

Third Point Reinsurance Ltd.

Form 10-Q

August 03, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

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 001-35039

THIRD POINT REINSURANCE LTD.

(Exact name of registrant as specified in its charter)

Bermuda

98-1039994

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Point House

3 Waterloo Lane

Pembroke HM 08, Bermuda

+1 441 542-3300

(Address, including Zip Code and Telephone Number, including Area Code of Registrant's Principal Executive Office)

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

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. Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The registrant's common shares began trading on the New York Stock Exchange on August 15, 2013.

As of August 1, 2017, there were 107,383,405 common shares of the registrant's common shares issued and outstanding, including 2,047,855 restricted shares.

Third Point Reinsurance Ltd.  
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## PART I - Financial Information

## ITEM 1. Financial Statements

## THIRD POINT REINSURANCE LTD.

## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As of June 30, 2017 and December 31, 2016

(expressed in thousands of U.S. dollars, except per share and share amounts)

	June 30, 2017	December 31, 2016
Assets		
Equity securities, trading, at fair value (cost - \$1,654,011; 2016 - \$1,385,866)	\$1,941,170	\$ 1,506,854
Debt securities, trading, at fair value (cost - \$736,060; 2016 - \$1,036,716)	702,515	1,057,957
Other investments, at fair value	29,091	82,701
Total investments in securities	2,672,776	2,647,512
Cash and cash equivalents	8,255	9,951
Restricted cash and cash equivalents	372,068	298,940
Due from brokers	424,163	284,591
Derivative assets, at fair value	45,110	27,432
Interest and dividends receivable	3,947	6,505
Reinsurance balances receivable	472,570	381,951
Deferred acquisition costs, net	203,193	221,618
Other assets	14,648	17,144
Total assets	\$4,216,730	\$ 3,895,644
Liabilities and shareholders' equity		
Liabilities		
Accounts payable and accrued expenses	\$17,929	\$ 10,321
Reinsurance balances payable	65,456	43,171
Deposit liabilities	105,208	104,905
Unearned premium reserves	547,815	557,076
Loss and loss adjustment expense reserves	678,459	605,129
Securities sold, not yet purchased, at fair value	265,667	92,668
Due to brokers	777,179	899,601
Derivative liabilities, at fair value	11,949	16,050
Performance fee payable to related party	53,455	—
Interest and dividends payable	3,838	3,443
Senior notes payable, net of deferred costs	113,643	113,555
Total liabilities	2,640,598	2,445,919
Commitments and contingent liabilities		
Shareholders' equity		
Preference shares (par value \$0.10; authorized, 30,000,000; none issued)	—	—
Common shares (par value \$0.10; authorized, 300,000,000; issued and outstanding, 107,332,603 (2016 - 106,501,299))	10,733	10,650
Treasury shares (3,944,920 shares (2016 - 644,768 shares))	(48,253	) (7,389
Additional paid-in capital	1,098,857	1,094,568
Retained earnings	494,986	316,222
Shareholders' equity attributable to shareholders	1,556,323	1,414,051
Non-controlling interests	19,809	35,674
Total shareholders' equity	1,576,132	1,449,725
Total liabilities and shareholders' equity	\$4,216,730	\$ 3,895,644

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

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THIRD POINT REINSURANCE LTD.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the three and six months ended June 30, 2017 and 2016

(expressed in thousands of U.S. dollars, except per share and share amounts)

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues				
Gross premiums written	\$ 156,564	\$ 196,866	\$ 302,918	\$ 394,022
Gross premiums ceded	(1,425 )	(1,425 )	(2,550 )	(1,425 )
Net premiums written	155,139	195,441	300,368	392,597
Change in net unearned premium reserves	18,419	(62,319 )	11,199	(122,673 )
Net premiums earned	173,558	133,122	311,567	269,924
Net investment income	107,325	86,346	235,835	46,236
Total revenues	280,883	219,468	547,402	316,160
Expenses				
Loss and loss adjustment expenses incurred, net	107,379	104,131	193,274	188,807
Acquisition costs, net	68,641	48,482	123,093	100,169
General and administrative expenses	15,014	10,243	25,586	21,531
Other expenses	2,105	3,173	5,006	5,879
Interest expense	2,051	2,046	4,077	4,094
Foreign exchange (gains) losses	4,781	(8,068 )	4,796	(10,454 )
Total expenses	199,971	160,007	355,832	310,026
Income before income tax expense	80,912	59,461	191,570	6,134
Income tax expense	(5,307 )	(5,310 )	(10,605 )	(3,381 )
Income including non-controlling interests	75,605	54,151	180,965	2,753
Income attributable to non-controlling interests	(1,027 )	(775 )	(2,201 )	(506 )
Net income	\$ 74,578	\$ 53,376	\$ 178,764	\$ 2,247
Earnings per share				
Basic	\$ 0.73	\$ 0.51	\$ 1.73	\$ 0.02
Diluted	\$ 0.71	\$ 0.51	\$ 1.70	\$ 0.02
Weighted average number of common shares used in the determination of earnings per share				
Basic	102,283,844	104,132,797	103,144,078	104,195,336
Diluted	104,569,226	105,233,921	105,149,710	105,228,174

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

THIRD POINT REINSURANCE LTD.  
 CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)  
 For the six months ended June 30, 2017 and 2016  
 (expressed in thousands of U.S. dollars)

	2017	2016
Common shares		
Balance, beginning of period	\$10,650	\$10,548
Issuance of common shares	83	81
Balance, end of period	10,733	10,629
Treasury shares		
Balance, beginning of period	(7,389)	—
Repurchase of common shares	(40,864)	(7,389)
Balance, end of period	(48,253)	(7,389)
Additional paid-in capital		
Balance, beginning of period	1,094,568	1,080,591
Issuance of common shares, net	915	965
Share compensation expense	3,374	4,702
Balance, end of period	1,098,857	1,086,258
Retained earnings		
Balance, beginning of period	316,222	288,587
Income including non-controlling interests	180,965	2,753
Income attributable to non-controlling interests	(2,201)	(506)
Balance, end of period	494,986	290,834
Shareholders' equity attributable to shareholders	1,556,323	1,380,332
Non-controlling interests		
Balance, beginning of period	35,674	16,157
Non-controlling interest in investment affiliate, net	(18,066)	—
Income attributable to non-controlling interests	2,201	506
Balance, end of period	19,809	16,663
Total shareholders' equity	\$1,576,132	\$1,396,995

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

THIRD POINT REINSURANCE LTD.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
For the six months ended June 30, 2017 and 2016  
(expressed in thousands of U.S. dollars)

	2017	2016
Operating activities		
Income including non-controlling interests	\$ 180,965	\$ 2,753
Adjustments to reconcile income including non-controlling interests to net cash provided by (used in) operating activities:		
Share compensation expense	3,374	4,702
Net interest expense on deposit liabilities	312	1,331
Net unrealized (gain) loss on investments and derivatives	(128,168 )	670
Net realized gain on investments and derivatives	(154,504 )	(41,954 )
Net foreign exchange (gains) losses	4,796	(10,454 )
Amortization of premium and accretion of discount, net	(122 )	2,013
Changes in assets and liabilities:		
Reinsurance balances receivable	(85,733 )	(133,672 )
Deferred acquisition costs, net	18,425	(24,558 )
Other assets	2,508	(2,018 )
Interest and dividends receivable, net	2,953	3,312
Unearned premium reserves	(9,261 )	123,687
Loss and loss adjustment expense reserves	63,769	79,645
Accounts payable and accrued expenses	7,549	(2,138 )
Reinsurance balances payable	22,237	21,890
Performance fee payable to related party	53,455	2,954
Net cash provided by (used in) operating activities	(17,445 )	28,163
Investing activities		
Purchases of investments	(1,712,929 )	(2,031,742 )
Proceeds from sales of investments	1,966,027	1,615,954
Purchases of investments to cover short sales	(306,237 )	(736,668 )
Proceeds from short sales of investments	462,066	694,371
Change in due to/from brokers, net	(261,994 )	208,886
Increase in securities sold under an agreement to repurchase	—	159,412
Change in restricted cash and cash equivalents	(73,128 )	50,846
Net cash provided by (used in) investing activities	73,805	(38,941 )
Financing activities		
Proceeds from issuance of common shares, net of costs	998	1,046
Purchases of common shares under share repurchase program	(40,864 )	(7,389 )
Increase (decrease) in deposit liabilities, net	(124 )	3,752
Non-controlling interest in investment affiliate, net	(18,066 )	—
Net cash used in financing activities	(58,056 )	(2,591 )
Net decrease in cash and cash equivalents	(1,696 )	(13,369 )
Cash and cash equivalents at beginning of period	9,951	20,407
Cash and cash equivalents at end of period	\$ 8,255	\$ 7,038
Supplementary information		
Interest paid in cash	\$ 10,262	\$ 11,721
Income taxes paid in cash	\$ 4,954	\$ 3,911

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





Third Point Reinsurance Ltd.

Notes to the Condensed Consolidated Financial Statements (UNAUDITED)

(Expressed in United States Dollars)

### 1. Organization

Third Point Reinsurance Ltd. (together with its wholly and majority owned subsidiaries, the “Company”) was incorporated under the laws of Bermuda on October 6, 2011. Through its reinsurance subsidiaries, the Company is a provider of global specialty property and casualty reinsurance products. The Company operates through two licensed reinsurance subsidiaries, Third Point Reinsurance Company Ltd. (“Third Point Re”), a Bermuda reinsurance company that commenced operations in January 2012, and Third Point Reinsurance (USA) Ltd. (“Third Point Re USA”). Third Point Re USA is a Bermuda reinsurance company that was incorporated on November 21, 2014 and commenced operations in February 2015. Third Point Re USA made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity. Third Point Re USA prices and underwrites U.S. domiciled reinsurance business from an office in the United States. Third Point Re USA is a wholly owned subsidiary of Third Point Re (USA) Holdings, Inc. (“TPRUSA”), an intermediate holding company based in the U.S., which is a wholly owned subsidiary of Third Point Re (UK) Holdings Ltd. (“Third Point Re UK”), an intermediate holding company based in the United Kingdom. Third Point Re UK is a wholly owned subsidiary of Third Point Reinsurance Ltd.

In August 2012, the Company established a wholly-owned subsidiary in the United Kingdom, Third Point Re Marketing (UK) Limited (“TPRUK”). In May 2013, TPRUK was licensed as an insurance intermediary by the UK Financial Conduct Authority.

These unaudited condensed consolidated financial statements include the results of Third Point Reinsurance Ltd. and its wholly and majority owned subsidiaries (together, the “Company”) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 in Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In addition, the year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. This Quarterly Report should be read in conjunction with the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 (the “2016 10-K”), as filed with the U.S. Securities and Exchange Commission on February 24, 2017.

In the opinion of management, these unaudited condensed 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.

The results for the six months ended June 30, 2017 are not necessarily indicative of the results expected for the full calendar year.

### 2. Significant accounting policies

There have been no material changes to the Company’s significant accounting policies as described in its 2016 10-K.

#### Recently issued accounting standards

Issued and effective as of June 30, 2017

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-09, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. This new accounting standard did not have a material impact on the Company’s condensed consolidated financial statements.

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

In January 2017, the FASB issued Accounting Standards Update 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments - Equity Method and Joint Ventures (Topic 323) (ASU 2017-03). ASU 2017-03 makes certain technical corrections to the FASB Accounting Standards Codification. The amendments are effective upon issuance of this ASU 2017-03. The Company did not have any accounting changes or error corrections for which this standard applied.

Issued but not yet effective as of June 30, 2017

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases (Topic 842): Section A - Leases, Section B - Conforming Amendments Related to Leases and Section C - Background Information and Basis for Conclusions (ASU 2016-02). ASU 2016-02 intends to improve financial reporting about leasing transactions. The new standard affects all entities that lease assets such as real estate, airplanes and manufacturing equipment. ASU 2016-01 will require entities that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. ASU 2016-02 is effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's condensed consolidated financial statements as a result of the limited number of leases the Company currently has in place.

In June 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). ASU 2016-13 amends the guidance on the impairment of financial instruments. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on the Company's condensed consolidated financial statements.

In March 2017, the FASB issued Accounting Standards Update 2017-08, Premium Amortization on Purchased Callable Debt Securities (ASU 2017-08). ASU 2017-08 is intended to enhance the accounting for the amortization of premiums for purchased callable debt securities. The amendments are effective for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of this guidance on the Company's condensed consolidated financial statements.

In May 2017, the FASB issued Accounting Standards Update 2017-09, Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting (ASU 2017-09). ASU 2017-09 applies to entities that change the terms or conditions of a share-based payment award. The amendments are effective for interim and annual periods beginning after December 15, 2017. The Company is currently evaluating the impact of this guidance on the Company's condensed consolidated financial statements.

## 3. Restricted cash and cash equivalents and restricted investments

Restricted cash and cash equivalents and restricted investments as of June 30, 2017 and December 31, 2016 consisted of the following:

	June 30, 2017	December 31, 2016
	(\$ in thousands)	
Restricted cash securing letter of credit facilities (1)	\$219,468	\$ 231,822
Restricted cash securing other reinsurance contracts (2)	152,600	67,118
Total restricted cash and cash equivalents	372,068	298,940
Restricted investments securing other reinsurance contracts (2)	358,387	427,308
Total restricted cash and cash equivalents and restricted investments	\$730,455	\$ 726,248

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

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

## 4. Investments

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

	June 30, 2017	December 31, 2016
	(\$ in thousands)	
Assets		
Total investments in securities	\$2,671,218	\$ 2,619,839
Cash and cash equivalents	10	5
Restricted cash and cash equivalents	372,068	298,940
Due from brokers	424,163	284,591
Derivative assets	45,110	27,432
Interest and dividends receivable	3,947	6,505
Total assets	3,516,516	3,237,312
Liabilities and non-controlling interest		
Accounts payable and accrued expenses	2,107	1,374
Securities sold, not yet purchased	265,667	92,668
Due to brokers	777,179	899,601
Derivative liabilities	11,949	16,050
Performance fee payable to related party	53,455	—
Interest and dividends payable	817	386
Non-controlling interest	19,809	35,674
Total liabilities and non-controlling interest	1,130,983	1,045,753
Total net investments managed by Third Point LLC	\$2,385,533	\$ 2,191,559

Investments are carried at fair value. The fair values of investments are estimated using prices obtained from third-party pricing services, when available. However, situations may arise where the Company believes that the fair value provided by the third-party pricing service does not represent current market conditions. In those situations,

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Point LLC may use dealer quotes to value the investments. The methodology for valuation is generally determined based on the investment's asset class per the Company's Investment Manager's valuation policy. For investments where fair values from pricing services or brokers are unavailable, fair values are estimated using information obtained by the Company's Investment Manager.

Securities listed on a national securities exchange or quoted on NASDAQ are valued at their last sales price as of the last business day of the period. Listed securities with no reported sales on such date and over-the-counter ("OTC") securities are valued at their last closing bid price if held long by the Company, and last closing ask price if held short by the Company. As of June 30, 2017, securities valued at \$215.4 million (December 31, 2016 - \$315.3 million), representing 7.9% (December 31, 2016 - 11.9%) of investments in securities and derivative assets, and \$2.0 million (December 31, 2016 - \$2.0 million), representing 0.7% (December 31, 2016 - 1.8%) of securities sold, not yet purchased and derivative liabilities, are valued based on broker quotes.

Private securities are those not registered for public sale and are carried at an estimated fair value at the end of the period, as determined by Third Point LLC. Valuation techniques used by Third Point LLC may include market approach, last transaction analysis, liquidation analysis and/or using discounted cash flow models where the significant inputs could include but are not limited to additional rounds of equity financing, financial metrics such as revenue multiples or price-earnings ratio, discount rates and other factors. In addition, third party valuation firms may be employed to conduct investment valuations of such private securities. The third party valuation firms provide written reports documenting their recommended valuation as of the determination date for the specified investments. As of June 30, 2017, the Company had \$77.9 million (December 31, 2016 - \$63.2 million) of investments fair valued by the Company's Investment Manager representing approximately 2.9% (December 31, 2016 - 2.4%) of total investments in securities and derivative assets of which 99.5% were also separately valued by third party valuation firms using information obtained from the Company's Investment Manager. As a result of the inherent uncertainty of valuation for private securities, the estimated fair value may differ materially from the value that would have been used had a ready market existed for these investments. The actual value at which these securities could be sold or settled with a willing buyer or seller may differ from the Company's estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

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

The Company also has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value with changes in fair value of the embedded derivative reported in other expenses. The Company's embedded derivatives relate to interest crediting features in certain reinsurance and deposit contracts that vary based on the returns on the Company's investments managed by Third Point LLC. The Company determines the fair value of the embedded derivatives using models developed by the Company.

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

As of June 30, 2017 and December 31, 2016, the Company's asset-backed securities ("ABS") holdings were as follows:

	June 30, 2017		December 31, 2016	
	(\$ in thousands)			
Reperforming loans	\$149,570	66.5 %	\$44,359	17.4 %
Subprime RMBS	—	— %	117,152	46.0 %
Market place loans	51,768	23.0 %	44,143	17.3 %
Other (1)	23,576	10.5 %	49,198	19.3 %
	\$224,914	100.0 %	\$254,852	100.0 %

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

As of June 30, 2017, all of the Company's ABS holdings were private-label issued, non-investment grade securities, and none of these securities were guaranteed by a government sponsored entity. These investments are valued using broker quotes or a recognized third-party pricing vendor. All of these classes of ABS are sensitive to changes in interest rates and any resulting change in the rate at which borrowers sell their properties, refinance, or otherwise pre-pay their loans. As an investor in these classes of ABS, the Company may be exposed to the credit risk of underlying borrowers not being able to make timely payments on loans or the likelihood of borrowers defaulting on their loans. In addition, the Company may be exposed to significant market and liquidity risks.

In 2015, the Company made a \$25.0 million investment in the Kiskadee Diversified Fund Ltd. (the "Kiskadee Fund"), a fund vehicle managed by Hiscox Insurance Company (Bermuda) Limited. The Kiskadee Fund invests in property catastrophe exposures through collateralized reinsurance transactions and other insurance-linked investments. For the six months ended June 30, 2017, the Company redeemed \$26.6 million (2016 - \$nil). The Company has elected the fair value option for this investment. This investment is included in investment in funds valued at NAV and is excluded from the presentation of investments categorized by the level of the fair value hierarchy. The fair value is estimated based on the Company's share of the net asset value in the Kiskadee Fund, as provided by the investment manager, and was \$1.6 million as of June 30, 2017 (December 2016 - \$27.7 million). The resulting net gains or losses are reflected in the condensed consolidated statements of income.

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

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

Level 2 – Observable inputs to the valuation methodology other than unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 inputs include, but are not limited to, prices quoted for similar assets or liabilities in active markets/exchanges, prices quoted for identical or similar assets or liabilities in markets that are not active and fair values determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs unobservable for the investment and include activities where there is little, if any, market activity for the investment. The inputs applied in the determination of fair value require significant management judgment and estimation.

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to

the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

The key inputs for corporate, government and sovereign bond valuation are coupon frequency, coupon rate and underlying bond spreads. The key inputs for ABS are yield, probability of default, loss severity and prepayment. Key inputs for OTC valuations vary based on the type of underlying security on which the contract was written: The key inputs for most OTC option contracts include notional, strike price, maturity, payout structure, current foreign exchange forward and spot rates, current market price of the underlying security and volatility of the underlying security.

The key inputs for most forward contracts include notional, maturity, forward rate, spot rate, various interest rate curves and discount factor.

The key inputs for swap valuation will vary based on the type of underlying on which the contract was written.

Generally, the key inputs for most swap contracts include notional, swap period, fixed rate, credit or interest rate curves, current market or spot price of the underlying security and the volatility of the underlying security.

The following tables present the Company's investments, categorized by the level of the fair value hierarchy as of June 30, 2017 and December 31, 2016:

	June 30, 2017			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(\$ in thousands)			
Assets				
Equity securities	\$1,885,167	\$—	\$—	\$1,885,167
Private common equity securities	467	—	4,775	5,242
Private preferred equity securities	—	2	50,759	50,761
Total equities	1,885,634	2	55,534	1,941,170
Asset-backed securities	—	189,203	35,711	224,914
Bank debt	—	12	10,246	10,258
Corporate bonds	—	54,208	9,095	63,303
U.S. Treasury securities	—	263,592	—	263,592
Sovereign debt	—	133,793	—	133,793
Other debt securities	—	3,343	3,312	6,655
Total debt securities	—	644,151	58,364	702,515
Options	1,151	5,936	—	7,087
Rights and warrants	—	40	—	40
Trade claims	—	8,112	—	8,112
Total other investments	1,151	14,088	—	15,239
Derivative assets (free standing)	10	45,100	—	45,110
	\$1,886,795	\$703,341	\$113,898	2,704,034
Investments in funds valued at NAV				13,852
Total assets				\$2,717,886
Liabilities				
Equity securities	\$248,308	\$—	\$—	\$248,308
Corporate bonds	—	11,314	—	11,314
Options	121	5,924	—	6,045
Total securities sold, not yet purchased	248,429	17,238	—	265,667
Derivative liabilities (free standing)	—	10,582	1,367	11,949
Derivative liabilities (embedded)	—	—	180	180
Total liabilities	\$248,429	\$27,820	\$1,547	\$277,796



	December 31, 2016			Total
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets	(\$ in thousands)			
Equity securities	\$1,450,966	\$2,255	\$ —	\$1,453,221
Private common equity securities	—	—	4,799	4,799
Private preferred equity securities	—	—	48,834	48,834
Total equities	1,450,966	2,255	53,633	1,506,854
Asset-backed securities	—	237,224	17,628	254,852
Bank debt	—	48,546	8,350	56,896
Corporate bonds	—	209,025	9,255	218,280
U.S. Treasury securities	—	327,016	—	327,016
Sovereign debt	—	200,913	—	200,913
Total debt securities	—	1,022,724	35,233	1,057,957
Options	343	681	—	1,024
Trade claims	—	9,022	—	9,022
Total other investments	343	9,703	—	10,046
Derivative assets (free standing)	961	26,471	—	27,432
	\$1,452,270	\$1,061,153	\$ 88,866	2,602,289
Investments in funds valued at NAV				72,655
Total assets				\$2,674,944
Liabilities				
Equity securities	\$71,457	\$—	\$ —	\$71,457
Corporate bonds	—	17,683	—	17,683
Options	—	3,528	—	3,528
Total securities sold, not yet purchased	71,457	21,211	—	92,668
Derivative liabilities (free standing)	1,608	13,116	1,326	16,050
Derivative liabilities (embedded)	—	—	92	92
Total liabilities	\$73,065	\$34,327	\$ 1,418	\$108,810

During the six months ended June 30, 2017, the Company made \$0.5 million (December 31, 2016 - \$nil) of reclassifications of assets or liabilities between Levels 1 and 2.

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The following table presents the reconciliation of all investments measured at fair value using Level 3 inputs for the three and six months ended June 30, 2017 and 2016:

	April 1, 2017	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) (1)	June 30, 2017
	(\$ in thousands)					
<b>Assets</b>						
Private common equity securities	\$4,745	\$—	\$—	\$—	\$ 30	\$4,775
Private preferred equity securities	48,350	—	939	(123 )	1,593	50,759
Asset-backed securities	20,785	15,642	22,038	(20,545 )	(2,209 )	35,711
Bank debt	8,722	(189 )	3	(23 )	1,733	10,246
Corporate bonds	8,984	—	92	(320 )	339	9,095
Other debt securities	—	—	3,312	—	—	3,312
<b>Total assets</b>	<b>\$91,586</b>	<b>\$15,453</b>	<b>\$ 26,384</b>	<b>\$(21,011)</b>	<b>\$ 1,486</b>	<b>\$113,898</b>
<b>Liabilities</b>						
Derivative liabilities (free standing)	\$(1,326 )	\$—	\$—	\$(41 )	\$ —	\$(1,367 )
Derivative liabilities (embedded)	(111 )	—	—	—	(69 )	(180 )
<b>Total liabilities</b>	<b>\$(1,437 )</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(41 )</b>	<b>\$ (69 )</b>	<b>\$(1,547 )</b>

	January 1, 2017	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) (1)	June 30, 2017
	(\$ in thousands)					
<b>Assets</b>						
Private common equity securities	\$4,799	\$—	\$—	\$—	\$ (24 )	\$4,775
Private preferred equity securities	48,834	—	939	(495 )	1,481	50,759
Asset-backed securities	17,628	20,016	31,958	(32,237 )	(1,654 )	35,711
Bank debt	8,350	(446 )	4	(272 )	2,610	10,246
Corporate bonds	9,255	—	93	(587 )	334	9,095
Other debt securities	—	—	3,312	—	—	3,312
<b>Total assets</b>	<b>\$88,866</b>	<b>\$19,570</b>	<b>\$ 36,306</b>	<b>\$(33,591)</b>	<b>\$ 2,747</b>	<b>\$113,898</b>
<b>Liabilities</b>						
Derivative liabilities (free standing)	\$(1,326 )	\$—	\$—	\$(41 )	\$ —	\$(1,367 )
Derivative liabilities (embedded)	(92 )	—	—	—	(88 )	(180 )
<b>Total liabilities</b>	<b>\$(1,418 )</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(41 )</b>	<b>\$ (88 )</b>	<b>\$(1,547 )</b>

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	April 1, 2016	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) (1)	June 30, 2016
	(\$ in thousands)					
<b>Assets</b>						
Private common equity securities	\$4,138	\$—	\$—	\$—	\$ (968 )	\$3,170
Private preferred equity securities	25,104	—	10,142	—	(4,167 )	31,079
Asset-backed securities	2,229	2,270	439	(1,034 )	(1,090 )	2,814
Corporate bonds	2,958	—	199	(47 )	—	3,110
Sovereign debt	—	17	—	—	(15 )	2
<b>Total assets</b>	<b>\$34,429</b>	<b>\$2,287</b>	<b>\$ 10,780</b>	<b>\$(1,081)</b>	<b>\$ (6,240 )</b>	<b>\$40,175</b>
<b>Liabilities</b>						
Derivative liabilities (free standing)	\$(1,086 )	\$—	\$—	\$(134 )	\$—	\$(1,220 )
Derivative liabilities (embedded)	(5,328 )	—	—	(861 )	(146 )	(6,335 )
<b>Total liabilities</b>	<b>\$(6,414 )</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(995 )</b>	<b>\$ (146 )</b>	<b>\$(7,555 )</b>

	January 1, 2016	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) (1)	June 30, 2016
	(\$ in thousands)					
<b>Assets</b>						
Private common equity securities	\$4,357	\$—	\$—	\$—	\$ (1,187 )	\$3,170
Private preferred equity securities	24,178	—	12,253	—	(5,352 )	31,079
Asset-backed securities	2,617	2,944	787	(1,616 )	(1,918 )	2,814
Bank debt	7,660	(7,660 )	—	—	—	—
Corporate bonds	3,252	—	199	(80 )	(261 )	3,110
Sovereign debt	21	(2 )	—	—	(17 )	2
<b>Total assets</b>	<b>\$42,085</b>	<b>\$(4,718)</b>	<b>\$ 13,239</b>	<b>\$(1,696)</b>	<b>\$ (8,735 )</b>	<b>\$40,175</b>
<b>Liabilities</b>						
Derivative liabilities (free standing)	\$(1,020 )	\$—	\$—	\$(200 )	\$—	\$(1,220 )
Derivative liabilities (embedded)	(5,563 )	—	—	(861 )	89	(6,335 )
<b>Total liabilities</b>	<b>\$(6,583 )</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(1,061)</b>	<b>\$ 89</b>	<b>\$(7,555 )</b>

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

Total change in unrealized gains (losses) on fair value of assets using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2017 was \$1.9 million and \$0.6 million respectively (2016 - \$(6.3) million and \$(8.2) million, respectively).

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

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

June 30, 2017

Assets	Fair value (\$ in thousands)	Valuation technique	Unobservable input	Range
Private equity investments	\$ 50,928	Market approach	Volatility Time to exit Multiple	25.0% - 60.0% 0.5 - 2.5 years 2.0 - 7.3x
Bank debt	\$ 10,246	Discounted cash flow	Credit spread Duration	1,024 - 1,144 bps 1.0 - 4.0 years

December 31, 2016

Assets	Fair value (\$ in thousands)	Valuation technique	Unobservable input	Range
Private equity investments	\$ 47,608	Market approach	Discount Volatility Time to exit Multiple	5.0% - 25.0% 40.0% - 60.0% 0.4 - 2.8 years 2.0 - 3.8x

#### Private equity investments

The Company's private equity investments include investments in five privately held companies with a total fair value of \$50.9 million as of June 30, 2017. The Company measures the fair value of these investments using a market approach which typically utilizes guideline comparable company trading multiples and/or a discounted cash flow analysis. Under the guideline comparable company multiples approach, the Company determines comparable public companies based on industry, size, developmental stage, strategy, etc., and then calculates a trading multiple for each comparable company. The trading multiple may then be discounted for various considerations as appropriate. The concluded multiple is then applied to the subject company to calculate the value of the subject company. The discounted cash flow model involves using the financial information of the portfolio companies to develop revenue and income projections for the subject company for future years based on information on growth rates relative to the company's development stage. The enterprise value of the subject company is calculated by discounting the projected cash flows and the terminal value to net present value. The fair value of the company's debt is reduced from the enterprise value to determine the equity value.

#### Bank Debt

Included in the Company's bank debt investments is an investment with a fair value of \$10.2 million as of June 30, 2017. Corporate debt and selected index spreads are used as benchmarks to estimate market rates of return within the discounted cash flow model. The Company also considers relevant market and company transactions as part of their valuation approach.

For the six months ended June 30, 2017 and 2016, there were no changes in the valuation techniques as they relate to the above.

#### 5. Due from/to brokers

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



As of June 30, 2017 and December 31, 2016, the Company's due from/to brokers were comprised of the following:

	June 30, 2017	December 31, 2016
	(\$ in thousands)	
Due from brokers		
Cash held at brokers	\$ 343,940	\$ 240,205
Receivable from unsettled trades (1)	80,223	44,386
	\$424,163	\$ 284,591
Due to brokers		
Borrowing from prime brokers (2)	\$ 696,336	\$ 855,576
Payable from unsettled trades	80,843	44,025
	\$777,179	\$ 899,601

(1) Receivables relating to securities sold by the Company are recorded as receivable from unsettled trades in due from brokers in the Company's condensed consolidated balance sheets. During the year ended December 31, 2015, the Company's investment manager, Third Point LLC, exercised appraisal rights relating to an underlying investment, which was bought by a private equity firm. As of December 31, 2016, \$37.6 million was included in receivable from unsettled trades in due from brokers while the Company awaited the court decision regarding the sale price. In the second quarter of 2017, the court decision resulted in the Company receiving the total value of \$37.6 million as well as interest of \$4.4 million for the trial period.

(2) As of June 30, 2017, the Company's borrowing from prime brokers includes a total non-U.S. currency balance of \$261.2 million (December 31, 2016 - \$22.0 million).

The Company uses prime brokerage borrowing arrangements to provide collateral for its letter of credit facilities and to fund trust accounts securing certain reinsurance contracts. As of June 30, 2017, the Company had \$730.5 million (December 31, 2016 - \$726.2 million) of restricted cash and investments securing letter of credit facilities and certain reinsurance contracts. Margin debt at the brokers primarily relates to borrowings to fund collateral arrangements and investment activities. Amounts are borrowed through committed facilities with terms of up to 90 days, secured by assets of the Company held by the prime broker, and incur interest based on the Company's negotiated rates. This interest expense is reflected in net investment income in the condensed consolidated statements of income.

## 6. Derivatives

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

	As of June 30, 2017		
	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Assets by Primary Underlying Risk			
Credit			
Credit Default Swaps - Protection Purchased	EUR/USD	\$10,447	\$62,313
Total Return Swaps - Long Contracts	EGP	10,625	10,625
Equity Price			
Contracts for Differences - Long Contracts	CHF/EUR/GBP/USD	11,028	87,217
Contracts for Differences - Short Contracts	DKK/NOK/SEK/USD	1,922	31,769
Total Return Swaps - Long Contracts	BRL/USD	8,033	115,472
Total Return Swaps - Short Contracts	USD	31	8,861
Interest Rates			
Interest Rate Swaptions	JPY/USD	2,019	94,398
Sovereign Debt Futures - Short Contracts	EUR/USD	10	5,774
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	HKD/MXN/SAR	651	210,774
Foreign Currency Options - Purchased	EUR/USD	344	2,557
Total Derivative Assets		\$45,110	\$629,760
Derivative Liabilities by Primary Underlying Risk			
Credit			
Credit Default Swaps - Protection Purchased	EUR/USD	\$2,886	\$61,123
Credit Default Swaps - Protection Sold	USD	2,015	4,015
Equity Price			
Contracts for Differences - Long Contracts	EUR/USD	2,577	84,445
Contracts for Differences - Short Contracts	SEK	83	3,259
Total Return Swaps - Long Contracts	USD	545	9,250
Total Return Swaps - Short Contracts	USD	363	37,670
Interest Rates			
Interest Rate Swaptions	JPY	207	64,653
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	CNH/EUR/HKD/MXN/SAR	3,273	235,853
Total Derivative Liabilities (free standing)		\$11,949	\$500,268
Embedded derivative liabilities in reinsurance contracts (3)	USD	\$180	\$20,000
Total Derivative Liabilities (embedded)		\$180	\$20,000

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

(2) The absolute notional exposure represents the Company's derivative activity as of June 30, 2017, which is representative of the volume of derivatives held during the period.

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

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As of December 31, 2016

	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Assets by Primary Underlying Risk			
Credit			
Credit Default Swaps - Protection Purchased	EUR/ USD	\$10,905	\$84,327
Equity Price			
Contracts for Differences - Long Contracts	EUR/ GBP	1,765	36,879
Total Return Swaps - Long Contracts	BRL/ USD	617	19,140
Total Return Swaps - Short Contracts	JPY	183	8,696
Interest Rates			
Interest Rate Swaps	GBP/USD	2,462	195,571
Interest Rate Swaptions	JPY / USD	5,354	424,816
Sovereign Debt Futures - Short Contracts	USD	961	107,591
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	CAD/ CNH/ GBP/ MXN	653	47,754
Foreign Currency Options - Purchased	CNH/EUR/HKD/JPY/SAR	4,532	501,465
Total Derivative Assets		\$27,432	\$1,426,239

	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Liabilities by Primary Underlying Risk			
Credit			
Credit Default Swaps - Protection Purchased	USD	\$3,286	\$43,184
Credit Default Swaps - Protection Sold	USD	1,952	3,943
Equity Price			
Contracts for Differences - Long Contracts	GBP	—	67
Contracts for Differences - Short Contracts	EUR / ZAR	1,106	11,424
Total Return Swaps - Long Contracts	USD	1,675	26,800
Total Return Swaps - Short Contracts	JPY / USD	1,302	10,095
Interest Rates			
Interest Rate Swaps	GBP	722	59,115
Interest Rate Swaptions	JPY/USD	1,056	417,052
Sovereign Debt Futures - Short Contracts	EUR / GBP	1,608	159,923
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	EUR /JPY /SAR	2,009	214,854
Foreign Currency Options - Sold	CNH/JPY	1,334	363,840
Total Derivative Liabilities (free standing)		\$16,050	\$1,310,297
Embedded derivative liabilities in reinsurance contracts (3)	USD	\$92	\$20,000
Total Derivative Liabilities (embedded)		\$92	\$20,000

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

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

(3)

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

The following table sets forth, by major risk type, the Company's realized and unrealized gains (losses) relating to derivatives for the three and six months ended June 30, 2017 and 2016. Realized and unrealized gains (losses) related to free standing derivatives are included in net investment income in the condensed consolidated statements of income. Realized and unrealized gains (losses) related to embedded derivatives are included in other expenses in the condensed consolidated statements of income.

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	Three months ended			
	June 30, 2017		June 30, 2016	
Free standing Derivatives - Primary Underlying Risk	Realized Gain (Loss)	Unrealized Gain (Loss)*	Realized Gain (Loss)	Unrealized Gain (Loss)*
	(\$ in thousands)			
Credit				
Commodity Future Options - Purchased	\$—	\$—	\$834	\$2,380
Credit				
Credit Default Swaps - Protection Purchased	(1,137 )	(1,590 )	(1,278 )	2,037
Credit Default Swaps - Protection Sold	18	(35 )	191	(192 )
Total Return Swaps - Long Contracts	(29 )	(37 )	—	—
Equity Price				
Contracts for Differences - Long Contracts	39,055	1,211	(1,697 )	185
Contracts for Differences - Short Contracts	(993 )	1,821	2,317	6,581
Total Return Swaps - Long Contracts	61	3,545	5,692	(3,857 )
Total Return Swaps - Short Contracts	(1,014 )	1,201	(537 )	606
Interest Rates				
Commodity Futures - Short Contracts	—	—	1	—
Fixed Income Swap - Short Contracts	—	—	(116 )	72
Interest Rate Swaps	(4,550 )	(2,105 )	—	—
Interest Rate Swaptions	(720 )	(573 )	—	(84 )
Sovereign Debt Futures - Short Contracts	(6,874 )	(106 )	—	—
Total Return Swaps - Long Contracts	—	—	(268 )	261
Total Return Swaps - Short Contracts	—	—	100	(65 )
Foreign Currency Exchange Rates				
Foreign Currency Forward Contracts	(4,161 )	(2,653 )	(5,808 )	7,622
Foreign Currency Options - Purchased	(1,318 )	661	(859 )	355
Foreign Currency Options - Sold	(1 )	—	112	(101 )
	\$18,337	\$1,340	\$(1,316)	\$15,800
Embedded Derivatives				
Embedded derivatives in reinsurance contracts	\$—	\$ (69 )	\$—	\$ (146 )
Total Derivative Liabilities (embedded)	\$—	\$ (69 )	\$—	\$ (146 )

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	Six months ended			
	June 30, 2017		June 30, 2016	
Free standing Derivatives - Primary Underlying Risk	Realized Gain (Loss)	Unrealized Gain (Loss)*	Realized Gain (Loss)	Unrealized Gain (Loss)*
	(\$ in thousands)			
Commodity Price				
Commodity Future Options - Purchased	\$—	\$—	\$581	\$1,800
Credit				
Credit Default Swaps - Protection Purchased	(2,465 )	30	6,407	(4,987 )
Credit Default Swaps - Protection Sold	37	(59 )	(4,167 )	4,252
Total Return Swaps - Long Contracts	(29 )	(37 )	—	—
Equity Price				
Contracts for Differences - Long Contracts	46,925	6,687	(2,422 )	(379 )
Contracts for Differences - Short Contracts	(4,205 )	2,945	4,570	278
Total Return Swaps - Long Contracts	3,862	8,547	(4,826 )	800
Total Return Swaps - Short Contracts	(3,743 )	788	691	(1,762 )
Interest Rates				
Commodities Futures - Short Contracts	—	—	(1,151 )	(52 )
Fixed Income Swap - Short Contracts	—	—	(94 )	—
Interest Rate Swaps	(3,097 )	(1,740 )	—	—
Interest Rate Swaptions	522	(2,342 )	(112 )	(45 )
Sovereign Debt Futures - Short Contracts	(8,656 )	658	—	—
Total Return Swaps - Long Contracts	—	—	(268 )	261
Total Return Swaps - Short Contracts	—	—	100	(65 )
Foreign Currency Exchange Rates				
Foreign Currency Forward Contracts	(10,035 )	(1,268 )	(8,904 )	(4,751 )
Foreign Currency Options - Purchased	(6,187 )	1,163	(2,040 )	(1,617 )
Foreign Currency Options - Sold	2,184	(80 )	617	(182 )
	\$15,113	\$15,292	\$(11,018)	\$(6,449 )
Embedded Derivatives				
Embedded derivatives in reinsurance contracts	\$—	\$(88 )	\$—	\$89
Total Derivative Liabilities (embedded)	\$—	\$(88 )	\$—	\$89

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

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

The Company obtains/provides collateral from/to various counterparties for OTC derivative and futures contracts in accordance with bilateral collateral agreements. As of June 30, 2017, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$2.0 million (December 31, 2016 - \$6.1 million) for which the Company posted collateral in the form of cash of \$79.8 million (December 31, 2016 - \$48.8 million) in the normal course of business. Similarly, the Company held collateral (approximately \$3.8 million) in cash from certain counterparties as of June 30, 2017. If the credit-risk-related contingent features underlying these instruments had been triggered as of June 30, 2017 and the Company had to settle these instruments immediately, no additional amounts would be required to be posted that would exceed the settlement amounts of open derivative contracts or in the case of cross margining relationships, the assets in the Company's prime brokerage accounts are sufficient to offset the derivative liabilities.



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

The Company has pledged cash collateral to counterparties to support the current value of amounts due to the counterparties based on the value of the underlying security. As of June 30, 2017 and December 31, 2016, the gross and net amounts of derivative instruments and repurchase and reverse repurchase agreements that are subject to enforceable master netting arrangements or similar agreements were as follows:

June 30, 2017 Derivative Contracts	Gross Amounts not Offset in the Condensed Consolidated Balance Sheet			
	Gross Amounts of Assets Presented in the Condensed Consolidated Balance Sheet (1)		Cash Collateral Received	Net Amount
Financial assets, derivative assets and collateral received	(\$ in thousands)			
Counterparty 1	\$1,776	\$ 1,776	\$ —	\$—
Counterparty 2	1,130	627	—	503
Counterparty 3	19,135	3,697	—	15,438
Counterparty 4	2,016	1,805	—	211
Counterparty 5	10,247	3,216	—	7,031
Counterparty 6	5,762	529	3,829	1,404
Counterparty 8	8,185	1,401	—	6,784
Counterparty 9	2,795	2,795	—	—
	\$51,046	\$ 15,846	\$ 3,829	\$31,371

June 30, 2017 Derivative Contracts	Gross Amounts not Offset in the Condensed Consolidated Balance Sheet			
	Gross Amounts of Liabilities Presented in the Condensed Consolidated Balance Sheet (2)		Cash Collateral Pledged	Net Amount
Financial liabilities, derivative liabilities and collateral pledged	(\$ in thousands)			
Counterparty 1	\$1,850	\$ 1,776	\$ 74	\$—

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Counterparty 2	627	627	—	—
Counterparty 3	3,697	3,697	—	—
Counterparty 4	1,805	1,805	—	—
Counterparty 5	3,216	3,216	—	—
Counterparty 6	529	529	—	—
Counterparty 8	1,401	1,401	—	—
Counterparty 9	4,748	2,795	1,953	—
	\$17,873	\$ 15,846	\$ 2,027	\$—

The Gross Amounts of Assets Presented in the condensed consolidated balance sheets presented above includes the (1) fair value of Derivative Contract assets as well as gross OTC option contract assets of \$6.0 million included in Other investments in the condensed consolidated balance sheets.

The Gross Amounts of Liabilities Presented in the condensed consolidated balance sheets presented above includes (2) the fair value of Derivative Contract liabilities as well as gross OTC option contract liabilities of \$6.0 million included in Securities sold, not yet purchased in the condensed consolidated balance sheets.

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December 31, 2016 Derivative Contracts	Gross Amounts not Offset in the Condensed Consolidated Balance Sheet			
	Gross Amounts of Assets Presented in the Condensed Consolidated Balance Sheet (1)		Cash Collateral Received	Net Amount
Financial assets, derivative assets and collateral received	(\$ in thousands)			
Counterparty 1	\$535	\$ 535	\$ —	\$—
Counterparty 2	3,147	607	—	2,540
Counterparty 3	8,652	4,760	—	3,892
Counterparty 4	1,639	1,639	—	—
Counterparty 5	7,336	3,027	—	4,309
Counterparty 6	6,262	2,599	3,383	280
Counterparty 7	227	—	197	30
Counterparty 8	277	277	—	—
Counterparty 9	37	37	—	—
	\$28,112	\$ 13,481	\$ 3,580	\$ 11,051

December 31, 2016 Derivative Contracts	Gross Amounts not Offset in the Condensed Consolidated Balance Sheet			
	Gross Amounts of Liabilities Presented in the Condensed Consolidated Balance Sheet (2)		Cash Collateral Pledged	Net Amount
Financial liabilities, derivative liabilities and collateral pledged	(\$ in thousands)			
Counterparty 1	\$2,959	\$ 535	\$ 2,424	\$—
Counterparty 2	607	607	—	—
Counterparty 3	4,760	4,760	—	—
Counterparty 4	3,827	1,639	2,188	—
Counterparty 5	3,027	3,027	—	—
Counterparty 6	2,599	2,599	—	—
Counterparty 8	977	277	—	700
Counterparty 9	822	37	785	—
	\$19,578	\$ 13,481	\$ 5,397	\$ 700

Securities lending transactions



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Counterparty 3	\$302	\$ 302	\$ —	\$ —
	\$302	\$ 302	\$ —	\$ —

The Gross Amounts of Assets Presented in the condensed consolidated balance sheets presented above includes the (1) fair value of Derivative Contract assets as well as gross OTC option contract assets of \$0.7 million included in Other investments in the condensed consolidated balance sheets.

The Gross Amounts of Liabilities Presented in the condensed consolidated balance sheets presented above includes (2) the fair value of Derivative Contract liabilities as well as gross OTC option contract liabilities of \$3.5 million included in Securities sold, not yet purchased in the condensed consolidated balance sheets.

## 7. Loss and loss adjustment expense reserves

As of June 30, 2017 and December 31, 2016, loss and loss adjustment expense reserves in the condensed consolidated balance sheets was comprised of the following:

	June 30, 2017	December 31, 2016
	(\$ in thousands)	
Case loss and loss adjustment expense reserves	\$ 116,483	\$ 80,370
Incurred but not reported loss and loss adjustment expense reserves	561,161	522,818
Deferred gains on retroactive reinsurance contracts	815	1,941
	\$ 678,459	\$ 605,129

The following table represents the activity in the loss and loss adjustment expense reserves for the six months ended June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
	(\$ in thousands)	
Gross reserves for loss and loss adjustment expenses, beginning of period	\$ 605,129	\$ 466,047
Less: loss and loss adjustment expenses recoverable, beginning of period	(1 )	(125 )
Net reserves for loss and loss adjustment expenses, beginning of period	605,128	465,922
Increase (decrease) in net loss and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	218,559	165,160
Prior years	(23,928 )	24,371
Amortization of deferred gains on retroactive reinsurance contracts	(1,357 )	(724 )
Total incurred loss and loss adjustment expenses	193,274	188,807
Net loss and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(19,737 )	(25,201 )
Prior years	(111,480 )	(83,837 )
Total net paid losses	(131,217 )	(109,038 )
Foreign currency translation	9,561	(8,737 )
Net reserve for loss and loss adjustment expenses, end of period	676,746	536,954
Plus: loss and loss adjustment expenses recoverable, end of period	1,713	1
Gross reserve for loss and loss adjustment expenses, end of period	\$ 678,459	\$ 536,955

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

The \$25.3 million decrease in prior years' reserves, which includes amortization of deferred gains, for the six months ended June 30, 2017 includes \$32.5 million of net favorable reserve development related to re-estimating loss reserves, partially offset by \$7.2 million of additional loss reserves resulting from increases in premium estimates on certain contracts. The net decrease in loss reserves as well as the impact of any offsetting changes in acquisition costs as a result of sliding scale or profit commissions is explained as follows:

The \$32.5 million of net favorable prior years' reserve development for the six months ended June 30, 2017 was primarily a result of having favorable loss development on certain retroactive reinsurance contracts. These retroactive reinsurance contracts had profit commission terms such that the favorable reserve development associated with these contracts was offset by similar increases in acquisition costs. The total net increases in acquisition costs associated with the prior year loss development for the six months ended June 30, 2017 was \$32.5 million, resulting in minimal impact in the net underwriting loss.

The \$7.2 million increase in loss and loss adjustment expenses incurred related to increases in premium estimates on certain contracts was accompanied by a \$0.4 million increase in acquisition costs, for a total of \$7.6 million increase in loss and loss adjustment expenses incurred and acquisition costs. The increase in earned premium related to the increase in premium estimates was \$7.6 million, resulting in minimal impact in the net underwriting loss for the six months ended June 30, 2017.

The \$23.6 million increase in prior years' reserves, which includes amortization of deferred gains, for the six months ended June 30, 2016 includes \$14.4 million of net adverse reserve development related to re-estimating loss reserves and \$9.2 million of additional loss reserves resulting from increases in premium estimates on certain contracts. The net increase in loss reserves as well as the impact of any offsetting changes in acquisition costs as a result of sliding scale or profit commissions is explained as follows:

The \$14.4 million of net adverse prior years' reserve development for the six months ended June 30, 2016 was accompanied by net decreases of \$1.9 million in acquisition costs, resulting in a net increase of \$12.5 million in net underwriting loss.

The \$9.2 million increase in loss and loss adjustment expenses incurred related to the increase in premium estimates on certain contracts was accompanied by a \$5.0 million increase in acquisition costs, for a total of \$14.2 million increase in loss and loss adjustment expenses incurred and acquisition costs. The related increase in earned premium related to the increase in premium estimates was \$13.9 million, resulting in a \$0.3 million increase in net underwriting loss for the six months ended June 30, 2016.

In total, the change in net underwriting loss for prior periods due to loss reserve development and adjustments to premium estimates was an increase of \$12.8 million for the six months ended June 30, 2016.

#### 8. Management, performance and founders fees

Third Point Reinsurance Ltd., Third Point Re, TPRUSA and Third Point Re USA are party to Joint Venture and Investment Management Agreements (the "Investment Agreements") with Third Point LLC and Third Point Advisors LLC ("TP GP") under which Third Point LLC manages certain jointly held assets.

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

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

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

Investment fee expenses related to the Investment Agreements, which are included in net investment income in the condensed consolidated statements of income for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(\$ in thousands)			
Management fees - Third Point LLC	\$8,777	\$1,582	\$17,244	\$3,103
Management fees - Founders (1)	—	8,962	—	17,583
Performance fees - Third Point Advisors LLC	24,529	2,954	55,387	2,954
	\$33,306	\$13,498	\$72,631	\$23,640

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

As of June 30, 2017, \$53.5 million related to performance fees due under the Investment Agreements was included in performance fee payable to related party in the condensed consolidated balance sheets. As of December 31, 2016, \$17.3 million related to performance fees earned by TP GP were included in non-controlling interests.

#### 9. Deposit accounted contracts

The following table represents activity for the deposit contracts for the six months ended June 30, 2017 and year ended December 31, 2016:

	June 30, 2017	December 31, 2016
	(\$ in thousands)	
Balance, beginning of period	\$104,905	\$ 83,955
Consideration received	1,831	22,463
Net investment expense (income) allocation and change in fair value of embedded derivatives	312	(164 )
Payments	(1,955 )	(915 )
Foreign currency translation	115	(434 )
Balance, end of period	\$105,208	\$ 104,905

#### 10. Senior Notes payable and letter of credit facilities

##### Senior Notes payable

As of June 30, 2017, TPRUSA had outstanding debt obligations consisting of an aggregate principal amount of \$115.0 million of senior unsecured notes (the “Notes”) due February 13, 2025. The Notes bear interest at 7.0% and interest is payable semi-annually on February 13 and August 13 of each year. The Notes are fully and unconditionally guaranteed by Third Point Reinsurance Ltd., and, in certain circumstances specified in the indenture governing the Notes, certain existing or future subsidiaries of the Company may be required to guarantee the Notes. As of June 30, 2017, the Company had capitalized \$1.4 million of costs associated with the Notes, which are presented as a direct deduction from the principal amount of the Notes on the condensed consolidated balance sheets. As of June 30, 2017, the Notes had an estimated fair value of \$116.1 million (December 31, 2016 - \$103.4 million). The fair value measurements were based on observable inputs and therefore were considered to be Level 2. The Company was in compliance with all of the debt covenants as of June 30, 2017 and December 31, 2016.

## Letters of credit

As of June 30, 2017, the Company had entered into the following letter of credit facilities:

	Facility	Utilized	Collateral
June 30, 2017 (\$ in thousands)			
Citibank	\$300,000	\$143,678	\$143,678
J.P. Morgan	50,000	9	9
Lloyds Bank	125,000	74,281	75,781
	\$475,000	\$217,968	\$219,468

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

## 11. Net investment income

Net investment income for the three and six months ended June 30, 2017 and 2016 consisted of the following:

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2017	2016	2017	2016
	(\$ in thousands)			
Net investment income by type				
Net realized gains on investments and investment derivatives	\$93,476	\$18,713	\$154,504	\$41,955
Net unrealized gains (losses) on investments and investment derivatives	32,340	53,603	127,795	(1,239 )
Net losses on foreign currencies	(1,601 )	(801 )	(2,153 )	(967 )
Dividend and interest income	22,440	33,352	39,707	41,024
Dividends paid on securities sold, not yet purchased	(1,143 )	(526 )	(1,668 )	(960 )
Management and performance fees	(33,306 )	(13,498 )	(72,631 )	(23,640 )
Other expenses	(5,074 )	(4,731 )	(10,179 )	(10,418 )
Net investment income on investments managed by Third Point LLC	107,132	86,112	235,375	45,755
Net gain on investment in Kiskadee Fund	193	234	460	481
	\$107,325	\$86,346	\$235,835	\$46,236

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2017	2016	2017	2016
Net investment income by asset class	(\$ in thousands)			
Net investment gains on equity securities	\$116,391	\$20,821	\$267,884	\$18,590
Net investment gains on debt securities	13,308	72,720	36,811	84,869
Net investment losses on other investments	(6,939 )	(5,069 )	(10,574 )	(13,565 )
Net investment gains (losses) on investment derivatives	19,677	14,484	30,405	(17,467 )
Net investment gains (losses) on securities sold, not yet purchased	3,368	1,866	(6,016 )	6,170
Net investment income (loss) on cash, including foreign exchange gain (loss)	(3,057 )	(2,644 )	(5,993 )	(4,359 )
Net investment losses on securities purchased under an agreement to resell	—	(779 )	—	(1,443 )
Net investment losses on securities sold under an agreement to repurchase	(19 )	(91 )	(39 )	(124 )
Management and performance fees	(33,306 )	(13,498 )	(72,631 )	(23,640 )
Other investment expenses	(2,098 )	(1,464 )	(4,012 )	(2,795 )
	\$107,325	\$86,346	\$235,835	\$46,236

## 12. Other expenses

Other expenses for the three and six months ended June 30, 2017 and 2016 consisted of the following:

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2017	2016	2017	2016
	(\$ in thousands)			
Deposit liabilities investment expense (income)	\$ (97 )	\$ 860	\$ 312	\$ 1,331
Reinsurance contracts investment expense	2,133	2,167	4,606	4,637
Change in fair value of embedded derivatives in deposit and reinsurance contracts	69	146	88	(89 )
	\$2,105	\$3,173	\$5,006	\$5,879

## 13. Income taxes

The Company provides for income tax expense or benefit based upon pre-tax income or loss reported in the condensed consolidated financial statements and the provisions of currently enacted tax laws. The Company and its Bermuda subsidiaries are incorporated under the laws of Bermuda and are subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company and its Bermuda subsidiaries are not subject to any income or capital gains taxes in Bermuda. In the event that such taxes are imposed, the Company and its Bermuda subsidiaries would be exempted from any such taxes until March 2035 under the Tax Assurance Certificates issued to such entities pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, as amended.

The Company has an operating subsidiary incorporated in Bermuda, Third Point Re USA, which made an election to pay tax in the United States of America under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended. The operations of Third Point Re USA will be subject to U.S. federal income taxes generally at a rate of 35%. Our non-U.S. subsidiaries would become subject to U.S. federal income tax only to the extent that they derive income from activity that is deemed to be the conduct of a trade or business within the United States. As of June 30, 2017, the Company has income tax returns open for examination in the United States for the tax years 2015 and 2016.

The Company also has subsidiaries in the United Kingdom, TPRUK and Third Point Re UK, which are subject to applicable taxes in that jurisdiction.

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

The Company has recorded uncertain tax positions related to investment transactions in certain foreign jurisdictions. As of June 30, 2017, the Company has accrued \$1.9 million (December 31, 2016 - \$1.6 million) for uncertain tax positions.

For the three and six months ended June 30, 2017 and 2016, the Company recorded income tax expense (benefit), as follows:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(\$ in thousands)			
Income tax expense (benefit) related to U.S. and U.K. subsidiaries (1)	\$ 1,844	\$ 2,800	\$ 6,027	\$(319 )
Change in uncertain tax positions	59	20	184	20
Withholding taxes on certain investment transactions	3,404	2,490	4,394	3,680
	\$ 5,307	\$ 5,310	\$ 10,605	\$ 3,381

As of June 30, 2017, the Company has recorded \$2.1 million (December 31, 2016 - \$7.9 million) of net deferred tax assets, which are included in other assets in the condensed consolidated balance sheets. As of June 30, 2017 (1) and December 31, 2016, the net deferred tax asset was primarily the result of operating losses in the Company's U.S. subsidiaries. The Company believes that it is more likely than not that the tax benefit will be realized.

#### 14. Share capital

The following tables present a summary of the common shares issued and outstanding and shares repurchased held as treasury shares as of and for the six months ended June 30, 2017 and 2016:

Common shares	2017		2016	
Balance, beginning of period	106,501,299		105,479,341	
Options exercised	100,000		104,652	
Restricted shares granted, net of forfeitures	36,418		47,712	
Performance restricted shares granted, net of forfeitures	694,886		653,958	
Balance, end of period	107,332,603		106,285,663	
Treasury shares	2017	2016		
Balance, beginning of period	644,768	—		
Repurchase of common shares	3,300,152	644,768		
Balance, end of period	3,944,920	644,768		

#### Authorized and issued

The Company's authorized share capital of \$33.0 million is comprised of 300,000,000 common shares with a par value of \$0.10 each and 30,000,000 preference shares with a par value of \$0.10 each. No preference shares have been issued to date.

#### Share repurchases

On May 4, 2016, the Company's Board of Directors authorized a common share repurchase program for up to an aggregate of \$100.0 million of the Company's outstanding common shares. Under the common share repurchase program, the Company may repurchase shares from time to time in privately negotiated transactions or in open-market

purchases in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended.

During the three months ended June 30, 2017, the Company repurchased 1,767,281 of its common shares in the open market for \$22.0 million at a weighted average cost, including commissions, of \$12.44 per share. Common shares repurchased by the Company were not canceled and are classified as treasury shares.

During the six months ended June 30, 2017, the Company repurchased 3,300,152 of its common shares in the open market for \$40.9 million at a weighted average cost, including commissions, of \$12.38 per share. Common shares repurchased by the Company were not canceled and are classified as treasury shares.

As of June 30, 2017, the Company may repurchase up to an aggregate of \$51.7 million of additional common shares under its share repurchase program.

#### 15. Share-based compensation

The following table provides the total share-based compensation expense included in general and administrative expenses during the three and six months ended June 30, 2017 and 2016:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(\$ in thousands)			
Management and director options	\$ 111	\$ 1,555	\$ 459	\$ 3,109
Restricted shares with service condition	154	386	278	592
Restricted shares with service and performance condition	1,279	110	2,637	1,001
	\$ 1,544	\$ 2,051	\$ 3,374	\$ 4,702

As of June 30, 2017, the Company had \$8.6 million (December 31, 2016 - \$4.6 million) of unamortized share compensation expense, which is expected to be amortized over a weighted average period of 1.7 years (December 31, 2016 - 1.4 years).

#### Management and director options

The management and director options activity for the six months ended June 30, 2017 and year ended December 31, 2016 were as follows:

	Number of options	Weighted average exercise price
Balances as of January 1, 2016	10,250,586	\$ 13.52
Forfeited	(139,534 )	18.00
Exercised	(514,059 )	10.00
Balances as of January 1, 2017	9,596,993	13.64
Exercised	(100,000 )	10.00
Balances as of June 30, 2017	9,496,993	\$ 13.68

As of June 30, 2017, the weighted average remaining contractual term for options outstanding was 4.4 years (December 31, 2016 - 4.9 years).



The following table summarizes information about the Company's management and director share options outstanding as of June 30, 2017:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of options	Weighted average exercise price	Remaining contractual life	Number of options	Weighted average exercise price
\$10.00 - \$10.89	5,174,334	\$ 10.04	4.6 years	5,132,473	\$ 10.03
\$15.05 - \$16.89	2,196,214	15.94	4.3 years	2,098,540	15.97
\$20.00 - \$25.05	2,126,445	20.23	4.2 years	2,056,679	20.15
	9,496,993	\$ 13.68	4.4 years	9,287,692	\$ 13.61

Restricted shares with service condition

Restricted share award activity for the six months ended June 30, 2017 and year ended December 31, 2016 was as follows:

	Number of non-vested restricted shares	Weighted average grant date fair value
Balance as of January 1, 2016	301,043	\$ 11.12
Granted	47,712	11.37
Vested	(47,712 )	11.37
Balance as of January 1, 2017	301,043	11.12
Granted	36,418	12.15
Vested	(229,614)	10.22
Balance as of June 30, 2017	107,847	\$ 13.38

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

Restricted shares with service and performance condition

Restricted share award activity for the restricted shares with a service and performance condition for the six months ended June 30, 2017 and year ended December 31, 2016 were as follows:

	Number of non-vested restricted shares	Number of non-vested restricted shares probable of vesting	Weighted average grant date fair value of probable of vesting
Balance as of January 1, 2016	921,553	536,234	\$ 14.24
Granted	653,958	435,974	11.40
Forfeited	(193,771 )	(119,009 )	13.16
Change in estimated restricted shares considered probable of vesting	n/a	(275,713 )	13.06
Balance as of January 1, 2017	1,381,740	577,486	12.91
Granted	935,825	623,882	12.17
Forfeited	(240,939 )	—	14.60
Vested	(136,618 )	(136,618 )	14.60
Change in estimated restricted shares considered probable of vesting	n/a	(44,669 )	12.16

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Balance as of June 30, 2017	1,940,008	1,020,081	\$ 12.26
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## 16. Non-controlling interests

Non-controlling interests represent the portion of equity in consolidated subsidiaries not attributable, directly or indirectly, to the Company. The ownership interests in consolidated subsidiaries held by parties other than the Company have been presented in the condensed consolidated balance sheets as a separate component of shareholders' equity. Non-controlling interests as of June 30, 2017 were \$19.8 million (December 31, 2016 - \$35.7 million). Income attributable to non-controlling interests for the three and six months ended June 30, 2017 was \$1.0 million and \$2.2 million, respectively (2016 - \$0.8 million and \$0.5 million, respectively).

The joint ventures created through the Investment Agreements (Note 8) have been considered variable interest entities and have been consolidated in accordance with ASC 810, Consolidation (ASC 810). Since the Company was deemed to be the primary beneficiary, the Company has consolidated the joint ventures and has recorded TP GP's minority interests as a non-controlling interests in the condensed consolidated statements of shareholders' equity.

For the six months ended June 30, 2017, net distributions of \$18.1 million (2016 - \$nil million) were made by TP GP. The following variable interest entities were not consolidated as per ASC 810:

## TP Lux Holdco LP

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

LuxCo's principal objective is to act as a collective investment vehicle to purchase Euro debt and equity investments. The Company invests in the Cayman HoldCo alongside other investment funds managed by the Investment Manager. As of June 30, 2017, Third Point Re held a 15.7% (December 31, 2016 - 13.8%) interest in the Cayman Holdco. The Company accounts for its investment in the limited partnership under the variable interest model, in which the Company is not the primary beneficiary, at fair value in the condensed consolidated balance sheets. The Company has elected the fair value option for this investment and records changes in fair value in the condensed consolidated statements of income.

As of June 30, 2017, the estimated fair value of the investment in the limited partnership was \$0.6 million (December 31, 2016 - \$37.6 million). The Company received net distributions of \$39.6 million from the Cayman HoldCo during the period ended June 30, 2017 due to the disposition of underlying investments. The valuation policy with respect to this investment in a limited partnership is further described in Note 4. The Company's maximum exposure to loss as a result of its involvement with this investment is limited to the carrying value of the investment.

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

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

Third Point Re has committed to invest \$10.8 million (December 31, 2016 - \$10.6 million) in the Hellenic Fund. Capital distributions of \$1.3 million were made during the six months ended June 30, 2017. No capital distributions or calls were made during the six months ended June 30, 2016.

As of June 30, 2017, the estimated fair value of Third Point Re's investment in the Hellenic Fund was \$5.1 million (December 31, 2016 - \$5.5 million), representing a 2.9% interest (December 31, 2016 - 2.8%). Third Point Re accounts for its investment in the limited partnership under the variable interest model, in which Third Point Re is not the primary beneficiary, at fair value in the condensed consolidated balance sheets. The Company has elected the fair value option for this investment and records the change in the fair value in the condensed consolidated statements of income.

The valuation policy with respect to this investment in a limited partnership is further described in Note 4. Third Point Re's maximum exposure to loss as a result of its involvement with this investment is limited to the carrying value of the investment.

#### TP DR Holdings LLC

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

The Company invests in TP DR alongside other investment funds managed by the Investment Manager and third-party investors. As of June 30, 2017, Third Point Re held a 6.9% equity (December 31, 2016 - 7.2%) and 13.3% debt interest (December 31, 2016 - 13.7%) in TP DR. The Company has elected the fair value option for its investments in TP DR and records changes in fair value in the condensed consolidated statements of income. The Company accounts for its equity investment in TP DR under the variable interest model, in which the Company is not the primary beneficiary, at fair value in the condensed consolidated balance sheets.

As of June 30, 2017, the estimated fair value of the investment was \$10.5 million (December 31, 2016 - \$9.5 million), corresponding to \$1.7 million of equity (December 31, 2016 - \$0.9 million) and \$8.8 million of debt interest (December 31, 2016 - \$8.6 million). The Company has no further commitments or guarantees with respect to TP DR.

The valuation policy with respect to this investment in investment funds is further described in Note 4. The Company's maximum exposure to loss as a result of its involvement with this investment is limited to the carrying value of the investment.

#### Cloudbreak II Cayman Ltd and TP Trading II LLC

The Company holds an equity interest in Cloudbreak II Cayman Ltd, Cloudbreak II US LLC (collectively, the "Cloudbreak entities") and TP Trading II LLC which are affiliates of the Investment Manager. The Company invests in the Cloudbreak entities and TP Trading II LLC alongside other investment funds managed by the Investment Manager. These entities' are invested in a structure whose primary purpose is to purchase consumer loans for securitization and warrants from a marketplace lending platform.

As of June 30, 2017, the Cloudbreak entities held \$5.9 million of the Company's asset backed security investments, which are included in investments in securities in the condensed consolidated balance sheet. The Company's pro rata interest in the underlying investments is registered in the name of Cloudbreak II US LLC and the related income and expense are reflected in the condensed consolidated balance sheets and the condensed consolidated statements of income.

As of June 30, 2017, Third Point Re held a 15% interest in TP Trading II LLC. The Company has elected the fair value option for its investment TP Trading II LLC and records changes in fair value in the condensed consolidated statements of income. The Company accounts for its equity investment in TP Trading II LLC under the variable interest model, in which the Company is not the primary beneficiary, at fair value in the condensed consolidated balance sheets. As of June 30, 2017, the estimated fair value of the investment was \$2.6 million. The valuation policy with respect to this investment is further described in Note 4.

## 17. Earnings per share

The following sets forth the computation of basic and diluted earnings per common share for the three and six months ended June 30, 2017 and 2016:

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2017	2016	2017	2016
	(\$ in thousands, except share and per share amounts)			
Weighted-average number of common shares outstanding:				
Basic number of common shares outstanding, net of treasury shares	102,283,844	104,132,797	103,144,078	104,195,336
Dilutive effect of options	1,084,217	403,547	937,864	358,015
Dilutive effect of warrants	988,830	556,829	860,484	553,222
Dilutive effect of restricted shares with service and performance condition	212,335	140,748	207,284	121,601
Diluted number of common shares outstanding	104,569,226	105,233,921	105,149,710	105,228,174
Basic earnings per common share:				
Net income	\$74,578	\$53,376	\$178,764	\$2,247
Income allocated to participating shares	(71)	(169)	(204)	(7)
Net income available to common shareholders	\$74,507	\$53,207	\$178,560	\$2,240
Basic earnings per common share	\$0.73	\$0.51	\$1.73	\$0.02
Diluted earnings per common share:				
Net income	\$74,578	\$53,376	\$178,764	\$2,247
Income allocated to participating shares	(69)	(167)	(200)	(7)
Net income available to common shareholders	\$74,509	\$53,209	\$178,564	\$2,240
Diluted earnings per common share	\$0.71	\$0.51	\$1.70	\$0.02

For the three months ended June 30, 2017 and 2016, anti-dilutive options of 4,322,659 and 4,370,193, respectively, were excluded from the computation of diluted earnings per share. For the six months ended June 30, 2017 and 2016, anti-dilutive options of 4,322,659 and 4,416,193, respectively, were excluded from the computation of diluted earnings per share.

## 18. Related party transaction

In addition to the transactions disclosed in Notes 4, 8 and 16 to these condensed consolidated financial statements, the following transaction is classified as a related party transaction, as the counterparties have either a direct or indirect shareholding in the Company or the Company has an investment in such counterparty.

Third Point Loan L.L.C. ("Loan LLC") and Third Point Ventures LLC ("Ventures LLC" and, together with Loan LLC, "Nominees") serve as nominees of the Company and other affiliated investment management clients of the Investment Manager for certain investments. The Nominees have appointed the Investment Manager as its true and lawful agent and attorney. As of June 30, 2017, Loan LLC held \$104.6 million (December 31, 2016 - \$124.1 million) and Ventures LLC held \$29.9 million (December 31, 2016 - \$22.6 million) of the Company's investments, which are included in investments in securities and derivative contracts in the condensed consolidated balance sheets. The Company's pro rata interest in the underlying investments registered in the name of the Nominees and the related income and expense are reflected in the condensed consolidated balance sheets and the condensed consolidated statements of income.

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

## Off-balance sheet risk

In the normal course of business, the Company trades various financial instruments and engages in various investment activities with off-balance sheet risk. These financial instruments include securities sold, not yet purchased, forwards,

futures, options, swaptions, swaps and contracts for differences. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at specified future dates. Each of these financial instruments contains varying degrees of off-balance sheet risk whereby changes in the fair values of the securities underlying the financial instruments or fluctuations in interest rates and index values may exceed the amounts recognized in the condensed consolidated balance sheets.

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

Forward and futures contracts are a commitment to purchase or sell financial instruments, currencies or commodities at a future date at a negotiated rate. Forward and futures contracts expose the Company to market risks to the extent that adverse changes occur to the underlying financial instruments such as currency rates or equity index fluctuations. Option contracts give the purchaser the right, but not the obligation, to purchase from or sell to the option writer financial instruments, commodities or currencies within a defined time period for a specified price. The premium received by the Company upon writing an option contract is recorded as a liability, marked to market on a daily basis and is included in securities sold, not yet purchased in the condensed consolidated balance sheets. In writing an option, the Company bears the market risk of an unfavorable change in the financial instrument underlying the written option. Exercise of an option written by the Company could result in the Company selling or buying a financial instrument at a price different from the current fair value.

In the normal course of trading activities in its investment portfolio, the Company trades and holds certain derivative contracts, such as written options, which constitute guarantees. The maximum payout for written put options is limited to the number of contracts written and the related strike prices and the maximum payout for written call options is dependent upon the market price of the underlying security at the date of a payout event. As of June 30, 2017, the investment portfolio had a maximum payout amount of approximately \$261.8 million (December 31, 2016 - \$87.5 million) relating to written put option contracts with expiration ranging from three months to seven months from the balance sheet date. The maximum payout amount could be offset by the subsequent sale, if any, of assets obtained via the settlement of a payout event. The fair value of these written put options as of June 30, 2017 was \$3.5 million (December 31, 2016 - \$1.3 million) and is included in securities sold, not yet purchased in the condensed consolidated balance sheets.

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

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

#### Credit derivatives

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

The Company may also enter into index and/or basket credit default swaps where the credit derivative may reference a basket of single-name credit default swaps or a broad-based index. Generally, in the event of a default on one of the



underlying names, the buyer will receive a pro-rata portion of the total notional amount of the credit default index or basket contract from the seller. When the Company purchases single-name, index and basket credit default swaps, the Company is exposed to counterparty nonperformance.

Upon selling credit default swap protection, the Company may expose itself to the risk of loss from related credit events specified in the contract. Credit spreads of the underlying positions together with the period of expiration is indicative of the likelihood of a credit event under the credit default swap contract and the Company's risk of loss. Higher credit spreads and shorter expiration dates are indicative of a higher likelihood of a credit event resulting in the Company's payment to the buyer of protection. Lower credit spreads and longer expiration dates would indicate the opposite and lowers the likelihood the Company needs to pay the buyer of protection. As of June 30, 2017, there was no cash collateral received specifically related to written credit default swaps as collateral is based on the net exposure associated with all derivative instruments subject to applicable netting agreements with counterparties and may not be specific to any individual derivative contract.

The following table sets forth certain information related to the Company's written credit derivatives as of June 30, 2017 and December 31, 2016:

June 30, 2017	Maximum Payout/ Notional Amount (by period of expiration)		Fair Value of Written Credit Derivatives (2)	
	5 years or Greater Expiring Through 2017	Total Written Credit Default Swaps (1)	Asset	Liability
Credit Spreads on underlying (basis points)			Net Asset/(Liability)	
Single name (0 - 250)			\$ -2,015	\$ (2,015 )

December 31, 2016	Maximum Payout/ Notional Amount (by period of expiration)		Fair Value of Written Credit Derivatives (2)	
	5 years or Greater Expiring Through 2017	Total Written Credit Default Swaps (1)	Asset	Liability
Credit Spreads on underlying (basis points)			Net Asset/(Liability)	
Single name (0 - 250)			\$ -1,952	\$ (1,952 )

(1) As of June 30, 2017 and December 31, 2016, the Company did not hold any offsetting buy protection credit derivatives with the same underlying reference obligation.

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

#### Concentrations of credit risk

##### Investments

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



has master netting agreements. Similarly, liabilities represent the Company's greater unrealized losses less unrealized gains for derivative contracts in which the Joint Ventures have master netting agreements. Furthermore, the Company obtains collateral from counterparties to reduce its exposure to counterparty credit risk.

The Company's maximum exposure to credit risk associated with counterparty nonperformance on derivative contracts is limited to the net unrealized gains by counterparties inherent in such contracts which are recognized in the condensed consolidated balance sheets. As of June 30, 2017, the Company's maximum counterparty credit risk exposure was \$51.0 million (December 31, 2016 - \$28.1 million).

Underwriting

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

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

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

## 20. Commitments and Contingencies

### Investments

Loan and other participation interests purchased by the Company, such as bank debt, may include revolving credit arrangements or other financing commitments obligating the Company to advance additional amounts on demand. As of June 30, 2017, the Company had one unfunded capital commitment of \$3.2 million related to its investment in the Hellenic Fund (see Note 16 for additional information).

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

### Financing

In February 2015, TPRUSA issued \$115.0 million of Notes due February 13, 2025. The Notes bear interest at 7.0% and interest is payable semi-annually on February 13 and August 13 of each year. The Notes are fully and unconditionally guaranteed by Third Point Reinsurance Ltd., and, in certain circumstances specified in the indenture governing the Notes, certain existing or future subsidiaries of the Company may be required to guarantee the Notes.

### Litigation

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

## 21. Segment reporting

The determination of the Company's business segments is based on the manner in which management monitors the performance of its operations. The Company reports one operating segment, Property and Casualty Reinsurance. The Company has also identified a corporate function that includes the Company's investment income on capital, certain general and administrative expenses related to corporate activities, interest expense, foreign exchange (gains) losses and income tax expense.

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The following is a summary of the Company's operating segment results for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30, 2017		
	Property and Casualty Reinsurance	Corporate	Total
Revenues	(\$ in thousands)		
Gross premiums written	\$ 156,564	\$	—\$156,564

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Gross premiums ceded	(1,425 )	—	(1,425 )
Net premiums written	155,139	—	155,139
Change in net unearned premium reserves	18,419	—	18,419
Net premiums earned	173,558	—	173,558
Expenses			
Loss and loss adjustment expenses incurred, net	107,379	—	107,379
Acquisition costs, net	68,641	—	68,641
General and administrative expenses	9,649	5,365	15,014
Total expenses	185,669	5,365	191,034
Net underwriting loss	(12,111 )	n/a	n/a
Net investment income	31,206	76,119	107,325
Other expenses	(2,105 )	—	(2,105 )
Interest expense	—	(2,051 )	(2,051 )
Foreign exchange losses	—	(4,781 )	(4,781 )
Income tax expense	—	(5,307 )	(5,307 )
Segment income including non-controlling interests	16,990	58,615	75,605
Segment income attributable to non-controlling interests	—	(1,027 )	(1,027 )
Segment income	\$16,990	\$57,588	\$74,578

## Property and Casualty Reinsurance - Underwriting Ratios (1):

Loss ratio	61.9	%
Acquisition cost ratio	39.5	%
Composite ratio	101.4	%
General and administrative expense ratio	5.6	%
Combined ratio	107.0	%

(1) Underwriting ratios are calculated by dividing the related expense by net premiums earned.

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	Six months ended June 30, 2017		
	Property and Casualty Reinsurance	Corporate	Total
	(\$ in thousands)		
Revenues			
Gross premiums written	\$302,918	\$—	\$302,918
Gross premiums ceded	(2,550 )	—	(2,550 )
Net premiums written	300,368	—	300,368
Change in net unearned premium reserves	11,199	—	11,199
Net premiums earned	311,567	—	311,567
Expenses			
Loss and loss adjustment expenses incurred, net	193,274	—	193,274
Acquisition costs, net	123,093	—	123,093
General and administrative expenses	15,961	9,625	25,586
Total expenses	332,328	9,625	341,953
Net underwriting loss	(20,761 )	n/a	n/a
Net investment income	67,326	168,509	235,835
Other expenses	(5,006 )	—	(5,006 )
Interest expense	—	(4,077 )	(4,077 )
Foreign exchange losses	—	(4,796 )	(4,796 )
Income tax expense	—	(10,605 )	(10,605 )
Segment income including non-controlling interests	41,559	139,406	180,965
Segment income attributable to non-controlling interests	—	(2,201 )	(2,201 )
Segment income	\$41,559	\$137,205	\$178,764

Property and Casualty Reinsurance - Underwriting Ratios (1):

Loss ratio	62.0	%
Acquisition cost ratio	39.5	%
Composite ratio	101.5	%
General and administrative expense ratio	5.1	%
Combined ratio	106.6	%

(1) Underwriting ratios are calculated by dividing the related expense by net premiums earned.



	Three months ended June 30, 2016		
	Property and Casualty Reinsurance	Corporate	Total
	(\$ in thousands)		
Revenues			
Gross premiums written	\$ 196,866	\$ —	\$ 196,866
Gross premiums ceded	(1,425 )	—	(1,425 )
Net premiums written	195,441	—	195,441
Change in net unearned premium reserves	(62,319 )	—	(62,319 )
Net premiums earned	133,122	—	133,122
Expenses			
Loss and loss adjustment expenses incurred, net	104,131	—	104,131
Acquisition costs, net	48,482	—	48,482
General and administrative expenses	6,085	4,158	10,243
Total expenses	158,698	4,158	162,856
Net underwriting loss	(25,576 )	n/a	n/a
Net investment income	19,098	67,248	86,346
Other expenses	(3,173 )	—	(3,173 )
Interest expense	—	(2,046 )	(2,046 )
Foreign exchange gains	—	8,068	8,068
Income tax expense	—	(5,310 )	(5,310 )
Segment income (loss) including non-controlling interests	(9,651 )	63,802	54,151
Segment income attributable to non-controlling interests	—	(775 )	(775 )
Segment income (loss)	\$(9,651 )	\$ 63,027	\$ 53,376

Property and Casualty Reinsurance - Underwriting Ratios (1):

Loss ratio	78.2	%
Acquisition cost ratio	36.4	%
Composite ratio	114.6	%
General and administrative expense ratio	4.6	%
Combined ratio	119.2	%

(1) Underwriting ratios are calculated by dividing the related expense by net premiums earned.

	Six months ended June 30, 2016		
	Property and Casualty Reinsurance	Corporate	Total
	(\$ in thousands)		
Revenues			
Gross premiums written	\$394,022	\$—	\$394,022
Gross premiums ceded	(1,425 )	—	(1,425 )
Net premiums written	392,597	—	392,597
Change in net unearned premium reserves	(122,673 )	—	(122,673 )
Net premiums earned	269,924	—	269,924
Expenses			
Loss and loss adjustment expenses incurred, net	188,807	—	188,807
Acquisition costs, net	100,169	—	100,169
General and administrative expenses	13,147	8,384	21,531
Total expenses	302,123	8,384	310,507
Net underwriting loss	(32,199 )	n/a	n/a
Net investment income	10,837	35,399	46,236
Other expenses	(5,879 )	—	(5,879 )
Interest expense	—	(4,094 )	(4,094 )
Foreign exchange gains	—	10,454	10,454
Income tax expense	—	(3,381 )	(3,381 )
Segment income (loss) including non-controlling interests	(27,241 )	29,994	2,753
Segment income attributable to non-controlling interests	—	(506 )	(506 )
Segment income (loss)	\$(27,241 )	\$29,488	\$2,247

## Property and Casualty Reinsurance - Underwriting Ratios (1):

Loss ratio	69.9	%
Acquisition cost ratio	37.1	%
Composite ratio	107.0	%
General and administrative expense ratio	4.9	%
Combined ratio	111.9	%

(1) Underwriting ratios are calculated by dividing the related expense by net premiums earned.



The following table lists the number of contracts that individually contributed more than 10% of total gross premiums written for the three and six months ended June 30, 2017 and 2016 as a percentage of total gross premiums written in the relevant period:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Largest contract	65.9 %	14.9 %	34.0 %	28.4 %
Second largest contract	12.9 %	12.6 %	17.9 %	n/a
Third largest contract	n/a	11.4 %	n/a	n/a
Total for contracts contributing greater than 10% each	78.8 %	38.9 %	51.9 %	28.4 %
Total for contracts contributing less than 10% each	21.2 %	61.1 %	48.1 %	71.6 %
	100.0%	100.0%	100.0%	100.0%

The following table provides a breakdown of the Company's gross premiums written by line of business for the three and six months ended June 30, 2017 and 2016:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(\$ in thousands)			
Property	\$ (8,827 )	\$ 7,257	\$ (8,815 )	\$ 7,082
	(5.6 )%	3.7 %	(2.9 )%	1.8 %
Casualty	118,140	149,129	205,345	160,506
	75.4 %	75.7 %	67.8 %	40.7 %
Specialty	47,251	40,480	106,388	226,434
	30.2 %	20.6 %	35.1 %	57.5 %
	\$ 156,564	\$ 196,866	\$ 302,918	\$ 394,022
	100.0 %	100.0 %	100.0 %	100.0 %

The following table provides a breakdown of the Company's gross premiums written by prospective and retroactive reinsurance contracts for the three and six months ended June 30, 2017 and 2016:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(\$ in thousands)			
Prospective	\$ 72,687	\$ 196,866	\$ 219,041	\$ 394,022
	46.4 %	100.0 %	72.3 %	100.0 %
Retroactive (1)	83,877	—	83,877	—
	53.6 %	— %	27.7 %	— %
	\$ 156,564	\$ 196,866	\$ 302,918	\$ 394,022
	100.0 %	100.0 %	100.0 %	100.0 %

(1) Includes all retroactive exposure in reinsurance contracts.

The Company records the gross premium written and earned at the inception of the contract for retroactive exposures in reinsurance contracts.

Substantially all of the Company's business is sourced through reinsurance brokers. The following table sets forth the Company's premiums written by source that individually contributed more than 10% of total gross premiums written for the three and six months ended June 30, 2017 and 2016:

	Three months ended				Six months ended			
	June 30, 2017		June 30, 2016		June 30, 2017		June 30, 2016	
	(\$ in thousands)							
Largest broker	\$107,612	68.7 %	\$63,084	32.0 %	\$107,612	35.5 %	\$181,205	46.0 %
Second largest broker	22,448	14.3 %	58,000	29.5 %	73,499	24.3 %	94,749	24.0 %
Third largest broker	n/a	n/a	53,034	26.9 %	35,269	11.6 %	62,295	15.8 %
Fourth largest broker	n/a	n/a	n/a	n/a	31,853	10.5 %	n/a	n/a
Other	26,504	17.0 %	22,748	11.6 %	54,685	18.1 %	55,773	14.2 %
	\$156,564	100.0%	\$196,866	100.0%	\$302,918	100.0%	\$394,022	100.0%

The following table provides a breakdown of the Company's gross premiums written by domicile of the ceding companies for the three and six months ended June 30, 2017 and 2016:

	Three months ended				Six months ended			
	June 30, 2017		June 30, 2016		June 30, 2017		June 30, 2016	
	(\$ in thousands)							
United States	\$1,340	0.8 %	\$124,446	63.2 %	\$43,769	14.4 %	\$167,738	42.6 %
Bermuda	—	— %	46,539	23.6 %	54,075	17.9 %	46,539	11.8 %
Other	4,480	2.9 %	—	— %	4,480	1.5 %	—	— %
United Kingdom	150,744	96.3 %	25,881	13.2 %	200,594	66.2 %	179,745	45.6 %
	\$156,564	100.0%	\$196,866	100.0%	\$302,918	100.0%	\$394,022	100.0%

## 22. Supplemental guarantor information

Third Point Reinsurance Ltd. fully and unconditionally guarantees the \$115.0 million of Notes issued by TPRUSA, a wholly owned subsidiary.

The following information sets forth condensed consolidating balance sheets as of June 30, 2017 and December 31, 2016, condensed consolidating statements of income and condensed consolidating statements of cash flows for the three and six months ended June 30, 2017 and 2016 for Third Point Reinsurance Ltd., TPRUSA and the non-guarantor subsidiaries of Third Point Reinsurance Ltd. Investments in subsidiaries are accounted for on the equity method; accordingly, entries necessary to consolidate the parent guarantor, TPRUSA and all other subsidiaries are reflected in the eliminations column.

## CONDENSED CONSOLIDATING BALANCE SHEET

As of June 30, 2017

(expressed in thousands of U.S. dollars)

	Third Point Reinsurance Ltd.	TPRUSA	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>					
Equity securities	\$—	\$—	\$ 1,941,170	\$—	\$ 1,941,170
Debt securities	—	—	702,515	—	702,515
Other investments	—	—	29,091	—	29,091
Total investments in securities	—	—	2,672,776	—	2,672,776
Cash and cash equivalents	279	275	7,701	—	8,255
Restricted cash and cash equivalents	—	—	372,068	—	372,068
Investment in subsidiaries	1,597,592	275,506	165,671	(2,038,769 )	—
Due from brokers	—	—	424,163	—	424,163
Derivative assets, at fair value	—	—	45,110	—	45,110
Interest and dividends receivable	—	—	3,947	—	3,947
Reinsurance balances receivable	—	—	472,570	—	472,570
Deferred acquisition costs, net	—	—	203,193	—	203,193
Amounts due from (to) affiliates	(40,665 )	(4,563 )	45,228	—	—
Other assets	335	7,170	7,143	—	14,648
Total assets	\$ 1,557,541	\$ 278,388	\$ 4,419,570	\$ (2,038,769 )	\$ 4,216,730
<b>Liabilities and shareholders' equity</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 1,218	\$ 40	\$ 16,671	\$—	\$ 17,929
Reinsurance balances payable	—	—	65,456	—	65,456
Deposit liabilities	—	—	105,208	—	105,208
Unearned premium reserves	—	—	547,815	—	547,815
Loss and loss adjustment expense reserves	—	—	678,459	—	678,459
Securities sold, not yet purchased, at fair value	—	—	265,667	—	265,667
Due to brokers	—	—	777,179	—	777,179
Derivative liabilities, at fair value	—	—	11,949	—	11,949
Performance fee payable to related party	—	—	53,455	—	53,455
Interest and dividends payable	—	3,022	816	—	3,838
Senior notes payable, net of deferred costs	—	113,643	—	—	113,643
Total liabilities	1,218	116,705	2,522,675	—	2,640,598
<b>Shareholders' equity</b>					
Common shares	10,733	—	1,250	(1,250 )	10,733
Treasury shares	(48,253 )	—	—	—	(48,253 )
Additional paid-in capital	1,098,857	165,808	1,532,480	(1,698,288 )	1,098,857
Retained earnings (deficit)	494,986	(4,125 )	343,356	(339,231 )	494,986
Shareholders' equity attributable to shareholders	1,556,323	161,683	1,877,086	(2,038,769 )	1,556,323
Non-controlling interests	—	—	19,809	—	19,809
Total shareholders' equity	1,556,323	161,683	1,896,895	(2,038,769 )	1,576,132
Total liabilities and shareholders' equity	\$ 1,557,541	\$ 278,388	\$ 4,419,570	\$ (2,038,769 )	\$ 4,216,730



## CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2016

(expressed in thousands of U.S. dollars)

	Third Point Reinsurance Ltd.	TPRUSA	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>					
Equity securities	\$—	\$—	\$ 1,506,854	\$—	\$ 1,506,854
Debt securities	—	—	1,057,957	—	1,057,957
Other investments	—	—	82,701	—	82,701
Total investments in securities	—	—	2,647,512	—	2,647,512
Cash and cash equivalents	1,629	79	8,243	—	9,951
Restricted cash and cash equivalents	—	—	298,940	—	298,940
Investment in subsidiaries	1,413,078	269,622	165,324	(1,848,024 )	—
Due from brokers	—	—	284,591	—	284,591
Derivative assets, at fair value	—	—	27,432	—	27,432
Interest and dividends receivable	—	—	6,505	—	6,505
Reinsurance balances receivable	—	—	381,951	—	381,951
Deferred acquisition costs, net	—	—	221,618	—	221,618
Amounts due from (to) affiliates	(142 )	(8,394 )	8,536	—	—
Other assets	637	5,507	11,000	—	17,144
Total assets	\$ 1,415,202	\$ 266,814	\$ 4,061,652	\$ (1,848,024 )	\$ 3,895,644
<b>Liabilities and shareholders' equity</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 1,151	\$ 40	\$ 9,130	\$—	\$ 10,321
Reinsurance balances payable	—	—	43,171	—	43,171
Deposit liabilities	—	—	104,905	—	104,905
Unearned premium reserves	—	—	557,076	—	557,076
Loss and loss adjustment expense reserves	—	—	605,129	—	605,129
Securities sold, not yet purchased, at fair value	—	—	92,668	—	92,668
Due to brokers	—	—	899,601	—	899,601
Derivative liabilities, at fair value	—	—	16,050	—	16,050
Interest and dividends payable	—	3,057	386	—	3,443
Senior notes payable, net of deferred costs	—	113,555	—	—	113,555
Total liabilities	1,151	116,652	2,328,116	—	2,445,919
<b>Shareholders' equity</b>					
Common shares	10,650	—	1,250	(1,250 )	10,650
Treasury shares	(7,389 )	—	—	—	(7,389 )
Additional paid-in capital	1,094,568	165,456	1,528,827	(1,694,283 )	1,094,568
Retained earnings (deficit)	316,222	(15,294 )	167,785	(152,491 )	316,222
Shareholders' equity attributable to shareholders	1,414,051	150,162	1,697,862	(1,848,024 )	1,414,051
Non-controlling interests	—	—	35,674	—	35,674
Total shareholders' equity	1,414,051	150,162	1,733,536	(1,848,024 )	1,449,725
Total liabilities and shareholders' equity	\$ 1,415,202	\$ 266,814	\$ 4,061,652	\$ (1,848,024 )	\$ 3,895,644

## CONDENSED CONSOLIDATING STATEMENT OF INCOME

Three months ended June 30, 2017

(expressed in thousands of U.S. dollars)

	Third Point Reinsurance Ltd.	TPRUSA	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues					
Gross premiums written	\$ —	\$ —	\$ 156,564	\$ —	\$ 156,564
Gross premiums ceded	—	—	(1,425	) —	(1,425 )
Net premiums written	—	—	155,139	—	155,139
Change in net unearned premium reserves	—	—	18,419	—	18,419
Net premiums earned	—	—	173,558	—	173,558
Net investment income	—	—	107,325	—	107,325
Equity in earnings (losses) of subsidiaries	75,843	4,843	(10	) (80,676	) —
Total revenues	75,843	4,843	280,873	(80,676	) 280,883
Expenses					
Loss and loss adjustment expenses incurred, net	—	—	107,379	—	107,379
Acquisition costs, net	—	—	68,641	—	68,641
General and administrative expenses	1,265	12	13,737	—	15,014
Other expenses	—	—	2,105	—	2,105
Interest expense	—	2,051	—	—	2,051
Foreign exchange losses	—	—	4,781	—	4,781
Total expenses	1,265	2,063	196,643	—	199,971
Income before income tax expense	74,578	2,780	84,230	(80,676	) 80,912
Income tax (expense) benefit	—	722	(6,029	) —	(5,307 )
Income including non-controlling interests	74,578	3,502	78,201	(80,676	) 75,605
Income attributable to non-controlling interests	—	—	(1,027	) —	(1,027 )
Net income	\$ 74,578	\$ 3,502	\$ 77,174	\$ (80,676	) \$ 74,578

## CONDENSED CONSOLIDATING STATEMENT OF INCOME

Six months ended June 30, 2017

(expressed in thousands of U.S. dollars)

	Third Point Reinsurance Ltd.	TPRUSA	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues					
Gross premiums written	\$ —	\$ —	\$ 302,918	\$ —	\$ 302,918
Gross premiums ceded	—	—	(2,550	) —	(2,550 )
Net premiums written	—	—	300,368	—	300,368
Change in net unearned premium reserves	—	—	11,199	—	11,199
Net premiums earned	—	—	311,567	—	311,567
Net investment income	—	—	235,835	—	235,835
Equity in earnings (losses) of subsidiaries	181,213	13,832	(5	) (195,040	) —
Total revenues	181,213	13,832	547,397	(195,040	) 547,402
Expenses					
Loss and loss adjustment expenses incurred, net	—	—	193,274	—	193,274
Acquisition costs, net	—	—	123,093	—	123,093
General and administrative expenses	2,449	20	23,117	—	25,586
Other expenses	—	—	5,006	—	5,006

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Interest expense	—	4,077	—	—	4,077
Foreign exchange losses	—	—	4,796	—	4,796
Total expenses	2,449	4,097	349,286	—	355,832
Income before income tax expense	178,764	9,735	198,111	(195,040 )	191,570
Income tax (expense) benefit	—	1,434	(12,039 )	—	(10,605 )
Income including non-controlling interests	178,764	11,169	186,072	(195,040 )	180,965
Income attributable to non-controlling interests	—	—	(2,201 )	—	(2,201 )
Net income	\$ 178,764	\$ 11,169	\$ 183,871	\$ (195,040 )	\$ 178,764

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## CONDENSED CONSOLIDATING STATEMENT OF INCOME

Three months ended June 30, 2016

(expressed in thousands of U.S. dollars)

	Third Point Reinsurance Ltd.	TPRUSA	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues					
Gross premiums written	\$ —	\$ —	\$ 196,866	\$ —	\$ 196,866
Gross premiums ceded	—	—	(1,425	) —	(1,425 )
Net premiums written	—	—	195,441	—	195,441
Change in net unearned premium reserves	—	—	(62,319	) —	(62,319 )
Net premiums earned	—	—	133,122	—	133,122
Net investment income	—	—	86,346	—	86,346
Equity in earnings (losses) of subsidiaries	54,715	6,551	(12	) (61,254	) —
Total revenues	54,715	6,551	219,456	(61,254	) 219,468
Expenses					
Loss and loss adjustment expenses incurred, net	—	—	104,131	—	104,131
Acquisition costs, net	—	—	48,482	—	48,482
General and administrative expenses	1,339	28	8,876	—	10,243
Other expenses	—	—	3,173	—	3,173
Interest expense	—	2,046	—	—	2,046
Foreign exchange gains	—	—	(8,068	) —	(8,068 )
Total expenses	1,339	2,074	156,594	—	160,007
Income before income tax expense	53,376	4,477	62,862	(61,254	) 59,461
Income tax (expense) benefit	—	725	(6,035	) —	(5,310 )
Income including non-controlling interests	53,376	5,202	56,827	(61,254	) 54,151
Income attributable to non-controlling interests	—	—	(775	) —	(775 )
Net income	\$ 53,376	\$ 5,202	\$ 56,052	\$ (61,254	) \$ 53,376

## CONDENSED CONSOLIDATING STATEMENT OF INCOME (LOSS)

Six months ended June 30, 2016

(expressed in thousands of U.S. dollars)

	Third Point Reinsurance Ltd.	TPRUSA	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues					
Gross premiums written	\$ —	\$ —	\$ 394,022	\$ —	\$ 394,022