Bermuda Stock Exchange. Fibonacci Re is considered a VIE. The Company is not considered the primary beneficiary of Fibonacci Re and, as a result, the Company does not consolidate the financial position and results of operations of Fibonacci Re.

Effective December 22, 2017, the Company and Reinsurance Group of America, Incorporated closed an initiative (“Langhorne”) to source third party capital to support reinsurers targeting large in-force life and annuity blocks. Langhorne Holdings LLC (“Langhorne Holdings”) is a company that owns and manages certain reinsurance entities within Langhorne. Langhorne Partners LLC (“Langhorne Partners”) is the general partner for Langhorne and the entity which manages the third-party investors investing into Langhorne Holdings. The Company concluded that Langhorne Holdings meets the definition of a VIE. The Company is not the primary beneficiary of Langhorne Holdings and as a result, the Company does not consolidate the financial position or results of operations of Langhorne Holdings. The Company concluded that Langhorne Partners is not a VIE. The Company will account for its investments in Langhorne Holdings and Langhorne Partners under the equity method of accounting, one quarter in arrears.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company’s significant accounting policies as described in its Form 10-K for the year ended December 31, 2017, except as noted below.

BASIS OF PRESENTATION

These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States (“GAAP”) for interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, these unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company’s financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these statements. Certain comparative information has been reclassified to conform to the current presentation. Because of the seasonality of the Company’s business, the results of operations and cash flows for any interim period will not necessarily be indicative of the results of operations and cash flows for the full fiscal year or subsequent quarters.

USE OF ESTIMATES IN FINANCIAL STATEMENTS

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities

and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The major estimates reflected in the Company's consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses; reinsurance recoverables, including allowances for reinsurance recoverables deemed uncollectible; estimates of written and earned premiums; fair value, including the fair value of investments, financial instruments and derivatives; impairment charges; and the Company's deferred tax valuation allowance.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also provides guidance on accounting for certain contract costs and will also require new disclosures. ASU 2014-09 was to be effective for public business entities in annual and interim periods beginning after December 15, 2016, however in July 2015, the FASB decided to defer by one year the effective dates of ASU 2014-09, and as a result, ASU 2014-09 is effective for public business entities in annual and interim periods beginning after December 15, 2017. ASU 2014-09 notably excludes the accounting for insurance contracts, leases, financial instruments and guarantees. As a result, the Company's implementation efforts primarily focused on other income and operational expenses on its consolidated statements of operations. The adoption of ASU 2014-09 did not have a material impact on the Company's consolidated statements of operations and financial position.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, simplifies the impairment assessment of equity investments without readily determinable values by requiring a qualitative assessment to identify impairment, eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost, requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the organization has elected to measure the liabilities in accordance with the fair value option, requires the separate presentation of financial assets and financial liabilities by measurement category and 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 public business entities in annual and interim periods beginning after December 15, 2017. The adoption of ASU 2016-01 did not have a material impact on the Company's consolidated statements of operations and financial position.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). ASU 2016-15 clarifies the classification of receipts and payments in the statement of cash flows. ASU 2016-15 provides guidance related to (1) settlement and payment of zero coupon debt instruments, (2) contingent consideration, (3) proceeds from settlement of insurance claims, (4) proceeds from settlement of corporate and bank owned life insurance policies, (5) distributions from equity method investees, (6) cash receipts from beneficial interests obtained by a transferor, and (7) general guidelines for cash receipts and payments that have more than one aspect of classification. ASU 2016-15 is effective for public business entities for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of ASU 2016-15 resulted in the reclassification of \$20.0

million of cash inflows from cash flows provided by operating activities, to cash flows used in investing activities for the nine months ended September 30, 2017. This amount related to a return of investment associated with the Company's investment in Top Layer Reinsurance Ltd, recorded under the equity method of accounting.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 was issued to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and the classification of taxes paid on the statements of cash flows. ASU 2016-09 became effective for the Company in annual and interim periods beginning after December 15, 2016. The cumulative effect of the adoption of ASU 2016-09 was a \$2.2 million increase to opening retained earnings as of January 1, 2017.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Leases

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 public business entities for annual and interim periods beginning after December 15, 2018. Early application is permitted. 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 statements of operations and financial position.

Measurement of Credit Losses on Financial Instruments

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 through net income, 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 public business entities that are SEC filers for annual and interim periods beginning after December 15, 2019. 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 statements of operations and financial position.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory ("ASU 2016-16"). ASU 2016-16 requires entities to recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfers occur; this is a change from current guidance which prohibits the recognition of current and deferred income taxes until the underlying assets have been sold to outside entities. ASU 2016-16 is effective for public business entities for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. 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 statements of operations and financial position.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). Among other things, ASU 2017-04 requires the following: (1) the elimination of step two of the

goodwill impairment test; entities will no longer utilize the implied fair value of their assets and liabilities for purposes of testing goodwill for impairment, (2) the quantitative portion of the goodwill impairment test will be performed by comparing the fair value of a reporting unit with its carrying amount; an impairment charge is to be recognized for the excess of carrying amount over fair value, but only to the extent of the amount of goodwill allocated to that reporting unit, and (3) foreign currency translation adjustments are not to be allocated to a reporting unit from an entity's accumulated other comprehensive income; the reporting unit's carrying amount should include only the currently translated balances of the assets and liabilities assigned to the reporting unit. ASU 2017-04 is effective for public business entities that are SEC filers for annual periods, or any interim goodwill impairment tests in annual periods, beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. 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 statements of operations and financial position.

NOTE 3. INVESTMENTS

Fixed Maturity Investments Trading

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

	September 30, 2018	December 31, 2017
U.S. treasuries	\$ 3,117,911	\$ 3,168,763
Agencies	143,980	47,646
Municipal	7,061	509,802
Non-U.S. government (Sovereign debt)	254,169	287,660
Non-U.S. government-backed corporate	137,512	163,651
Corporate	2,448,795	2,063,459
Agency mortgage-backed	836,376	500,456
Non-agency mortgage-backed	289,649	300,331
Commercial mortgage-backed	257,434	202,062
Asset-backed	321,892	182,725
Total fixed maturity investments trading	\$ 7,814,779	\$ 7,426,555

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

September 30, 2018	Amortized Cost	Fair Value
Due in less than one year	\$303,364	\$301,817
Due after one through five years	4,759,113	4,694,059
Due after five through ten years	1,029,502	1,020,157
Due after ten years	96,311	93,395
Mortgage-backed	1,390,933	1,383,459
Asset-backed	322,661	321,892
Total	\$7,901,884	\$7,814,779

Equity Investments Trading

The following table summarizes the fair value of equity investments trading:

	September 30, December 31,	
	2018	2017
Financials	\$ 262,173	\$ 253,543
Communications and technology	60,235	49,526
Industrial, utilities and energy	34,755	34,325
Consumer	26,649	24,779
Healthcare	25,250	21,364
Basic materials	4,209	4,717
Total	\$ 413,271	\$ 388,254

Pledged Investments

At September 30, 2018, \$5.1 billion of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of, various counterparties, including with respect to the Company's letter of credit facilities (December 31, 2017 - \$4.4 billion). Of this amount, \$1.9 billion is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities (December 31, 2017 - \$1.7 billion).

Reverse Repurchase Agreements

At September 30, 2018, the Company held \$92.0 million (December 31, 2017 - \$30.0 million) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of short term investments on the Company's consolidated balance sheets. The required collateral for these loans typically includes high-quality, readily marketable instruments at a minimum amount of 102% of the loan principal. Upon maturity, the Company receives principal and interest income.

Net Investment Income

The components of net investment income are as follows:

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Fixed maturity investments	\$55,725	\$ 45,305	\$151,784	\$ 133,080
Short term investments	9,403	2,771	22,340	7,476
Equity investments	903	930	3,091	2,630
Other investments				
Private equity investments	8,723	6,371	12,149	20,784
Other	8,665	(11,491)) 27,346	(4,520)
Cash and cash equivalents	1,104	352	2,708	836
	84,523	44,238	219,418	160,286
Investment expenses	(3,827)	(3,981)	(10,890)	(11,541)
Net investment income	\$80,696	\$ 40,257	\$208,528	\$ 148,745

Net Realized and Unrealized Gains (Losses) on Investments

Net realized and unrealized gains (losses) on investments are as follows:

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Gross realized gains	\$5,229	\$ 16,343	\$14,945	\$ 43,053
Gross realized losses	(15,327)	(6,126)	(67,699)	(29,902)
Net realized (losses) gains on fixed maturity investments	(10,098)	10,217	(52,754)	13,151
Net unrealized (losses) gains on fixed maturity investments trading	(8,730)	5,545	(73,522)	48,940
Net realized and unrealized gains (losses) on investments-related derivatives	2,563	(4,020)	(763)	(4,344)
Net realized gains on equity investments trading sold during the period	21,259	13,675	21,841	49,736
Net unrealized gains on equity investments trading still held at reporting date	8,636	16,635	18,783	36,055
Net realized and unrealized gains on equity investments trading	29,895	30,310	40,624	85,791
Net realized and unrealized gains (losses) on investments	\$13,630	\$ 42,052	\$(86,415)	\$ 143,538

NOTE 4. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's consolidated financial statements. Fair value is defined under accounting guidance currently applicable to the Company to be the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations. FASB ASC Topic Fair Value Measurements and Disclosures prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

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

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

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

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

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

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

At September 30, 2018	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	\$3,117,911	\$3,117,911	\$—	\$—
Agencies	143,980	—	143,980	—
Municipal	7,061	—	7,061	—
Non-U.S. government (Sovereign debt)	254,169	—	254,169	—
Non-U.S. government-backed corporate	137,512	—	137,512	—
Corporate	2,448,795	—	2,448,795	—
Agency mortgage-backed	836,376	—	836,376	—
Non-agency mortgage-backed	289,649	—	289,649	—
Commercial mortgage-backed	257,434	—	257,434	—
Asset-backed	321,892	—	321,892	—
Total fixed maturity investments	7,814,779	3,117,911	4,696,868	—
Short term investments	2,461,415	—	2,461,415	—
Equity investments trading	413,271	413,271	—	—
Other investments				
Catastrophe bonds	525,126	—	525,126	—
Private equity partnerships (1)	185,121	—	—	—
Senior secured bank loan funds (1)	17,057	—	—	—
Hedge funds (1)	11,615	—	—	—
Total other investments	738,919	—	525,126	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(8,949)	—	—	(8,949)
Derivatives (3)	1,594	249	1,345	—
Total other assets and (liabilities)	(7,355)	249	1,345	(8,949)
	\$11,421,029	\$3,531,431	\$7,684,754	\$ (8,949)

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

(2) Included in assumed and ceded (re)insurance contracts at September 30, 2018 was \$5.3 million and \$14.2 million of other assets and other liabilities, respectively.

(3) See "Note 13. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

At December 31, 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	\$3,168,763	\$3,168,763	\$—	\$—
Agencies	47,646	—	47,646	—
Municipal	509,802	—	509,802	—
Non-U.S. government (Sovereign debt)	287,660	—	287,660	—
Non-U.S. government-backed corporate	163,651	—	163,651	—
Corporate	2,063,459	—	2,063,459	—
Agency mortgage-backed	500,456	—	500,456	—
Non-agency mortgage-backed	300,331	—	300,331	—
Commercial mortgage-backed	202,062	—	202,062	—
Asset-backed	182,725	—	182,725	—
Total fixed maturity investments	7,426,555	3,168,763	4,257,792	—
Short term investments	991,863	—	991,863	—
Equity investments trading	388,254	388,254	—	—
Other investments				
Catastrophe bonds	380,475	—	380,475	—
Private equity partnerships (1)	196,220	—	—	—
Senior secured bank loan funds (1)	17,574	—	—	—
Hedge funds (1)	524	—	—	—
Total other investments	594,793	—	380,475	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(2,952)	—	—	(2,952)
Derivatives (3)	4,636	(45)	4,681	—
Total other assets and (liabilities)	1,684	(45)	4,681	(2,952)
	\$9,403,149	\$3,556,972	\$5,634,811	\$ (2,952)

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

(2) Included in assumed and ceded (re)insurance contracts at December 31, 2017 was \$2.5 million and \$5.5 million of other assets and other liabilities, respectively.

(3) See “Note 13. Derivative Instruments” for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

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

Fixed Maturity Investments

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

The Company's fixed maturity investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing

models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing; however, models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third-party data. Securities which are priced by an index provider are generally included in the index.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets. The Company considers these broker quotations to be Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

U.S. treasuries

Level 1 - At September 30, 2018, the Company's U.S. treasuries fixed maturity investments were primarily priced by pricing services and had a weighted average yield to maturity of 2.8% and a weighted average credit quality of AA (December 31, 2017 - 1.9% and AA, respectively). When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

Agencies

Level 2 - At September 30, 2018, the Company's agency fixed maturity investments had a weighted average yield to maturity of 3.1% and a weighted average credit quality of AA (December 31, 2017 - 2.1% and AA, respectively). The issuers of the Company's agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

Municipal

Level 2 - At September 30, 2018, the Company's municipal fixed maturity investments had a weighted average yield to maturity of 4.0% and a weighted average credit quality of BBB (December 31, 2017 - 2.2% and AA, respectively). The Company's municipal fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information regarding the security from third-party sources such as trustees, paying agents or issuers. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread over widely accepted market benchmarks.

Non-U.S. government (Sovereign debt)

Level 2 - At September 30, 2018, the Company's non-U.S. government fixed maturity investments had a weighted average yield to maturity of 2.9% and a weighted average credit quality of AAA (December 31, 2017 - 2.0% and AAA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap

and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Non-U.S. government-backed corporate

Level 2 - At September 30, 2018, the Company's non-U.S. government-backed corporate fixed maturity investments had a weighted average yield to maturity of 3.2% and a weighted average credit quality of AA (December 31, 2017 - 2.3% and AA, respectively). Non-U.S. government-backed fixed maturity investments are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Corporate

Level 2 - At September 30, 2018, the Company's corporate fixed maturity investments principally consisted of U.S. and international corporations and had a weighted average yield to maturity of 4.3% and a weighted average credit quality of BBB (December 31, 2017 - 3.8% and BBB, respectively). The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

Agency mortgage-backed

Level 2 - At September 30, 2018, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average yield to maturity of 3.7%, a weighted average credit quality of AA and a weighted average life of 8.2 years (December 31, 2017 - 3.0%, AA and 6.4 years, respectively). The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes.

Non-agency mortgage-backed

Level 2 - The Company's non-agency mortgage-backed fixed maturity investments include non-agency prime, non-agency Alt-A and other non-agency residential mortgage-backed securities. At September 30, 2018, the Company's non-agency prime residential mortgage-backed fixed maturity investments had a weighted average yield to maturity of 4.2%, a weighted average credit quality of non-investment grade, and a weighted average life of 5.5 years (December 31, 2017 - 3.7%, BBB and 5.1 years, respectively). The Company's non-agency Alt-A fixed maturity investments held at September 30, 2018 had a weighted average yield to maturity of 4.1%, a weighted average credit quality of non-investment grade and a weighted average life of 6.3 years (December 31, 2017 - 3.7%, non-investment grade and 6.2 years, respectively). Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

Commercial mortgage-backed

Level 2 - At September 30, 2018, the Company's commercial mortgage-backed fixed maturity investments had a weighted average yield to maturity of 3.6%, a weighted average credit quality of AAA, and a weighted average life of 5.0 years (December 31, 2017 - 2.9%, AAA and 4.5 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

Asset-backed

Level 2 - At September 30, 2018, the Company's asset-backed fixed maturity investments had a weighted average yield to maturity of 3.7%, a weighted average credit quality of AAA and a weighted average life of 3.3 years (December 31, 2017 - 2.8%, AAA and 3.0 years, respectively). The underlying collateral for the Company's asset-backed fixed maturity investments primarily consists of bank loans, student loans, credit card receivables, auto loans and other receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short Term Investments

Level 2 - At September 30, 2018, the Company's short term investments had a weighted average yield to maturity of 1.8% and a weighted average credit quality of AAA (December 31, 2017 - 1.4% and AAA, respectively). The fair value of the Company's portfolio of short term investments is generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company's fixed maturity investments noted above.

Equity Investments, Classified as Trading

Level 1 - The fair value of the Company's portfolio of equity investments, classified as trading is primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the pricing services utilize daily data from many real time market sources, including applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source was used for each security.

Other investments

Catastrophe bonds

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

Other assets and liabilities

Derivatives

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

Level 3 Assets and Liabilities Measured at Fair Value

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

At September 30, 2018	Fair Value (Level 3)	Valuation Technique	Unobservable (U) and Observable (O) Inputs	Low	High	Weighted Average or Actual
Other assets and (liabilities)						
Assumed and ceded (re)insurance contracts	\$994	Internal valuation model	Bond price (O)	\$101.31	\$111.12	\$106.80
Assumed and ceded (re)insurance contracts	(9,943)	Internal valuation model	Liquidity discount (U)	n/a	n/a	1.3 %
			Net undiscounted cash flows (U)	n/a	n/a	\$10,180
			Expected loss ratio (U)	n/a	n/a	38.2 %
			Net acquisition expense ratio (O)	n/a	n/a	4.9 %
			Contract period (O)	2.0 years	5.0 years	4.7 years
			Discount rate (U)	n/a	n/a	3.0 %
Total other assets and (liabilities)	\$(8,949)					

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

	Other assets and (liabilities)
Balance - January 1, 2018	\$ (2,952)
Total realized and unrealized gains	
Included in other income	2,399
Purchases	(9,379)
Settlements	983
Balance - September 30, 2018	\$(8,949)

	Other assets and (liabilities)
Balance - January 1, 2017	\$ (13,004)
Total realized and unrealized gains	
Included in other income	3,525
Purchases	49
Settlements	5,937
Balance - September 30, 2017	\$(3,493)

Other assets and liabilities

Assumed and ceded (re)insurance contracts

Level 3 - At September 30, 2018, the Company had a \$1.0 million net asset related to an assumed reinsurance contract accounted for at fair value, with the fair value obtained through the use of an internal valuation model. The inputs to the internal valuation model are principally based on indicative pricing

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obtained from independent brokers and pricing vendors for similarly structured marketable securities. The most significant unobservable inputs include prices for similar marketable securities and a liquidity premium. The Company considers the prices for similar securities to be unobservable, as there is little, if any market activity for these similar assets. In addition, the Company has estimated a liquidity premium that would be required if the Company attempted to effectively exit its position by executing a short sale of these securities. Generally, an increase in the prices for similar marketable securities or a decrease in the liquidity premium would result in an increase in the expected profit and ultimate fair value of this assumed reinsurance contract.

Level 3 - At September 30, 2018, the Company had a \$9.9 million net liability related to assumed and ceded (re)insurance contracts accounted for at fair value, with the fair value obtained through the use of an internal valuation model. The inputs to the internal valuation model are principally based on proprietary data as observable market inputs are generally not available. The most significant unobservable inputs include the assumed and ceded expected net cash flows related to the contracts, including the expected premium, acquisition expenses and losses; the expected loss ratio and the relevant discount rate used to present value the net cash flows. The contract period and acquisition expense ratio are considered an observable input as each is defined in the contract. Generally, an increase in the net expected cash flows and expected term of the contract and a decrease in the discount rate, expected loss ratio or acquisition expense ratio, would result in an increase in the expected profit and ultimate fair value of these assumed and ceded (re)insurance contracts.

Financial Instruments Disclosed, But Not Carried, at Fair Value

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

Debt

Included on the Company's consolidated balance sheet at September 30, 2018 were debt obligations of \$990.7 million (December 31, 2017 - \$989.6 million). At September 30, 2018, the fair value of the Company's debt obligations was \$980.3 million (December 31, 2017 - \$1,018.2 million).

The fair value of the Company's debt obligations is determined using indicative market pricing obtained from third-party service providers, which the Company considers Level 2 in the fair value hierarchy. There have been no changes during the period in the Company's valuation technique used to determine the fair value of the Company's debt obligations.

The Fair Value Option for Financial Assets and Financial Liabilities

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

	September 30, 2018	December 31, 2017
Other investments	\$ 738,919	\$ 594,793
Other assets	\$ 5,259	\$ 2,542
Other liabilities	\$ 14,208	\$ 5,494

Included in net investment income for the three and nine months ended September 30, 2018 were net unrealized gains of \$9.1 million and \$17.8 million, respectively, related to the changes in fair value of other investments (2017 - gains of \$9.8 million and \$2.7 million, respectively). Included in other income for the three and nine months ended September 30, 2018 were net unrealized gains of \$Nil and \$Nil, respectively, related to the changes in the fair value of other assets and liabilities (2017 - \$Nil and \$Nil, respectively).

Measuring the Fair Value of Other Investments Using Net Asset Valuations

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

At September 30, 2018	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Minimum Days)	Redemption Notice Period (Maximum Days)
Private equity partnerships	\$ 185,121	\$ 416,847	See below	See below	See below
Senior secured bank loan funds	17,057	20,262	See below	See below	See below
Hedge funds	11,615	—	See below	See below	See below
Total other investments measured using net asset valuations	\$213,793	\$ 437,109			

Private equity partnerships – The Company's investments in private equity partnerships included alternative asset limited partnerships (or similar corporate structures) that invest in certain private equity asset classes, including U.S. and global leveraged buyouts, mezzanine investments, distressed securities, real estate, and oil, gas and power. The Company generally has no right to redeem its interest in any of these private equity partnerships in advance of dissolution of the applicable private equity partnership. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the respective private equity partnership. It is estimated that the majority of the underlying assets of the limited partnerships would liquidate over 7 to 10 years from inception of the respective limited partnership.

Senior secured bank loan funds – At September 30, 2018, the Company had \$17.1 million invested in closed end funds which invest primarily in loans. The Company has no right to redeem its investment in these funds. It is estimated that the majority of the underlying assets in these closed end funds would begin to liquidate over 4 to 5 years from inception of the applicable fund.

Hedge funds – The Company invests in hedge funds that pursue multiple strategies. At September 30, 2018, the Company had \$11.6 million of investments in hedge funds that pursue multiple strategies. This included an investment of \$11.3 million in a fund primarily focused on global credit opportunities which is redeemable at the option of the shareholder. The remainder of the Company's hedge fund investments consisted of so called "side pocket" investments which are not redeemable at the option of the shareholder.

NOTE 5. REINSURANCE

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

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

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Premiums written				
Direct	\$74,635	\$64,040	\$250,375	\$205,253
Assumed	551,042	576,229	2,512,297	2,184,521
Ceded	(172,422)	(157,048)	(1,041,864)	(806,672)
Net premiums written	\$453,255	\$483,221	\$1,720,808	\$1,583,102
Premiums earned				
Direct	\$73,356	\$61,908	\$213,292	\$176,433
Assumed	760,920	712,499	1,968,138	1,731,845
Ceded	(302,427)	(226,615)	(779,914)	(612,176)
Net premiums earned	\$531,849	\$547,792	\$1,401,516	\$1,296,102
Claims and claim expenses				
Gross claims and claim expenses incurred	\$514,873	\$2,482,510	\$817,560	\$2,924,217
Claims and claim expenses recovered	(104,363)	(1,260,814)	(175,180)	(1,366,853)
Net claims and claim expenses incurred	\$410,510	\$1,221,696	\$642,380	\$1,557,364

At September 30, 2018, the Company's reinsurance recoverable balance was \$1.2 billion (December 31, 2017 - \$1.6 billion). Of this amount, 52.5% is fully collateralized by our reinsurers, 46.4% is recoverable from reinsurers rated A- or higher by major rating agencies and 1.1% is recoverable from reinsurers rated lower than A- by major rating agencies (December 31, 2017 - 54.5%, 44.5% and 1.0%, respectively). The reinsurers with the three largest balances accounted for 12.2%, 12.0% and 9.2%, respectively, of the Company's reinsurance recoverable balance at September 30, 2018 (December 31, 2017 - 10.4%, 7.5% and 7.3%, respectively). The valuation allowance recorded against reinsurance recoverable was \$6.3 million at September 30, 2018 (December 31, 2017 - \$7.0 million). The three largest company-specific components of the valuation allowance represented 19.9%, 19.8% and 18.0%, respectively, of the Company's total valuation allowance at September 30, 2018 (December 31, 2017 - 11.1%, 9.2% and 8.4%, respectively).

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES

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

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

At September 30, 2018	Case Reserves	Additional Case Reserves	IBNR	Total
Property	\$610,932	\$ 744,391	\$774,220	\$2,129,543
Casualty and Specialty	773,732	102,631	1,940,244	2,816,607
Other	3,240	—	3,108	6,348
Total	\$1,387,904	\$ 847,022	\$2,717,572	\$4,952,498

At December 31, 2017	Case Reserves	Additional Case Reserves	IBNR	Total
Property	\$696,285	\$ 896,522	\$893,583	\$2,486,390
Casualty and Specialty	689,962	124,923	1,760,607	2,575,492
Other	6,605	—	11,921	18,526
Total	\$1,392,852	\$ 1,021,445	\$2,666,111	\$5,080,408

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

Nine months ended September 30,	2018	2017
Net reserves as of January 1	\$3,493,778	\$2,568,730
Net incurred related to:		
Current year	839,360	1,561,027
Prior years	(196,980)	(3,663)
Total net incurred	642,380	1,557,364
Net paid related to:		
Current year	48,075	158,685
Prior years	326,692	396,411
Total net paid	374,767	555,096
Foreign exchange	(12,952)	33,011
Net reserves as of September 30	3,748,439	3,604,009
Reinsurance recoverable as of September 30	1,204,059	1,588,304
Gross reserves as of September 30	\$4,952,498	\$5,192,313

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

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

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

Nine months ended September 30,	2018 (Favorable) adverse development	2017 (Favorable) adverse development
Property	\$ (172,872)	\$ (16,968)
Casualty and Specialty	(24,020)	14,015
Other	(88)	(710)
Total favorable development of prior accident years net claims and claim expenses	\$ (196,980)	\$ (3,663)

Changes to prior year estimated claims reserves increased the Company's net income by \$197.0 million during the nine months ended September 30, 2018, (2017 - decreased the Company's net loss by \$3.7 million), excluding the consideration of changes in reinstatement, adjustment or other premium changes, profit commissions, redeemable noncontrolling interest - DaVinciRe and income tax.

Property Segment

The following tables detail the development of the Company's liability for unpaid claims and claim expenses for its Property segment, allocated between large and small catastrophe net claims and claim expenses and attritional net claims and claim expenses, included in the other line item:

Nine months ended September 30,	2018 (Favorable) adverse development
Catastrophe net claims and claim expenses	
Large catastrophe events	
2017 Catastrophe Events	\$ (151,155)
Other	(7,313)
Total large catastrophe events	(158,468)
Small catastrophe events and attritional loss movements	
Other small catastrophe events and attritional loss movements	(8,722)
Total small catastrophe events and attritional loss movements	(8,722)
Total catastrophe and attritional net claims and claim expenses	(167,190)
Actuarial assumption changes	(5,682)
Total net favorable development of prior accident years net claims and claim expenses	\$ (172,872)

The net favorable development of prior accident years net claims and claim expenses within the Company's Property segment in the nine months ended September 30, 2018 of \$172.9 million was comprised of net favorable development of \$158.5 million related to large catastrophe events, net favorable development of \$8.7 million related to small catastrophe events and attritional loss movements and \$5.7 million of net favorable development associated with actuarial assumption changes. Included in net favorable development of prior accident years net claims and claim expenses from large events was \$151.2 million of net decreases in the estimated ultimate losses associated with Hurricanes Harvey, Irma and Maria, the Mexico City Earthquake, the wildfires in California during the fourth quarter of 2017 and certain losses associated with aggregate loss contracts (collectively, the "2017 Catastrophe Events"). The Company's Property segment also experienced net favorable development of \$8.7 million associated with a number of other small catastrophe events as well as attritional loss movements related to lines of business where the Company principally estimates net claims and claim expenses using traditional actuarial methods.

Nine months ended September 30,	2017 (Favorable) adverse development
Catastrophe net claims and claim expenses	
Large catastrophe events	
New Zealand Earthquake (2011)	\$ 5,807
New Zealand Earthquake (2010)	5,001
April and May U.S. Tornadoes (2011)	(4,163)
Other	(3,881)
Total large catastrophe events	2,764
Small catastrophe events and attritional loss movements	
Fort McMurray Wildfire (2016)	(6,386)
Tianjin Explosion (2015)	(4,896)
Other small catastrophe events and attritional loss movements	(9,293)
Total small catastrophe events and attritional loss movements	(20,575)
Total catastrophe and attritional net claims and claim expenses	(17,811)
Actuarial assumption changes	843
Total net favorable development of prior accident years net claims and claim expenses	\$ (16,968)

The net favorable development of prior accident years net claims and claim expenses within the Company's Property segment in the nine months ended September 30, 2017 of \$17.0 million was principally comprised of net adverse development of \$2.8 million related to large catastrophe events, net favorable development of \$20.6 million related to small catastrophe events and attritional loss movements and \$0.8 million of net adverse development associated with actuarial assumption changes. Included in net adverse development of prior accident years net claims and claim expenses from large events was adverse development of \$5.8 million related to the 2011 New Zealand Earthquake and \$5.0 million related to the 2010 New Zealand Earthquake due to increases in the estimated expected losses associated with these events. Partially offsetting these events was favorable development of \$4.2 million and \$3.9 million related to the 2011 April and May U.S. Tornadoes and a number of other events, respectively, due to reductions in the estimated ultimate losses associated with these events. Included in net favorable development of prior accident years net claims and claims expenses from small events was a reduction in the estimated ultimate losses associated with the 2016 Fort McMurray Wildfire of \$6.4 million and the 2015 Tianjin Explosion of \$4.9 million. In addition, the Company's Property segment experienced net favorable development of \$9.3 million associated with a number of other small catastrophe events and attritional loss movements related to lines of business where the Company principally estimates net claims and claim expenses using traditional actuarial methods.

Casualty and Specialty Segment

The following table details the development of the Company's liability for unpaid claims and claim expenses for its Casualty and Specialty segment:

Nine months ended September 30,	2018	2017
	(Favorable) adverse development	(Favorable) adverse development
Actuarial methods	\$ (16,234)	\$ (17,004)
Ogden Rate change	—	33,481
Actuarial assumption changes	(7,786)	(2,462)
Total (favorable) adverse development of prior accident years net claims and claim expenses	\$ (24,020)	\$ 14,015

The net favorable development of prior accident years net claims and claim expenses within the Company's Casualty and Specialty segment in the nine months ended September 30, 2018 of \$24.0 million was driven by reported losses generally coming in lower than expected on attritional net claims and claim expenses and certain assumption changes across a number of lines of business.

The net adverse development of prior accident years net claims and claim expenses within the Company's Casualty and Specialty segment in the nine months ended September 30, 2017 of \$14.0 million was driven by \$33.5 million of adverse development associated with the change in the discount rate used to calculate lump sum awards in U.K. bodily injury cases (the "Ogden Rate"), from 2.5%, to minus 0.75%. Notwithstanding the impact of the Ogden Rate change, the Company experienced \$17.0 million of net favorable development in the nine months ended September 30, 2017 related to actual reported losses coming in lower than expected on attritional net claims and claim expenses across a number of lines of business and \$2.5 million of net favorable development associated with actuarial assumption changes.

NOTE 7. DEBT AND CREDIT FACILITIES

Except as noted below, there have been no material changes to the Company's debt obligations and credit facilities as described in its Form 10-K for the year ended December 31, 2017.

Debt Obligations

A summary of the Company's debt obligations on its consolidated balance sheets is set forth below:

	September 30, 2018		December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
3.450% Senior Notes due 2027	\$282,585	\$295,673	\$294,654	\$295,303
3.700% Senior Notes due 2025	293,559	297,594	302,781	297,318
5.750% Senior Notes due 2020	256,250	249,520	263,750	249,272
4.750% Senior Notes due 2025 (DaVinciRe) (1)	147,924	147,962	157,050	147,730
	\$980,318	\$990,749	\$1,018,235	\$989,623

RenaissanceRe owns a noncontrolling economic interest in its joint venture DaVinciRe. Because RenaissanceRe controls a majority of DaVinciRe's outstanding voting rights, the consolidated financial statements of DaVinciRe (1) are included in the consolidated financial statements of RenaissanceRe. However, RenaissanceRe does not guarantee or provide credit support for DaVinciRe and RenaissanceRe's financial exposure to DaVinciRe is limited to its investment in DaVinciRe's shares and counterparty credit risk arising from reinsurance transactions.

Credit Facilities

The outstanding amounts issued or drawn under each of the Company's significant credit facilities is set forth below:

At September 30, 2018	Issued or Drawn
RenaissanceRe Revolving Credit Facility (1)	\$—
Uncommitted Standby Letter of Credit Facility with Wells Fargo	87,057
Bilateral Letter of Credit Facility with Citibank Europe	180,416
Renaissance Reinsurance FAL Facility	180,000
Total credit facilities in U.S. dollars	\$447,473
Specialty Risks FAL Facility (1)	£—
Total credit facilities in pound sterling	£—

(1) At September 30, 2018, no amounts were issued or drawn under these facilities.

National Australia Bank Limited Standby Letter of Credit Agreement

Effective as of March 23, 2018, the Company terminated the Standby Letter of Credit Agreement, dated as of May 19, 2015, among National Australia Bank Limited ("NAB") and Renaissance Reinsurance, RenaissanceRe Specialty Risks Ltd., DaVinci and Platinum Underwriters Bermuda, Ltd. (collectively, the "NAB Facility Applicants") (the "NAB Standby Letter of Credit Agreement"). The NAB Standby Letter of Credit Agreement provided for a secured, uncommitted facility under which letters of credit were issued from time to time for the respective accounts of the NAB Facility Applicants in multiple currencies. RenaissanceRe unconditionally guaranteed the payment obligations of the NAB Facility Applicants, other than DaVinci.

NOTE 8. NONCONTROLLING INTERESTS

A summary of the Company's redeemable noncontrolling interests on its consolidated balance sheets is set forth below:

	September 30, 2018	December 31, 2017
Redeemable noncontrolling interest - DaVinciRe	\$ 1,085,985	\$ 1,011,659
Redeemable noncontrolling interest - Medici	447,993	284,847
Redeemable noncontrolling interests	\$ 1,533,978	\$ 1,296,506

A summary of the Company's redeemable noncontrolling interests on its consolidated statements of operations is set forth below:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Redeemable noncontrolling interest - DaVinciRe	\$3,730	\$ (195,508)	\$74,935	\$ (127,167)
Redeemable noncontrolling interest - Medici	2,710	(8,769)	15,887	(5,171)
Net income (loss) attributable to redeemable noncontrolling interests	\$6,440	\$ (204,277)	\$90,822	\$ (132,338)

Redeemable Noncontrolling Interest – DaVinciRe

RenaissanceRe owns a noncontrolling economic interest in DaVinciRe; however, because RenaissanceRe controls a majority of DaVinciRe's outstanding voting rights, the consolidated financial statements of

DaVinciRe are included in the consolidated financial statements of the Company. The portion of DaVinciRe's earnings owned by third parties is recorded in the consolidated statements of operations as net income attributable to redeemable noncontrolling interests. The Company's noncontrolling economic ownership in DaVinciRe was 22.1% at September 30, 2018 (December 31, 2017 - 22.1%).

DaVinciRe shareholders are party to a shareholders agreement which provides DaVinciRe shareholders, excluding RenaissanceRe, with certain redemption rights that enable each shareholder to notify DaVinciRe of such shareholder's desire for DaVinciRe to repurchase up to half of such shareholder's initial aggregate number of shares held, subject to certain limitations, such as limiting the aggregate of all share repurchase requests to 25% of DaVinciRe's capital in any given year and satisfying all applicable regulatory requirements. If total shareholder requests exceed 25% of DaVinciRe's capital, the number of shares repurchased will be reduced among the requesting shareholders pro-rata, based on the amounts desired to be repurchased. Shareholders desiring to have DaVinci repurchase their shares must notify DaVinciRe before March 1 of each year. The repurchase price will be based on GAAP book value as of the end of the year in which the shareholder notice is given, and the repurchase will be effective as of January 1 of the following year. The repurchase price is generally subject to a true-up for potential development on outstanding loss reserves after settlement of all claims relating to the applicable years.

2017

During January 2017, DaVinciRe redeemed \$75.0 million of its outstanding shares from certain existing DaVinciRe shareholders, including RenaissanceRe. In connection with the redemption, DaVinciRe retained a \$7.5 million holdback. In addition, RenaissanceRe sold an aggregate of \$24.0 million of its shares in DaVinciRe to an existing shareholder and a new shareholder. The Company's noncontrolling economic ownership in DaVinciRe subsequent to these transactions was 22.6%, effective January 1, 2017.

During July 2017, RenaissanceRe purchased \$12.0 million of DaVinciRe's outstanding shares from an existing third-party shareholder. The Company's noncontrolling economic ownership in DaVinciRe subsequent to these transactions was 23.5%, effective July 1, 2017.

Effective October 1, 2017, DaVinciRe completed an equity capital raise of \$248.6 million from third-party investors and RenaissanceRe. In addition, RenaissanceRe sold an aggregate of \$49.7 million of its shares in DaVinciRe to third-party investors. The Company's noncontrolling economic ownership in DaVinciRe subsequent to these transactions was 22.1%, effective October 1, 2017.

The Company expects its noncontrolling economic ownership in DaVinciRe to fluctuate over time.

The activity in redeemable noncontrolling interest – DaVinciRe is detailed in the table below:

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Beginning balance	\$1,082,425	\$ 1,019,918	\$ 1,011,659	\$ 994,458
Redemption of shares from redeemable noncontrolling interest, net of adjustments	(170)	(12,068)	(609)	(78,870)
Sale of shares to redeemable noncontrolling interests	—	—	—	23,921
Net income (loss) attributable to redeemable noncontrolling interest	3,730	(195,508)	74,935	(127,167)
Ending balance	\$1,085,985	\$ 812,342	\$ 1,085,985	\$ 812,342

Redeemable Noncontrolling Interest - RenaissanceRe Medici Fund Ltd. ("Medici")

Medici is an exempted company incorporated under the laws of Bermuda and its objective is to seek to invest substantially all of its assets in various insurance-based investment instruments that have returns primarily tied to property catastrophe risk. RenaissanceRe owns a noncontrolling economic interest in Medici; however, because RenaissanceRe controls all of Medici's outstanding voting rights, the financial statements of Medici are included in the consolidated financial statements of the Company. The portion of Medici's earnings owned by third parties is recorded in the consolidated statements of operations as net

income attributable to redeemable noncontrolling interests. Any shareholder may redeem all or any portion of its shares as of the last day of any calendar month, upon at least 30 calendar days' prior irrevocable written notice to Medici.

2017

During 2017, third-party investors subscribed for \$149.2 million and redeemed \$48.0 million of the participating, non-voting common shares of Medici. As a result of these net subscriptions, the Company's noncontrolling economic ownership in Medici was 26.8%, effective at December 31, 2017.

2018

During the nine months ended September 30, 2018, third-party investors subscribed for \$199.5 million and redeemed \$52.2 million of the participating, non-voting common shares of Medici. As a result of these net subscriptions, the Company's noncontrolling economic ownership in Medici was 15.8% at September 30, 2018.

The Company expects its noncontrolling economic ownership in Medici to fluctuate over time.

The activity in redeemable noncontrolling interest – Medici is detailed in the table below:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Beginning balance	\$411,003	\$ 222,165	\$284,847	\$ 181,136
Redemption of shares from redeemable noncontrolling interest, net of adjustments	(8,720)	(1,400)	(52,223)	(27,310)
Sale of shares to redeemable noncontrolling interests	43,000	9,391	199,482	72,732
Net income (loss) attributable to redeemable noncontrolling interest	2,710	(8,769)	15,887	(5,171)
Ending balance	\$447,993	\$ 221,387	\$447,993	\$ 221,387

NOTE 9. VARIABLE INTEREST ENTITIES

Upsilon RFO

Upsilon RFO is a managed joint venture and a Bermuda domiciled SPI that was formed by the Company primarily to provide additional capacity to the worldwide aggregate and per-occurrence retrocessional property catastrophe excess of loss market.

The shareholders (other than the Class A shareholder) participate in substantially all of the profits or losses of Upsilon RFO while their shares remain outstanding. The shareholders (other than the Class A shareholder) indemnify Upsilon RFO against losses relating to insurance risk and therefore these shares have been accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance.

Upsilon RFO is considered a VIE as it has insufficient equity capital to finance its activities without additional financial support. The Company is the primary beneficiary of Upsilon RFO as it has the power over the activities that most significantly impact the economic performance of Upsilon RFO and has the obligation to absorb expected losses and the right to receive expected benefits that could be significant to Upsilon RFO, in accordance with the accounting guidance. As a result, the Company consolidates Upsilon RFO and all significant inter-company transactions have been eliminated. Other than its equity investment in Upsilon RFO, the Company has not provided financial or other support to Upsilon RFO that it was not contractually required to provide.

2017

During 2017, Upsilon RFO returned \$84.3 million of capital to its investors, including \$33.0 million to the Company. In addition, during 2017, \$180.6 million of Upsilon RFO non-voting preference shares were

issued to existing investors therein, including \$27.2 million to the Company, and an existing third-party investor purchased \$7.5 million of Upsilon RFO non-voting preference shares from the Company. At December 31, 2017, the Company's participation in the risks assumed by Upsilon RFO was 20.8%.

2018

During the nine months ended September 30, 2018, \$856.7 million of Upsilon RFO non-voting preference shares were issued to existing investors, including \$109.8 million to the Company. At September 30, 2018, the Company's participation in the risks assumed by Upsilon RFO was 14.0%.

Amounts received by the Company prior to December 31, 2017 were included in other liabilities on the Company's consolidated balance sheet at December 31, 2017, and were also included in other operating cash flows on the Company's consolidated statements of cash flows for the year ended December 31, 2017. During the nine months ended September 30, 2018, in connection with the issuance of the non-voting preference shares of Upsilon RFO, other liabilities were reduced by this amount, and reinsurance balances payable were increased by an offsetting amount, with corresponding impacts to other operating cash flows and the change in reinsurance balances payable on the Company consolidated statements of cash flows for the nine months ended September 30, 2018.

At September 30, 2018, the Company's consolidated balance sheet included total assets and total liabilities of Upsilon RFO of \$1.6 billion and \$1.6 billion, respectively (December 31, 2017 - \$1.2 billion and \$1.2 billion, respectively).

Mona Lisa Re Ltd. ("Mona Lisa Re")

Mona Lisa Re is licensed as a Bermuda domiciled special purpose insurer to provide reinsurance capacity to subsidiaries of RenaissanceRe, namely Renaissance Reinsurance and DaVinci, through reinsurance agreements which will be collateralized and funded by Mona Lisa Re through the issuance of one or more series of principal-at-risk variable rate notes to third-party investors.

Upon issuance of a series of notes by Mona Lisa Re, all of the proceeds from the issuance were deposited into collateral accounts, separated by series, to fund any potential obligation under the reinsurance agreements entered into with Renaissance Reinsurance and/or DaVinci underlying such series of notes. The outstanding principal amount of each series of notes generally will be returned to holders of such notes upon the expiration of the risk period underlying such notes, unless an event occurs which causes a loss under the applicable series of notes, in which case the amount returned will be reduced by such noteholder's pro rata share of such loss, as specified in the applicable governing documents of such notes. In addition, holders of such notes are generally entitled to interest payments, payable quarterly, as determined by the applicable governing documents of each series of notes.

The Company concluded that Mona Lisa Re meets the definition of a VIE as it does not have sufficient equity capital to finance its activities. The Company evaluated its relationship with Mona Lisa Re and concluded it does not have a variable interest in Mona Lisa Re. As a result, the financial position and results of operations of Mona Lisa Re are not consolidated by the Company. The Company has not provided financial or other support to Mona Lisa Re that it was not contractually required to provide.

At September 30, 2018, the total assets and total liabilities of Mona Lisa Re were \$0.1 million and \$0.1 million, respectively (December 31, 2017 - \$25.9 million and \$25.9 million, respectively). On July 6, 2018, all remaining outstanding series of notes issued by Mona Lisa Re were redeemed and the proceeds were returned to the holders of such notes.

The only transactions related to Mona Lisa Re that are recorded in the Company's consolidated financial statements are the ceded reinsurance agreements entered into by Renaissance Reinsurance and DaVinci which are accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance. Renaissance Reinsurance and DaVinci have together entered into ceded reinsurance contracts with Mona Lisa Re with gross premiums ceded of \$0.2 million and \$0.2 million, respectively, during the nine months ended September 30, 2018 (2017 - \$0.2 million and \$0.2 million, respectively). In addition, Renaissance Reinsurance and DaVinci recognized ceded premiums earned related to the ceded reinsurance contracts with Mona Lisa Re of \$0.2 million and \$0.2 million, respectively, during the nine months ended September 30, 2018 (2017 - \$4.0 million and \$2.8 million, respectively).

Fibonacci Re

Effective November 7, 2016, Fibonacci Re, a Bermuda-domiciled SPI, was formed to provide collateralized capacity to Renaissance Reinsurance and its affiliates.

Upon issuance of a series of notes by Fibonacci Re, all of the proceeds from the issuance are deposited into collateral accounts, separated by series, to fund any potential obligation under the reinsurance agreements entered into with Renaissance Reinsurance underlying such series of notes. The outstanding principal amount of each series of notes generally is expected to be returned to holders of such notes upon the expiration of the risk period underlying such notes, unless an event occurs which causes a loss under the applicable series of notes, in which case the amount returned is expected to be reduced by such noteholder's pro rata share of such loss, as specified in the applicable governing documents of such notes. In addition, holders of such notes are generally entitled to interest payments, payable quarterly, as determined by the applicable governing documents of each series of notes. RUM receives an origination and structuring fee in connection with the formation and operation of Fibonacci Re.

The Company concluded that Fibonacci Re meets the definition of a VIE as it does not have sufficient equity capital to finance its activities. The Company evaluated its relationship with Fibonacci Re and concluded it is not the primary beneficiary of Fibonacci Re as it does not have power over the activities that most significantly impact the economic performance of Fibonacci Re. As a result, the Company does not consolidate the financial position or results of operations of Fibonacci Re.

The only transactions related to Fibonacci Re that will be recorded in the Company's consolidated financial statements will be the ceded reinsurance agreements entered into by Renaissance Reinsurance that are accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance, and the fair value of the participating notes owned by the Company. Other than its investment in the participating notes of Fibonacci Re, the Company has not provided financial or other support to Fibonacci Re that it was not contractually required to provide.

The fair value of the Company's investment in the participating notes of Fibonacci Re is included in other investments. Net of third-party investors, the fair value of the Company's investment in Fibonacci Re was \$8.5 million at September 30, 2018 (December 31, 2017 - \$14.1 million).

Renaissance Reinsurance entered into ceded reinsurance contracts with Fibonacci Re with ceded premiums of \$9.1 million and ceded premiums earned of \$6.8 million during the nine months ended September 30, 2018 (2017 - \$9.4 million and \$6.2 million, respectively).

Langhorne

Effective December 22, 2017, the Company and Reinsurance Group of America, Incorporated closed Langhorne, an initiative to source third party capital to support reinsurers targeting large in-force life and annuity blocks. In connection with Langhorne, as of September 30, 2018 the Company had invested \$1.3 million in Langhorne Holdings (December 31, 2017 - \$0.6 million), a company that owns and manages certain reinsurance entities within Langhorne. In addition, as of September 30, 2018 the Company had invested \$0.1 million in Langhorne Partners (December 31, 2017 - \$Nil), the general partner for Langhorne and the entity which manages the third-party investors investing into Langhorne Holdings.

The Company concluded that Langhorne Holdings meets the definition of a VIE as the voting rights are not proportional with the obligations to absorb losses and rights to receive residual returns. The Company evaluated its relationship with Langhorne Holdings and concluded it is not the primary beneficiary of Langhorne Holdings, as it does not have power over the activities that most significantly impact the economic performance of Langhorne Holdings. As a result, the Company does not consolidate the financial position or results of operations of Langhorne Holdings. The Company separately evaluated Langhorne Partners and concluded that it was not a VIE. The Company accounts for its investments in Langhorne Holdings and Langhorne Partners under the equity method of accounting, one quarter in arrears.

The Company anticipates that its absolute investment in Langhorne will increase, perhaps materially, as in-force life and annuity blocks of businesses are written. The Company expects its absolute and relative ownership in Langhorne Partners to remain stable. Other than its current and committed future equity investment in Langhorne, the Company has not provided financial or other support to Langhorne that it was not contractually required to provide.

NOTE 10. SHAREHOLDERS' EQUITY

Dividends

The Board of Directors of RenaissanceRe declared dividends, payable to common shareholders of record on each of March 15, 2018, June 15, 2018 and September 14, 2018, of \$0.33 per common share, and the Company paid the dividends on March 29, 2018, June 29, 2018 and September 28, 2018, respectively.

The Board of Directors approved the payment of quarterly dividends on the Series C 6.08% Preference Shares, Series E 5.375% Preference Shares and 5.750% Series F Preference Shares to preference shareholders of record in the amounts and on the quarterly record dates and dividend payment dates set forth in the prospectus supplement and Certificate of Designation for the applicable series of preference shares, unless and until further action is taken by the Board of Directors. The dividend payment dates for the preference shares will be the first day of March, June, September and December of each year (or if this date is not a business day, on the business day immediately following this date). The record dates for the preference share dividends are one day prior to the dividend payment dates. The amount of the dividend on the Series C 6.08% Preference Shares is an amount per share equal to 6.08% of the liquidation preference per annum (the equivalent to \$1.52 per share per annum, or \$0.38 per share per quarter). The amount of the dividend on the Series E 5.375% Preference Shares is an amount per share equal to 5.375% of the liquidation preference per annum (the equivalent to \$1.34375 per share per annum, or \$0.3359375 per share per quarter). The amount of the dividend on the 5.750% Series F Preference Shares is an amount per share equal to 5.750% of the liquidation preference per annum (the equivalent to \$1,437.50 per 5.750% Series F Preference Share per annum, or \$359.375 per 5.750% Series F Preference Share per quarter, or \$1.4375 per Depositary Share per annum, or \$0.359375 per Depositary Share per quarter).

During the nine months ended September 30, 2018, the Company paid \$20.9 million in preference share dividends (2017 - \$16.8 million) and \$39.6 million in common share dividends (2017 - \$38.6 million).

Preference Shares

In June 2018, the Company issued 10,000 shares of its 5.750% Series F Preference Shares, \$1.00 par value and liquidation preference \$25,000 per share (equivalent to 10,000,000 Depositary Shares, each of which represents a 1/1,000th interest in a 5.750% Series F Preference Share).

The 5.750% Series F Preference Shares have no stated maturity date and may be redeemed at a redemption price of \$25,000 per share (equivalent to \$25.00 per Depositary Share), plus declared and unpaid dividends, at RenaissanceRe's option on or after June 30, 2023, provided that no redemption may occur prior to June 30, 2028 unless certain redemption requirements are met. In certain circumstances, such as a change in tax law or a capital disqualification event, the Company may redeem the 5.750% Series F Preference Shares prior to June 30, 2023. In addition, the Company may redeem the 5.750% Series F Preference Shares prior to June 30, 2023 at a redemption price of \$26,000 per share (equivalent to \$26.00 per Depositary Share), plus accrued and unpaid dividends, in certain circumstances where the 5.750% Series F Preference Shares are entitled to vote on an amalgamation, consolidation, merger or other similar corporate transaction, or change in Bermuda law.

Dividends on the 5.750% Series F Preference Shares are payable on a non-cumulative basis, only when, as and if declared by the Board of Directors, at an annual rate of 5.750% of the liquidation preference per annum (the equivalent to \$1,437.50 per 5.750% Series F Preference Share per annum, or \$359.375 per 5.750% Series F Preference Share per quarter, or \$1.4375 per Depositary Share per annum, or \$0.359375 per Depositary Share per quarter). Unless certain dividend payments are made on the 5.750% Series F Preference Shares, RenaissanceRe will be restricted from paying any dividends on and repurchasing its common shares.

Share Repurchases

The Company's share repurchase program may be effected from time to time, depending on market conditions and other factors, through open market purchases and privately negotiated transactions. On November 10, 2017, RenaissanceRe's Board of Directors approved a renewal of its authorized share repurchase program for an aggregate amount of up to \$500.0 million. Unless terminated earlier by RenaissanceRe's Board of Directors, the program will expire when the Company has repurchased the full value of the common shares authorized. The Company's decision to repurchase common shares will

depend on, among other matters, the market price of the common shares and the capital requirements of the Company. During the nine months ended September 30, 2018, the Company did not repurchase any of its common shares. At September 30, 2018, \$500.0 million remained available for repurchase under the share repurchase program.

NOTE 11. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

(common shares in thousands)	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Numerator:				
Net income (loss) available (attributable) to RenaissanceRe common shareholders	\$32,681	\$ (504,812)	\$281,182	\$ (241,318)
Amount allocated to participating common shareholders (1)	(294)	(116)	(2,977)	(344)
Net income (loss) allocated to RenaissanceRe common shareholders	\$32,387	\$ (504,928)	\$278,205	\$ (241,662)
Denominator:				
Denominator for basic income per RenaissanceRe common share - weighted average common shares	39,624	39,591	39,606	39,979
Per common share equivalents of employee stock options and restricted shares	13	—	21	—
Denominator for diluted income per RenaissanceRe common share - adjusted weighted average common shares and assumed conversions	39,637	39,591	39,627	39,979
Net income (loss) available (attributable) to RenaissanceRe common shareholders per common share – basic	\$0.82	\$ (12.75)	\$7.02	\$ (6.04)
Net income (loss) available (attributable) to RenaissanceRe common shareholders per common share – diluted	\$0.82	\$ (12.75)	\$7.02	\$ (6.04)

Represents earnings attributable to holders of unvested restricted shares issued pursuant to the Company's 2001 (1) Stock Incentive Plan, 2010 Performance-Based Equity Incentive Plan, 2016 Long-Term Incentive Plan and to the Company's non-employee directors.

NOTE 12. SEGMENT REPORTING

The Company's reportable segments are defined as follows: (1) Property, which is comprised of catastrophe and other property reinsurance and insurance written on behalf of the Company's operating subsidiaries and certain joint ventures managed by the Company's ventures unit, and (2) Casualty and Specialty, which is comprised of casualty and specialty reinsurance and insurance written on behalf of the Company's operating subsidiaries and certain joint ventures managed by the Company's ventures unit. In addition to its reportable segments, the Company has an Other category, which primarily includes its strategic investments, investments unit, corporate expenses, capital servicing costs, noncontrolling interests and the remnants of its former Bermuda-based insurance operations.

The Company's Property segment is managed by the Chief Underwriting Officer - Property and the Casualty and Specialty segment is managed by the Chief Underwriting Officer - Casualty and Specialty, each of whom operate under the direction of the Company's Group Chief Underwriting Officer, who in turn reports to the Company's President and Chief Executive Officer.

The Company does not manage its assets by segment; accordingly, net investment income and total assets are not allocated to the segments.

A summary of the significant components of the Company's revenues and expenses by segment is as follows:

Three months ended September 30, 2018	Property	Casualty and Specialty	Other	Total	
Gross premiums written	\$301,413	\$324,264	\$ —	\$625,677	
Net premiums written	\$232,632	\$220,623	\$ —	\$453,255	
Net premiums earned	\$293,059	\$238,791	\$ (1)	\$531,849	
Net claims and claim expenses incurred	265,857	144,671	(18)	410,510	
Acquisition expenses	45,524	64,238	(1)	109,761	
Operational expenses	25,577	14,976	40	40,593	
Underwriting (loss) income	\$(43,899)	\$14,906	\$ (22)	(29,015)	
Net investment income			80,696	80,696	
Net foreign exchange losses			(4,566)	(4,566)	
Equity in earnings of other ventures			7,648	7,648	
Other income			497	497	
Net realized and unrealized gains on investments			13,630	13,630	
Corporate expenses			(6,841)	(6,841)	
Interest expense			(11,769)	(11,769)	
Income before taxes and redeemable noncontrolling interests				50,280	
Income tax expense			(1,451)	(1,451)	
Net income attributable to redeemable noncontrolling interests			(6,440)	(6,440)	
Dividends on preference shares			(9,708)	(9,708)	
Net income available to RenaissanceRe common shareholders				\$32,681	
Net claims and claim expenses incurred – current accident year	\$268,022	\$151,904	\$ —	\$419,926	
Net claims and claim expenses incurred – prior accident years	(2,165)	(7,233)	(18)	(9,416)	
Net claims and claim expenses incurred – total	\$265,857	\$144,671	\$ (18)	\$410,510	
Net claims and claim expense ratio – current accident year	91.5	% 63.6	%	79.0	%
Net claims and claim expense ratio – prior accident years	(0.8)% (3.0)%	(1.8)%
Net claims and claim expense ratio – calendar year	90.7	% 60.6	%	77.2	%
Underwriting expense ratio	24.3	% 33.2	%	28.3	%
Combined ratio	115.0	% 93.8	%	105.5	%

Nine months ended September 30, 2018	Property	Casualty and Specialty	Other	Total	
Gross premiums written	\$1,561,008	\$1,201,664	\$—	\$2,762,672	
Net premiums written	\$884,541	\$836,267	\$—	\$1,720,808	
Net premiums earned	\$722,246	\$679,271	\$(1)	\$1,401,516	
Net claims and claim expenses incurred	222,195	420,273	(88)	642,380	
Acquisition expenses	127,095	185,429	—	312,524	
Operational expenses	75,933	43,121	354	119,408	
Underwriting income (loss)	\$297,023	\$30,448	\$(267)	327,204	
Net investment income			208,528	208,528	
Net foreign exchange losses			(11,496)	(11,496)	
Equity in earnings of other ventures			14,331	14,331	
Other income			480	480	
Net realized and unrealized losses on investments			(86,415)	(86,415)	
Corporate expenses			(21,875)	(21,875)	
Interest expense			(35,304)	(35,304)	
Income before taxes and redeemable noncontrolling interests				395,453	
Income tax expense			(2,550)	(2,550)	
Net income attributable to redeemable noncontrolling interests			(90,822)	(90,822)	
Dividends on preference shares			(20,899)	(20,899)	
Net income available to RenaissanceRe common shareholders				\$281,182	
Net claims and claim expenses incurred – current accident year	\$395,067	\$444,293	\$—	\$839,360	
Net claims and claim expenses incurred – prior accident years	(172,872)	(24,020)	(88)	(196,980)	
Net claims and claim expenses incurred – total	\$222,195	\$420,273	\$(88)	\$642,380	
Net claims and claim expense ratio – current accident year	54.7	% 65.4	%	59.9	%
Net claims and claim expense ratio – prior accident years	(23.9)% (3.5)%	(14.1)%
Net claims and claim expense ratio – calendar year	30.8	% 61.9	%	45.8	%
Underwriting expense ratio	28.1	% 33.6	%	30.9	%
Combined ratio	58.9	% 95.5	%	76.7	%

Three months ended September 30, 2017	Property	Casualty and Specialty	Other	Total	
Gross premiums written	\$325,395	\$314,881	\$(7)	\$640,269	
Net premiums written	\$269,393	\$213,835	\$(7)	\$483,221	
Net premiums earned	\$336,838	\$210,961	\$(7)	\$547,792	
Net claims and claim expenses incurred	1,044,418	177,433	(155)	1,221,696	
Acquisition expenses	17,514	59,248	(1)	76,761	
Operational expenses	25,123	17,389	25	42,537	
Underwriting (loss) income	\$(750,217)	\$(43,109)	\$124	(793,202)	
Net investment income			40,257	40,257	
Net foreign exchange losses			(156)	(156)	
Equity in earnings of other ventures			1,794	1,794	
Other income			2,996	2,996	
Net realized and unrealized gains on investments			42,052	42,052	
Corporate expenses			(4,413)	(4,413)	
Interest expense			(11,799)	(11,799)	
Loss before taxes and redeemable noncontrolling interests				(722,471)	
Income tax benefit			18,977	18,977	
Net loss attributable to redeemable noncontrolling interests			204,277	204,277	
Dividends on preference shares			(5,595)	(5,595)	
Net loss attributable to RenaissanceRe common shareholders				\$(504,812)	
Net claims and claim expenses incurred – current accident year	\$1,036,586	\$172,675	\$—	\$1,209,261	
Net claims and claim expenses incurred – prior accident years	7,832	4,758	(155)	12,435	
Net claims and claim expenses incurred – total	\$1,044,418	\$177,433	\$(155)	\$1,221,696	
Net claims and claim expense ratio – current accident year	307.7	% 81.9	%	220.8	%
Net claims and claim expense ratio – prior accident years	2.4	% 2.2	%	2.2	%
Net claims and claim expense ratio – calendar year	310.1	% 84.1	%	223.0	%
Underwriting expense ratio	12.6	% 36.3	%	21.8	%
Combined ratio	322.7	% 120.4	%	244.8	%

Nine months ended September 30, 2017	Property	Casualty and Specialty	Other	Total	
Gross premiums written	\$1,345,271	\$1,044,510	\$ (7)	\$2,389,774	
Net premiums written	\$895,728	\$687,381	\$ (7)	\$1,583,102	
Net premiums earned	\$716,024	\$580,085	\$ (7)	\$1,296,102	
Net claims and claim expenses incurred	1,116,273	441,801	(710)	1,557,364	
Acquisition expenses	75,117	173,179	(2)	248,294	
Operational expenses	76,841	54,708	37	131,586	
Underwriting (loss) income	\$(552,207)	\$(89,603)	\$ 668	(641,142)	
Net investment income			148,745	148,745	
Net foreign exchange gains			11,118	11,118	
Equity in earnings of other ventures			5,830	5,830	
Other income			7,053	7,053	
Net realized and unrealized gains on investments			143,538	143,538	
Corporate expenses			(14,335)	(14,335)	
Interest expense			(32,416)	(32,416)	
Loss before taxes and redeemable noncontrolling interests				(371,609)	
Income tax benefit			14,739	14,739	
Net loss attributable to RenaissanceRe common shareholders			132,338	132,338	
Dividends on preference shares			(16,786)	(16,786)	
Net loss attributable to RenaissanceRe common shareholders				\$(241,318)	
Net claims and claim expenses incurred – current accident year	\$1,133,241	\$427,786	\$—	\$1,561,027	
Net claims and claim expenses incurred – prior accident years	(16,968)	14,015	(710)	(3,663)	
Net claims and claim expenses incurred – total	\$1,116,273	\$441,801	\$(710)	\$1,557,364	
Net claims and claim expense ratio – current accident year	158.3	% 73.7	%	120.4	%
Net claims and claim expense ratio – prior accident years	(2.4)	% 2.5	%	(0.2)	%
Net claims and claim expense ratio – calendar year	155.9	% 76.2	%	120.2	%
Underwriting expense ratio	21.2	% 39.2	%	29.3	%
Combined ratio	177.1	% 115.4	%	149.5	%

NOTE 13. DERIVATIVE INSTRUMENTS

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

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

At September 30, 2018	Derivative Assets			Balance Sheet Location	Collateral	Net Amount
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet			
Interest rate futures	\$438	184	\$ 254	Other assets	\$ —	\$ 254
Interest rate swaps	782	—	782	Other assets	—	782
Foreign currency forward contracts (1)	6,547	—	6,547	Other assets	—	6,547
Foreign currency forward contracts (2)	1,416	40	1,376	Other assets	—	1,376
Credit default swaps	277	—	277	Other assets	—	277
Total	\$9,460	\$ 224	\$ 9,236		\$ —	\$ 9,236

At September 30, 2018	Derivative Liabilities			Balance Sheet Location	Collateral Pledged	Net Amount
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet			
Interest rate futures	\$189	184	\$ 5	Other liabilities	\$ 5	\$ —
Interest rate swaps	232	—	232	Other liabilities	232	—
Foreign currency forward contracts (1)	7,272	504	6,768	Other liabilities	—	6,768
Foreign currency forward contracts (2)	663	40	623	Other liabilities	—	623
Credit default swaps	14	—	14	Other liabilities	—	14
Total	\$8,370	\$ 728	\$ 7,642		\$ 237	\$ 7,405

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

(2) Contracts used to manage foreign currency risks in investment operations.

At December 31, 2017	Derivative Assets			Balance Sheet Location	Collateral	Net Amount
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet			
Interest rate futures	\$684	524	\$ 160	Other assets	\$ —	\$ 160
Interest rate swaps	424	—	424	Other assets	—	424
Foreign currency forward contracts (1)	3,865	358	3,507	Other assets	—	3,507
Foreign currency forward contracts (2)	39	11	28	Other assets	—	28
Credit default swaps	1,518	—	1,518	Other assets	—	1,518
Total	\$6,530	\$ 893	\$ 5,637		\$ —	\$ 5,637

At December 31, 2017	Derivative Liabilities			Balance Sheet Location	Collateral Pledged	Net Amount
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet			
Interest rate futures	\$729	524	\$ 205	Other liabilities	\$ 205	\$ —
Foreign currency forward contracts (1)	670	—	670	Other liabilities	—	670
Foreign currency forward contracts (2)	115	11	104	Other liabilities	—	104
Credit default swaps	22	—	22	Other liabilities	22	—
Total	\$1,536	\$ 535	\$ 1,001		\$ 227	\$ 774

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

(2) Contracts used to manage foreign currency risks in investment operations.

Refer to “Note 3. Investments” for information on reverse repurchase agreements.

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

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
		2018	2017
Three months ended September 30,			
Interest rate futures	Net realized and unrealized gains (losses) on investments	\$2,760	\$(3,016)
Interest rate swaps	Net realized and unrealized gains (losses) on investments	(6)	271
Foreign currency forward contracts (1)	Net foreign exchange (losses) gains	(2,596)	2,056
Foreign currency forward contracts (2)	Net foreign exchange (losses) gains	650	(40)
Credit default swaps	Net realized and unrealized gains (losses) on investments	(191)	(1,275)
Total		\$617	\$(2,004)

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
		2018	2017
Nine months ended September 30,			