Ironshore Insurance Ltd.
Consolidated Financial Statements
December 31, 2017

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Report of Independent Auditors

The Board of Directors and Shareholder
Ironshore Insurance Ltd.

We have audited the accompanying consolidated financial statements of Ironshore Insurance Ltd., which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ironshore Insurance Ltd. as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Ernst + Young Ltd.

June 29, 2018

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Ironshore Insurance Ltd.
Consolidated Balance Sheets
As of December 31, 2017 and 2016
(Expressed in thousands of U.S. dollars, except share data)

	2017	2016
ASSETS		
Fixed maturity securities available for sale, at fair value (amortized cost: 2017 - $1,961,815; 2016 - $1,648,169)	$1,955,120	$1,634,711
Fixed maturity securities trading, at fair value (amortized cost: 2017 - $nil; 2016 - $2,536,860)	-	2,535,621
Equity securities available for sale, at fair value (cost: 2017 - $1,359; 2016 - $35,373)	1,359	38,369
Equity securities trading, at fair value (cost: 2017 - $nil; 2016 - $177,702)	-	183,211
Short term investments, at fair value	33,373	98,500
Other investments	80,720	132,302
Total investments	2,070,572	4,622,714
Cash and cash equivalents	251,871	133,878
Accrued investment income	10,004	19,739
Premiums receivable	861,025	795,841
Reinsurance recoverable on unpaid losses	3,944,173	828,379
Reinsurance recoverable on paid losses	24,983	68,792
Deferred acquisition costs	94,645	111,984
Prepaid reinsurance premiums	733,286	322,074
Receivable for securities sold	1,817	4,930
Goodwill and other intangible assets	45,116	47,682
Deferred tax asset	323,332	45,806
Amounts receivable from related parties	63,585	8,248
Other assets	197,421	103,683
Total assets	$8,621,830	$7,113,750
LIABILITIES		
Reserve for losses and loss adjustment expenses	$4,578,128	$3,249,630
Unearned premiums	1,095,761	1,085,025
Insurance and reinsurance balances payable	192,229	213,527
Deferred gain on retroactive contract	303,219	-
Payable for securities purchased	1,786	17,060
Amounts payable to related parties	99,620	30,328
Other liabilities	463,831	313,151
Debt obligations	297,677	347,825
Total liabilities	7,032,251	5,256,546
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDER'S EQUITY		
Common shares, 2,000,000 authorized, $1.00 par value, issued and outstanding (2017: 1,000,000; 2016: 1,000,000)	1,000	1,000
Additional paid-in capital	1,236,910	1,236,910
Accumulated other comprehensive loss	(2,808)	(9,951)
Retained earnings	354,477	629,245
Total shareholder's equity	1,589,579	1,857,204
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$8,621,830	$7,113,750

See accompanying notes to the consolidated financial statements

Ironshore Insurance Ltd.
Consolidated Statements of Operations
For the years ended December 31, 2017 and 2016
(Expressed in thousands of U.S. dollars, except share data)

	2017	2016
REVENUES		
Gross premiums written	$1,947,604	$1,981,991
Reinsurance premiums ceded	(1,159,646)	(646,918)
Net premiums written	787,958	1,335,073
Change in unearned premiums	(19,227)	205
Net premiums earned	768,731	1,335,278
Net investment income	104,364	123,319
Net realized and unrealized gains on investments	12,323	46,471
Net foreign exchange gains	2,273	3,622
Other income	10,679	60,688
Total revenues	898,370	1,569,378
EXPENSES		
Losses and loss adjustment expenses	1,102,446	936,087
Acquisition expenses	190,259	187,626
General and administrative expenses	222,803	254,935
Interest expense	16,058	22,507
Total expenses	1,531,566	1,401,155
(Loss) income before tax benefit (expense)	(633,196)	168,223
Income tax benefit (expense)	358,428	(1,086)
Net (loss) income	$(274,768)	$167,137
COMPREHENSIVE (LOSS) INCOME		
Net (loss) income	$(274,768)	$167,137
Other comprehensive income (loss), net of tax		
Change in net unrealized gains (losses) on investments	8,001	(10,461)
Income tax (expense) benefit on other comprehensive income	(858)	510
Other comprehensive income (loss), net of tax	7,143	(9,951)
Comprehensive (loss) income	$(267,625)	$157,186

See accompanying notes to the consolidated financial statements

Ironshore Insurance Ltd.
Consolidated Statements of Changes in Shareholder's Equity
For the years ended December 31, 2017 and 2016
(Expressed in thousands of U.S. dollars, except share data)

	2017	2016
COMMON SHARES	$1,000	$1,000
ADDITIONAL PAID-IN CAPITAL		
Balance as of beginning of year	1,236,910	1,237,495
Return of paid-in capital to parent	-	(585)
Balance as of end of year	1,236,910	1,236,910
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance as of beginning of year	(9,951)	-
Comprehensive income (loss), net of income tax of ($858) and $510	7,143	(9,951)
Balance as of end of year	(2,808)	(9,951)
RETAINED EARNINGS		
Balance as of beginning of year	629,245	522,108
Net (loss) income	(274,768)	167,137
Dividends declared on common shares	-	(60,000)
Balance as of end of year	354,477	629,245
TOTAL SHAREHOLDER'S EQUITY	$1,589,579	$1,857,204

See accompanying notes to the consolidated financial statements

Ironshore Insurance Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in thousands of U.S. dollars, except share data)

	2017	2016
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net (loss) income	($274,768)	$167,137
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Amortization and depreciation	4,363	4,465
Amortization of fixed maturity securities	13,172	21,503
Net realized and unrealized gains on investments	(12,323)	(46,471)
Deferred tax expense	(278,374)	(5,189)
Penalty from retirement of debt	48,672	-
Gain on sale of renewal rights	-	(40,243)
Gain on sale of subsidiary	-	(5,247)
CHANGES IN OPERATIONAL ASSETS AND LIABILITIES:		
Premiums receivable	(64,767)	(38,097)
Reinsurance recoverable on unpaid losses	(3,115,735)	(137,612)
Reinsurance recoverable on paid losses	43,802	(15,844)
Deferred acquisition costs	17,340	(4,638)
Prepaid reinsurance premiums	(411,213)	(22,407)
Amounts receivable from related parties	(55,337)	2,133
Other assets	(88,422)	7,337
Reserve for losses and loss adjustment expenses	1,312,353	328,958
Unearned premiums	10,735	11,070
Insurance and reinsurance balances payable	164	45,178
Amounts payable to related parties	1,953,965	(496)
Other liabilities	135,317	(17,226)
Pooling (note 8)	126,829	-
Net cash (used in) provided by operating activities	(634,227)	254,311
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Accrued investment income	9,750	(554)
Purchases of fixed maturity securities available for sale	(2,671,223)	(3,238,238)
Purchases of short term investments	(159,025)	(319,892)
Purchases of equity securities available for sale	(35,966)	(50,308)
Purchases of other investments	(18,248)	(59,402)
Proceeds from sales and maturity of fixed maturity securities trading	357,668	1,453,945
Proceeds from sales and maturity of fixed maturity securities available for sale	2,709,049	1,581,998
Proceeds from sales of short term investments	325,277	223,921
Proceeds from sales of equity securities trading	28,365	31,754
Proceeds from sales of equity securities available for sale	239,370	15,399
Proceeds from sales of other investments	67,234	21,438
Proceeds from sale of renewal rights	-	86,675
Proceeds from sale of subsidiaries, net of cash transferred	-	11,627
Transfer of fixed maturity securities to related party	-	-
Purchases of fixed assets	(570)	(7,292)
Net cash provided by (used in) investing activities	851,681	(248,929)

See accompanying notes to the consolidated financial statements

Ironshore Insurance Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in thousands of U.S. dollars, except share data)

	2017	2016
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Issuance of debt	297,677	-
Repayment of debt	(396,497)	-
Return of paid-in capital to parent	-	(585)
Dividends paid to parent	-	(60,000)
Net cash used in financing activities	(98,820)	(60,585)
Net increase (decrease) in cash and cash equivalents	118,634	(55,203)
Cash and cash equivalents as of beginning of year	133,878	189,081
Effect of exchange rates on cash and cash equivalents	(641)	-
CASH AND CASH EQUIVALENTS AS OF END OF YEAR	$251,871	$133,878
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes refunds received, net	$(9,611)	$(2,310)
Interest paid	$17,157	$21,828

See accompanying notes to the consolidated financial statements

1. Nature of the business

Ironshore Insurance Ltd. ("Ironshore Insurance") was incorporated under the laws of Bermuda on October 19, 2006. Ironshore Insurance, together with its subsidiaries (collectively referred to as the "Company"), began underwriting activities in 2007. The Company is a wholly owned subsidiary of Ironshore Inc. ("Ironshore"), a company that was incorporated under the laws of the Cayman Islands on September 26, 2006. On May 1, 2015, Ironshore entered into a definitive merger agreement with Fosun International Limited ("Fosun"), and on November 20, 2015, the merger was completed and Ironshore became a wholly-owned indirect subsidiary of Fosun. On December 5, 2016, Ironshore, Fosun, Mettlesome Investment Limited ("Mettlesome HK"), Mettlesome Investments (Cayman) III Limited ("Mettlesome CI") and Liberty Mutual Group Inc. ("Liberty Mutual") entered into a stock purchase agreement pursuant to which Mettlesome HK and Mettlesome CI agreed to sell to Liberty Mutual all of the issued and outstanding ordinary shares of Ironshore on the terms and conditions specified in the agreement. On May 1, 2017, Liberty Mutual completed the acquisition of Ironshore for approximately $2,926.

Ironshore Insurance is registered as a Class 4 insurer under The Insurance Act 1978 in Bermuda, related regulations and amendments thereto (the "Bermuda Insurance Act"). Ironshore Insurance includes Ironshore Insurance Ltd., Singapore Branch, which is registered as a direct insurer to carry on general insurance in Singapore effective January 26, 2012, and Ironshore Insurance Ltd., Canada Branch, which writes property and casualty insurance for Canadian-domiciled risks effective March 29, 2014.

The Company's U.S. business consists of Ironshore Holdings (U.S.) Inc. ("Ironshore Holdings U.S."), a Delaware corporation, and its principal subsidiaries Ironshore Indemnity Inc., ("Ironshore Indemnity"), a Minnesota domiciled insurer, and Ironshore Specialty Insurance Company ("Ironshore Specialty"), an Arizona domiciled insurer (collectively referred to as the "U.S. companies"). The U.S. companies serve the property and specialty casualty insurance market sectors. The U.S. companies also insure all classes of aviation and aerospace risks worldwide through an agreement with Starr Aviation Agency, Inc.

2. Significant accounting policies

Basis of presentation
These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the financial statements of Ironshore Insurance Ltd. and its wholly owned and majority owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of estimates in financial statements
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The more significant estimates reflected in the Company's consolidated financial statements include, but are not limited to, the reserves for losses and loss adjustment expenses, reinsurance recoverable balances including allowances for reinsurance recoverables deemed uncollectible, estimates of written and earned premium, the fair value of investments, recoverability of intangible assets and the net deferred tax asset or liability.

Premiums and related expenses
Direct insurance and assumed facultative reinsurance premiums are recognized as earned on a pro rata basis over the applicable policy or contract periods. For assumed treaty reinsurance written on a losses occurring basis, premiums written are earned on a pro rata basis over the risk period. For assumed treaty reinsurance written on a risks attaching basis, premiums written are earned on a pro rata basis over the periods of the underlying policies. Premiums may include estimates based on information received from brokers, ceding insurers and insureds, and any subsequent differences from such estimates are recorded in the period in which they are determined. In each case, the portions of the premiums written applicable to the unexpired terms are recorded as unearned premiums.

Assumed retroactive loss portfolio transfer ("LPT") contracts in which the insured loss events occurred prior to the inception of the contract are evaluated to determine whether they meet the established criteria for reinsurance accounting. If reinsurance accounting

is appropriate, premiums written are fully earned and corresponding losses and loss adjustment expenses recognized at the inception of the contract. The contracts can cause significant variances in gross premiums written, net premiums written, net premiums earned, and net incurred losses in the years in which they are written. Reinsurance contracts sold not meeting the established criteria for reinsurance accounting are recorded using the deposit method.

A premium deficiency reserve is established when expected claim payments or incurred losses, loss adjustment expenses and administrative expenses exceed the premiums to be earned over the remaining contract period. For the purposes of determining whether a premium deficiency reserve exists contracts are grouped in a manner consistent with how policies are marketed, serviced and measured. Anticipated investment income is utilized as a factor in the premium deficiency reserve calculation.

Acquisition expenses
Acquisition expenses are costs that vary with, and are directly related to, the production of new and renewal business, and consist principally of commissions and brokerage expenses. The Company does not capitalize internal costs associated with the production of new business. Acquisition expenses are shown net of commissions on reinsurance ceded. Acquisition costs associated with the successful acquisition of new or renewal policies are deferred and amortized over the periods in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated loss and loss adjustment 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. Acquisition expenses also include profit commission. Profit commissions are recognized when earned.

Reserve for losses and loss adjustment expenses
The reserve for losses and loss adjustment expenses includes reserves for unpaid reported losses and for losses incurred but not reported. The reserve for unpaid reported losses and loss expenses is established by management based on reports from loss adjusters, ceding companies and insureds and represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified, by the Company. The reserve for incurred but not reported losses and loss adjustment expenses is established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors that vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are recorded in earnings in the periods in which they become known and are accounted for as changes in estimates.

Ceded Reinsurance
In the normal course of business, the Company may seek to mitigate underwriting risk that could cause unfavorable results by reinsuring certain amounts of risk with reinsurers. Reinsurance does not relieve the Company of its primary obligation to the insured. The accounting for reinsurance ceded depends on the method of reinsurance. If the policy is on a losses occurring basis, reinsurance premiums ceded and associated commissions are expensed on a pro rata basis over the period reinsurance coverage is provided. If the policy is on a risk attaching basis, reinsurance premiums ceded and associated commissions are expensed in line with gross premiums earned to which the risk attaching policy relates. Prepaid reinsurance premiums represent the portion of premiums ceded on the unexpired terms of the policies purchased. Reinsurance commissions that will be earned in the future are deferred and recorded as deferred acquisition costs on the balance sheets.

Reinsurance recoverable is presented on the balance sheets net of any reserves for uncollectible reinsurance. The method of determining the reinsurance recoverable on unpaid losses and loss adjustment expenses involves actuarial estimates in a manner consistent with the determination of unpaid losses and loss adjustment expenses.

Ceded reinstatement premiums are estimated after the occurrence of a significant loss and are recorded in accordance with the contract terms based upon the ultimate loss estimates associated with each contract. Ceded reinstatement premiums are earned over the remaining contract period.

Certain ceded reinsurance contracts do not transfer underwriting risk and are accounted for using the deposit method of accounting. Fees are accounted for as income based on the terms of the contract. A deposit asset is recorded at the inception of the contract based on the consideration transferred. Corresponding changes in the amount of the deposit asset reflecting actual and expected future loss payments are recorded as a credit or charge to interest income.

Investments

The Company's investments in fixed maturity, equity securities, and short-term investments are classified as either trading or available for sale. Trading securities are carried at fair value, with related unrealized gains and losses recorded in net realized and unrealized gains (losses) on investments included in earnings. Available for sale securities are carried at fair value with any unrealized gains and losses included in accumulated other comprehensive income as a separate component of shareholder's equity.

The Company reviews fixed maturity securities, equity securities, and other investments for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to, (1) the extent of the decline in fair value below book value, (2) the duration of the decline, (3) significant adverse changes in the financial condition or near term prospects for the investment or issuer, (4) significant changes in the business climate or credit ratings of the issuer, (5) general market conditions and volatility, (6) industry factors, (7) the past impairment of the security holding or the issuer, and (8) changes in foreign exchange.

For fixed maturity securities that the Company does not intend to sell or for which it is more likely than not that the Company would not be required to sell before an anticipated recovery in value, the Company separates impairments into credit loss and non-credit loss components. The determination of the credit loss component of the impairment charge is based on the Company's best estimate of the present value of the cash flows expected to be collected from the fixed maturity security compared to its amortized cost and is reported as part of net realized gains. The non-credit component, the residual difference between the credit impairment component and the fair value, is recognized in other comprehensive income. The factors considered in making an evaluation of credit versus non-credit other-than-temporary impairments include: (1) failure of the issuer of the security to make scheduled interest or principal payments (including the payment structure of the fixed maturity security and the likelihood the issuer will be able to make payments that increase in the future), (2) performance indicators of the underlying assets in the security (including default and delinquency rates), (3) vintage, (4) geographic concentration, (5) impact of foreign exchange rates on foreign currency denominated securities, and (6) industry analyst reports, sector credit ratings and volatility of the security's fair value.

For equity securities the Company does not have the intent and ability to hold to recovery, and for fixed maturity securities the Company intends to sell or for which it is more likely than not that the Company will be required to sell before an anticipated recovery in value, the full amount (fair value less amortized cost) of the impairment is included in net realized gains (losses).

Upon recognizing an other-than-temporary impairment, the new cost basis of the investment is the previous amortized cost basis less the other-than-temporary impairment recognized in net realized gains. The new cost basis is not adjusted for any subsequent recoveries in fair value; however, for fixed maturity securities the difference between the new cost basis and the expected cash flows is accreted to net investment income over the remaining expected life of the investment.

Realized gains and losses on sales of investments are recognized in income using the specific identification method.

Net investment income includes interest income on fixed maturity securities, recorded when earned, dividend income on equity investments, recorded when declared and the amortization of premiums and discounts on investments. The amortization of premium and accretion of discount is computed using the effective interest rate method. Net investment income is recorded net of investment expenses.

Short term investments

Short term investments are debt securities with maturities at acquisition between three months and one year, are considered available for sale, and are reported at fair value with changes in fair values, net of deferred income taxes, reported in accumulated other comprehensive income.

Other investments

Other investments include investments in promissory notes and investments in closed-end limited partnerships that invest primarily in commercial real estate debt in North America and Europe. It also includes investment in a Cayman-island registered partnership fund that primarily invests in portfolio companies in China, Hong Kong, Macau and/or Taiwan and preferred shares of a Japan-based company. Investments in promissory notes are carried at cost with interest income recorded in net investment income. Investments in closed-end limited partnerships, Cayman-island registered fund and preferred shares are carried at fair value, with related unrealized gains and losses recorded in net realized and unrealized gains (losses) on investments included in the statement of operations and comprehensive income.

Cash and cash equivalents
The Company considers all investments with an original maturity of ninety days or less as cash equivalents.

Other Assets
Investments in which the Company had significant influence over the operating and financial policies of the investee are classified as other assets and are accounted for under the equity method of accounting. Under this method, the Company records its proportionate share of income or loss from such investments in its results for the period and includes these investments in other assets in its consolidated financial statements.

Also included in other assets are depreciable long-lived assets such as information technology equipment, software and software licenses, leasehold improvements, furniture and fixtures that are carried at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives taking into account residual value. The estimated useful lives (i.e., information technology equipment - three years; software - three to five years; leasehold improvements - shorter of their useful life or remaining life of the lease; furniture and fixtures - five years) is based on the period over which the Company expects to generate net cash inflows from the use of these assets. The depreciable long-lived assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Insurance and reinsurance balances payable
Insurance and reinsurance balances payable principally represents ceded premiums payable and profit commissions payable to third party reinsurance companies or program administrators. Also included within this line item are amounts related to the Company's insurance business principally related to return premiums, which arise when an insurance contract is cancelled and the Company is required to return some or all of the premium received to the insured.

Business combinations, goodwill and other intangible assets
The Company accounts for business combinations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") *Topic* 805 *Business Combinations*, and goodwill and other intangible assets that arise from business combinations in accordance with FASB ASC Topic 350 *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 at least annually. The Company first assesses qualitative factors in determining whether it is necessary to perform the two-step quantitative goodwill impairment test. Only if management determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount based on qualitative factors, would it be required to then perform the two-step quantitative goodwill impairment test detailed below.

The first step identifies potential impairments by comparing the fair value of the reporting unit to its book value, including intangibles. If the fair value of the reporting unit exceeds the carrying amount, the intangible is not impaired and the second step is not required. If the carrying value is in excess of the fair value, the second step computes the possible impairment loss by comparing the implied fair value of the intangible with the carrying amount. If the implied fair value of the intangible is less than the carrying amount, the intangible is written down to its fair value with a corresponding expense being charged to earnings.

The Company considers the recoverability of its intangible assets whenever a change in circumstances arises and in the event that an impairment exists, any excess unamortized balances are recorded in earnings.

Foreign exchange
The Company's reporting currency is the United States Dollar ("U.S. dollars"). Monetary assets and liabilities denominated in currencies other than the entities' functional currencies are revalued at the exchange rates in effect as of the balance sheet date with the resulting foreign exchange gains and losses included in earnings as net foreign exchange gains (losses). Revenues and expenses denominated in currencies other than the entities' functional currencies are remeasured at the average rate for the period. The Company's functional currency is determined based on its operating environment and its underlying cash flows.

Taxation
Income taxes have been provided in accordance with the provisions of FASB ASC Topic 740 *Income Taxes* on those operations

that are subject to 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings 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.

Tax positions are based solely on their technical merits and reflect the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon settlement with the applicable taxing authority with full knowledge of all relevant information.

Recent accounting pronouncement

Revenue from Contracts with Customers

The Company will adopt the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 was issued to clarify the principles for recognizing revenue, however, insurance contracts and financial instrument transactions are not within the scope of this guidance. ASU 2014-09 is effective for non-public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company has evaluated the impact of the adoption of ASU 2014-09. The adoption will not have a material impact on the Company's financial statements.

Amendments to Financial Instrument Standards

On January 5, 2016, FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities.* This new update will impact the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The key provisions include:

- Equity investments (except those accounted under equity or consolidation method) will be required to be measured at fair value with changes in fair value recognized in net income. This will eliminate the available-for-sale classification (changes in fair value reported in other comprehensive income) for equity securities.
- When the fair value option is elected for financial liabilities, changes in fair value due to instrument-specific credit risk will be recognized in other comprehensive income instead of net income.
- Targeted changes to the presentation in financial assets and liabilities in the balance sheet or the accompanying notes to the financial statements.

The guidance is effective for fiscal years beginning after December 15, 2018. The Company believes that this guidance will not have a material impact on the Company's consolidated financial statements.

Amendment to Leasing Standard

On February 25, 2016, FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. This new update will impact the accounting for leases by lessees. The lease accounting applied by lessors is largely unchanged from previous GAAP. A lessee will recognize lease expense on straight-line basis for leases classified as operating leases while leases classified as finance leases will be recognized similar to the existing capital lease. The key provisions include:

- Definition of a lease was modified as those arrangements that convey the right to "control" the use of an "identified asset";
- Companies are required to record a right-of-use asset and corresponding liability for all leases although exceptions are made for leases with a term of twelve months or less;
- The right-of-use asset is subject to impairment testing as a long-lived asset; and
- A lessee is required to reassess the lease term for triggering events which may lead to reclassification of the lease and remeasurement of the right-of-use asset and liability.

The guidance is effective for fiscal years beginning after December 15, 2019. The Company believes that this guidance will not have a material impact on the Company's consolidated financial statements.

Financial Instrument Impairment Model

On September 16, 2016, FASB issued Accounting Standards Update 2016-13, *Measurement of Credit Losses on Financial Instruments*. This update introduces a new impairment model for financial assets using the "expected credit loss model", which is a

departure from the existing "incurred loss model". It removes the requirement that a credit loss should be recorded only when it meets the "probable" threshold. The amendments affect loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables and other financial assets that have contractual rights to receive cash. It also modifies the impairment model for available-for-sale debt securities ("AFS") by removing the requirement to consider the length of time the fair value of an AFS debt security has been in an unrealized loss position when determining whether a credit loss exists. In addition, it requires that credit losses be presented as a valuation allowance rather than as a write-down. The guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of this guidance. The adoption is expected to have a material impact on the Company's financial statements.

Statement of Cash Flows Update

On August 26, 2016, FASB issued Accounting Standards Update 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. This new update addresses diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The update covers the following eight specific cash flow classification issues:

- Debt prepayment or debt extinguishment costs
- Settlement of zero-coupon debt instruments or other debt instruments with insignificant coupon interest rates in relation to the effective interest rate
- Contingent consideration payments made after a business combination
- Proceeds from settlement of insurance claims
- Proceeds from settlement of corporate-owned life insurance policies
- Distributions received from equity method investees
- Beneficial interests in securitization transactions
- Separately identifiable cash flows and presentation based on predominant source or use

The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company believes that this guidance will not have a material impact on the Company's consolidated financial statements.

Reclassification of Certain Tax Effects from AOCI

The Company will adopt the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* ("ASU 2018-02") guidance which permits a reclassification from AOCI to retained earnings for stranded tax effects resulting from the newly enacted federal corporate tax rate from the Tax Cuts and Jobs Act of 2017 (the "Act"). The amount of the reclassification from AOCI to retained earnings will be the difference between the historical corporate tax rate and the newly enacted 21% corporate tax rate on deferred tax items originally established through OCI and not net income. ASU 2018-02 allows entities to adopt in any interim or annual period for which financial statements have not yet been issued and apply the guidance either (1) in the period of adoption or (2) retrospectively to each period in which the effect of change in the tax rate is recognized. The Company plans to early adopt ASU 2018-02 on January 1, 2018 and will elect to apply this guidance in the period of adoption. The Company will decrease AOCI by approximately $697 and increase retained earnings by the same amount in the statements of comprehensive income (loss) as of the beginning of 2018. The adoption is not expected to have a material impact on the Company's financial statements.

3. Liberty Mutual Sale Agreement and Acquisition

On December 5, 2016, Ironshore, Fosun, Mettlesome HK, Mettlesome CI and Liberty Mutual entered into a stock purchase agreement pursuant to which Mettlesome HK and Mettlesome CI agreed to sell to Liberty Mutual all of the issued and outstanding ordinary shares of Ironshore on the terms and conditions specified in the agreement. Mettlesome HK and Mettlesome CI are subsidiaries of Fosun.

On May 1, 2017, Liberty Mutual acquired the Company for approximately $2,926. Liberty Mutual financed the acquisition primarily through short-term borrowings, which have been paid using cash from operations.

Liberty Mutual believes that the Company is highly complementary to its Global Specialty and Commercial Insurance and significantly increases scale and competitiveness in global specialty insurance and reinsurance lines.

4. Sale of a subsidiary

During September 2016, the Company sold Wright & Co., a wholly owned subsidiary, to a third party for cash consideration of $15,000. The sale resulted in a gain of $5,247, which was recorded in the consolidated statement of operations and comprehensive income.

5. Goodwill and other intangible assets

Goodwill and other intangibles as of December 31, 2017 and 2016 are as follows:

	Goodwill	Other intangible assets			Goodwill & other intangible assets
	Gross	Gross	Amortization	Net	Total
Balance as of January 1, 2016	$18,195	$43,834	$(11,929)	$31,905	$50,100
Acquired during 2016	-	7,750		7,750	7,750
Sold during 2016	(6,283)	(3,729)	2,497	(1,232)	(7,515)
Amortization	-	-	(2,653)	(2,653)	(2,653)
Balance as of December 31, 2016	11,912	47,855	(12,085)	35,770	47,682
Acquired during 2017	-	-	-	-	-
Sold during 2017	-	-	-	-	-
Amortization	-	-	(2,566)	(2,566)	(2,566)
Balance as of December 31, 2017	$11,912	$47,855	$(14,651)	$33,204	$45,116

The gross carrying value and accumulated amortization by major category of other intangible asset as of December 31, 2017 is shown below:

	Gross carrying value	Accumulated amortization	Total
Admitted licenses	$11,006	-	$11,006
Excess & surplus lines licenses	8,925	-	8,925
Indefinite life	19,931	-	19,931
Customer relationship, customer lists and trade name	4,684	(3,233)	1,451
Renewal rights	18,264	(7,864)	10,400
Non-compete agreement	4,976	(3,554)	1,422
Definite life	27,924	(14,651)	13,273
Total intangible assets	$47,855	$(14,651)	$33,204

The gross carrying value and accumulated amortization by major category of other intangible asset as of December 31, 2016 is shown below:

	Gross carrying value	Accumulated amortization	Total
Admitted licenses	$11,006	-	$11,006
Excess & surplus lines licenses	8,925	-	8,925
Indefinite life	19,931	-	19,931
Customer relationship, customer lists and trade name	4,684	(2,943)	1,741
Renewal rights	18,264	(6,299)	11,965
Non-compete agreement	4,976	(2,843)	2,133
Definite life	27,924	(12,085)	15,839
Total intangible assets	$47,855	$(12,085)	$35,770

The useful life of intangible assets with finite lives ranges from 3 to 10 years, with an average remaining amortization period of 7 years.

Expected amortization of the other intangible assets is shown below:

	Other intangible assets
2018	$2,301
2019	2,301
2020	1,590
2021	1,590
2022 and thereafter	5,491
Total remaining amortization expense - definite life	13,273
Indefinite life	19,931
Total	$33,204

As described in Note 2, *Significant accounting policies*, the annual qualitative impairment test was performed and neither goodwill nor the other intangible assets were deemed to be impaired.

6. Investments

The Company designated fixed maturity and equity securities purchased during the year ended December 31, 2016 and thereafter as available for sale. These securities are carried in the Company's balance sheet at fair value with related unrealized gains and losses, net of related tax effect, included in accumulated other comprehensive income as a separate component of shareholder's equity, subject to impairment.

On May 1, 2017, all trading securities were transferred to available for sale at fair value.

The amortized cost, gross unrealized gains and losses and fair value of available for sale securities as of December 31, 2017 and 2016 are as follows:

		Included in Accumulated Other Comprehensive Income			
December 31, 2017	**Cost or amortized cost**	**Unrealized gains**	**Unrealized losses**	**Fair value**	**Non-credit-other than temporary impairment**
U.S. government and government agency securities	$392,110	$18	($1,795)	$390,333	$ -
Non-U.S. government securities	93,281	685	(448)	93,518	-
U.S. state and municipal securities	28,184	4	(73)	28,115	-
Corporate and other securities	929,059	3,907	(4,974)	927,992	-
Residential mortgage-backed securities	388,299	105	(3,499)	384,905	-
Commercial mortgage-backed securities	83,059	663	(1,123)	82,599	-
Other mortgage-backed and asset-backed securities	47,823	71	(236)	47,658	-
Total fixed maturity securities	1,961,815	5,453	(12,148)	1,955,120	-
Equity securities	1,359	-	-	1,359	-
	$1,963,174	$5,453	$(12,148)	$1,956,479	$ -

		Included in Accumulated Other Comprehensive Income			
December 31, 2016	**Cost or amortized cost**	**Unrealized gains**	**Unrealized losses**	**Fair value**	**Non-credit-other than temporary impairment**
U.S. government and government agency securities	$297,898	$2,399	($2,521)	$297,776	$ -
Non-U.S. government securities	28,158	73	(559)	27,672	-
U.S. state and municipal securities	28,065	-	(373)	27,692	-
Corporate and other securities	836,529	5,503	(10,312)	831,720	-
Residential mortgage-backed securities	243,242	45	(6,834)	236,453	-
Commercial mortgage-backed securities	72,978	261	(846)	72,393	-
Other mortgage-backed and asset-backed securities	141,299	294	(588)	141,005	-
Total fixed maturity securities	1,648,169	8,575	(22,033)	1,634,711	-
Equity securities	35,373	3,844	(848)	38,369	-
	$1,683,542	$12,419	$(22,881)	$1,673,080	$ -

The amortized cost, gross unrealized gains and losses and fair value of trading securities as of December 31, 2016 are as follows:

December 31, 2016	Amortized cost	Unrealized gains	Unrealized losses	Fair value
U.S. government and government agency securities	$107,536	$112	($46)	$107,602
Non-U.S. government securities	48,249	647	(1,047)	47,849
U.S. state and municipal securities	45,703	171	(62)	45,812
Corporate and other securities	1,135,217	9,131	(5,932)	1,138,416
Residential mortgage-backed securities	481,210	2,602	(4,410)	479,402
Commercial mortgage-backed securities	239,755	1,425	(3,576)	237,604
Other mortgage-backed and asset-backed securities	479,190	835	(1,089)	478,936
Total fixed maturity securities	2,536,860	14,923	(16,162)	2,535,621
Equity securities	177,702	18,689	(13,180)	183,211
	$2,714,562	$33,612	($29,342)	$2,718,832

The following table presents the other comprehensive income reclassification adjustments on investments for the year ended December 31, 2017 and 2016:

	2017	2016
Change on net unrealized gains on investments arising during the year	$9,091	$ -
Less: Reclassification adjustment included in net income	(1,090)	-
Other comprehensive income, before tax	8,001	-
Less: Income tax expense	(858)	-
Other comprehensive income, net of tax	$7,143	$ -

Included in the tables above are fixed maturity securities with a fair value of $16,617 and $16,553 that are on deposit with U.S. and Cayman's insurance regulators as of December 31, 2017 and 2016, respectively, to meet certain statutory requirements. The Company also maintains cash and cash equivalents of $2,208 and $5,088; short term securities of $14,405 and $62,122; and fixed maturity securities of $546,059 and $2,169,819 in trust accounts as collateral under the terms of certain insurance and reinsurance transactions as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the Company maintained a trust account composed of cash and cash equivalents of $649 and $2,297; short term securities of $3,900 and $nil; and fixed maturity securities of $60,745 and $39,853, respectively, to meet certain Canadian insurance regulatory requirements for Ironshore Insurance Ltd. - Canada Branch.

On December 1, 2009, the Company entered into a standby letter of credit facility provided by Citibank Europe plc. As of December 31, 2017 and 2016, $72,867 and $52,563, respectively, of letters of credit were issued and outstanding under this facility. Cash and cash of equivalents of $nil and $1,025 and fixed maturity securities of $86,652 and $62,633 as of December 31, 2017 and 2016, respectively, were pledged as collateral.

The Company's parent operates in the Lloyd's market through its corporate member Ironshore Corporate Capital Ltd. ("ICCL"), which represents its participation in Syndicate 4000. Beginning on January 1, 2018, ICCL will also be participating in Syndicate 2014. Lloyd's sets capital requirements for corporate members annually through the application of a capital model that is based on regulatory capital rules pursuant to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) ("Solvency II"), as further adjusted by Lloyd's. Such capital, or Funds at Lloyd's ("FAL"), may be satisfied by cash, certain investments and undrawn letters of credit provided by approved banks. As of December 31, 2017 and 2016, cash and cash equivalents of $nil and $7,451; short term securities of $1,798 and $nil; fixed maturity securities of $341,186 and $155,079; and equity securities of $nil and $54,702 were restricted to satisfy ICCL's FAL requirements. These assets set aside to satisfy Lloyd's FAL requirement were provided by the Company. The Company also pledged a letter of credit with face value of £125,000 as of December 31, 2017 and 2016 for FAL.

The following represents an analysis of net realized gains (losses) on the sale of trading securities for the year ended December 31, 2017 and 2016:

	December 31, 2017		
	Realized gains	Realized losses	Net realized gains (losses)
Fixed maturity securities	$17,077	($8,308)	$ 8,769
Equity securities	24,250	(3,826)	20,424
Short term investments	23	(2)	21
	$41,350	$(12,136)	$ 29,214

	December 31, 2016		
	Realized gains	Realized losses	Net realized gains (losses)
Fixed maturity securities	$8,030	($8,787)	$(757)
Equity securities	3,314	(2,938)	376
Short term investments	3	(20)	(17)
	$11,347	$(11,745)	$(398)

The following represents an analysis of net realized gains (losses) on the sale of available for sale securities for the year ended December 31, 2017 and 2016:

	December 31, 2017		
	Realized gains	Realized losses	Net realized gains (losses)
Fixed maturity securities	$15,208	($19,234)	$(4,026)
Equity securities	8,667	(3,548)	5,119
Short term investments	22	(25)	(3)
	$23,897	$(22,807)	$ 1,090

	December 31, 2016		
	Realized gains	Realized losses	Net realized gains (losses)
Fixed maturity securities	$6,177	($5,360)	$ 817
Equity securities	1,282	(339)	943
	$7,459	$(5,699)	$ 1,760

The following table summarizes the fair value and gross unrealized losses of available for sale securities aggregated by category and the length of time the individual securities have been in a continuous unrealized loss position:

	0 - 12 Months		Over 12 Months	
December 31, 2017	**Fair Value**	**Gross Unrealized Loss**	**Fair Value**	**Gross Unrealized Loss**
U.S. government and government agency securities	$354,220	($1,503)	$16,221	($292)
Non-U.S. government securities	50,606	(230)	13,060	(218)
U.S. state and municipal securities	27,167	(72)	135	(1)
Corporate and other securities	550,070	(3,586)	66,959	(1,388)
Residential mortgage-backed securities	331,794	(2,843)	20,535	(656)
Commercial mortgage-backed securities	48,369	(883)	6,617	(240)
Other mortgage-backed and asset-backed securities	38,585	(202)	1,741	(34)
Total fixed maturity securities	$ 1,400,811	$(9,319)	$ 125,268	$(2,829)

Each quarter, the Company reviews its securities that are deemed impaired (i.e., fair value is less than its cost or amortized cost) to determine whether impairment is temporary or other than temporary. To facilitate this process, the Company reviews all factors including the following for fixed maturity securities:

- the Company's intention to sell the securities;
- whether it is more likely than not that the Company will be required to sell the securities before the recovery of its amortized cost basis; or
- existence of credit loss where the Company does not expect to recover the entire amortized cost of the security.

For equity securities, the Company reviews various factors (both positive and negative) whether there is adequate evidence that the decline in fair value is other than temporary. This evidence could include review of an investee's financial condition, future earnings, industry prospects, debt rating or any other factors that would raise doubt on investee's ability to continue as a going concern.

The Company reviewed all available for sale investments in an unrealized loss position as of December 31, 2017 and 2016. The Company's OTTI losses are as follows:

	2017	2016
Other-than-temporary impairment losses:		
Total other-than-temporary impairment losses:	$818	$ 1,326
Change in portion of loss recognized in other comprehensive income	-	-
Net other-than-temporary impairment recognized in earnings	$818	$ 1,326

The amortized cost and fair value amounts for fixed maturity securities held as of December 31, 2017 and 2016 are shown by contractual maturity below. Actual maturity may differ from contractual maturity because certain borrowers may have the right to call or prepay certain obligations with or without call or prepayment penalties.

	December 31, 2017	
Available for Sale Securities	**Amortized cost**	**Fair value**
Due in one year or less	$84,108	$84,002
Due after one year through five years	985,370	981,445
Due after five years through ten years	327,683	328,254
Due after ten years	45,473	46,257
Residential, commercial and other mortgage and asset-backed securities	519,181	515,162
Total fixed maturity securities	$1,961,815	$1,955,120

	December 31, 2016	
Trading Securities	**Amortized cost**	**Fair value**
Due in one year or less	$249,636	$249,447
Due after one year through five years	943,897	945,813
Due after five years through ten years	115,943	117,791
Due after ten years	25,730	25,126
Residential, commercial and other mortgage and asset-backed securities	1,200,155	1,195,942
U.S. government sponsored enterprises	1,499	1,502
Total fixed maturity securities	$2,536,860	$2,535,621

	December 31, 2016	
Available for Sale Securities	**Amortized cost**	**Fair value**
Due in one year or less	$17,509	$17,503
Due after one year through five years	739,178	737,038
Due after five years through ten years	406,768	403,836
Due after ten years	27,195	26,483
Residential, commercial and other mortgage and asset-backed securities	457,519	449,851
Total fixed maturity securities	$1,648,169	$1,634,711

Net investment income is derived from the following sources:

	2017	**2016**
Fixed maturity securities	$96,790	$115,702
Other investments	7,286	9,718
Equity securities	4,882	7,322
Cash and cash equivalents	2,879	337
Short term investments	481	283
Total gross investment income	112,318	133,362
Investment expenses	(7,954)	(10,043)
Net investment income	$104,364	$123,319

7. Fair value measurement

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach, which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's available for sale portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 — Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets or liabilities at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. The unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance on the overall reasonableness and consistent application of valuation methodologies and inputs and compliance with accounting standards through the execution of various processes and controls designed to ensure that the Company's assets and liabilities are appropriately valued. For fair values received from third parties or internally estimated, the Company's processes are designed to determine that the valuation methodologies and inputs are appropriate and consistently applied, the assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third party valuation sources for selected securities.

The Company used the following methods and assumptions in estimating the fair value of its financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

Fixed maturity securities
At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. government and government agency securities
U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on active markets and unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

Non-U.S. government securities
Non-U.S. government securities include bonds issued or guaranteed by Non-U.S. governments. The fair value of Non-U.S. government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of Non-U.S. government securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes

from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Municipal securities
The Company's municipal portfolio is comprised of bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, binding broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

Corporate and other securities
Corporate and other securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Mortgage-backed securities ("MBS")
The Company's portfolio of residential and commercial mortgage-backed securities is originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of mortgage-backed securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-backed securities ("ABS")
Asset-backed securities include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of asset-backed securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Equity securities
Equity securities include common stocks. Common stocks with fair values based on quoted market prices in active markets are classified within Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified within Level 2.

Short-term investments
The fair value of short-term investments is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of short-term investments is primarily classified within Level 2 of the fair value hierarchy.

Other investments
The Company's other investments include investments in closed-end limited partnerships that invest primarily in private commercial real estate debt in North America and Europe ("Real Estate Debt Funds"). The Company also invested in a limited partnership fund registered in Cayman Islands called China Momentum Fund, L.P. ("CMF") and in March 2016, the Company acquired preferred shares of Eynsford TMK ("ETMK") for $11,808. ETMK is a Japanese company that primarily holds a commercial building in downtown Tokyo. The Company sold the preferred shares of ETMK on February 28, 2017 for 1,397 Japanese Yen to an affiliate of Fosun. The Company owns 0% and 49.96% of ETMK's preferred shares as of December 31, 2017 and 2016, respectively. ETMK was a related party as the remaining 50.04% of the preference shares are owned by subsidiaries of Fosun.

The fair value of these investments is estimated using the net asset value ("NAV") as provided by the general partners or investment

managers. As the NAV obtained from the general partners or investment managers lags by one quarter as of the measurement date, the Company considers any adjustment to the most recent NAV such as capital calls, distributions, redemptions and all other information available to the Company.

The Real Estate Debt Funds invest principally in senior and subordinated instruments, including mortgages, B-notes and mezzanine, senior and bridge loans related to real estate-related assets. These investments are not allowed to be redeemed, transferred or resold and have an estimated term of three to seven years. CMF invests primarily in a portfolio of companies engaged in consumer, financial or industrial undertakings domiciled in China, Hong Kong, Macau and/or Taiwan. The investment period for CMF commenced on August 15, 2013 with an estimated term of 10 years unless sooner dissolved.

As of December 31, 2017, Real Estate Debt Funds and the Company's investments in CMF had a balance of $80,720 recorded as other investments in the consolidated balance sheets. As of December 31, 2016, Real Estate Debt Funds, Company's investments in CMF, and ETMK had a balance of $129,502 recorded as other investments in the consolidated balance sheets.

Other investments that are measured at fair value using the net asset value practical expedient were $80,720 and $132,302 as of December 31, 2017 and 2016, respectively, and were not classified in the fair value hierarchy above.

Prior to June 30, 2017, the Company received assistance with its investment accounting function from a third party service provider. Beginning on July 1, 2017, the Company received assistance with its investment accounting function from a related party within the Liberty Mutual group. These service providers as well as the Company's investment managers use several pricing services and brokers to assist with the determination of the fair value of the Company's investment portfolio. The Company does not typically adjust prices obtained from pricing services. In accordance with accounting guidance regarding fair value measurements, the Company's service providers maximize the use of observable inputs ensuring that unobservable inputs are used only when observable inputs are not available.

The following table presents the Company's investments that are measured at fair value on a recurring basis as well as the carrying amount of these investments as of December 31, 2017 by level within the fair value hierarchy:

2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
U.S. government and government agency securities	$390,333	$0	$0	$390,333
Non-U.S. government securities	-	93,518	-	93,518
U.S. state and municipal securities	-	28,115	-	28,115
Corporate and other securities	-	818,626	109,366	927,992
Residential mortgage-backed securities	-	384,905	-	384,905
Commercial mortgage-backed securities	-	82,599	-	82,599
Other mortgage-backed and asset-backed securities	-	47,658	-	47,658
Total fixed maturity securities	390,333	1,455,421	109,366	1,955,120
Equity securities	-	-	1,359	1,359
Short term investments	2,543	30,830	-	33,373
	$392,876	$1,486,251	$110,725	$1,989,852

The following table presents the Company's investments that are measured at fair value on a recurring basis as well as the carrying amount of these investments as of December 31, 2016 by level within the fair value hierarchy:

2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
U.S. government and government agency securities	$403,875	$1,503	$ -	$405,378
Non-U.S. government securities	-	75,521	-	75,521
U.S. state and municipal securities	-	73,504	-	73,504
Corporate and other securities	-	1,749,430	220,706	1,970,136
Residential mortgage-backed securities	-	715,855	-	715,855
Commercial mortgage-backed securities	-	309,933	64	309,997
Other mortgage-backed and asset-backed securities	-	602,189	17,752	619,941
Total fixed maturity securities	403,875	3,527,935	238,522	4,170,332
Equity securities	215,355	6,225	-	221,580
Short term investments	750	97,750	-	98,500
	$619,980	$3,631,910	$238,522	$4,490,412

As of December 31, 2017 and 2016, the Company's Level 3 investments represented 5.6% and 5.3%, respectively, of its total investments measured at fair value.

Level 3 Gains and Losses

The table below presents assets that are measured at fair value on a recurring basis as of December 31, 2017 using significant Level 3 inputs:

Year ended December 31, 2017	Corporate and other	Residential MBS	Commercial MBS	Other MBS and ABS	Equity	Short-term	Total
Balance at beginning of year	$220,706	$ -	$64	$17,752	$ -	$ -	$238,522
Realized gains (losses)	(158)	-	-	-	-	50	(108)
Unrealized gains (losses)							
Included in net income (loss)	596	-	-	36	-	-	632
Included in other comprehensive income (loss)	952	(277)	-	-	-	109	784
Purchases	41,789	17,361	-	7,000	-	13,652	79,802
Sales	(115,186)	-	(64)	(20,510)	-	(13,811)	(149,571)
Transfer into Level 3	4,639	-	-	-	1,359	-	5,998
Transfer out of Level 3	(43,972)	(17,084)	-	(4,278)	-	-	(65,334)
Balance at end of year	$109,366	$ -	$ -	$ -	$1,359	$ -	$110,725

The table below presents assets that are measured at fair value on a recurring basis as of December 31, 2016 using significant Level 3 inputs:

Year ended December 31, 2016	Corporate and other	Commercial MBS	Other MBS and ABS	Total
Balance at beginning of year	$223,062	$664	$34,489	$258,215
Realized gains (losses)	(654)	-	84	(570)
Unrealized gains (losses)				
Included in net income (loss)	1,312	13	384	1,709
Included in other comprehensive income (loss)	533	-	36	569
Purchases	70,880	-	2,991	73,871
Sales	(72,052)	(613)	(7,610)	(80,275)
Transfer into Level 3	9,693	-	239	9,932
Transfer out of Level 3	(12,068)	-	(12,861)	(24,929)
Balance at end of year	$220,706	$64	$17,752	$238,522

Change in unrealized loss for the year included in earnings for assets held at the end of December 31, 2017 and 2016 amounted to $nil and $3, respectively.

There have been no significant changes in the Company's use of valuation techniques or related inputs nor have there been any transfers between Level 1 and Level 2 during the years ended December 31, 2017 and 2016, respectively. The transfers from Level 2 to Level 3 during the years ended December 31, 2017 and 2016 reflect low levels of trading activity in certain fixed maturity securities, while the transfers of fixed maturity securities from Level 3 to Level 2 that occurred during the same periods reflect higher reliance on observable inputs. The Company's policy is to recognize transfers in and out of the fair value hierarchy measurement levels as of the date of the actual transfer.

Financial Instruments Not Carried at Fair Value

U.S. GAAP requires that entities disclose the fair value of all of their financial instruments whether or not carried at fair value in the financial statements. The fair values and carrying values of the Company's financial instruments excluded from ASC 820, Fair Value Measurements, as of December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	Carrying value	Fair Value	Carrying value	Fair Value
3.72%, Promissory Note	$297,677	$ 297,677	$ -	$ -
8.50%, Senior Notes	-	-	247,825	279,925
0.85% FHLB Loan	-	-	100,000	100,000
Debt Obligations	$297,677	$ 297,677	$347,825	$379,925

As of December 31, 2017, the carrying value of the 3.72% Promissory Note approximates fair value and is classified as Level 2 in the fair value hierarchy.

As of December 31, 2016, the fair value of 8.5% Senior Note is determined using a non-binding broker quote, which is considered Level 3 in the fair value hierarchy. Consequently, additional information about significant unobservable inputs used in the fair value measurement is not disclosed. The fair value of 0.85% FHLB Loan is classified as Level 2 in the fair value hierarchy.

8. Reserves for losses and loss adjustment expenses

Reserves for losses and loss adjustment expenses are based in part upon the estimation of case reserves reported from brokers, insureds and ceding companies. The Company also uses statistical and actuarial methods to estimate ultimate expected losses and

loss adjustment expenses. The period of time from the occurrence of a loss, the reporting of a loss to the Company and the settlement of the Company's liability may be several months or years. During this period, additional facts and trends may be revealed. As these factors become apparent, case reserves will be adjusted, sometimes requiring an increase or decrease in the overall reserves of the Company, and at other times requiring a reallocation of incurred but not reported reserves to specific case reserves. These estimates are reviewed regularly, and such adjustments, if any, are recorded in earnings in the period in which they become known. While management believes it has made a reasonable estimate of ultimate losses, there can be no assurances that ultimate losses and loss expenses will not exceed the total reserves.

The following table represents the activity in the reserve for losses and loss adjustment expenses for the years ended December 31, 2017 and 2016, respectively:

	2017	2016
Gross reserves for losses and loss adjustment expenses, beginning of year	$3,249,630	$2,920,673
Less reinsurance recoverable balances, beginning of year	828,379	690,767
Net reserves for losses and loss adjustment expenses, beginning of year	2,421,251	2,229,906
Increase (decrease) in net losses and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	758,035	899,962
Prior years	344,411	36,125
Total incurred losses and loss adjustment expenses	1,102,446	936,087
Less net losses and loss adjustment expenses paid in respect of losses occurring in:		
Current year	101,039	113,869
Prior years	586,823	606,574
Total net paid losses	687,862	720,443
Adjustments:		
Pooling	(1,850,371)	-
Adverse development cover	(367,533)	-
Net foreign currency gain on loss and loss adjustment expenses	16,024	(24,299)
	(2,201,880)	(24,299)
Net reserve for losses and loss adjustment expenses, end of year	633,955	2,421,251
Plus reinsurance recoverable balances, end of year	3,944,173	828,379
Gross reserve for losses and loss adjustments expenses, end of year	$4,578,128	$3,249,630

There were a number of significant adjustments to the reserves for losses and loss adjustment expenses for the year ended December 31, 2017 relating to the acquisition of the company by Liberty Mutual described in note 3. The adjustments relate to the following specific transaction:

- Liberty Mutual entered into a Loss Portfolio Transfer and Adverse Development Aggregate Excess of Loss Reinsurance Contract (the "ADC") with National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway Inc., providing coverage for substantially all of Ironshore's reserves related to losses occurring prior to January 1, 2017. The first layer of the contract transfers $400,000 of held reserves at inception, for which Ironshore established reinsurance recoverables on the consolidated balance sheets. The second layer of the contract provides adverse development cover for 95% of $500,000 above a retention equal to $2,991,000, minus paid losses between January 1, 2017 and May 1, 2017. Ironshore paid NICO consideration of $550,000, including interest accrued at the time of the settlement.

  The Company has a significant proportion of the reserves that are subject to the ADC. As a result, the Company paid $509,519 and recorded a recoverable of $367,533 at inception of the contract generating in an original loss on the transaction of $141,986 which is included in reinsurance premiums ceded on the consolidated statements of operations.

Since the ADC is accounted for as retroactive reinsurance in the Company's consolidated financial statements, to the extent there is unfavorable development of losses covered by this reinsurance, an additional reinsurance benefit is recognized in the consolidated statements of income until those benefits exceed the original loss on the transaction. Reinsurance benefits in excess of the original loss will be deferred and recognized over the claims paying period of the reinsured policies. Subsequent to the Company's entry into the ADC, the Company recorded $40,680 of retroactive reinsurance benefits which have partially offset the original loss.

- Liberty Mutual utilizes a pooling arrangement between a number of US entities with Liberty Mutual Insurance Company ("LMIC") as the assuming company and primary pool participant. On July 1, 2017 the Company's US subsidiaries, Ironshore Indemnity and Ironshore Specialty entered into the LMIC pooling arrangement resulting in a loss portfolio transfer of 100% of the net reserves for losses and loss adjustment expenses of those entities.

  Since the LMIC pooling arrangement is accounted for as retroactive reinsurance in the Company's consolidated financial statements, to the extent there is unfavorable development of losses covered by this reinsurance, an additional reinsurance benefit is recognized in the consolidated statements of income until those benefits exceed the original loss on the transaction. Reinsurance benefits in excess of the original loss will be deferred and recognized over the claims paying period of the reinsured policies. Subsequent to the Company's entry into the LMIC pooling arrangement, the Company recorded $323,919 of retroactive reinsurance benefits which have been deferred.

For the year ended December 31, 2017, the Company had total incurred losses and loss adjustment expenses of $1,102,446 which included $121,700 of catastrophe related net losses. The Company incurred gross losses of $473,800 which was comprised of $123,200 from Hurricane Harvey, $245,900 from Hurricane Irma, and $104,700 from Hurricane Maria. The Company had reinsurance recoverables of $95,500 from Hurricane Harvey, $180,600 from Hurricane Irma, and $76,000 from Hurricane Maria.

There was an overall prior year unfavorable development of $344,411 for the year ended December 31, 2017. The underlying reasons for the prior year unfavorable development included:

- Net unfavorable loss reserve development for the International segment of $13,353 due to losses emerging higher than expected;

- Net unfavorable loss reserve development for the U.S. segment of $319,942 across multiple accident years due to losses emerging higher than expected of which $209,551 was recognized on U.S. Casualty primarily in the 2012 to 2016 accident years, $101,835 on IronPro in the 2011 to 2015 accident years, $40,103 on IronHeath primary in the 2014 accident year, and $7,504 on Aviation. As a result of the unfavorable reserve development the Company recognized a reinsurance benefit of $40,680 on the ADC; and

- Net unfavorable loss reserve development for the Bermuda segment of $14,995 due to losses emerging higher than expected for IronStarr. This was partially offset by favorable loss reserve development of $7,254, due to better than expected reported claim activity in Bermuda Property of $5,561 and Corporate Deals of $1,693.

The Company's underlying reasons for prior year unfavorable development of $36,125 for the year ended December 31, 2016 included:

- Net unfavorable loss reserve development from the Company's U.S. business of $50,300, of which $45,100 was recognized in the Company's casualty line of business, primarily on the 2010, 2013 and 2015 accident years, and $14,600 in the Company's aviation line of business, primarily on the 2014 and 2015 accident years, due to higher than expected reported claim activity and a revision to loss development tail factors for several casualty reserving segments. This was partially offset by favorable loss reserve development due to better than expected reported claim activity in the following lines of business and accident years: $5,800 in the Company's political risk line of business (2013 and 2014 accident years) and $4,100 in the Company's U.S. property line of business (2015 accident year); and

- Net favorable loss reserve development from the Company's Bermuda business of $12,400, due to better than expected reported claim activity in the following lines of business and accident years: $7,200 in the Company's Bermuda property

line of business, primarily on the 2008, 2014 and 2015 accident years, and $5,000 in the Company's Corporate Deals line of business, primarily on the 2014 and 2015 accident years.

The Company has written an increasing volume of casualty business in recent years, which adds significant variability to management's estimates because of the longer tail nature of the risks.

As of December 31, 2017 and 2016, reinsurance recoverable and reserve for losses and loss adjustment expenses include amounts of $10,356 and $11,678, respectively, related to the pre-acquisition business of Ironshore Indemnity and Ironshore Specialty that are secured by conditional guarantees from the parents of the sellers.

The Company adopted FASB issued ASU 2015-09, *Disclosures about Short-Duration Contracts*. The following is information about incurred and paid claims development as of December 31, 2017, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

Supplementary information provided includes information about incurred and paid claims development for the years ended December 31, 2008, to 2016, and information about average historical claims duration as of December 31, 2017.

Casualty
(Claims count in whole numbers)

Incurred claims and allocated claims adjustment expenses, net of reinsurance

As of December 31, 2017

	supplemental and unaudited														
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Gross ADC**	**Pooling**	**Net of ADC & Pooling**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims[2]**
2008	$19,815	$19,521	$21,174	$21,355	$20,867	$21,059	$21,355	$22,010	$21,572	$22,782	$(635)	$(4,116)	$18,031	$(243)	1,557
2009		87,177	87,375	83,493	79,346	73,912	74,476	69,602	74,278	74,693	(2,204)	(7,704)	64,785	467	7,755
2010			206,539	212,223	220,269	219,411	221,487	212,092	223,997	230,359	(6,178)	(22,267)	201,914	5,407	10,384
2011				316,107	315,618	317,166	333,944	342,913	346,551	356,037	(16,008)	(51,710)	288,319	7,719	14,136
2012					363,533	357,903	375,252	374,482	371,360	390,462	(29,455)	(107,009)	253,997	1,178	15,585
2013						444,012	472,334	478,094	486,688	522,848	(45,363)	(172,861)	304,624	22,671	16,560
2014							596,985	609,161	615,162	707,735	(94,879)	(324,720)	288,136	24,539	21,995
2015								626,072	649,695	770,196	(106,856)	(396,271)	267,069	30,739	23,478
2016									594,534	708,915	(106,622)	(426,664)	175,630	76,017	22,556
2017										456,065	-	(338,600)	117,465	85,909	17,426
								Total		**$4,240,092**	**$(408,200)**	**$(1,851,922)**	**$1,979,970**		

Casualty

Cumulative paid claims and allocated claims adjustment expenses, net of reinsurance

As of December 31, 2017

supplemental and unaudited

AY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	$17	$622	$830	$3,872	$4,284	$15,359	$16,127	$16,854	$19,935	$18,384
2009		228	6,952	14,310	23,739	31,407	42,662	52,125	56,394	65,039
2010			2,319	26,762	84,423	111,701	140,094	162,509	191,337	199,182
2011				8,049	77,656	127,831	175,828	231,852	274,192	291,025
2012					12,880	42,935	96,153	174,118	215,703	260,657
2013						24,442	75,325	148,450	220,858	310,605
2014							45,496	118,286	215,327	286,297
2015								67,544	156,255	230,709
2016									53,713	117,493
2017										3,187
								Total		**$1,782,578**
								All net outstanding liabilities prior to 2008, net of reinsurance		**300**
								Liabilities for claims and claim adjustment expense		**$197,692**

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
3.5%	10.0%	12.6%	13.6%	11.3%	19.4%	8.3%	4.1%	12.5%	-6.8%

Property
(Claims count in whole numbers)

Incurred claims and allocated claims adjustment expenses, net of reinsurance

As of December 31, 2017

	supplemental and unaudited														
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Pooling**	**Net of & Pooling**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims[2]**
2008	$200,865	$193,665	$197,975	$193,045	$189,729	$188,411	$189,399	$190,889	$190,939	$189,629	$ -	$189,629	$ -	1,326
2009		98,446	75,259	73,475	71,441	70,956	71,058	71,363	71,875	66,049	-	66,049	-	2,504
2010			115,872	119,163	121,317	119,208	118,039	119,765	118,444	113,805	(2,427)	111,378	(31)	2,932
2011				152,562	143,180	138,801	135,556	134,457	133,389	139,856	(2,744)	137,112	506	3,118
2012					103,729	108,817	98,899	97,627	98,758	98,040	(4,116)	93,925	1,576	2,478
2013						77,271	71,147	72,341	71,140	98,551	(633)	97,917	1,720	2,362
2014							117,703	104,617	99,831	54,860	(1,900)	52,960	3,673	2,860
2015								77,313	64,189	47,305	(3,377)	43,928	2,162	2,424
2016									106,007	95,461	(12,769)	82,691	8,890	2,956
2017										288,511	(71,800)	216,711	82,437	2,948
								Total		**$1,192,067**	**$(99,766)**	**$1,092,300**		

Property

Cumulative paid claims and allocated claims adjustment expenses, net of reinsurance

As of December 31, 2017

supplemental and unaudited

AY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	$67,191	$130,107	$164,268	$176,118	$183,296	$189,290	$189,517	$189,477	$189,485	$189,625
2009		21,820	51,973	62,461	64,968	70,828	70,813	71,001	71,012	65,818
2010			34,781	84,361	100,520	111,837	111,357	113,021	114,074	111,084
2011				32,777	88,872	120,582	127,399	129,233	127,916	135,674
2012					10,533	56,056	83,588	89,492	92,335	90,091
2013						15,075	44,702	63,375	68,205	95,164
2014							32,224	78,307	86,826	48,594
2015								7,559	31,559	24,335
2016									23,757	44,926
2017										70,356
									Total	**$875,667**
									All net outstanding liabilities prior to 2008, net of reinsurance	**1,700**
									Liabilities for claims and claim adjustment expense	**$218,333**

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
27.2%	44.0%	14.8%	-4.8%	7.3%	0.3%	1.7%	-0.9%	-3.9%	0.1%

Specialty Short Tail
(Claims count in whole numbers)

Incurred claims and allocated claims adjustment expenses, net of reinsurance

As of December 31, 2017

	supplemental and unaudited													
AY	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Pooling**	**Net of & Pooling**	**Total of incurred but not reported liabilities plus expected development on reported claims**	**Cumulative number of reported claims[2]**
2008	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-
2009		3,559	6,854	7,170	8,695	18,796	21,371	21,570	21,488	19,471	-	19,471	(405)	659
2010			45,694	43,026	41,846	43,765	48,249	47,635	46,463	49,668	(739)	48,929	145	1,691
2011				77,464	78,128	74,125	79,870	80,711	80,617	78,495	(1,266)	77,228	(538)	2,331
2012					100,154	90,936	78,597	76,954	76,115	72,320	(3,588)	68,732	(829)	2,800
2013						146,754	153,923	156,158	155,221	135,684	(8,126)	127,558	(1,554)	3,498
2014							186,145	199,060	203,782	232,490	(25,750)	206,740	2,449	4,295
2015								168,750	171,487	185,953	(31,448)	154,504	8,382	4,538
2016									143,388	184,970	(18,996)	165,974	35,479	4,454
2017										190,748	(54,319)	136,429	87,829	2,537
								Total		**$1,149,799**	**$(144,232)**	**$1,005,565**		

Specialty Short Tail

Cumulative paid claims and allocated claims adjustment expenses, net of reinsurance

As of December 31, 2017

supplemental and unaudited

AY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2009		663	4,493	6,598	7,212	15,186	18,346	19,370	18,974	19,998
2010			11,923	25,368	29,548	34,803	40,946	44,387	43,882	48,893
2011				24,777	47,254	53,663	65,253	70,518	73,154	80,639
2012					21,482	47,137	51,733	69,087	65,195	67,144
2013						41,589	79,933	111,421	126,740	125,820
2014							39,981	111,115	165,878	207,656
2015								50,596	96,311	129,030
2016									29,150	110,939
2017										24,161
								Total		**$814,280**
								All net outstanding liabilities prior to 2008, net of reinsurance		-
								Liabilities for claims and claim adjustment expense		**$191,285**

Average annual percentage payout of incurred claims (*Supplemental and unaudited*)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
21.4%	29.8%	14.0%	13.6%	10.8%	7.3%	4.6%	4.0%	5.3%	

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for the Unpaid Claims and Claim Adjustment Expenses ("CAE")

Net outstanding liabilities for unpaid claims and CAE	**December 31, 2017**
Casualty	$197,692
Property	218,333
Specialty Short Tail	191,285
Liabilities for unpaid claims and allocated CAE, net of of reinsurance	**$607,310**
Reinsurance recoverable on unpaid claims	
Casualty	3,085,385
Property	515,993
Specialty Short Tail	244,288
ULAE Ceded to the Pool	98,507
Total reinsurance recoverable on unpaid claims	**3,944,173**
Unallocated claims adjustment expenses	26,645
Gross reserve for losses and loss adjustment expenses	**$4,578,128**

9. Reinsurance

In certain cases, the risks written by the Company are wholly or partially reinsured with third-party reinsurers. Reinsurance ceded varies by location and line of business based on a number of factors, including market conditions. The benefits of ceding risks to third-party reinsurers include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios and enabling the writing of additional business. Reinsurance ceded contracts do not discharge the Company from its liabilities to the original policyholder in respect of the risk being reinsured.

The Company uses reinsurance to support its underwriting and retention guidelines as well as to control the aggregate exposure of the Company to a particular risk or class of risks. Reinsurance may be purchased at several levels ranging from reinsurance of risks assumed on individual contracts to reinsurance covering the aggregate exposure on a portfolio of policies issued by groups of companies.

a) Effects of reinsurance on premiums written and earned

The effects of reinsurance on premiums written and earned, and on losses and loss adjustment expenses is as follows:

	2017	2016
Net premiums written		
Direct	$1,247,831	$1,264,711
Assumed	699,773	717,280
Ceded	(1,159,646)	(646,918)
Net premiums written	$787,958	$1,335,073
Net premiums earned		
Direct	$1,247,209	$1,280,010
Assumed	689,660	679,872
Ceded	(1,168,138)	(624,604)
Net premiums earned	$768,731	$1,335,278
Loss and loss adjustment expenses		
Gross losses and loss adjustment expenses incurred	$2,634,620	$1,291,099
Losses and loss adjustment expense recoveries	(1,532,174)	(355,012)
Net losses and loss adjustment expenses	$1,102,446	$936,087

b) Credit risk

The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers. Reinsurance programs are generally placed with reinsurers whose rating, as of the time of placement, is A- or better as rated by AM Best Company or the equivalent with other rating agencies. Exposure to a single reinsurer is also controlled with restrictions dependent on rating. As of December 31, 2017 and 2016, 99.0% of reinsurance recoverables (which includes loss reserves recoverable and recoverables on paid losses) were from reinsurers rated A- or better and included $1,052,989 and $665,570, respectively, of IBNR recoverable.

Reinsurance recoverables by reinsurer categories are as follows:

	December 31, 2017		December 31, 2016	
	Reinsurance Recoverable	% of Total	Reinsurance Recoverable	% of Total
Top 10 Reinsurers	$1,569,947	39.6%	$698,490	77.8%
Other reinsurers balances > $1 million	356,052	9.0%	192,617	21.5%
Other reinsurers balances < $1 million	6,780	0.2%	6,064	0.7%
Recoverable from the pool	2,036,377	51.3%	-	0.0%
Total	$3,969,156	100.0%	$897,171	100.0%

Reserves for reinsurance recoverables deemed uncollectible are based on an estimate of the amount of the reinsurance recoverable balance that will ultimately not be recovered due to reinsurer insolvency, contractual dispute or some other reason. The valuation of the reserve for uncollectible reinsurance includes a detailed review of the credit ratings of the reinsurance recoverable by reinsurer on a continuous basis with any resulting adjustments recorded in earnings in the period that collection issues are identified. As of December 31, 2017 and 2016, the reserves for reinsurance recoverables deemed uncollectible was $200 in both years.

10. Share capital

(a) Authorized and issued

The Company's authorized share capital is 2,000,000 ordinary shares with par value of $1.00 each. Issued and outstanding share capital as of December 31, 2017 and 2016 is 1,000,000 ordinary shares with a par value of $1.00 each.

(b) Dividends

The Company declared $nil and $60,000 dividends during the years ended December 31, 2017 and 2016, respectively.

11. Retirement plans

The Company maintains defined contribution retirement plans. Contributions are based on the participants' eligible compensation. During the years ended December 31, 2017 and 2016, the Company expensed $5,788 and $5,041, respectively, related to these retirement plans.

12. Taxation

(a) Bermuda

Under current Bermuda law, Ironshore Insurance is exempt from all Bermuda income, withholding and capital gains taxes. At the present time, no such taxes are levied in Bermuda. In the event that such taxes are imposed, Ironshore Insurance would be exempt until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act 1966, and Amended Act of 1987.

Effective May 2, 2017, Ironshore Insurance has made an irrevocable election under Section 953(d) of the United States Internal Revenue Code ("IRC"), as amended, to be taxed as a U.S. domestic corporation. As a result of this "domestic election", the Company is subject to U.S. taxation on its world-wide income as if it were a U.S. corporation.

The acquisition of Ironshore by Liberty Mutual on May 1, 2017, was considered a taxable transaction. In conjunction with the acquisition, the Company made an election pursuant to IRC Section 338(g) to treat the indirect sale of Ironshore Insurance as a deemed asset sale for U.S. tax purposes. The "domestic election" changed the Ironshore Insurance's tax status from non-taxable to taxable. As a result of the tax status change, a deferred tax asset of $229,755 was recognized in net income on May 2, 2017.

(b) United States

The Company's U.S. subsidiaries are subject to federal, state, and local corporate income taxes and other taxes applicable to U.S. operations. The Company reports $nil valuation allowance at December 31, 2017. Based on expected future taxable earnings management believes that it is more likely than not that the Company will realize the benefit of the existing deferred tax assets at December 31, 2017. Adjustments to the valuation allowance are made when there is a change in management's assessment of the amount of deferred tax assets that are realizable.

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21%. At December 31, 2017, the Company has made a reasonable estimate of the effects on our existing deferred tax balances. For these items a provisional expense of $215,397 was included as a component of income tax from continuing operations. In accordance with SEC guidance, provisional amounts may change as a result of additional guidance from, and interpretations by, U.S. regulatory and standard-setting bodies, and changes in assumptions the Company has made. Calculations for provisional amounts will be completed within one year of the date of enactment of the Act.

As of May 2, 2017, the Company will be included in the consolidated U.S. federal income tax return of Liberty Mutual Holding Company, Inc. & Subsidiaries. As of December 31, 2017, included in the Company's tax receivable is $80,044 of income tax benefit recorded for Ironshore losses used by members of the consolidated U.S. federal income tax group that will be settled intercompany pursuant to the tax sharing agreement.

(c) Others

The Company is subject to income taxation in other jurisdictions than those stated above, but the impact of the other jurisdictions is not material to the provision for income taxes for 2017 and 2016. There can be no assurance that there will not be changes in

applicable laws, regulations or treaties, which might require the Company to change the way it operates or become subject to taxation. As of December 31, 2017, there is no valuation allowance for the Company's deferred tax assets related to Singapore and Canada operations. As of December 31, 2016, a full valuation allowance of $1,105 had been established for the Company's net deferred tax asset related to certain Singapore operations. Adjustments to the valuation allowance are made when there is a change in management's assessment of the amount of deferred tax assets that are realizable.

The components of the provision for income tax expense (benefit) attributable to operations consist of the following:

	2017	2016
Current tax (benefit) expense:		
U.S. Federal	($80,044)	$6,523
U.S. State & local	-	410
Total	(80,044)	6,933
Deferred tax benefit:		
U.S. Federal	(278,384)	(5,847)
Income tax (benefit) expense	$(358,428)	$1,086

Deferred income taxes reflect the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Significant components of the net deferred tax asset were as follows:

	2017	2016
Deferred tax assets:		
Deferred acquisition costs	$ -	$22,664
Discounting of loss reserves	11,460	8,743
Unearned premiums	15,225	6,022
Non-deductible compensation	5,723	11,760
Net operating losses	130,746	7,818
Intercompany service accrual	2,558	5,958
Deferred rent	1,541	3,014
Deferred ceding commissions	-	431
Amortization of intangibles	111,627	-
Deferred gain	63,676	-
Other deferred tax assets	7,263	5,375
Total deferred tax assets	349,819	71,785
Valuation allowance	-	(12,120)
Deferred tax assets net of valuation allowance	349,819	59,665
Deferred tax liabilities:		
Amortization of intangibles	-	(4,856)
Discounting of loss reserves	-	-
Deferred acquisition costs, ceded	(19,875)	-
Investments	(4,526)	(4,645)
Other deferred tax liabilities	(2,086)	(4,358)
Total deferred tax liabilities	(26,487)	(13,859)
Net deferred tax asset	$323,332	$45,806

The Company's net deferred tax asset relates primarily to net operating loss carry-forwards and U.S. GAAP versus tax basis accounting differences. In years prior to 2017, the Company had provided a valuation allowance to reduce certain deferred tax assets to an amount that management expects will more likely than not be realized. During 2017, the Company reassessed its estimate of deferred tax assets that are more likely than not to be realized, resulting in a reduction to the valuation allowance to $nil. The deferred tax asset is realizable to the extent of projected future taxable income and deferred tax liabilities that can offset

deferred tax assets. During 2017 and 2016, the Company recorded a reduction to the valuation allowance of $12,120 and $10,760, respectively, due to the Company's reassessment of its estimate of deferred tax assets that is more likely than not to be realized and its projections of future income.

The expected tax provision computed on pre-tax income at the weighted average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. A reconciliation of income before tax expense by taxing jurisdiction to the expected income tax provision by taxing jurisdiction and consolidated weighted average effective income tax rate is as follows for the years ended December 31, 2017 and 2016:

	2017	2016
Income (loss) before tax expense by taxing jurisdiction:		
Bermuda	($128,613)	$136,686
United States	(504,583)	31,537
Consolidated income (loss) before tax expense	($633,196)	$168,223
Statutory tax rates:		
Bermuda	0.0%	0.0%
United States	35.0%	35.0%
Expected income tax provision (benefit) by taxing jurisdiction		
Bermuda	-	-
United States	(221,619)	11,038
Consolidated	($221,619)	$11,038
Consolidated weighted average effective income tax rate	35.0%	6.6%

A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average rate is as follows for the years ended December 31, 2017 and 2016:

	2017	%	2016	%
Expected income tax provision at weighted average rate	$(221,619)	(35.0%)	$11,038	6.6%
Permanent differences:				
Tax-exempt income, net	(1,892)	(0.3%)	712	0.4%
Non-deductible expenses	493	0.1%	(1,020)	(0.6%)
Income not subject to tax	(21,018)	(3.3%)	-	0.0%
Change in tax status	(229,755)	(36.3%)	-	0.0%
Reduction of U.S. corporate income tax rate	215,397	34.0%	-	0.0%
State income taxes (net of federal benefit)	(49)	(0.0%)	1,802	1.1%
Loss reserve adjustment	(125,211)	(19.8%)	-	0.0%
Deferred acquisition costs adjustment	28,111	4.4%	-	0.0%
Valuation allowance	(12,120)	(1.9%)	(10,760)	(6.4%)
Others	9,235	1.5%	(686)	(0.4%)
Income tax (benefit) expense	$(358,428)	(56.6%)	$1,086	0.7%

As of December 31, 2017, the Company has U.S. federal net operating loss carry-forwards totaling $622,600 that expire in year 2037. A portion of these net operating losses are currently available to offset future income to Ironshore Insurance Ltd.

During 2017 and 2016, the Company had no unrecognized benefits from uncertain tax positions. The Company does not anticipate any significant changes in the amount of unrecognized tax benefits during the next 12 months. Interest and penalties related to unrecognized tax benefits will be included in income tax expense.

The Company had an open examination by tax authorities in the U.S. in 2016 which has concluded in 2017 with no changes. The Company's U.S. federal and state income tax returns for fiscal years 2014 to 2016 remain open to examination.

13. Debt obligations

On May 10, 2010, the Company issued $250,000 of Senior Notes at an issue price of 99.17%, generating net proceeds of $246,300. The Senior Notes bear interest at a rate of 8.5%, payable semi-annually in arrears on May 15 and November 15 of each year, beginning November 15, 2010. Unless previously redeemed, the Senior Notes will mature on May 15, 2020. The Company may redeem the Senior Notes prior to maturity subject to the payment of a "make-whole" premium. The Senior Notes also include certain interest rate adjustment clauses based on changes in S&P and Moody's ratings and debt to capital ratios. On June 1, 2017, the Company redeemed the Senior Notes at a price of $297,677 resulting in a loss of $48,672.

The Company, through its wholly-owned subsidiary Ironshore Specialty, had a loan arrangement with FHLB, which provides the Company access to FHLB-member loan facilities. Ironshore Specialty is currently a member of FHLB. As of December 31, 2016, Ironshore Specialty had an outstanding loan of $100,000 with FHLB maturing on September 21, 2017 with interest payable at an annual rate of 0.85%. Ironshore Specialty is required to maintain a capital stock investment of $5,406 with FHLB to support its membership and borrowing activity. The loan matured on September 21, 2017 and was redeemed at face value.

On May 30, 2017, the Company through its subsidiary, Ironshore Holdings U.S., issued a promissory note to Liberty Mutual Group for $297,677. The promissory note bears an interest of 3.72%, payable semi-annually on May 15 and November 15 of each year. The promissory note is payable in full on or before May 15, 2020. The proceeds from the promissory note were used to redeem the Senior Notes above.

14. Commitments and contingencies

(a) Concentration of credit risk

The creditworthiness of a counterparty is evaluated by the Company, taking into account credit ratings assigned by nationally-recognized rating agencies. The credit approval process involves an assessment of factors, including, among others, the counterparty, country and industry credit exposure limits. The areas where significant concentrations of credit risk may exist includes reinsurance recoverables (see Note 10), investments and cash and cash equivalent balances.

The Company underwrites a significant amount of its business through brokers. Credit risk exists should any of these brokers be unable to fulfill their contractual obligations with respect to the payments of insurance and reinsurance balances owed to the Company.

During the years ended December 31, 2017 and 2016, the following brokers were the top two producers by gross written premium:

Broker	% of Gross Premiums Written December 31, 2017	% of Gross Premiums Written December 31, 2016
Marsh & McLennan Companies	7.0%	8.4%
Aon Benfield	6.5%	6.6%

The Company's investment portfolio is managed in accordance with guidelines designed to ensure specific investment strategies are met. These guidelines include standards of diversification that limit the allowable holdings of any single issue. There were no investments in any entity in excess of 10% of the Company's shareholder's equity as of December 31, 2017 and 2016, other than investments issued or guaranteed by the U.S. government, its agencies or U.S. Government-Sponsored Enterprises.

The Company's cash and cash equivalents are on deposit with various financial institutions. Credit risk arises from the failure of

the counterparty to perform according to the terms of a contract. The Company's deposits are with established banks to minimize this risk and they are located in Bermuda, U.S., Canada and Singapore.

(b) Operating leases

The Company has entered into various operating lease agreements to lease office space and fixtures and fittings that expire up to 2032. During the years ended 2017 and 2016, total rent expenses of $9,008 and $9,553, respectively, were recorded in general and administrative expenses. The future minimum lease payments in the aggregate as of December 31, 2017 are as follows:

	December 31, 2017
2018	$9,827
2019	9,974
2020	9,410
2021	8,814
2022	8,413
Later years	65,440
Total minimum future lease commitments	$111,878

(c) Letters of credit

On November 7, 2016, the Company through its subsidiary, Ironshore Insurance, entered into a £125,000 letter of credit facility with ING Bank N.V. for the purpose of providing FAL. The letter of credit facility is guaranteed by Ironshore and contains covenants including minimum capital requirements of the borrower and guarantor. As of December 31, 2017, the Company was in compliance with all covenants and restrictions.

On December 1, 2009, the Company entered into a standby letter of credit facility provided by Citibank Europe plc. Refer to Note 7 for additional disclosure.

(d) Litigation

The Company is subject to litigation and arbitration in the normal course of its business. These lawsuits and arbitrations principally involve claims on policies of insurance and contracts of reinsurance and are typical for the Company and for the property and casualty insurance and reinsurance industry in general. Such legal proceedings are considered in connection with the Company's loss and loss expense reserves. In addition to litigation relating to insurance and reinsurance claims, the Company and its subsidiaries are subject to lawsuits in the normal course of business. The status of any such legal actions is actively monitored by management. If management believed, based on available information, that an adverse outcome upon resolution of a given legal action was probable and the amount of that adverse outcome was reasonable to estimate, a loss would be recognized and a related liability recorded. No such liabilities were recorded by the Company as of December 31, 2017 and 2016.

(e) Other Investments

As of December 31, 2017 and 2016, the Company had an unfunded commitment to invest $77,148 and $59,114, respectively, into closed-end limited partnership funds.

15. Related party transactions

During the years ended December 31, 2017 and 2016, the Company paid expenses of $50,785 and $55,708, respectively, and directors fees of $nil and $450, respectively, on behalf of Ironshore. The Company also purchases operating services and support at cost from Ironshore. During the years ended December 31, 2017 and 2016, the Company incurred expenses of $26,337 and

$24,557, respectively, related to these services. As of December 31, 2017 and 2016, the Company has an outstanding receivable (payable) of $16,953 and $(23,796), respectively, included under amounts (payable to) receivable from related parties. These amounts are unsecured, non-interest bearing and payable upon demand.

The Company purchases operating services and support at cost plus a mark-up depending on the type of service from Ironshore Services Inc., an affiliated company. During the years ended December 31, 2017 and 2016, the Company incurred expenses of $60,000 and $60,717, respectively, related to these services. As of December 31, 2017 and 2016, the Company has an outstanding payable to Ironshore Services Inc. of $2,196 and $6,569, respectively, included under amounts receivable from (payable to) related parties. These amounts are unsecured, non-interest bearing and payable upon demand.

Effective January 1, 2009, Ironshore Insurance entered into a reinsurance agreement with ICCL, an affiliated company. This agreement provides that Ironshore Insurance assumes a 75% quota share of all insurance and reinsurance risks earned by ICCL. In addition to the insurance and reinsurance risks, Ironshore Insurance assumes 75% of ICCL's foreign exchange gains or losses, investment returns and operating expenses. Ironshore Insurance pays ICCL commission on all amounts ceded as well as a 15% profit commission. The consolidated balance sheets and statements of operations include the following amounts related to the quota share agreement with ICCL:

	2017	2016
Balance Sheet		
Premiums receivable	$575,263	$494,390
Deferred acquisition costs	62,144	49,521
Reserve for losses and loss adjustment expenses	223,361	203,306
Unearned premiums	200,593	172,656
Other liabilities	258,349	183,968

	2017	2016
Income Statement		
Net premiums earned	$288,880	$266,376
Losses and loss adjustment expenses	192,754	157,564
Acquisition expenses	85,590	71,576

Effective April 8, 2011, Ironshore Insurance entered into a reinsurance agreement with Ironshore Europe DAC ("IEDAC"), an affiliated company. This agreement provides that Ironshore Insurance assumes an 80% quota share of all insurance and reinsurance risks earned by IEDAC. Ironshore Insurance pays 27% commission on all amounts ceded from IEDAC. The consolidated balance sheets and statements of operations include the following amounts related to the quota share agreement with IEDAC:

	2017	2016
Balance Sheet		
Premiums receivable	$122,399	$124,341
Deferred acquisition costs	45,424	43,055
Reserve for losses and loss adjustment expenses	423,327	254,531
Unearned premiums	153,389	147,052
Other liabilities	10,435	5,180

	2017	2016
Income Statement		
Net premiums earned	$214,202	$182,395
Losses and loss adjustment expenses	270,901	127,611
Acquisition expenses	63,987	53,891

On April 1, 2009, Iron-Starr Excess Agency Ltd. ("Iron-Starr Excess"), an affiliated company, entered into a Program Manager Agreement ("PMA") with Ironshore Insurance. Iron-Starr Excess acts as an agent in the offering, issuance and administration of insurance policies written on a subscription basis by Ironshore Insurance in Bermuda and other jurisdictions. Under the terms of the PMA, administrative fees for the services provided by the Iron-Starr Excess to Ironshore Insurance were the lower of 10% of the gross premiums written and 50% of general and administrative costs incurred by the Agency excluding bonus and equity based compensation expenses for the years ended December 31, 2017 and 2016. During the years ended December 31, 2017 and 2016, Ironshore Insurance incurred administrative fees under the terms of the PMA of $4,016 and $4,013, respectively.

Iron-Starr Excess has an existing Claims Service Agreement ("CSA") with Ironshore Insurance. Under the CSA, the Iron-Starr Excess provides claims management and consulting services with respect to the policies issued pursuant to the CSA. Iron-Starr Excess is reimbursed for compensation, benefits and out of pocket expenses it incurs in the performance of its obligations under the CSA. During the years ended December 31, 2017 and 2016, Ironshore Insurance incurred claim services fees under the terms of the CSA of $1,511 and $1,194, respectively.

During the years ended December 31, 2017 and 2016, Ironshore Insurance incurred operating costs of $8,296 and $8,114, respectively, on behalf of Iron-Starr Excess. As of December 31, 2017 and 2016, the Company has outstanding receivable of $869 and $1,008, respectively, from Iron-Starr Excess included in the amounts receivable from related parties. These amounts are unsecured, non-interest bearing and payable upon demand.

As of December 31, 2017 and 2016, the Ironshore through its wholly owned subsidiary, Ironshore Surety Holdings Inc. ("ISHI") owned a 20% interest in Lexon Group composed of Lexon Surety Group, LLC ("LSG"), Surety Agency Holding Company, LLC ("SAHC"), and Surety Management Company, LLC ("SMC"). Lexon Group is engaged in the business of underwriting, placing, insuring and reinsuring contract and commercial surety bonds, court and probate surety bonds, surety bail bonds, U.S. Customs surety bonds and other related risks. ISHI purchased Class B units in LSG and common units in SAHC and SMC. The Class B units rank senior to the Common and Class A units of LSG. The Class B units are also entitled to a cumulative fixed return of 3% per annum for the first five years and then 9% per annum thereafter. The investment is recorded at fair value in other assets in the Company's consolidated balance sheet as of December 31, 2017 and 2016.

Effectively July 1, 2017, the Company's US subsidiaries, Ironshore Indemnity and Ironshore Specialty, entered into a reinsurance agreement with LMIC, where the former cede to the latter 100% of the risks arising out of the policy it writes after the effective date. In addition, the Company's US subsidiaries transferred 100% of their net reserves for losses and loss adjustment expenses to LMIC as a LPT. As part of this transaction, the Company's US subsidiaries transferred fixed maturity securities with a market value of $1,669,510 as a non-cash settlement in relation to the LPT transaction.

Increase (Decrease)	2017	2016
Balance Sheet		
Assets		
Reinsurance recoverable on unpaid losses	$2,095,568	$ -
Reinsurance recoverable on paid losses	(59,191)	-
Deferred acquisition costs	(21,037)	-
Prepaid reinsurance premiums	405,890	-
Liabilities		
Amounts payable to related parties	(52,890)	-
Insurance and reinsurance balances payable	2,169	
Other liabilities	(3,351)	

	2017	2016
Income Statement		
Reinsurance premiums ceded	$366,829	$ -
Change in unearned premiums	(13,814)	-
Losses and loss adjustment expenses	(669,049)	-
Acquisition expenses	791	-
General and administrative expenses	(100,833)	-

16. Notes receivable

On December 31, 2013, the Company, through its subsidiary, Ironshore Holdings U.S., extended a loan to a third party entity ("Borrower") for $41,800 in order to partially finance Borrower's acquisition of substantially all the assets of a managing general agency ("MGA"). The loan was evidenced by a secured recourse promissory note that bears annual interest for the first three years at the greater of (a) 1.65% of the principal amount and (b) fixed amount of $800 plus 80% of annual contingency income earned by Borrower in MGA's agency agreement with a third party insurer for the year in which interest is payable. Thereafter, the note bears annual interest at 3.32% of the principal amount. The note receivable is recorded in other assets in the Company's balance sheet.

On January 15, 2016, the note receivable was settled in conjunction with the sale by the Company of the MGA's existing rights to underwrite and administer insurance policies constituting the MGA's business, principally insuring antique and collectable automobiles. As consideration for the sale, the buyer repaid in full the $41,800 loan that the Company had advanced and paid an additional $45,200, for total consideration of $87,000. The sale resulted in a gain of $40,243, which is recorded in other income in the consolidated statement of operations and comprehensive income.

17. Statutory financial data

Bermuda

Ironshore Insurance is subject to the requirements of the Bermuda Insurance Act. Under the Bermuda Insurance Act, Ironshore Insurance is required to prepare statutory financial statements and to file a statutory financial return. The Bermuda Insurance Act also requires Ironshore Insurance to maintain certain measures of solvency and liquidity during the year. Declarations of dividends from retained earnings and distributions from additional paid-in capital are subject to these solvency and liquidity requirements being met. As of December 31, 2017 and 2016, these requirements were met.

Under the Bermuda Insurance Act, Ironshore Insurance is restricted from paying dividends for amounts greater than 25% of the prior year's statutory capital and surplus unless approved by the Bermuda Monetary Authority.

As of December 31, 2017 and 2016, the Company was required to maintain a minimum statutory capital and surplus of $459,556 and $990,624, respectively, which is calculated as equal to or greater than the Enhanced Capital Requirement ("ECR") or the Minimum Margin of Solvency ("MSM"). ECR is calculated based on the greater of risk-based capital measure called Bermuda Solvency Capital Requirement ("BSCR") or an approved internal capital model. As of December 31, 2017 and 2016, Ironshore Insurance had statutory capital and surplus of $1,788,084 and $1,815,100, respectively and a statutory net (loss) income of ($35,924) and $167,138, respectively for the years then ended. The declaration of dividends from retained earnings and distributions from additional paid-in capital are limited to the extent that the solvency and liquidity requirements are met.

United States

Ironshore Indemnity and Ironshore Specialty file financial statements prepared in accordance with statutory accounting practices prescribed or permitted by U.S. insurance regulators. Statutory net income and statutory surplus, as reported to the insurance regulatory authorities, differ in certain respects from the amounts prepared in accordance with U.S. GAAP. The main differences between statutory net income and U.S. GAAP net income relate to deferred acquisition costs, deferred income and deferred income taxes. In addition to deferred acquisition costs, deferred income and deferred income tax assets, other differences between statutory surplus and U.S. GAAP shareholders' equity are unrealized appreciation or decline in value of investments and non-admitted assets.

As of December 31, 2017 and 2016, Ironshore Indemnity was required to maintain a minimum combined statutory surplus of $16,146 and $38,112, respectively. As of December 31, 2017 and 2016, Ironshore Indemnity's statutory surplus was $99,227 and $165,644, respectively, and its statutory net income (loss) was $(11,276) and $3,866 for the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, Ironshore Specialty was required to maintain a minimum combined statutory surplus of $52,783 and $115,244, respectively. As of December 31, 2017 and 2016, Ironshore Specialty's statutory surplus was $297,236 and $349,315, respectively, and its statutory net income (loss) was $(29,464) and $(422) for the years ended December 31, 2017 and 2016, respectively.

Both of Ironshore Indemnity and Ironshore Specialty must seek regulatory approval at least 30 days prior to payment of an extraordinary dividend or distribution, or payment of a dividend from a source other than earned surplus (determined as of the end of the immediately preceding quarter for which the insurer has filed a quarterly or annual statement). Such an extraordinary dividend, extraordinary distribution or a dividend paid from a source other than earned surplus cannot be paid unless the insurance regulator has approved such payment or has failed to disapprove the payment within the 30-day period. An extraordinary dividend or extraordinary distribution includes any dividend, distribution of cash or other property the fair market value of which together with that of other dividends or distributions made within the preceding 12 months exceeds the greater of (i) 10% of the insurer's policyholders surplus as of the 31st day of December of the preceding year, or (ii) the net income for the 12-month period ending on the 31st day of December of the preceding year, but does not include pro rata distributions of any class of the insurer's own securities. For purposes of this calculation, the Minnesota statute applicable to Ironshore Indemnity provides that "net income" excludes realized capital gains. Ironshore Indemnity could not pay any dividend without prior regulatory approval. In 2017 and 2016, Ironshore Indemnity did not pay any dividends to its parent company, Ironshore Holdings U.S. As of December 31, 2017, Ironshore Specialty cannot pay any dividend without prior regulatory approval. As of December 31, 2016, the maximum dividend payout that Ironshore Specialty could have made without prior regulatory approval was approximately $16,700. In 2017 and 2016, Ironshore Specialty did not pay any dividends to its parent company, Ironshore Holdings U.S.

18. Subsequent events

Subsequent events have been evaluated through June 29, 2018, the date on which the financial statements were available to be issued.