AUDITED FINANCIAL STATEMENTS

RenaissanceRe Specialty U.S. Ltd. and Subsidiary

December 31, 2017 and 2016

Building a better working world

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REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS OF
RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY

We have audited the accompanying consolidated financial statements of RenaissanceRe Specialty U.S. Ltd. and subsidiary, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of RenaissanceRe Specialty U.S. Ltd. and subsidiary, at December 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred and paid claims development prior to the most recent year and the average annual percentage payout of incurred claims disclosed on pages 27 through 37 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young Ltd.

Hamilton, Bermuda
April 27, 2018

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2017 AND 2016
(in thousands of United States Dollars)

	2017	2016
Assets		
Fixed maturity investments trading, at fair value - amortized cost $1,349,766 at December 31, 2017 (2016 - $1,419,504) (Notes 4 and 5)	$ 1,348,565	$ 1,410,212
Short term investments, at fair value (Notes 4 and 5)	72,438	85,615
Equity investments trading, at fair value (Notes 4 and 5)	100,712	—
Total investments	1,521,715	1,495,827
Cash and cash equivalents	38,990	22,345
Premiums receivable	267,408	206,413
Prepaid reinsurance premiums (Notes 6 and 8)	63,981	123,170
Reinsurance recoverable (Notes 6, 7 and 8)	594,319	336,230
Accrued investment income	9,323	9,721
Deferred acquisition costs	81,612	69,614
Due from affiliates, net (Note 8)	1,464	—
Receivable for investments sold	5,859	5,151
Other assets (Notes 5, 10 and 12)	19,919	33,252
Goodwill and other intangible assets (Note 3)	110,456	113,050
Total assets	$ 2,715,046	$ 2,414,773
Liabilities and Shareholder's Equity		
Liabilities		
Reserve for claims and claim expenses (Note 7)	$ 1,443,191	$ 1,173,218
Unearned premiums	287,069	228,016
Reinsurance balances payable (Notes 6 and 8)	96,924	135,483
Due to affiliates, net (Note 8)	—	1,721
Payable for investments purchased	22,872	20,027
Accounts payable and accrued liabilities	8,918	13,220
Other liabilities (Notes 5 and 12)	4	—
Total liabilities	1,858,978	1,571,685
Shareholder's Equity (Note 9)		
Common shares: $120.00 par value - 120,000 shares authorized; 1,000 shares issued and outstanding at December 31, 2017 (2016 - 1,000)	120	120
Additional paid-in capital	830,052	830,052
Retained earnings	25,896	12,916
Total shareholder's equity	856,068	843,088
Total liabilities and shareholder's equity	$ 2,715,046	$ 2,414,773

See accompanying notes to the consolidated financial statements

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(in thousands of United States Dollars)

	2017	2016
Revenues		
Gross premiums written	$ 757,154	$ 577,975
Net premiums written (Note 6)	$ 440,519	$ 275,272
(Increase) decrease in net unearned premiums	(118,242)	19,540
Net premiums earned (Notes 6 and 8)	322,277	294,812
Net investment income (Note 4)	28,566	25,229
Net foreign exchange gains (losses)	954	(212)
Other income	2,491	2,216
Net realized and unrealized gains (losses) on investments (Note 4)	19,049	(4,208)
Total revenues	373,337	317,837
Expenses		
Net claims and claim expenses incurred (Notes 6, 7 and 8)	243,643	167,318
Acquisition expenses	92,163	89,415
Operational expenses (Note 8)	11,558	25,622
Corporate expenses (Note 8)	624	2,612
Amortization of other intangible assets (Note 3)	2,594	7,311
Total expenses	350,582	292,278
Income before taxes	22,755	25,559
Income tax expense (Note 10)	(9,775)	(379)
Net income	$ 12,980	$ 25,180

See accompanying notes to the consolidated financial statements

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(in thousands of United States Dollars)

	2017	2016
Common shares	$ 120	$ 120
Additional paid-in capital	830,052	830,052
Retained earnings		
Balance – January 1	12,916	31,736
Net income	12,980	25,180
Dividends declared (Note 9)	—	(44,000)
Balance – December 31	25,896	12,916
Total shareholder's equity	$ 856,068	$ 843,088

See accompanying notes to the consolidated financial statements

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(in thousands of United States Dollars)

	2017	2016
Cash flows provided by (used in) operating activities		
Net income	$ 12,980	$ 25,180
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Amortization and accretion	14,262	12,325
Amortization of other intangible assets	2,594	7,311
Net realized and unrealized (gains) losses on investments	(19,049)	4,208
Change in:		
Premiums receivable	(60,995)	(54,234)
Prepaid reinsurance premiums	59,189	(65,882)
Reinsurance recoverable	(258,089)	(103,174)
Accrued investment income	398	1,043
Deferred acquisition costs	(11,998)	(17,510)
Reserve for claims and claim expenses	269,973	69,446
Unearned premiums	59,053	46,342
Reinsurance balances payable	(38,559)	58,082
Other, net	4,073	(19,431)
Net cash provided by (used in) operating activities	33,832	(36,294)
Cash flows (used in) provided by investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	1,139,563	1,294,018
Purchases of fixed maturity investments trading	(1,084,521)	(1,246,628)
Net sales of short term investments	17,159	47,623
Net purchases of equity investments trading	(89,388)	—
Net cash (used in) provided by investing activities	(17,187)	95,013
Cash flows used in financing activities		
Dividends paid	—	(44,000)
Net cash used in financing activities	—	(44,000)
Net increase in cash and cash equivalents	16,645	14,719
Cash and cash equivalents, beginning of period	22,345	7,626
Cash and cash equivalents, end of period	$ 38,990	$ 22,345

See accompanying notes to the consolidated financial statements

NOTE 1. ORGANIZATION

RenaissanceRe Specialty U.S. Ltd. ("RenaissanceRe Specialty U.S.") was incorporated under the laws of Bermuda in February 2013 to provide property, casualty and specialty reinsurance on both a quota share and excess of loss basis. On March 2, 2015, RenaissanceRe Holdings Ltd. ("RenaissanceRe"), the ultimate parent of RenaissanceRe Specialty U.S., completed its acquisition of Platinum Underwriters Holdings, Ltd. ("Platinum"), and as a result, Platinum and its subsidiaries, including Renaissance Reinsurance U.S. Inc., formerly known as Platinum Underwriters Reinsurance, Inc. ("Renaissance Reinsurance U.S.") and Platinum Underwriters Finance Inc. ("Platinum Finance"), became wholly-owned subsidiaries of RenaissanceRe. In connection with the acquisition of Platinum, RenaissanceRe undertook an internal restructuring and following approval from the Maryland Insurance Administration, Renaissance Reinsurance U.S. became a wholly-owned subsidiary of RenaissanceRe Specialty U.S. and RenaissanceRe Specialty U.S. became a wholly-owned subsidiary of Platinum Finance, a wholly-owned subsidiary of RenaissanceRe Finance Inc. ("RenaissanceRe Finance"), whose ultimate parent is RenaissanceRe. The internal restructuring legally took place on July 1, 2015, however, for accounting purposes, and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic *Business Combinations,* it was effective March 2, 2015, the initial date Renaissance Reinsurance U.S. was under common control.

RenaissanceRe Specialty U.S. is a Bermuda-domiciled Class 3B insurer that has made a submission to the Internal Revenue Service ("IRS") to elect, pursuant to §953(d) of Internal Revenue Code of 1986 (the "Code"), to operate subject to United States ("U.S.") federal income tax. Renaissance Reinsurance U.S. is a reinsurance company domiciled in the state of Maryland and provides property, casualty and specialty reinsurance coverages to insurers and reinsurers, primarily in the Americas.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States ("GAAP") and include the accounts of RenaissanceRe Specialty U.S. and its wholly-owned subsidiary, which are collectively referred to herein as the "Company". All significant intercompany accounts and transactions have been eliminated from these statements.

Use of Estimates in Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Premiums and Related Expenses

Premiums are recognized as income, net of any applicable reinsurance coverage purchased, over the terms of the related contracts and policies. Premiums written are based on contract and policy terms and include estimates based on information received from both insureds and ceding companies. Subsequent differences arising on such estimates are recorded in the period in which they are determined. Unearned premiums represent the portion of premiums written that relate to the unexpired terms of contracts and policies in force. Amounts are computed by pro rata methods based on statistical data or reports received from ceding companies. Reinstatement premiums are estimated after the occurrence of a significant loss and are recorded in accordance with the contract terms based upon paid losses and case reserves. Reinstatement premiums are earned when written.

Acquisition costs are incurred when a contract or policy is issued and only the costs directly related to the successful acquisition of new and renewal contracts or policies are deferred and amortized over the same period in which the related premiums are earned. Acquisition costs are shown net of commissions and profit commission earned on ceded reinsurance, and consist principally of commissions, brokerage expenses and United States federal excise taxes incurred at the time a contract or policy is issued. Deferred policy acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated claims and claim expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

Claims and Claim Expenses

The reserve for claims and claim expenses includes estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported ("IBNR"). The reserve is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled. Also, during the past few years, the Company has increased its casualty and specialty reinsurance business, but does not have the benefit of a significant amount of its own historical experience in certain of these lines of business. Accordingly, the reserving for incurred losses in these lines of business could be subject to greater variability.

Ultimate losses may vary materially from the amounts provided in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the consolidated statements of operations in the period in which they become known and are accounted for as changes in estimates.

Reinsurance

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the period in which they are determined. The Company evaluates the financial condition of its reinsurers through internal evaluation by senior management. Amounts recoverable from reinsurers are recorded net of a valuation allowance for estimated uncollectible recoveries.

Certain assumed and ceded reinsurance contracts that do not meet all of the criteria to be accounted for as reinsurance in accordance with FASB ASC Topic *Financial Services - Insurance* have been accounted for at fair value under the fair value option in accordance with FASB ASC Topic *Financial Instruments.*

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Investments, Cash and Cash Equivalents

Fixed Maturity Investments

Investments in fixed maturities are classified as trading and are reported at fair value. Investment transactions are recorded on the trade date with balances pending settlement reflected in the balance sheet as a receivable for investments sold or a payable for investments purchased. Net investment income includes interest and dividend income together with amortization of market premiums and discounts and is net of investment management and custody fees. The amortization of premiums and accretion of discounts for fixed maturity securities is computed using the effective yield method. For mortgage-backed securities and other holdings for which there is prepayment risk, prepayment assumptions are evaluated quarterly and revised as necessary. Any adjustments required due to the change in effective yields and maturities are recognized on a prospective basis through yield adjustments. Fair values of investments are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications and/or internal pricing valuation techniques. The net unrealized appreciation or depreciation on fixed maturity investments trading is included in net realized and unrealized losses on investments in the consolidated statements of operations. Realized gains or losses on the sale of investments are determined on the basis of the first in first out cost method.

Short Term Investments

Short term investments, which are managed as part of the Company's investment portfolio and have a maturity of one year or less when purchased, are carried at fair value. The net unrealized appreciation or depreciation on short term investments is included in net realized and unrealized gains (losses) on investments in the consolidated statements of operations.

Equity Investments, Classified as Trading

Equity investments are accounted for at fair value in accordance with FASB ASC Topic *Financial Instruments.* Fair values are primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. Net investment income includes dividend income and the net realized and unrealized appreciation or depreciation on equity investments is included in net realized and unrealized gains (losses) on investments in the consolidated statements of operations.

Cash and Cash Equivalents

Cash equivalents include money market instruments with a maturity of ninety days or less when purchased.

Derivatives

The Company may enter into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts in order to manage its foreign currency exposure, obtain exposure to a particular financial market or for yield enhancement. The Company accounts for its derivatives in accordance with FASB ASC Topic *Derivatives and Hedging*, which requires all derivatives to be recorded at fair value on the Company's consolidated balance sheet as either assets or liabilities, depending on their rights or obligations, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting. The fair value of the Company's derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, the use of industry or internal valuation models.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Fair Value

The Company accounts for certain of its assets and liabilities at fair value in accordance with FASB ASC Topic *Fair Value Measurements and Disclosures*. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations.

Business Combinations, Goodwill and Other Intangible Assets

The Company accounts for business combinations in accordance with FASB ASC Topic *Business Combinations*, and goodwill and other intangible assets that arise from business combinations in accordance with FASB ASC Topic *Intangibles - Goodwill and Other.* A purchase price that is in excess of the fair value of the net assets acquired arising from a business combination is recorded as goodwill, and is not amortized. Other intangible assets with a finite life are amortized over the estimated useful life of the asset. Other intangible assets with an indefinite useful life are not amortized.

Goodwill and other indefinite life intangible assets are tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Finite life intangible assets are reviewed for indicators of impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable, and tested for impairment if appropriate. For purposes of the annual impairment evaluation, goodwill is assigned to the applicable reporting unit of the acquired entities giving rise to the goodwill.

The Company has established the beginning of the fourth quarter as the date for performing its annual impairment tests. The Company has the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. Under this option, the Company would not be required to calculate the fair value of a reporting unit unless the Company determines, based on its qualitative assessment, that it is more likely than not that a reporting unit's fair value is less than its carrying amount. If goodwill or other intangible assets are impaired, they are written down to their estimated fair value with a corresponding expense reflected in the Company's consolidated statements of operations.

In accordance with FASB ASC Topic *Business Combinations*, transactions between entities under common control are to be initially recognized at GAAP book value by the receiving entity at the transfer date and the financial statements of the receiving entity shall report the results of operations for the period in which the transfer occurs as though the transfer of net assets had occurred at the beginning of the earliest period presented. Financial statements and financial information presented for prior years shall be retrospectively adjusted to furnish comparative information. However, the comparative information shall only be adjusted for periods during which the entities were under common control.

Foreign Exchange

The Company's functional currency is the U.S. dollar. Revenues and expenses denominated in foreign currencies are revalued at the prevailing exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are remeasured at exchange rates in effect at the balance sheet date, which may result in the recognition of exchange gains or losses which are included in the determination of net income.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Taxation

Income taxes have been provided for in accordance with the provisions of FASB ASC Topic *Income Taxes.* Deferred tax assets and liabilities result from temporary differences between the amounts recorded in the consolidated financial statements and the tax basis of the Company's assets and liabilities. Such temporary differences are primarily due to GAAP versus tax basis accounting differences related to insurance adjustments, intangible assets, investments, accrued expenses, along with net operating loss carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance against deferred tax assets is recorded if it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. Uncertain tax positions are also accounted for in accordance with FASB ASC Topic *Income Taxes.* Uncertain tax positions must meet a more-likely-than-not recognition threshold to be recognized.

Recently Adopted Accounting Pronouncements

Disclosures about Short-Duration Contracts

In May 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-09, *Disclosures about Short-Duration Contracts* ("ASU 2015-09"). ASU 2015-09 requires insurance entities to disclose for annual reporting periods additional information about the liability for unpaid claims and claim adjustment expenses, including: (1) incurred and paid claims development information by accident year, on a net basis, for the number of years for which claims incurred typically remain outstanding, not exceeding 10 years; (2) a reconciliation of incurred and paid claims development information to the aggregate carrying amount of the liability for claims and claim adjustment expenses, with separate disclosure of reinsurance recoverable on unpaid claims for each period presented in the statement of financial position; (3) for each accident year presented of incurred claims development information, the total of incurred but not reported liabilities plus expected development on reported claims including in the liability for unpaid claims and claim adjustment expenses, accompanied by a description of the reserving methodologies; (4) for each accident year presented of incurred claims development information, quantitative information about claim frequency accompanied by a qualitative description of methodologies used for determining claim frequency information; and (5) for all claims, the average annual percentage payout of incurred claims by age for the same number of accident years presented in (3) and (4) above. ASU 2015-09 also requires insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including the reasons for the change and the effects on the financial statements. In addition, ASU 2015-09 requires insurance entities to disclose for annual and interim reporting periods a rollforward of the liability for unpaid claims and claim adjustment expenses. ASU 2015-09 became effective for public business entities in annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. For all other entities, ASU 2015-09 became effective for annual periods beginning after December 15, 2016. Early adoption was permitted. ASU 2015-09 should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. The Company adopted ASU 2015-09 effective December 31, 2017. As this guidance is disclosure-related only, the adoption of this guidance did not have a material impact on the Company's consolidated statements of operations and financial position.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Recently Issued Accounting Pronouncements Not Yet Adopted

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 was to be effective for public business entities in annual and interim periods beginning after December 15, 2016, however in July 2015, the FASB decided to defer by one year the effective dates of ASU 2014-09, and as a result, ASU 2014-09 will be effective for public business entities in annual and interim period beginning after December 15, 2017. ASU 2014-09 was to be effective for non-public business entities for fiscal years beginning after December 15, 2017, and interim periods beginning after December 15, 2018, however in July 2015, the FASB decided to defer by one year the effective dates of ASU 2014-09, and as a result, ASU 2014-09 will be effective for non-public business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted only as of a fiscal year beginning after December 15, 2016, and interim periods within fiscal years beginning one year after the fiscal year in which an entity first applies the guidance in ASU 2014-09. ASU 2014-09 notably excludes the accounting for insurance contracts, leases, financial instruments and guarantees. The Company has substantially completed its evaluation of this guidance and it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, simplifies the impairment assessment of equity investments without readily determinable values by requiring a qualitative assessment to identify impairment, eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost, requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the organization has elected to measure the liabilities in accordance with the fair value option, requires the separate presentation of financial assets and financial liabilities by measurement category and for form of financial asset on the consolidated balance sheet or the accompanying notes to the financial statements and clarifies that the reporting organization should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the organization's other deferred tax assets. ASU 2016-01 is effective for public business entities in annual and interim periods beginning after December 15, 2017. For all other entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2018. All entities that are not public business entities may adopt the amendments in ASU 2016-01 earlier as of the fiscal years beginning after December 15, 2017. Earlier adoption is generally not permitted, except for certain specific provisions of ASU 2016-01. The Company has substantially completed its evaluation of this guidance and it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 clarifies the classification of receipts and payments in the statement of cash flows. ASU 2016-15 provides guidance related to (1) settlement and payment of zero coupon debt instruments, (2) contingent consideration, (3) proceeds from settlement of insurance claims, (4) proceeds from settlement of corporate and bank owned life insurance policies, (5) distributions from equity method investees, (6) cash receipts from beneficial interests obtained by a transferor, and (7) general guidelines for cash receipts and payments that have more than one aspect of classification. ASU 2016-15 is effective for public business entities for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. For all other entities, ASU 2016-15 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company has substantially completed its evaluation of this guidance and it is not expected to have a material impact on the Company's consolidated statements of cash flows.

NOTE 3. GOODWILL AND OTHER INTANGIBLE ASSETS

On March 2, 2015, RenaissanceRe acquired 100% of the outstanding common shares of Platinum for $76 per Platinum common share, or aggregate consideration of $1.9 billion. In connection with an internal restructuring, effective July 1, 2015, Platinum was merged with RenaissanceRe, with RenaissanceRe continuing as the surviving company.

Prior to the closing of the acquisition of Platinum, Platinum was a publicly traded company listed on the New York Stock Exchange and headquartered in Bermuda. Platinum, through its wholly owned subsidiaries, provided property and casualty reinsurance coverage through reinsurance brokers to insurers and select reinsurers on a worldwide basis.

In connection with the acquisition of Platinum, RenaissanceRe undertook an internal restructuring and as a result, effective March 2, 2015, Renaissance Reinsurance U.S., a wholly-owned subsidiary of Platinum, became a wholly-owned subsidiary of RenaissanceRe Specialty U.S. The net assets of Renaissance Reinsurance U.S. were transferred to RenaissanceRe Specialty U.S. on March 2, 2015 at GAAP book value and accounted for as a business combination with an entity under common control.

As a result of the acquisition of Platinum, and subsequent internal restructuring, RenaissanceRe allocated goodwill and other intangible assets related to the acquisition of Platinum to Renaissance Reinsurance U.S. Consequently, Renaissance Reinsurance U.S. recognized $29.1 million of identifiable finite lived intangible assets, $8.4 million of identifiable indefinite lived intangible assets and $94.4 million of goodwill primarily attributable to Platinum's assembled workforce and synergies expected to result upon integration of Platinum into RenaissanceRe's operations. These assets were transferred to RenaissanceRe Specialty U.S. in accordance with FASB ASC Topic *Business Combinations* for transactions between entities under common control. There were no adjustments to carried goodwill reflected in the below table during 2017 or 2016.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. GOODWILL AND OTHER INTANGIBLE ASSETS, cont'd.

The following table shows an analysis of goodwill and other intangible assets:

	Goodwill	Other intangible assets	Total
Balance as of December 31, 2015			
Gross amount	$ 94,399	$ 37,472	$ 131,871
Accumulated impairment losses and amortization	—	(11,510)	(11,510)
	94,399	25,962	120,361
Amortization	—	(7,311)	(7,311)
Balance as of December 31, 2016			
Gross amount	94,399	37,472	131,871
Accumulated impairment losses and amortization	—	(18,821)	(18,821)
	94,399	18,651	113,050
Amortization	—	(2,594)	(2,594)
Balance as of December 31, 2017			
Gross amount	94,399	37,472	131,871
Accumulated impairment losses and amortization	—	(21,415)	(21,415)
	$ 94,399	$ 16,057	$ 110,456

The gross carrying value and accumulated amortization by major category of other intangible assets is shown below:

	Other intangible assets		
At December 31, 2017	Gross carrying value	Accumulated amortization and impairment losses	Total
Customer relationships	$ 10,525	$ (2,868)	$ 7,657
Licenses	8,400	—	8,400
Value of business acquired	14,123	(14,123)	—
Software	2,285	(2,285)	—
Covenants not-to-compete	1,900	(1,900)	—
Trade names	239	(239)	—
	$ 37,472	$ (21,415)	$ 16,057

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. GOODWILL AND OTHER INTANGIBLE ASSETS, cont'd.

The remaining useful life of intangible assets with finite lives ranges from 7 to 12 years, with a weighted-average amortization period of 8.5 years. Expected amortization of the other intangible assets is shown below:

2018	$ 1,243
2019	1,182
2020	1,136
2021	1,066
2022	980
2023 and thereafter	2,050
Total remaining amortization expense	7,657
Indefinite lived	8,400
Total	$ 16,057

NOTE 4. INVESTMENTS

Fixed Maturity Investments Trading

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

At December 31,	2017	2016
U.S. treasuries	$ 375,451	$ 335,538
Agencies	5,909	45,448
Municipal	503,307	505,072
Non-U.S. government (Sovereign debt)	54,204	40,601
Non-U.S. government-backed corporate	12,632	1,477
Corporate	184,629	213,289
Agency mortgage-backed	52,835	63,279
Non-agency mortgage-backed	2,172	—
Commercial mortgage-backed	72,493	114,556
Asset-backed	84,933	90,952
Total fixed maturity investments trading	$ 1,348,565	$ 1,410,212

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. INVESTMENTS, cont'd.

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

At December 31, 2017	Amortized Cost	Fair Value
Due in less than one year	$ 96,616	$ 96,369
Due after one through five years	702,693	697,803
Due after five through ten years	268,132	271,662
Due after ten years	69,819	70,298
Mortgage-backed	127,789	127,500
Asset-backed	84,717	84,933
Total	$ 1,349,766	$ 1,348,565

Equity Investments Trading

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

At December 31,	2017	2016
Financials	$ 18,497	$ —
Communications and technology	30,528	—
Industrial, utilities and energy	20,362	—
Consumer	15,232	—
Healthcare	13,182	—
Basic materials	2,911	—
Total	$ 100,712	$ —

Pledged Investments

At December 31, 2017, $257.1 million (2016 - $243.7 million) of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to RenaissanceRe's credit facilities. Of this amount, $3.5 million (2016 - $3.5 million) is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. INVESTMENTS, cont'd.

Net Investment Income

The components of net investment income are as follows:

Year ended December 31,	2017	2016
Fixed maturity investments	$ 28,012	$ 27,123
Short term investments	1,306	451
Equity investments	1,453	—
Cash and cash equivalents	25	55
	30,796	27,629
Investment expenses	(2,230)	(2,400)
Net investment income	$ 28,566	$ 25,229

Net Realized and Unrealized Gains (Losses) on Investments

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

Year ended December 31,	2017	2016
Gross realized gains	$ 4,092	$ 7,855
Gross realized losses	(4,524)	(5,693)
Net realized (losses) gains on fixed maturity investments	(432)	2,162
Net unrealized gains (losses) on fixed maturity investments trading	7,869	(6,285)
Net realized and unrealized gains (losses) on investments-related derivatives	6	(85)
Net realized gains on equity investments trading	108	—
Net unrealized gains on equity investments trading	11,498	—
Net realized and unrealized gains (losses) on investments	$ 19,049	$ (4,208)

NOTE 5. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's consolidated financial statements. Fair value is defined under accounting guidance currently applicable to the Company to be the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations.

FASB ASC Topic *Fair Value Measurements and Disclosures* prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

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

NOTE 5. FAIR VALUE MEASUREMENTS, cont'd.

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

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

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

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

(amounts in tables expressed in thousands of United States Dollars)

NOTE 5. FAIR VALUE MEASUREMENTS, cont'd.

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

At December 31, 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 375,451	$ 375,451	$ —	$ —
Agencies	5,909	—	5,909	—
Municipal	503,307	—	503,307	
Non-U.S. government (Sovereign debt)	54,204	—	54,204	—
Non-U.S. government-backed corporate	12,632	—	12,632	—
Corporate	184,629	—	184,629	—
Agency mortgage-backed	52,835	—	52,835	—
Non-agency mortgage-backed	2,172	—	2,172	—
Commercial mortgage-backed	72,493	—	72,493	—
Asset-backed	84,933	—	84,933	—
Total fixed maturity investments	1,348,565	375,451	973,114	—
Short term investments	72,438	—	72,438	—
Other assets and liabilities (1)	843	(4)	—	847
	$ 1,421,846	$ 375,447	$ 1,045,552	$ 847

At December 31, 2016	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 335,538	$ 335,538	$ —	$ —
Agencies	45,448	—	45,448	—
Municipal	505,072	—	505,072	
Non-U.S. government (Sovereign debt)	40,601	—	40,601	—
Non-U.S. government-backed corporate	1,477	—	1,477	—
Corporate	213,289	—	213,289	—
Agency mortgage-backed	63,279	—	63,279	—
Commercial mortgage-backed	114,556	—	114,556	—
Asset-backed	90,952	—	90,952	—
Total fixed maturity investments	1,410,212	335,538	1,074,674	—
Short term investments	85,615	—	85,615	—
Other liabilities (1)	(571)	3	—	(574)
	$ 1,495,256	$ 335,541	$ 1,160,289	$ (574)

(1) Included in other assets and liabilities at December 31, 2017 are assets of $0.8 million related to the fair value of an assumed reinsurance contract and liabilities of $4 thousand related to the fair value of derivative contracts (2016 - assets of $0.6 million and liabilities of $3 thousand, respectively) . See "Note 12. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

NOTE 5. FAIR VALUE MEASUREMENTS, cont'd.

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

Fixed Maturity Investments

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

The Company's fixed maturity investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing; however, models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third-party data. Securities which are priced by an index provider are generally included in the index.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets.

The Company considers these Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

U.S. treasuries

Level 1 - At December 31, 2017, the Company's U.S. treasuries fixed maturity investments were primarily priced by pricing services and had a weighted average effective yield of 1.9% and a weighted average credit quality of AA (2016 - 1.3% and AA, respectively). When pricing these securities, the vendor services utilize daily data from many real time market sources, including active broker dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

Agencies

Level 2 - At December 31, 2017, the Company's agency fixed maturity investments had a weighted average effective yield of 2.2% and a weighted average credit quality of AA (2016 - 2.4% and AA, respectively). The issuers of the Company's agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

NOTE 5. FAIR VALUE MEASUREMENTS, cont'd.

Municipal

Level 2 - At December 31, 2017, the Company's municipal fixed maturity investments had a weighted average effective yield of 2.2% and a weighted average credit quality of AA (2016 - 2.3% and AA, respectively). The Company's municipal fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information regarding the security from third party sources such as trustees, paying agents or issuers. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread over widely accepted market benchmarks.

Non-U.S. government (Sovereign debt)

Level 2 - At December 31, 2017, the Company's non-U.S. government fixed maturity investments had a weighted average effective yield of 1.9% and a weighted average credit quality of AAA (2016 - 1.2% and AAA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Non-U.S. government-backed corporate

Level 2 - At December 31, 2017, the Company's non-U.S. government-backed corporate fixed maturity investments had a weighted average effective yield of 2.5% and a weighted average credit quality of AA (2016 - 1.6% and AAA, respectively). Non-U.S. government-backed fixed maturity investments are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Corporate

Level 2 - At December 31, 2017, the Company's corporate fixed maturity investments principally consist of U.S. and international corporations and had a weighted average effective yield of 2.6% and a weighted average credit quality of A (2016 - 2.4% and A, respectively). The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

NOTE 5. FAIR VALUE MEASUREMENTS, cont'd.

Agency mortgage-backed

Level 2 - At December 31, 2017, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average effective yield of 3.0%, a weighted average credit quality of AA and a weighted average life of 6.1 years (2016 - 2.9%, AA and 6.2 years, respectively). The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes.

Non-agency mortgage-backed

Level 2 - The Company's non-agency mortgage-backed fixed maturity investments included non-agency prime residential mortgage-backed and non-agency Alt-A fixed maturity investments. The Company has no fixed maturity investments that were classified as sub-prime at the time of purchase held in its fixed maturity investments portfolio. At December 31, 2017, the Company's non-agency prime residential mortgage-backed fixed maturity investments had a weighted average effective yield of 9.2%, a weighted average credit quality of non-investment grade and a weighted average life of 6.7 years. At December 31, 2017, the Company's non-agency Alt-A fixed maturity investments had a weighted average effective yield of 2.6%, a weighted average credit quality of AAA and a weighted average life of 3.0 years. At December 31, 2016, the Company did not hold any non-agency prime or non-agency Alt-A residential mortgage-backed fixed maturity investments. Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

Commercial mortgage-backed

Level 2 - At December 31, 2017, the Company's commercial mortgage-backed fixed maturity investments had a weighted average effective yield of 2.8%, a weighted average credit quality of AAA and a weighted average life of 4.6 years (2016 - 2.7%, AAA and 4.3 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bid and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 5. FAIR VALUE MEASUREMENTS, cont'd.

Asset-backed

Level 2 - At December 31, 2017, the Company's asset-backed fixed maturity investments had a weighted average effective yield of 3.0%, a weighted average credit quality of AAA and a weighted average life of 3.1 years (2016 - 2.5%, AAA and 2.8, respectively). The underlying collateral for the Company's asset-backed fixed maturity investments primarily consists of student loans, credit card receivables, auto loans and other receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short Term Investments

Level 2 - At December 31, 2017, the Company's short term investments had a weighted average effective yield of 1.4% and a weighted average credit quality of AAA (2016 - 0.8% and AAA, respectively). The fair value of the Company's portfolio of short term investments is generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company's fixed maturity investments noted above.

Other Assets and Liabilities

Derivatives

Level 1 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value of these transactions includes certain exchange traded futures contracts which are considered Level 1.

Level 3 Assets and Liabilities Measured at Fair Value

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

At December 31, 2017	Fair Value (Level 3)	Valuation Technique	Unobservable (U) and Observable (O) Inputs	Low	High	Weighted Average or Actual
Assumed reinsurance contracts	$ 847	Internal valuation model	Bond price (O)	$101.53	$111.56	$107.15
			Liquidity discount (U)	n/a	n/a	1.3%

(amounts in tables expressed in thousands of United States Dollars)

NOTE 5. FAIR VALUE MEASUREMENTS, cont'd.

Other liabilities

Assumed reinsurance contracts

Level 3 - At December 31, 2017 the Company had a $0.8 million net asset related to an assumed reinsurance contract accounted for at fair value, with the fair value obtained through the use of an internal valuation model. The inputs to the internal valuation model are principally based on indicative pricing obtained from independent brokers and pricing vendors for similarly structured marketable securities. The most significant unobservable inputs include prices for similar marketable securities and a liquidity premium. The Company considers the prices for similar securities to be unobservable, as there is little, if any market activity for these similar assets. In addition, the Company has estimated a liquidity premium that would be required if the Company attempted to effectively exit its position by executing a short sale of these securities. Generally, an increase in the prices for similar marketable securities or a decrease in the liquidity premium would result in an increase in the expected profit and ultimate fair value of this assumed reinsurance contract.

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

	Other assets (liabilities)
Balance - January 1, 2016	$ (1,270)
Total realized gains	
Included in other income	696
Balance - December 31, 2016	$ (574)

	Other assets (liabilities)
Balance - January 1, 2017	$ (574)
Total realized gains	
Included in other income	1,421
Balance - December 31, 2017	$ 847

Financial Instruments Disclosed, But Not Carried, at Fair Value

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

(amounts in tables expressed in thousands of United States Dollars)

NOTE 5. FAIR VALUE MEASUREMENTS, cont'd.

The Fair Value Option for Financial Assets and Financial Liabilities

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

At December 31,	2017	2016
Other assets (liabilities)	$ 847	$ (574)

Net unrealized losses related to the changes in the fair value of other liabilities recorded in other income was $Nil for the year ended December 31, 2017 (2016 - $Nil).

NOTE 6. REINSURANCE

The Company purchases reinsurance and other products to manage its risk portfolio and to reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions or on a proportional basis. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts provide for payments of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to the respective reinsurance contracts. See "Note 8. Related Party Transaction and Major Customers" for information related to intercompany reinsurance agreements in place. The Company remains liable to the extent that any reinsurer fails to meet its obligations.

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

Year ended December 31,	2017	2016
Premiums written		
Assumed	$ 757,154	$ 577,975
Ceded	(316,635)	(302,703)
Net premiums written	$ 440,519	$ 275,272
Premiums earned		
Assumed	$ 698,101	$ 531,633
Ceded	(375,824)	(236,821)
Net premiums earned	$ 322,277	$ 294,812
Claims and claim expenses		
Gross claims and claim expenses incurred	$ 615,385	$ 332,019
Claims and claim expenses recovered	(371,742)	(164,701)
Net claims and claim expenses incurred	$ 243,643	$ 167,318

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. REINSURANCE, cont'd.

At December 31, 2017, the Company's reinsurance recoverable balance was \$594.3 million (2016 - \$336.2 million). Of this amount, 24.8% is fully collateralized by the Company's reinsurers and the remaining 75.2% is recoverable from reinsurers rated A- or higher by major rating agencies (2016 - 7.4% and 92.6%, respectively). The reinsurers with the three largest balances accounted for 60.3%, 8.4% and 7.4%, respectively, of the Company's reinsurance recoverable balance at December 31, 2017 (2016 - 76.3%, 7.9% and 6.8%, respectively). The valuation allowance recorded against reinsurance recoverable was \$0.8 million at December 31, 2017 (2016 - \$1.4 million). The three largest company-specific components of the valuation allowance represented 19.1%, 18.3% and 17.2% of the Company's total valuation allowance at December 31, 2017.

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES

General Description

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

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

At December 31, 2017	Case Reserves	Additional Case Reserves	IBNR	Total
Property	\$ 50,530	\$ 8,886	\$ 140,334	\$ 199,750
Casualty and Specialty	369,676	21,151	852,614	1,243,441
Total	\$ 420,206	\$ 30,037	\$ 992,948	\$ 1,443,191
At December 31, 2016				
Property	\$ 25,253	\$ 1,341	\$ 27,402	\$ 53,996
Casualty and Specialty	338,187	17,772	763,263	1,119,222
Total	\$ 363,440	\$ 19,113	\$ 790,665	\$ 1,173,218

(amounts in tables expressed in thousands of United States Dollars)

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

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

Year ended December 31,	2017	2016
Net reserves as of January 1	$ 836,988	$ 870,716
Net incurred related to:		
Current year	285,016	193,614
Prior years	(41,373)	(26,296)
Total net incurred	243,643	167,318
Net paid related to:		
Current year	61,196	33,318
Prior years	171,093	167,728
Total net paid	232,289	201,046
Foreign exchange	530	—
Net reserves as of December 31	848,872	836,988
Reinsurance recoverable as of December 31	594,319	336,230
Gross reserves as of December 31	$ 1,443,191	$ 1,173,218

The Company's reserving methodology for each line of business uses a loss reserving process that calculates a point estimate for its ultimate settlement and administration costs for claims and claim expenses. The Company does not calculate a range of estimates and does not discount any of its reserves for claims and claim expenses. The Company uses this point estimate, along with paid claims and case reserves, to record its best estimate of additional case reserves and IBNR in its consolidated financial statements. Under GAAP, the Company is not permitted to establish estimates for catastrophe claims and claim expense reserves until an event occurs that gives rise to a loss.

Reserving for reinsurance claims involves other uncertainties, such as the dependence on information from ceding companies, the time lag inherent in reporting information from the primary insurer to the Company or to the Company's ceding companies, and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of bordereaux, broker notifications of loss and/or discussions with ceding companies or their brokers. This information may be received on a monthly, quarterly or transactional basis and normally includes paid claims and estimates of case reserves. The Company sometimes also receives an estimate or provision for IBNR. This information is often updated and adjusted from time to time during the loss settlement period as new data or facts in respect of initial claims, client accounts, industry or event trends may be reported or emerge in addition to changes in applicable statutory and case laws.

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The Company's estimates of losses from large events are based on factors including currently available information derived from claims information from certain customers and brokers, industry assessments of losses from the events, proprietary models, and the terms and conditions of the Company's contracts. The uncertainty of the Company's estimates for large events is also impacted by the preliminary nature of the information available, the magnitude and relative infrequency of the events, the expected duration of the respective claims development period, inadequacies in the data provided to the relevant date by industry participants and the potential for further reporting lags or insufficiencies; and in certain large events, significant uncertainty as to the form of the claims and legal issues, under the relevant terms of insurance and reinsurance contracts. In addition, a significant portion of the net claims and claim expenses associated with certain large events can be concentrated with a few large clients and therefore the loss estimates for these events may vary significantly based on the claims experience of those clients. The contingent nature of business interruption and other exposures will also impact losses in a meaningful way, which may give rise to significant complexity in respect of claims handling, claims adjustment and other coverage issues, over time.

Given the magnitude of certain events, there can be meaningful uncertainty regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying the Company's loss estimates. Loss reserve estimation in respect of the Company's retrocessional contracts poses further challenges compared to directly assumed reinsurance. In addition, the Company's actual net losses from these events may increase if the Company's reinsurers or other obligors fail to meet their obligations.

Because of the inherent uncertainties discussed above, the Company has developed a reserving philosophy that attempts to incorporate prudent assumptions and estimates, and the Company has generally experienced favorable net development on prior accident years net claims and claim expenses in the last several years. However, there is no assurance that this favorable development on prior accident years net claims and claim expenses will occur in future periods.

The Company establishes a provision for unallocated loss adjustment expenses ("ULAE") when the related reserve for claims and claim expenses is established. ULAE are expenses that cannot be associated with a specific claim but are related to claims paid or in the process of settlement, such as internal costs of the claims function, and are included in the reserve for claims and claim expenses. The determination of the ULAE provision is subject to judgment.

The Company reevaluates its actuarial reserving techniques on a periodic basis. Typically, the quarterly review procedures include reviewing paid and reported claims in the most recent reporting period, reviewing the development of paid and reported claims from prior periods, and reviewing the Company's overall experience by underwriting year and in the aggregate. The Company monitors its expected ultimate claims and claim expense ratios and expected claims reporting assumptions on a quarterly basis and compares them to its actual experience. These actuarial assumptions are generally reviewed annually, based on input from the Company's actuaries, underwriters, claims personnel and finance professionals, although adjustments may be made more frequently if needed. Assumption changes are made to adjust for changes in the pricing and terms of coverage the Company provides, changes in industry results for similar business, as well as its actual experience to the extent the Company has enough data to rely on its own experience. If the Company determines that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified.

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Incurred and Paid Claims Development and Reserving Methodology

The information provided herein about incurred and paid accident year claims development for the years ended prior to December 31, 2017 on a consolidated basis and by main class of business is presented as supplementary information. The Company applied a retrospective approach with respect to the acquisition of Platinum, presenting all relevant historical information for all periods presented. In addition, included in the incurred claims and claim expenses and cumulated paid claims and claim expenses tables below is a reconciling item that represents the unamortized balance of fair value adjustments recorded in connection with the acquisition of Platinum to reflect an increase in net claims and claim expenses due to the addition of a market based risk margin that represented the cost of capital required by a market participant to assume the net claims and claim expenses of Platinum.

For incurred and paid accident year claims denominated in foreign currency, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table details the Company's consolidated incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2017, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										At December 31, 2017
	For the year ended December 31,										
Accident Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**IBNR and ACR**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2008	$ 422,650	$ 448,646	$ 436,802	$ 431,661	$ 411,991	$ 405,714	$ 400,118	$ 397,040	$ 394,221	$ 390,524	$ 15,854
2009	—	436,542	420,023	421,514	400,771	381,989	364,606	356,700	350,205	351,782	11,161
2010	—	—	314,611	329,749	322,538	296,719	282,073	271,265	265,541	261,957	15,392
2011	—	—	—	318,921	325,447	307,653	295,795	291,439	289,342	283,596	13,655
2012	—	—	—	—	291,067	286,642	282,640	279,341	275,033	287,334	31,064
2013	—	—	—	—	—	244,995	239,681	225,417	215,720	210,523	38,250
2014	—	—	—	—	—	—	255,839	255,994	248,125	227,132	60,840
2015	—	—	—	—	—	—	—	232,827	250,031	244,587	78,787
2016	—	—	—	—	—	—	—	—	187,426	177,166	89,588
2017	—	—	—	—	—	—	—	—	—	283,107	225,755
Total										$ 2,717,708	$ 580,346

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 53,827	$ 233,418	$ 283,474	$ 303,289	$ 330,298	$ 348,375	$ 341,639	$ 355,823	$ 366,507	$ 372,144
2009	—	48,728	178,133	212,435	241,524	264,501	291,875	307,008	311,167	316,127
2010	—	—	49,908	120,791	148,394	168,429	184,911	221,105	227,293	234,330
2011	—	—	—	70,590	141,132	171,552	194,625	220,444	233,402	244,952
2012	—	—	—	—	70,630	122,452	153,182	184,082	201,384	231,000
2013	—	—	—	—	—	46,382	86,954	113,141	133,164	152,021
2014	—	—	—	—	—	—	59,478	93,615	121,302	140,561
2015	—	—	—	—	—	—	—	44,603	88,688	124,118
2016	—	—	—	—	—	—	—	—	31,267	56,266
2017	—	—	—	—	—	—	—	—	—	61,296
Total										$ 1,932,815
Outstanding liabilities from accident year 2007 and prior, net of reinsurance										50,928
Adjustment for unallocated claim expenses										7,212
Unamortized fair value adjustments in connection with the acquisition of Platinum										5,839
Liability for claims and claim expenses, net of reinsurance										$ 848,872

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Property Main Class of Business

Within the Property main class of business, the Company principally writes property catastrophe excess of loss reinsurance contracts to insure insurance and reinsurance companies against natural and man-made catastrophes. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from a single occurrence of a covered peril exceeds the attachment point specified in the contract, up to an amount per loss specified in the contract. The Company's most significant exposure is to losses from hurricanes, earthquakes and other windstorms, although the Company is also exposed to claims arising from other catastrophes, such as tsunamis, winter storms, freezes, floods, fires, tornadoes, explosions and acts of terrorism. The Company's predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered under the Company's catastrophe contracts when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas. Coverage can also vary from “all property” perils to limited coverage on selected perils, such as “earthquake only” coverage. The Company also enters into retrocessional contracts that provide property catastrophe coverage to other reinsurers or retrocedants. This coverage is generally in the form of excess of loss retrocessional contracts and may cover all perils and exposures on a worldwide basis or be limited in scope to selected geographic areas, perils and/or exposures. The exposures the Company assumes from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company also offers dual trigger reinsurance contracts which require the Company to pay claims based on claims incurred by insurers and reinsurers in addition to the estimate of insured industry losses as reported by referenced statistical reporting agencies.

Also included in the Property main class of business is property per risk, property (re)insurance, binding facilities and regional U.S. multi-line reinsurance. The Company's predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas. The exposures assumed from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company offers these products principally through proportional coverage. In a proportional reinsurance arrangement (also referred to as quota share reinsurance or pro rata reinsurance), the reinsurer shares a proportional part of the original premiums and losses of the reinsured.

Claims and claim expenses in the Company's Property main class of business are generally characterized by loss events of low frequency and high severity. Initial reporting of paid and incurred claims in general, tends to be relatively prompt. The Company considers this business “short-tail” as compared to the reporting of claims for “long-tail” products, which tends to be slower. However, the timing of claims payment and reporting also varies depending on various factors, including: whether the claims arise under reinsurance of primary insurance companies or reinsurance of other reinsurance companies; the nature of the events (e.g., hurricanes, earthquakes or terrorism); the geographic area involved; post-event inflation which may cause the cost to repair damaged property to increase significantly from current estimates, or for property claims to remain open for a longer period of time, due to limitations on the supply of building materials, labor and other resources; complex policy coverage and other legal issues; and the quality of each client’s claims management and reserving practices. Management’s judgments regarding these factors are reflected in the Company's reserve for claims and claim expenses.

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Reserving for most of the Company's Property main class of business generally does not involve the use of traditional actuarial techniques. Rather, claims and claim expense reserves are estimated by management after a catastrophe occurs by completing an in-depth analysis of the individual contracts which may potentially be impacted by the catastrophic event. The in-depth analysis generally involves: 1) estimating the size of insured industry losses from the catastrophic event; 2) reviewing reinsurance contract portfolios to identify contracts which are exposed to the catastrophic event; 3) reviewing information reported by customers and brokers; 4) discussing the event with customers and brokers; and 5) estimating the ultimate expected cost to settle all claims and administrative costs arising from the catastrophic event on a contract-by-contract basis and in aggregate for the event. Once an event has occurred, during the then current reporting period, the Company records its best estimate of the ultimate expected cost to settle all claims arising from the event. The Company's estimate of claims and claim expense reserves is then determined by deducting cumulative paid losses from its estimate of the ultimate expected loss for an event. The Company's estimate of IBNR is determined by deducting cumulative paid losses, case reserves and additional case reserves from its estimate of the ultimate expected loss for an event. Once the Company receives a valid notice of loss or payment request under a catastrophe reinsurance contract, it is generally able to process and pay such claims promptly.

Because the events from which claims arise under policies written within the Property main class of business are typically prominent, public occurrences such as hurricanes and earthquakes, the Company is often able to use independent reports as part of its loss reserve estimation process. The Company also reviews catastrophe bulletins published by various statistical reporting agencies to assist in determining the size of the industry loss, although these reports may not be available for some time after an event.

For smaller events including localized severe weather events such as windstorms, hail, ice, snow, flooding, freezing and tornadoes, which are not necessarily prominent, public occurrences, the Company initially places greater reliance on catastrophe bulletins published by statistical reporting agencies to assist in determining what events occurred during the reporting period than the Company does for large events. This includes reviewing catastrophe bulletins published by Property Claim Services for U.S. catastrophes. The Company sets its initial estimates of reserves for claims and claim expenses for these smaller events based on a combination of its historical market share for these types of losses and the estimate of the total insured industry property losses as reported by statistical reporting agencies, although management may make significant adjustments based on the Company's current exposure to the geographic region involved as well as the size of the loss and the peril involved. This approach supplements the Company's approach for estimating losses for larger catastrophes, which as discussed above, includes discussions with brokers and ceding companies and reviewing individual contracts impacted by the event. Approximately one year from the date of loss for these small events, the Company typically estimates IBNR for these events by using the paid Bornhuetter-Ferguson actuarial method. The loss development factors for the paid Bornhuetter-Ferguson actuarial method are selected based on a review of the Company's historical experience. There were no significant changes to the Company's paid loss development factors over the last three years.

In general, reserves for the Company's more recent reinsured catastrophic events are subject to greater uncertainty and, therefore, greater potential variability, and are likely to experience material changes from one period to the next. This is due to the uncertainty as to the size of the industry losses from the event, uncertainty as to which contracts have been exposed to the catastrophic event, uncertainty due to complex legal and coverage issues that can arise out of large or complex catastrophic events, and uncertainty as to the magnitude of claims incurred by the Company's customers. As the Company's claims age, more information becomes available and the Company believes its estimates become more certain.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table details the Company's Property main class of business incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2017, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										
	For the year ended December 31,										At December 31, 2017
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2008	$ 96,954	$ 88,139	$ 69,653	$ 67,108	$ 62,828	$ 61,568	$ 60,950	$ 55,641	$ 60,792	$ 59,724	$ 10
2009	—	59,285	42,842	40,764	39,221	38,511	38,163	38,045	37,977	37,758	3
2010	—	—	46,069	38,880	37,026	36,033	35,706	35,684	35,702	35,530	59
2011	—	—	—	61,627	54,214	52,850	51,516	50,475	50,138	49,946	98
2012	—	—	—	—	48,871	37,192	34,604	34,144	34,492	34,328	553
2013	—	—	—	—	—	34,594	33,308	32,659	28,928	28,479	184
2014	—	—	—	—	—	—	42,589	38,854	38,291	37,590	639
2015	—	—	—	—	—	—	—	36,650	36,721	35,168	600
2016	—	—	—	—	—	—	—	—	30,302	24,208	4,087
2017	—	—	—	—	—	—	—	—	—	103,510	71,127
Total										$ 446,241	$ 77,360

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 37,434	$ 77,756	$ 89,247	$ 76,781	$ 80,147	$ 81,781	$ 60,273	$ 59,399	$ 61,024	$ 61,080
2009	—	18,471	29,975	35,169	36,125	36,669	37,696	37,639	37,601	37,619
2010	—	—	16,792	29,952	33,249	34,862	35,302	35,439	35,538	35,558
2011	—	—	—	29,340	42,941	46,715	49,285	49,953	49,939	50,014
2012	—	—	—	—	18,947	26,937	31,019	32,683	33,234	33,281
2013	—	—	—	—	—	13,793	24,720	27,476	28,685	29,077
2014	—	—	—	—	—	—	19,091	28,188	33,092	34,764
2015	—	—	—	—	—	—	—	17,585	28,070	31,409
2016	—	—	—	—	—	—	—	—	12,357	14,911
2017	—	—	—	—	—	—	—	—	—	46,496
Total										$ 374,209
Outstanding liabilities from accident year 2007 and prior, net of reinsurance										956
Adjustment for unallocated claim expenses										833
Unamortized fair value adjustments recorded in connection with the acquisition of Platinum										217
Liability for claims and claim expenses, net of reinsurance										$ 74,038

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Casualty and Specialty Main Class of Business

The Company offers its casualty and specialty reinsurance products principally on a proportional basis, and it also provides excess of loss coverage. The Company offers casualty and specialty reinsurance products to insurance and reinsurance companies and provides coverage for specific geographic regions or on a worldwide basis. Principally all of the business is reinsurance, although from time to time, the Company writes insurance business.

As with the Company's Property main class of business, its Casualty and Specialty main class of business reinsurance contracts can include coverage for relatively large limits or exposures. As a result, the Company's casualty and specialty reinsurance business can be subject to significant claims volatility. In periods of low claims frequency or severity, the Company's results will generally be favorably impacted while in periods of high claims frequency or severity the Company's results will generally be negatively impacted.

More recently, the Company has accepted a wider range of proportional risks, facilitating the Company's efforts to expand its product offerings. While the Company remains focused on underwriting discipline, and seeks to remain focused on opportunities amenable to stochastic representation and supported by strong data and analytics, the Company's expanded casualty and specialty product suite and the addition of the claims and claim expense reserves acquired through the Platinum transaction, may pose new, unmodelled or unforeseen risks for which the Company may not be adequately compensated and may also result in a higher level of attritional claims and claim expenses and the potential for reserve development, either adverse or favorable.

The Company's processes and methodologies in respect of loss estimation for the coverages offered through its Casualty and Specialty main class of business differ from those used for its Property main class of business. For example, the Company's casualty and specialty coverages are more likely to be impacted by factors such as long-term inflation and changes in the social and legal environment, which the Company believes gives rise to greater uncertainty in its reserves for claims and claim expenses. Moreover, in many lines of business the Company does not have the benefit of a significant amount of its own historical experience and may have little or no related corporate reserving history in many of its newer or growing lines of business. The Company believes this makes its Casualty and Specialty main class of business reserving subject to greater uncertainty than its Property main class of business.

The Company calculates multiple point estimates for claims and claim expense reserves using a variety of actuarial reserving techniques for many, but not all, of its classes of business for each underwriting year within the Casualty and Specialty main class of business. The Company does not believe that these multiple point estimates are, or should be considered a range. Rather, the Company considers each class of business and determines the most appropriate point estimate for each underwriting year based on the characteristics of the particular class including: (1) loss development patterns derived from historical data; (2) the credibility of the selected loss development pattern; (3) the stability of the loss development patterns; (4) how developed the underwriting year is; and (5) the observed loss development of other underwriting years for the same class. The Company also considers other relevant factors, including: (1) historical ultimate loss ratios; (2) the presence of individual large losses; and (3) known occurrences that have not yet resulted in reported losses. The Company makes determinations of the most appropriate point estimate of loss for each class based on an evaluation of relevant information and do not ascribe any particular portion of the estimate to a particular factor or consideration. In addition, the Company believes that a review of individual contract information improves the loss estimates for some classes of business.

When developing claims and claims expense reserves for the Company's Casualty and Specialty main class of business, it considers several actuarial techniques such as the expected loss ratio method, the Bornhuetter-Ferguson actuarial method and the paid and reported chain ladder actuarial method.

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

For classes of business and underwriting years where the Company has limited historical claims experience, estimates of ultimate losses that are not related to a specific event are generally initially determined based on the loss ratio method applied to each underwriting year and to each class of business. Unless the Company has credible claims experience or unfavorable development, it generally selects an ultimate loss based on its initial view of the loss. The selected ultimate losses are determined by multiplying the initial expected loss ratio by the earned premium. The initial expected loss ratios are key inputs that involve management judgment and are based on a variety of factors, including: (1) contract by contract expected loss ratios developed during the Company's pricing process; (2) historical loss ratios and combined ratios adjusted for rate change and trend; and (3) industry benchmarks for similar business. These judgments take into account management's view of past, current and future factors that may influence ultimate losses, including: (1) market conditions; (2) changes in the business underwritten; (3) changes in timing of the emergence of claims; and (4) other factors that may influence ultimate loss ratios and losses.

The determination of when reported losses are sufficient and credible to warrant selection of an ultimate loss ratio different from the initial expected loss ratios also requires judgment. The Company generally makes adjustments for reported loss experience indicating unfavorable variances from initial expected loss ratios sooner than reported loss experience indicating favorable variances. This is because the reporting of losses in excess of expectations tends to have greater credibility than an absence or lower than expected level of reported losses. Over time, as a greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are typically based on the Bornhuetter-Ferguson actuarial method or the reported chain ladder actuarial method.

The Bornhuetter-Ferguson method allows for greater weight to be applied to expected results in periods where little or no actual experience is available, and, hence, is less susceptible to the potential pitfall of being excessively swayed by one year or one quarter of actual paid and/or reported loss data, compared to the chain ladder actuarial method. The Bornhuetter-Ferguson method uses initial expected loss ratio expectations to the extent that the expected paid or reported losses are zero, and it assumes that past experience is not fully representative of the future. As the Company's reserves for claims and claim expenses age, and actual claims experience becomes available, this method places less weight on expected experience and places more weight on actual experience. This experience, which represents the difference between expected reported claims and actual reported claims, is reflected in the respective reporting period as a change in estimate. The utilization of the Bornhuetter-Ferguson method requires the Company to estimate an expected ultimate claims and claim expense ratio and select an expected loss reporting pattern. The Company selects its estimates of the expected ultimate claims and claim expense ratios as described above and selects its expected loss reporting patterns by utilizing actuarial analysis, including management's judgment, and historical patterns of paid losses and reporting of case reserves to the Company, as well as industry loss development patterns. The estimated expected claims and claim expense ratio may be modified to the extent that reported losses at a given point in time differ from what would be expected based on the selected loss reporting pattern.

The reported chain ladder actuarial method utilizes actual reported losses and a loss development pattern to determine an estimate of ultimate losses that is independent of the initial expected ultimate loss ratio and earned premium. The Company believes this technique is most appropriate when there are a large number of reported losses with significant statistical credibility and a relatively stable loss development pattern. Information that may cause future loss development patterns to differ from historical loss development patterns is considered and reflected in the Company's selected loss development patterns as appropriate. For certain reinsurance contracts, historical loss development patterns may be developed from ceding company data or other sources.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

In addition, certain casualty and specialty coverages may be impacted by natural and man-made catastrophes. The Company estimates reserves for claim and claim expenses for these losses after the event giving rise to these losses occurs, following a process that is similar to its Property main class of business described above.

The following table details the Company's Casualty and Specialty main class of business incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2017, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										
	For the year ended December 31,										At December 31, 2017
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2008	$ 325,696	$ 360,507	$ 367,149	$ 364,553	$ 349,163	$ 344,146	$ 339,168	$ 341,399	$ 333,429	$ 330,800	$ 15,844
2009	—	377,257	377,181	380,750	361,550	343,478	326,443	318,655	312,228	314,024	11,158
2010	—	—	268,542	290,869	285,512	260,686	246,367	235,581	229,839	226,427	15,333
2011	—	—	—	257,294	271,233	254,803	244,279	240,964	239,204	233,650	13,557
2012	—	—	—	—	242,196	249,450	248,036	245,197	240,541	253,006	30,511
2013	—	—	—	—	—	210,401	206,373	192,758	186,792	182,044	38,066
2014	—	—	—	—	—	—	213,250	217,140	209,834	189,542	60,201
2015	—	—	—	—	—	—	—	196,177	213,310	209,419	78,187
2016	—	—	—	—	—	—	—	—	157,124	152,958	85,501
2017	—	—	—	—	—	—	—	—	—	179,597	154,628
Total										$ 2,271,467	$ 502,986

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2008	$ 16,393	$ 155,662	$ 194,227	$ 226,508	$ 250,151	$ 266,594	$ 281,366	$ 296,424	$ 305,483	$ 311,064
2009	—	30,257	148,158	177,266	205,399	227,832	254,179	269,369	273,566	278,508
2010	—	—	33,116	90,839	115,145	133,567	149,609	185,666	191,755	198,772
2011	—	—	—	41,250	98,191	124,837	145,340	170,491	183,463	194,938
2012	—	—	—	—	51,683	95,515	122,163	151,399	168,150	197,719
2013	—	—	—	—	—	32,589	62,234	85,665	104,479	122,944
2014	—	—	—	—	—	—	40,387	65,427	88,210	105,797
2015	—	—	—	—	—	—	—	27,018	60,618	92,709
2016	—	—	—	—	—	—	—	—	18,910	41,355
2017	—	—	—	—	—	—	—	—	—	14,800
Total										$ 1,558,606
Outstanding liabilities from accident year 2007 and prior, net of reinsurance										49,972
Adjustment for unallocated claim expenses										6,379
Unamortized fair value adjustments recorded in connection with the acquisition of Platinum										5,622
Liability for claims and claim expenses, net of reinsurance										$ 774,834

(amounts in tables expressed in thousands of United States Dollars)

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

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

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

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

Year ended December 31,	2017	2016
	(Favorable) adverse development	(Favorable) adverse development
Property	$ (8,099)	$ (3,855)
Casualty and Specialty	(33,274)	(22,441)
Total favorable development of prior accident years net claims and claim expenses	$ (41,373)	$ (26,296)

Changes to prior year estimated claims reserves increased the Company's net income by $41.4 million during 2017 (2016 - $26.3 million), excluding the consideration of changes in reinstatement, adjustment or other premium changes, profit commissions and income tax.

The favorable development on prior accident years net claims and claim expenses of $41.4 million for the year ended December 31, 2017 (2016 - $26.3 million) was principally the result of the application of the Company's formulaic actuarial reserving methodology with attritional net claims and claim expenses reported coming in lower than expected on prior accident years events and net favorable development of $5.8 million associated with actuarial assumption changes (2016 - $4.8 million).

(amounts in tables expressed in thousands of United States Dollars)

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Reserve for Claims and Claim Expenses

The reconciliation of the net incurred and paid claims development tables to the reserve for claims and claim expenses in the consolidated balance sheet is as follows:

At December 31, 2017	
Net reserve for claims and claim expenses	
Property	$ 74,038
Casualty and Specialty	774,834
Total net reserve for claims and claim expenses	848,872
Reinsurance recoverable	
Property	$ 125,712
Casualty and Specialty	468,607
Total reinsurance recoverable	594,319
Total gross reserve for claims and claim expenses	$ 1,443,191

Historical Claims Duration

The following is unaudited supplementary information about average historical claims duration by main class of business:

	Average annual percentage payout of incurred claims by age, net of reinsurance (number of years)									
At December 31, 2017	1	2	3	4	5	6	7	8	9	10
Property	51.6%	34.9%	12.2%	(1.0)%	2.4%	1.3%	(11.7)%	(0.7)%	1.7%	0.1%
Casualty and Specialty	13.5%	25.2%	11.5%	9.5 %	8.0%	8.9%	4.3 %	3.0 %	2.2%	1.7%

The negative average annual percentage payout of incurred claims by age, net of reinsurance noted in the table above are principally due to certain event specific reinsurance recoverables being paid to the Company in a year subsequent to the year whereby the related assumed claims and claim expenses was paid by the Company.

Claims Frequency

Each of the Company's main classes of business are broadly considered to be assumed reinsurance, where multiple claims are often aggregated, perhaps multiple times through retrocessional reinsurance, before ultimately being ceded to the Company. In addition, the nature, size, terms and conditions of contracts entered into by the Company changes from one accident year to the next and the quantum of contractual or policy limits, and accordingly the potential amount of claims and claim expenses associated with a reported claim, can range from nominal, to significant. These factors can impact the amount and timing of the claims and claim expenses to be recorded and accordingly, developing claim frequency information is highly subjective and is not prepared or utilized for internal purposes. In addition, the Company does not have direct access to claim frequency information underlying certain of its proportional contracts given the nature of that business. As a result, the Company does not believe providing claim frequency information is practicable as it relates to its proportional contracts.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Notwithstanding the factors noted above, the Company has developed claims frequency information associated with its excess of loss reinsurance contracts. As each accident year develops, the Company would expect the cumulative number of reported claims to increase in certain of its excess of loss reinsurance contracts, most notably in its Casualty and Specialty main class of business. In determining claims frequency for its excess of loss reinsurance contracts, the Company has made the following assumptions:

- Claims below the insured layer of a contract are excluded;

- If an insured loss event results in claims associated with a number of layers of a contract, the Company would consider this to be a single claim; and

- If an insured loss event results in claims associated with a number of the Company's operating subsidiaries, the Company considers each operating subsidiary to have a reported claim.

The following table details the Company's cumulative number of reported claims for its excess of loss reinsurance contracts allocated by main class of business:

	At December 31, 2017	
	Cumulative number of reported claims	
Accident Year	Property	Casualty and Specialty
2008	1,015	1,177
2009	573	897
2010	518	784
2011	634	764
2012	389	589
2013	384	469
2014	374	445
2015	326	393
2016	388	352
2017	432	84

NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS

Amounts due to and from affiliates are non-interest bearing and payable on demand, or in accordance with the contractual terms of reinsurance-related transactions.

Guarantees and Capital Agreements

Effective July 1, 2015, each of RenaissanceRe Specialty U.S. and Renaissance Reinsurance U.S. entered into an amended net worth maintenance agreement with RenaissanceRe, whereby capital support of $1.0 billion is available from RenaissanceRe. The capital support from RenaissanceRe maintains total shareholder's equity of RenaissanceRe Specialty U.S. and Renaissance Reinsurance U.S. equal to $500.0 million and $400.0 million, respectively, and under no circumstances shall RenaissanceRe be obligated to contribute in excess of $1.0 billion in the aggregate under the amended net worth maintenance agreement. All other terms and conditions of the original net worth maintenance agreement remain unchanged. The full $1.0 billion remained available under the amended net worth maintenance agreement at December 31, 2017.

NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

Reinsurance-Related Transactions

RenaissanceRe Specialty U.S. has entered into an agency agreement with RenaissanceRe Underwriting Managers U.S. LLC ("RUMUS") whereby RUMUS is authorized to bind reinsurance on behalf of the Company. The Company reimburses RUMUS for costs and expenses incurred in connection with this agency agreement. During the year ended December 31, 2017, fees incurred under this agency agreement were $0.1 million (2016 - $1.6 million).

RenaissanceRe Specialty U.S. had entered into a reinsurance agreement with Renaissance Reinsurance Ltd. ("Renaissance Reinsurance"), a wholly-owned subsidiary of RenaissanceRe. The reinsurance agreement was previously with RenaissanceRe Specialty Risks Ltd., however, effective October 1, 2016, RenaissanceRe Specialty Risks Ltd. merged with Renaissance Reinsurance, with Renaissance Reinsurance being the surviving entity. The Company remains liable to the extent that Renaissance Reinsurance fails to meet its obligations under the reinsurance agreement. Effective December 31, 2017, this reinsurance agreement with Renaissance Reinsurance was cancelled on a cutoff basis. During 2017, net earned premiums ceded and net claims and claim expenses recovered under this agreement were $7.0 million and $4.5 million, respectively (2016 - $12.6 million and $19.8 million, respectively). At December 31, 2017, outstanding reinsurance recoverable under this agreement were $36.1 million (2016 - $39.1 million), ceded reinsurance balances for this agreement were $Nil (2016 - $6.4 million) and premiums receivable were $2.3 million (2016 - premiums payable were $11.9 million).

Renaissance Reinsurance U.S. had entered into reinsurance agreements with Renaissance Reinsurance. These reinsurance agreements were previously with Platinum Underwriters Bermuda, Ltd. ("Platinum Bermuda"), which was acquired by RenaissanceRe as part of the acquisition of Platinum on March 2, 2015, and RenaissanceRe Specialty Risks. Renaissance Reinsurance U.S. had existing reinsurance agreements with Platinum Bermuda prior to the acquisition of Platinum by RenaissanceRe on March 2, 2015. See "Note 1. Organization" for additional information related to the acquisition of Platinum. Effective October 1, 2016, Platinum Bermuda and RenaissanceRe Specialty Risks merged with Renaissance Reinsurance, with Renaissance Reinsurance being the surviving entity. The Company remains liable to the extent that Renaissance Reinsurance fails to meet its obligations under the reinsurance agreements. Effective December 31, 2017, there reinsurance agreements with Renaissance Reinsurance were cancelled on a cutoff basis. During 2017, net earned premiums ceded and net claims and claim expenses recovered under these agreements were $202.6 million and $187.8 million, respectively (2016 - $102.6 million and $79.0 million, respectively). At December 31, 2017, outstanding reinsurance recoverable under these agreements were $322.4 million (2016 - $217.3 million), ceded reinsurance balances for these agreements were $Nil (2016 - $57.5 million) and premiums payable were $14.1 million (2016 - $36.8 million).

Other Items

Under the terms of various administration agreements, the Company reimbursed RenaissanceRe Services Ltd. (2016 - RenaissanceRe Services Ltd., Platinum Administrative Services, Inc. and RUMUS) for administrative services, office lease, investment and certain employee benefit plans on the basis of directly identifiable costs plus an allocation of other expenses. For the year ended December 31, 2017, net allocated costs and expenses to the Company under these administration agreements were $10.9 million (2016 - $20.4 million).

NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

Major Customers

During the year ended December 31, 2017, the Company received 74.0% (2016 - 74.4%) of its gross premiums assumed from three reinsurance brokers. Subsidiaries and affiliates of Marsh, AON and Willis Towers Watson accounted for approximately 35.9%, 21.4% and 16.7%, respectively, of the Company's gross premiums assumed in 2017 (2016 - 36.5%, 20.8% and 17.1%, respectively).

NOTE 9. SHAREHOLDER'S EQUITY

During 2017, the Company declared and paid aggregate cash dividends of $Nil (2016 - $44.0 million).

The Company had previously issued Series A non-voting preference shares ("Series A Preference Shares"). Both the par value and liquidation preference of the Series A Preference Shares was $1.00. The holders of the Series A Preference Shares were entitled to receive, only when and if declared by the Company, non-cumulative cash dividends of 2.0% of the liquidation preference per annum, from and including the date of issue, quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing with April 15, 2013, without accumulation of any undeclared dividends, subject to customary conditions. During March 2015, RenRe North America, the Company's then parent, contributed $180.0 million in additional paid-in capital to the Company, and the Company subsequently redeemed 100% of its outstanding Series A Preference Shares.The Series A Preference Shares remained authorized at December 31, 2015, however, during 2016, the Company applied to, and received approval from, the Registrar of Companies in Bermuda, to reduce its authorized share capital with respect to its Series A Preference Shares to $Nil.

NOTE 10. TAXATION

Under current Bermuda law, RenaissanceRe Specialty U.S. is not subject to any income or capital gains taxes in Bermuda. In the event that such taxes are imposed, RenaissanceRe Specialty U.S. would be exempted from any such tax until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, and Amended Act of 1987 and 2011, respectively. As discussed in "Note 1. Organization", RenaissanceRe Specialty U.S., a Bermuda-domiciled reinsurer, has made a submission to the IRS to elect, pursuant to §953(d) of the Code, to operate subject to U.S. federal income tax. Renaissance Reinsurance U.S. is a U.S. reinsurance company domiciled in the state of Maryland. Both entities will file as members of the RenaissanceRe Finance and subsidiaries consolidated income tax return for the year ended December 31, 2017.

During 2016, the tax sharing agreement RenaissanceRe Specialty U.S. had previously entered into with RenRe North America and the agreement Renaissance Reinsurance U.S. had previously entered into with Platinum Finance were terminated. Effective January 1, 2016, each of RenaissanceRe Specialty U.S. and Renaissance Reinsurance U.S. entered into a new tax sharing agreement with RenaissanceRe Finance. Under the new agreements, federal income taxes are charged to operations based upon amounts estimated to be payable as a result of separate company tax return calculations. In the event that the sum of payments from all members of the RenaissanceRe Finance consolidated tax group exceeds the consolidated tax liability for any tax period as a result of any losses or tax credits of one or more members, RenaissanceRe Finance shall pay to each member having the losses or credits, its allocable portion of such excess. Intercompany tax refunds of $2.5 million were made during 2017 (2016 - payments of $7.6 million).

(amounts in tables expressed in thousands of United States Dollars)

NOTE 10. TAXATION, cont'd.

Income tax expense is comprised as follows:

Year ended December 31, 2017	Current	Deferred	Total
Total income tax benefit (expense)	$ 3,677	$ (13,452)	$ (9,775)
Year ended December 31, 2016			
Total income tax (expense) benefit	$ (9,541)	$ 9,162	$ (379)

The Company's expected income tax provision has been calculated as the pre-tax income multiplied by the U.S. federal corporate statutory tax rate of 35%. A reconciliation of the difference between the provision for income taxes and the expected tax provision is as follows:

Year ended December 31,	2017	2016
Expected income tax expense	$ (7,964)	$ (8,946)
Effect of change in tax rate	(11,981)	—
Royalty fees	6,426	5,021
Tax exempt income	3,407	3,538
Transaction costs	—	(131)
Other	337	139
Income tax expense	$ (9,775)	$ (379)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

Year ended December 31,	2017	2016
Deferred tax assets		
Reserve for claims and claim expenses	$ 14,135	$ 26,716
Unearned premiums	9,440	7,503
Accrued expenses	1,838	4,496
Tax loss carryforward	11,410	5,430
Investments	—	1,327
	36,823	45,472
Deferred tax liabilities		
Deferred acquisition expenses	(12,343)	(7,284)
Investments	(2,876)	—
Amortization and depreciation	(3,633)	(6,765)
	(18,852)	(14,049)
Net deferred tax asset before valuation allowance	17,971	31,423
Valuation allowance	—	—
Net deferred tax asset	$ 17,971	$ 31,423

(amounts in tables expressed in thousands of United States Dollars)

NOTE 10. TAXATION, cont'd.

As a result of the reduction in the U.S. corporate tax rate from 35% to 21% effective January 1, 2018 pursuant to the Tax Cuts and Jobs Act of 2017, the Company recorded a $12.0 million write-down of its U.S. deferred tax asset in 2017. The Company's net deferred tax asset is included in other assets on its consolidated balance sheets.

The Company's deferred tax asset relates primarily to GAAP versus tax basis accounting differences related to insurance adjustments, intangible assets, investments and accrued expenses, along with net operating loss carryforwards. The Company's valuation allowance assessment is based on all available information including projections of future GAAP taxable income. The Company has determined it is more likely than not that it will be able to recover its deferred tax asset.

The Company has net operating loss carryforwards of $54.3 million at December 31, 2017 (2016 - $15.0 million). The net operating loss carryforwards will begin to expire in 2033.

The Company has unrecognized tax benefits of $Nil as of December 31, 2017 (2016 - $Nil). Interest and penalties related to unrecognized tax benefits, would be recognized in income tax expense. At December 31, 2017, interest and penalties accrued on unrecognized tax benefits was $Nil (2016 - $Nil).

Income tax returns filed for tax years 2014 through 2017 are open for examination by the Internal Revenue Service. The Company does not expect the resolution of these open years to have a significant impact on its results from operations and financial condition.

NOTE 11. STATUTORY REQUIREMENTS

RenaissanceRe Specialty U.S. and Renaissance Reinsurance U.S. are subject to insurance laws and regulations in Bermuda and the U.S., respectively. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the respective regulatory authorities.

The actual statutory capital and surplus, required minimum statutory capital and surplus and unrestricted net assets of the Company's regulated insurance operations are detailed below:

	RenaissanceRe Specialty U.S. (1)		Renaissance Reinsurance U.S. (2)	
At December 31,	2017	2016	2017	2016
Actual statutory capital and surplus	$ 745,611	$ 843,088	$ 523,384	$ 523,340
Required statutory capital and surplus	75,175	68,230	305,188	221,191
Unrestricted net assets	150,421	137,442	24,109	25,375

(1) RenaissanceRe Specialty U.S.'s actual capital and surplus is based on its statutory financial statements and required statutory capital and surplus is based on the MSM. Unrestricted net assets represents the amount of shareholders' equity that is permitted to be distributed in light of the statutory restrictions noted above, and the definition of distributable reserves and certain legal restrictions per the Companies Act.

(2) Renaissance Reinsurance U.S.'s unrestricted net assets represents its ordinary dividend capacity.

The difference between statutory financial statements and statements prepared in accordance with GAAP varies by jurisdiction; however, the primary difference is that for the Company's regulated entities the statutory financial statements do not reflect goodwill and intangible assets. Also, in the U.S., fixed maturity investments are generally recorded at amortized cost, deferred income tax is charged directly to equity and acquisition costs are charged to operations as the related premium is written.

NOTE 11. STATUTORY REQUIREMENTS, cont'd.

RenaissanceRe Specialty U.S.

RenaissanceRe Specialty U.S. is subject to insurance laws and regulations in Bermuda. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the BMA. Under the Insurance Act 1978, amendments thereto and related regulations of Bermuda (collectively, the "Insurance Act"), RenaissanceRe Specialty U.S. to maintain certain measures of solvency and liquidity, including its minimum solvency margin ("MSM"), defined as the minimum amount by which the value of the assets of RenaissanceRe Specialty U.S. must exceed the value of its liabilities, the breach of which represents an unacceptable level of risk and triggers the strongest supervisory actions.

In addition, RenaissanceRe Specialty U.S. is required to maintain capital at a level equal to its enhanced capital requirement ("ECR") which is established by reference to the Bermuda Solvency Capital Requirement (the "BSCR") model. The BSCR is a mathematical model designed to give the BMA robust methods for determining an insurer's capital adequacy. The ECR is equal to the greater of the MSM or required capital calculated by reference to the BSCR. Effective January 1, 2016, the BMA embedded the Economic Balance Sheet ("EBS") framework in the Bermuda legislative and regulatory regime. The EBS is an input to the BSCR which determines RenaissanceRe Specialty U.S.'s ECR. The EBS regime prescribes the use of financial statements prepared in accordance with GAAP as the basis on which statutory financial statements are prepared, and those statutory financial statements form the starting basis for the EBS.

Underlying the BSCR is the belief that all insurers should operate on an ongoing basis with a view to maintaining their capital at a prudent level in excess of the minimum solvency margin otherwise prescribed under the Insurance Act. Alternatively, under the Insurance Act, insurers may, subject to the terms of the Insurance Act and to the BMA's oversight, elect to utilize an approved internal capital model to determine regulatory capital. In either case, ECR shall at all times equal or exceed the Class 3B insurer's minimum solvency margin and may be adjusted in circumstances where the BMA concludes that the insurer's risk profile deviates significantly from the assumptions underlying its ECR or the insurer's assessment of its risk management policies and practices used to calculate ECR applicable to it.

Under the Insurance Act, RenaissanceRe Specialty U.S. is defined as a Class 3B insurer. Class 3B insurers are prohibited from declaring or paying any dividends if in breach of the required minimum solvency margin or minimum liquidity ratio (the "Relevant Margins") or if the declaration or payment of such dividend would cause the insurer to fail to meet the Relevant Margins. Where an insurer fails to meet its Relevant Margins on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the prior approval of the BMA. Further, Class 3B insurers are prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the BMA an affidavit stating that it will continue to meet its Relevant Margins. Class 3B insurers must obtain the BMA's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's statutory financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to the solvency requirements under the Companies Act 1981, amendments thereto of Bermuda (the "Companies Act") which apply to all Bermuda companies. In addition, an insurer engaged in general business is also required to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. The BMA has established a target level capital ("TCL") which is set at 120% of the ECR. While RenaissanceRe Specialty U.S. is not required to maintain statutory capital and surplus at this level, it serves as an early warning tool for the BMA, and failure to meet the TCL may result in additional reporting requirements or increased regulatory oversight. RenaissanceRe Specialty U.S. has completed its 2017 BSCR, which must be filed with the BMA on or before April 30, 2018, and exceeds the target level of required economic statutory capital.

NOTE 11. STATUTORY REQUIREMENTS, cont'd.

Renaissance Reinsurance U.S.

Renaissance Reinsurance U.S. is subject to statutory accounting principles as defined by the National Association of Insurance Commissioners (the "NAIC"). The NAIC uses a risk-based capital ("RBC") model to monitor and regulate the solvency of licensed life, health, and property and casualty insurance and reinsurance companies. Renaissance Reinsurance U.S. is domiciled in Maryland, which has adopted the NAIC's model law.

Laws and regulations in the U.S. establish minimum capital adequacy levels and grant regulators the authority to take specific actions based on the level of impairment. For Renaissance Reinsurance U.S. this amount is the Company Action Level ("CAL") based on the RBC model of the NAIC and represents the first level at which regulatory action is triggered.

Under Maryland insurance law, Renaissance Reinsurance U.S. must notify the Maryland Insurance Commissioner (the "Commissioner") within five business days after the declaration of any dividend or distribution, other than an extraordinary dividend or extraordinary distribution, and notify the Commissioner at least ten days prior to the payment or distribution thereof. The Commissioner has the right to prevent payment of such a dividend or such a distribution if the Commissioner determines, in the Commissioner's discretion, that after the payment thereof, the policyholders' surplus of Renaissance Reinsurance U.S. would be inadequate or could cause Renaissance Reinsurance U.S. to be in a hazardous financial condition. Renaissance Reinsurance U.S. must give at least 30 days prior notice to the Commissioner before paying an extraordinary dividend or making an extraordinary distribution. Extraordinary dividends and extraordinary distributions are dividends or distributions which, together with any other dividends and distributions paid during the immediately preceding twelve-month period, would exceed the lesser of:

- 10% of the insurer's statutory policyholders' surplus (as determined under statutory accounting principles) as of December 31 of the prior year; or

- the insurer's net investment income excluding realized capital gains (as determined under statutory accounting principles) for the twelve-month period ending on December 31 of the prior year and pro rata distributions of any class of the insurer's securities, plus any amounts of net investment income (subject to the foregoing exclusions) in the three calendar years prior to the preceding year which have not been distributed.

At December 31, 2017, Renaissance Reinsurance U.S. had an ordinary dividend capacity of $24.1 million which can be paid in 2018.

State insurance laws and regulations require Renaissance Reinsurance U.S. to file statutory basis financial statements with insurance regulators in each state where it is licensed, authorized or accredited to do business. The operations of Renaissance Reinsurance U.S. are subject to examination by those state insurance regulators at any time. Renaissance Reinsurance U.S. has completed its 2017 statutory basis financial statements, which were filed with the NAIC before the deadline of March 1, 2018. Renaissance Reinsurance U.S. exceeded the CAL.

NOTE 12. DERIVATIVE INSTRUMENTS

From time to time, the Company may enter into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market or for yield enhancement. The Company's derivative instruments are generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event a party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party.

Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

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

	Derivative Assets					
At December 31, 2017	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	$ 5	$ 5	$ —	Other assets	$ —	$ —
Total	$ 5	$ 5	$ —		$ —	$ —

	Derivative Liabilities					
At December 31, 2017	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	$ 9	$ 5	$ 4	Other liabilities	$ 4	$ —
Total	$ 9	$ 5	$ 4		$ 4	$ —

(amounts in tables expressed in thousands of United States Dollars)

NOTE 12. DERIVATIVE INSTRUMENTS, cont'd.

	Derivative Assets					
At December 31, 2016	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	$ 20	$ 17	$ 3	Other assets	$ —	$ 3
Total	$ 20	$ 17	$ 3		$ —	$ 3

	Derivative Liabilities					
At December 31, 2016	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	$ 17	$ 17	$ —	Other liabilities	$ —	$ —
Total	$ 17	$ 17	$ —		$ —	$ —

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

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
Year ended December 31,		2017	2016
Interest rate futures	Net realized and unrealized gains (losses) on investments	$ 6	$ (85)

Interest Rate Futures

The Company uses interest rate futures within its portfolio of fixed maturity investments to manage its exposure to interest rate risk, which may result in increasing or decreasing its exposure to this risk. At December 31, 2017, the Company had $76.5 million of notional long positions and $72.2 million of notional short positions of primarily Eurodollar, U.S. treasury and non-U.S. treasury futures contracts (2016 - $13.0 million and $4.9 million, respectively). The fair value of these derivatives is determined using exchange traded prices.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Instruments which potentially subject the Company to concentration of credit risk consist principally of investments, cash and cash equivalents, premiums receivable and reinsurance balances. The Company limits the amount of credit exposure to any one financial institution and, except for the Company's investment in U.S. treasuries, none of the Company's investments exceeded 10% of shareholder's equity at December 31, 2017. See "Note 6. Reinsurance" and "Note 7. Reserve for Claims and Claim Expenses" for information with respect to reinsurance recoverable.

NOTE 13. COMMITMENTS AND CONTINGENCIES, cont'd.

Letters of Credit and Other Commitments

RenaissanceRe, the Company's ultimate parent, maintains a standby letter of credit facility with Wells Fargo, National Association (the "Wells Fargo Facility") which, as of December 31, 2017, provides for a secured, uncommitted facility under which letters of credit may be issued from time to time for certain of RenaissanceRe's operating subsidiaries and joint ventures, including the Company (the "Applicants"). The Applicants may draw down from the Wells Fargo Facility as required, so long as they provide eligible collateral and there are no specific allocations of the facility to the Applicants. At December 31, 2017, RenaissanceRe had $106.8 million of letters of credit with effective dates on or before December 31, 2017 outstanding under the Facility (2016 - $140.8 million), of which $54.5 million relates to the Company (2016 - $43.7 million). The letters of credit are secured by cash and investments of similar amounts.

In addition, RenaissanceRe, the Company's ultimate parent, maintains a bilateral letter of credit facility (the "Bilateral Facility") which, as of December 31, 2017, provides a commitment to make available to certain of its operating subsidiaries and joint ventures (the "Bilateral Facility Participants") an aggregate amount of up to $300.0 million. The Bilateral Facility expires on December 31, 2018. The Bilateral Facility Participants may draw down from the Bilateral Facility as required, so long as they provide eligible collateral and there are no specific allocations of the facility to Bilateral Facility Participants. At December 31, 2017, RenaissanceRe had $197.3 million of letters of credit with effective dates on or before December 31, 2017 outstanding under the Bilateral Facility (2016 - $244.9 million), of which $131.1 million relates to the Company (2016 - $125.4 million). The letters of credit are secured by cash and investments of similar amounts.

Indemnifications and Warranties

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on past experience, management currently believes that the likelihood of such an event is remote.

Litigation

The Company is subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct surplus lines insurance policies. In the Company's industry, business litigation may involve allegations of underwriting or claims-handling errors or misconduct, employment claims, regulatory actions or other disputes. The Company may also directly or indirectly be subject to its claims litigation involving, among other things, disputed interpretations of policy coverages. In addition, the Company may from time to time engage in litigation or arbitration related to claims for payment in respect of ceded reinsurance, including disputes that challenge the Company's ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance related claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate accordingly. Currently, the Company believes that no individual litigation or arbitration to which the Company is presently a party is likely to have a material adverse effect on the Company's financial condition, business or results of operations.

NOTE 14. SUBSEQUENT EVENTS

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2017, through April 27, 2018, the date the consolidated financial statements were available to be issued.