Third Point Reinsurance Ltd.
Form 10-Q
August 05, 2016
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-35039
THIRD POINT REINSURANCE LTD.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Bermuda | 98-1039994 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

Point House
3 Waterloo Lane
Pembroke HM 08, Bermuda
+1 441 542-3300
(Address, including Zip Code and Telephone Number, including Area Code of Registrant's Principal Executive Office)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨
Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x
The registrant's common shares began trading on the New York Stock Exchange on August 15, 2013.
As of August 3, 2016, there were 106,285,663 common shares of the registrant's common shares issued and outstanding, including 1,924,266 restricted shares.

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Third Point Reinsurance Ltd.
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PART I - Financial Information
ITEM 1. Financial Statements

THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
As of June 30, 2016 and December 31, 2015
(expressed in thousands of U.S. dollars, except per share and share amounts)

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Assets | | |
| Equity securities, trading, at fair value (cost - $1,412,591; 2015 - $1,156,369) | $1,458,015 | $ 1,231,077 |
| Debt securities, trading, at fair value (cost - $1,220,744; 2015 - $1,049,652) | 1,250,883 | 1,034,247 |
| Other investments, at fair value | 64,320 | 51,920 |
| Total investments in securities | 2,773,218 | 2,317,244 |
| Cash and cash equivalents | 7,038 | 20,407 |
| Restricted cash and cash equivalents | 280,069 | 330,915 |
| Due from brokers | 337,264 | 326,971 |
| Derivative assets, at fair value | 26,122 | 35,337 |
| Interest and dividends receivable | 7,492 | 10,687 |
| Reinsurance balances receivable | 429,358 | 294,313 |
| Deferred acquisition costs, net | 221,651 | 197,093 |
| Other assets | 14,159 | 12,141 |
| Total assets | $4,096,371 | $ 3,545,108 |
| Liabilities and shareholders’ equity | | |
| Liabilities | | |
| Accounts payable and accrued expenses | $9,878 | $ 11,966 |
| Reinsurance balances payable | 45,747 | 24,119 |
| Deposit liabilities | 88,817 | 83,955 |
| Unearned premium reserves | 655,397 | 531,710 |
| Loss and loss adjustment expense reserves | 536,955 | 466,047 |
| Securities sold, not yet purchased, at fair value | 262,748 | 314,353 |
| Securities sold under an agreement to repurchase | 168,356 | 8,944 |
| Due to brokers | 794,141 | 574,962 |
| Derivative liabilities, at fair value | 16,401 | 15,392 |
| Performance fee payable to related party | 2,954 | — |
| Interest and dividends payable | 4,517 | 4,400 |
| Senior notes payable, net of deferred costs | 113,465 | 113,377 |
| Total liabilities | 2,699,376 | 2,149,225 |
| Commitments and contingent liabilities | | |
| Shareholders’ equity | | |
| Preference shares (par value $0.10; authorized, 30,000,000; none issued) | — | — |
| Common shares (par value $0.10; authorized, 300,000,000; issued and outstanding, 106,285,663 (2015 - 105,479,341)) | 10,629 | 10,548 |
| Treasury shares (644,768 shares (2015 - nil shares)) | (7,389) | — |
| Additional paid-in capital | 1,086,258 | 1,080,591 |
| Retained earnings | 290,834 | 288,587 |
| Shareholders’ equity attributable to shareholders | 1,380,332 | 1,379,726 |
| Non-controlling interests | 16,663 | 16,157 |
| Total shareholders’ equity | 1,396,995 | 1,395,883 |
| Total liabilities and shareholders’ equity | $4,096,371 | $ 3,545,108 |

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

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THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
For the three and six months ended June 30, 2016 and 2015
(expressed in thousands of U.S. dollars, except per share and share amounts)

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Revenues | | | | |
| Gross premiums written | $196,866 | $184,342 | $394,022 | $397,676 |
| Gross premiums ceded | (1,425) | (1,425) | (1,425) | (1,477) |
| Net premiums written | 195,441 | 182,917 | 392,597 | 396,199 |
| Change in net unearned premium reserves | (62,319) | (62,339) | (122,673) | (136,546) |
| Net premiums earned | 133,122 | 120,578 | 269,924 | 259,653 |
| Net investment income | 86,346 | 38,611 | 46,236 | 103,529 |
| Total revenues | 219,468 | 159,189 | 316,160 | 363,182 |
| Expenses | | | | |
| Loss and loss adjustment expenses incurred, net | 104,131 | 76,053 | 188,807 | 157,799 |
| Acquisition costs, net | 48,482 | 47,498 | 100,169 | 102,155 |
| General and administrative expenses | 10,243 | 14,267 | 21,531 | 25,975 |
| Other expenses | 3,173 | 2,315 | 5,879 | 5,016 |
| Interest expense | 2,046 | 2,052 | 4,094 | 3,088 |
| Foreign exchange (gains) losses | (8,068) | 139 | (10,454) | (54) |
| Total expenses | 160,007 | 142,324 | 310,026 | 293,979 |
| Income before income tax expense | 59,461 | 16,865 | 6,134 | 69,203 |
| Income tax expense | (5,310) | (708) | (3,381) | (2,013) |
| Income including non-controlling interests | 54,151 | 16,157 | 2,753 | 67,190 |
| Income attributable to non-controlling interests | (775) | (495) | (506) | (1,058) |
| Net income | $53,376 | $15,662 | $2,247 | $66,132 |
| Earnings per share | | | | |
| Basic | $0.51 | $0.15 | $0.02 | $0.63 |
| Diluted | $0.51 | $0.15 | $0.02 | $0.62 |
| Weighted average number of ordinary shares used in the determination of earnings per share | | | | |
| Basic | 104,132,797 | 103,927,761 | 104,195,336 | 103,837,545 |
| Diluted | 105,233,921 | 106,696,874 | 105,228,174 | 106,425,347 |

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

THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
For the six months ended June 30, 2016 and 2015
(expressed in thousands of U.S. dollars)

| | 2016 | 2015 |
|---|---|---|
| Common shares | | |
| Balance, beginning of period | $10,548 | $10,447 |
| Issuance of common shares | 81 | 79 |
| Balance, end of period | 10,629 | 10,526 |
| Treasury shares | | |
| Balance, beginning of period | — | — |
| Repurchase of common shares | (7,389) | — |
| Balance, end of period | (7,389) | — |
| Additional paid-in capital | | |
| Balance, beginning of period | 1,080,591 | 1,065,489 |
| Issuance of common shares, net | 965 | 2,082 |
| Share compensation expense | 4,702 | 5,798 |
| Balance, end of period | 1,086,258 | 1,073,369 |
| Retained earnings | | |
| Balance, beginning of period | 288,587 | 375,977 |
| Income including non-controlling interests | 2,753 | 67,190 |
| Income attributable to non-controlling interests | (506) | (1,058) |
| Balance, end of period | 290,834 | 442,109 |
| Shareholders' equity attributable to shareholders | 1,380,332 | 1,526,004 |
| Non-controlling interests | | |
| Balance, beginning of period | 16,157 | 100,135 |
| Non-controlling interest in investment affiliate, net | — | (24,999) |
| Non-controlling interest in Catastrophe Fund | — | (46,886) |
| Non-controlling interest in Catastrophe Fund Manager | — | 292 |
| Income attributable to non-controlling interests | 506 | 1,058 |
| Balance, end of period | 16,663 | 29,600 |
| Total shareholders' equity | $1,396,995 | $1,555,604 |

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

THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
For the six months ended June 30, 2016 and 2015
(expressed in thousands of U.S. dollars)

| | 2016 | 2015 |
|---|---|---|
| Operating activities | | |
| Income including non-controlling interests | $ 2,753 | $ 67,190 |
| Adjustments to reconcile income including non-controlling interests to net cash provided by operating activities: | | |
| Share compensation expense | 4,702 | 5,798 |
| Net interest expense on deposit liabilities | 1,331 | 1,983 |
| Net unrealized (gain) loss on investments and derivatives | 670 | (48,211) |
| Net realized gain on investments and derivatives | (41,954) | (88,632) |
| Net foreign exchange gains | (10,454) | (54) |
| Amortization of premium and accretion of discount, net | 2,013 | 1,276 |
| Changes in assets and liabilities: | | |
| Reinsurance balances receivable | (133,672) | 12,311 |
| Deferred acquisition costs, net | (24,558) | (24,551) |
| Other assets | (2,018) | (3,007) |
| Interest and dividends receivable, net | 3,312 | 75 |
| Unearned premium reserves | 123,687 | 137,771 |
| Loss and loss adjustment expense reserves | 79,645 | 35,749 |
| Accounts payable and accrued expenses | (2,138) | 2,271 |
| Reinsurance balances payable | 21,890 | 5,462 |
| Performance fee payable to related party | 2,954 | 25,059 |
| Net cash provided by operating activities | 28,163 | 130,490 |
| Investing activities | | |
| Purchases of investments | (2,031,742) | (1,669,124) |
| Proceeds from sales of investments | 1,615,954 | 1,405,097 |
| Purchases of investments to cover short sales | (736,668) | (184,966) |
| Proceeds from short sales of investments | 694,371 | 278,170 |
| Change in due to/from brokers, net | 208,886 | 163,472 |
| Decrease in securities purchased under an agreement to sell | — | 11,889 |
| Increase in securities sold under an agreement to repurchase | 159,412 | 10,992 |
| Change in restricted cash and cash equivalents | 50,846 | (171,924) |
| Net cash used in investing activities | (38,941) | (156,394) |
| Financing activities | | |
| Proceeds from issuance of common shares, net of costs | 1,046 | 2,161 |
| Purchases of common shares under share repurchase program | (7,389) | — |
| Proceeds from issuance of senior notes payable, net of costs | — | 113,224 |
| Increase in deposit liabilities, net | 3,752 | 178 |
| Non-controlling interest in investment affiliate, net | — | (24,999) |
| Non-controlling interest in Catastrophe Fund | — | (46,886) |
| Non-controlling interest in Catastrophe Fund Manager | — | 292 |
| Net cash provided by (used in) financing activities | (2,591) | 43,970 |
| Net increase (decrease) in cash and cash equivalents | (13,369) | 18,066 |
| Cash and cash equivalents at beginning of period | 20,407 | 28,734 |
| Cash and cash equivalents at end of period | $ 7,038 | $ 46,800 |
| Supplementary information | | |
| Interest paid in cash | $ 11,721 | $ 2,091 |

| | | |
|---|---|---|
| Income taxes paid in cash | $ 3,911 | $ 2,018 |

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

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Third Point Reinsurance Ltd.
Notes to the Condensed Consolidated Financial Statements (UNAUDITED)
(Expressed in United States Dollars)
1. Organization
Third Point Reinsurance Ltd. (together with its wholly and majority owned subsidiaries, the “Company”) was incorporated under the laws of Bermuda on October 6, 2011. Through its reinsurance subsidiaries, the Company is a provider of global specialty property and casualty reinsurance products. The Company operates through two licensed reinsurance subsidiaries, Third Point Reinsurance Company Ltd. (“Third Point Re”), a Bermuda reinsurance company that commenced operations in January 2012, and Third Point Reinsurance (USA) Ltd. (“Third Point Re USA”). Third Point Re USA is a Bermuda reinsurance company that was incorporated on November 21, 2014 and commenced operations in February 2015. Third Point Re USA made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity. Third Point Re USA prices and underwrites U.S. domiciled reinsurance business from an office in the United States. Third Point Re USA is a wholly owned subsidiary of Third Point Re (USA) Holdings, Inc. (“TPRUSA”), an intermediate holding company based in the U.S., which is a wholly owned subsidiary of Third Point Re (UK) Holdings Ltd. (“Third Point Re UK”), an intermediate holding company based in the United Kingdom. Third Point Re UK is a wholly owned subsidiary of Third Point Reinsurance Ltd. The Company’s common shares are listed on the New York Stock Exchange under the symbol “TPRE”.
In June 2012, Third Point Reinsurance Opportunities Fund Ltd. (the “Catastrophe Fund”), Third Point Reinsurance Investment Management Ltd. (the “Catastrophe Fund Manager”), and Third Point Re Cat Ltd. (the “Catastrophe Reinsurer”) were incorporated in Bermuda. The Catastrophe Fund Manager, a Bermuda exempted company, was the investment manager of the Catastrophe Fund. In December 2014, the Company announced that it would no longer accept investments in the Catastrophe Fund, that no new business would be written in the Catastrophe Reinsurer and that the Company would be redeeming all existing investments in the Catastrophe Fund. As of December 31, 2015, all investments in the Catastrophe Fund were redeemed. In February 2016, the Company completed the dissolution of the Catastrophe Fund and Catastrophe Reinsurer.
In August 2012, the Company established a wholly-owned subsidiary in the United Kingdom, Third Point Re Marketing (UK) Limited (“TPRUK”). In May 2013, TPRUK was licensed as an insurance intermediary by the UK Financial Conduct Authority.
These unaudited condensed consolidated financial statements include the results of Third Point Reinsurance Ltd. and its wholly and majority owned subsidiaries (together, the “Company”) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 in Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In addition, the year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. This Quarterly Report should be read in conjunction with the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 (the “2015 10-K”), as filed with the U.S. Securities and Exchange Commission on February 26, 2016.
In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company’s financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated.
The results for the six months ended June 30, 2016 are not necessarily indicative of the results expected for the full calendar year.

2. Significant accounting policies

Other than the items noted below, there have been no material changes to the Company's significant accounting policies as described in its 2015 Form 10-K.

Treasury shares

Common shares repurchased by the Company and not canceled are classified as treasury shares. Treasury shares are recorded at cost, which results in a reduction of shareholders' equity in the condensed consolidated balance sheets. When shares are reissued from treasury, the Company uses the average cost method to determine the cost of the reissued shares. Gains on sales of treasury shares are credited to additional paid-in capital, while losses are charged to additional paid-in capital to the extent that previous net gains from sales of treasury shares are included therein; otherwise, losses are charged to retained earnings.

Prior year changes in the presentation of condensed consolidated financial statements

The Company had previously disclosed unearned premium ceded and loss and loss adjustment expenses recoverable as separate line items in the condensed consolidated balance sheets and changes in these balances in the condensed consolidated statements of cash flows. These balances are no longer material and are now included in other assets in the condensed consolidated financial statements.

Recently issued accounting standards

Issued and effective as of June 30, 2016

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update 2015-02, Consolidation (Topic 810) Amendments to the Consolidation Analysis (ASU 2015-02). ASU 2015-02 requires management to evaluate whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities. ASU 2015-02 eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 also provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in ASU 2015-02 are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim period within those fiscal years. This pronouncement did not have a material impact on the Company's consolidated financial statements.

In May 2015, the FASB issued Accounting Standards Update 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2015-07). ASU 2015-07 eliminates the requirement to categorize certain investments in the fair value hierarchy if their fair value is measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. The amendments in ASU 2015-07 are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company has removed investments measured at NAV from the fair value hierarchy disclosure in its condensed consolidated financial statements.

In June 2015, the FASB issued Accounting Standards Update 2015-10, Technical Corrections and Improvements (ASU 2015-10). ASU 2015-10 amends a number of Topics in the FASB Accounting Standards Codification and is part of an ongoing project on the FASB's agenda to facilitate Codification updates for non-substantive technical corrections, clarifications and improvements that are not expected to have a significant effect on accounting practice or create a significant administrative cost to most entities. The amendments to transition guidance are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. All other changes are effective upon issuance of this ASU 2015-10. This pronouncement did not have a material impact on the Company's consolidated financial statements.

Issued but not yet effective as of June 30, 2016

In May 2015, the FASB issued Accounting Standards Update 2015-09, Disclosures about Short-Duration Contracts (ASU 2015-09). ASU 2015-09 amends ASC 944 (Financial Services - Insurance) to expand the disclosures that an insurance entity must provide about its short-duration insurance contracts. Under ASU 2015-09, the FASB focused on targeted improvements to provide users with additional information about insurance liabilities, including the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities. The amendments in ASU 2015-09 are effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. The Company will include the additional new disclosures in its consolidated financial statements as of and for the year ending December 31, 2016 and interim periods thereafter.

In March 2016, the FASB issued Accounting Standards Update 2016-06, Derivatives and Hedging (Topic 815) (ASU 2016-06). ASU 2016-06 clarifies that determining whether the economic characteristics of a put or call are clearly and closely related to its debt host requires only an assessment of the four-step decision sequence outlined in FASB ASC paragraph 815-15-25-24. Additionally, entities are not required to separately assess whether the contingency itself is clearly and closely related. The ASU is effective for interim and annual periods in fiscal years beginning after December 15, 2016. The Company is currently evaluating the impact of this guidance on the Company’s condensed consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update 2016-07, Investments - Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting (ASU 2016-07). ASU 2016-07 simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment
that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. ASU 2016-07 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on the Company’s condensed consolidated financial statements.

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

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

3. Restricted cash and cash equivalents and restricted investments

Restricted cash and cash equivalents and restricted investments as of June 30, 2016 and December 31, 2015 consisted of the following:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | ($ in thousands) | |
| Restricted cash securing letter of credit facilities (1) | $241,321 | $ 270,755 |
| Restricted cash securing other reinsurance contracts (2) | 38,748 | 60,160 |
| Total restricted cash and cash equivalents | 280,069 | 330,915 |
| Restricted investments securing other reinsurance contracts (2) | 400,562 | 292,111 |
| Total restricted cash and cash equivalents and restricted investments | $680,631 | $ 623,026 |

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

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

4. Investments

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

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Assets | ($ in thousands) | |
| Total investments in securities | $2,746,271 | $ 2,290,779 |
| Cash and cash equivalents | 11 | 57 |
| Restricted cash and cash equivalents | 280,069 | 330,915 |
| Due from brokers | 337,264 | 326,971 |
| Derivative assets | 26,122 | 35,337 |
| Interest and dividends receivable | 7,492 | 10,687 |
| Total assets | 3,397,229 | 2,994,746 |
| Liabilities and non-controlling interest | | |
| Accounts payable and accrued expenses | 902 | 770 |
| Securities sold, not yet purchased | 262,748 | 314,353 |
| Securities sold under an agreement to repurchase | 168,356 | 8,944 |
| Due to brokers | 794,141 | 574,962 |
| Derivative liabilities | 16,401 | 15,392 |
| Performance fee payable to related party | 2,954 | — |
| Interest and dividends payable | 1,482 | 1,345 |
| Non-controlling interest | 16,663 | 16,157 |
| Total liabilities and non-controlling interest | 1,263,647 | 931,923 |
| Total net investments managed by Third Point LLC | $2,133,582 | $ 2,062,823 |

Investments are carried at fair value. The fair values of investments are estimated using prices obtained from either third-party pricing services or broker quotes. The methodology for valuation is generally determined based on the investment's asset class per the Company's Investment Manager's valuation policy. For investments where fair values from pricing services or brokers are unavailable, fair values are estimated using information obtained by the Company's Investment Manager.

Securities listed on a national securities exchange or quoted on NASDAQ are valued at their last sales price as of the last business day of the period. Listed securities with no reported sales on such date and over-the-counter ("OTC") securities are valued at their last closing bid price if held long by the Company, and last closing ask price if held short by the Company. As of June 30, 2016, securities valued at $485.4 million (December 31, 2015 - $570.9 million), representing 17.5% (December 31, 2015 - 24.5%) of investments in securities and derivative assets, and $1.8 million (December 31, 2015 - $1.5 million), representing 0.6% (December 31, 2015 - 0.4%) of securities sold, not yet purchased and derivative liabilities, are valued based on broker quotes.

Private securities are those not registered for public sale and are carried at an estimated fair value at the end of the period. Valuation techniques used by the Company may include market approach, last transaction analysis, liquidation

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analysis and/or discounted cash flow models where the significant inputs could include but are not limited to additional rounds of equity financing, financial metrics such as revenue multiples or price-earnings ratio, discount rates and other factors. In addition, third party valuation firms may be employed to conduct investment valuations of such private securities. The third party valuation firms provide written reports documenting their recommended valuation as of the determination date for the specified investments.

As of June 30, 2016, the Company had $36.7 million (December 31, 2015 - $31.0 million) of investments fair valued by the Company's Investment Manager representing approximately 1.3% (December 31, 2015 - 1.3%) of total investments in securities and derivative assets of which 99.9% were also separately valued by third party valuation firms using information obtained from the Company's Investment Manager. The actual value at which these securities could be sold or settled with a willing buyer or seller may differ from the Company's estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

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

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

As of June 30, 2016 and December 31, 2015, the Company's asset-backed securities ("ABS") holdings were as follows:

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | ($ in thousands) | | | |
| Re-REMIC (1) | $114,085 | 31.8 % | $195,889 | 39.6 % |
| Subprime RMBS | 154,479 | 43.1 % | 174,777 | 35.3 % |
| Collateralized debt obligations | 16,812 | 4.7 % | 50,455 | 10.2 % |
| Other (2) | 73,311 | 20.4 % | 73,602 | 14.9 % |
| | $358,687 | 100.0% | $494,723 | 100.0% |

(1) Mezzanine portions of the re-securitized real estate mortgage investment conduits ("re-REMIC") structure of ABS.
(2) Other includes: U.S. Alt-A positions, commercial mortgage-backed securities, market place loans, Non-U.S. RMBS and student loans ABS.

As of June 30, 2016, all of the Company's ABS holdings were private-label issued, non-investment grade securities, and none of these securities were guaranteed by a government sponsored entity. These investments are valued using broker quotes or a recognized third-party pricing vendor. All of these classes of ABS are sensitive to changes in interest rates and any resulting change in the rate at which borrowers sell their properties, refinance, or otherwise pre-pay their loans. As an investor in these classes of ABS, the Company may be exposed to the credit risk of underlying borrowers not being able to make timely payments on loans or the likelihood of borrowers defaulting on their loans. In addition, the Company may be exposed to significant market and liquidity risks.

The Company values its investments in limited partnerships at fair value, which is estimated based on the Company's share of the net asset value ("NAV") of the limited partnerships as provided by the investment managers of the underlying investment funds. The resulting net gains or net losses are reflected in the condensed consolidated statements of income.

The Company made a $25.0 million investment in the Kiskadee Diversified Fund Ltd. (the "Kiskadee Fund"), a fund vehicle managed by Hiscox Insurance Company (Bermuda) Limited. The Kiskadee Fund invests in property catastrophe exposures through collateralized reinsurance transactions and other insurance-linked investments. As of

June 30, 2016,

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the Company has no remaining commitments. The Company has elected the fair value option for this investment. This investment is included in investment in funds valued at NAV and is excluded from the presentation of investments categorized by the level of the fair value hierarchy. The fair value is estimated based on the Company's share of the net asset value in the Kiskadee Fund, as provided by the investment manager, and was $26.9 million as of June 30, 2016. The resulting net gains or losses are reflected in the condensed consolidated statements of income.

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

- Level 1 – Quoted prices available in active markets/exchanges for identical investments as of the reporting date.
- Level 2 – Observable inputs to the valuation methodology other than unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 inputs include, but are not limited to, prices quoted for similar assets or liabilities in active markets/exchanges, prices quoted for identical or similar assets or liabilities in markets that are not active and fair values determined through the use of models or other valuation methodologies.
- Level 3 – Pricing inputs unobservable for the investment and include activities where there is little, if any, market activity for the investment. The inputs applied in the determination of fair value require significant management judgment and estimation.

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

The key inputs for corporate, government and sovereign bond valuation are coupon frequency, coupon rate and underlying bond spreads. The key inputs for ABS are yield, probability of default, loss severity and prepayment.

Key inputs for OTC valuations vary based on the type of underlying security on which the contract was written:

- The key inputs for most OTC option contracts include notional, strike price, maturity, payout structure, current foreign exchange forward and spot rates, current market price of the underlying security and volatility of the underlying security.
- The key inputs for most forward contracts include notional, maturity, forward rate, spot rate, various interest rate curves and discount factor.
- The key inputs for swap valuation will vary based on the type of underlying on which the contract was written. Generally, the key inputs for most swap contracts include notional, swap period, fixed rate, credit or interest rate curves, current market or spot price of the underlying security and the volatility of the underlying security.

The following tables present the Company's investments, categorized by the level of the fair value hierarchy as of June 30, 2016 and December 31, 2015:

| | June 30, 2016 | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| Assets | ($ in thousands) | | | |
| Equity securities | $1,421,370 | $2,396 | $ — | $1,423,766 |
| Private common equity securities | — | — | 3,170 | 3,170 |
| Private preferred equity securities | — | — | 31,079 | 31,079 |
| Total equities | 1,421,370 | 2,396 | 34,249 | 1,458,015 |
| Asset-backed securities | — | 355,873 | 2,814 | 358,687 |
| Bank debt | — | 22,180 | — | 22,180 |
| Corporate bonds | — | 228,266 | 3,110 | 231,376 |
| U.S. Treasury securities | — | 304,254 | — | 304,254 |
| Sovereign debt | — | 334,384 | 2 | 334,386 |
| Total debt securities | — | 1,244,957 | 5,926 | 1,250,883 |
| Options | 6,494 | 3,565 | — | 10,059 |
| Rights and warrants | 132 | — | — | 132 |
| Trade claims | — | 18,938 | — | 18,938 |
| Total other investments | 6,626 | 22,503 | — | 29,129 |
| Derivative assets (free standing) | 4,816 | 21,306 | — | 26,122 |
| | $1,432,812 | $1,291,162 | $ 40,175 | 2,764,149 |
| Investments in funds valued at NAV | | | | 35,191 |
| Total assets | | | | $2,799,340 |
| Liabilities | | | | |
| Equity securities | $218,548 | $— | $ — | $218,548 |
| Corporate bonds | — | 25,620 | — | 25,620 |
| Options | 11,577 | 7,003 | — | 18,580 |
| Total securities sold, not yet purchased | 230,125 | 32,623 | — | 262,748 |
| Derivative liabilities (free standing) | — | 15,181 | 1,220 | 16,401 |
| Derivative liabilities (embedded) | — | — | 6,335 | 6,335 |
| Total liabilities | $230,125 | $47,804 | $ 7,555 | $285,484 |

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| Assets | ($ in thousands) | | | |
| Equity securities | $1,181,865 | $19,758 | $ — | $1,201,623 |
| Private common equity securities | — | 919 | 4,357 | 5,276 |
| Private preferred equity securities | — | — | 24,178 | 24,178 |
| Total equities | 1,181,865 | 20,677 | 28,535 | 1,231,077 |
| Asset-backed securities | — | 492,106 | 2,617 | 494,723 |
| Bank debt | — | 2,158 | 7,660 | 9,818 |
| Corporate bonds | — | 79,938 | 3,252 | 83,190 |
| U.S. Treasury securities | — | 186,471 | — | 186,471 |
| Sovereign debt | — | 260,024 | 21 | 260,045 |
| Total debt securities | — | 1,020,697 | 13,550 | 1,034,247 |
| Options | — | 8,911 | — | 8,911 |
| Rights and warrants | 416 | — | — | 416 |
| Trade claims | — | 8,329 | — | 8,329 |
| Total other investments | 416 | 17,240 | — | 17,656 |
| Derivative assets (free standing) | — | 35,337 | — | 35,337 |
| | $1,182,281 | $1,093,951 | $ 42,085 | 2,318,317 |
| Investments in funds valued at NAV | | | | 34,264 |
| Total assets | | | | $2,352,581 |
| Liabilities | | | | |
| Equity securities | $228,009 | $— | $ — | $228,009 |
| Sovereign debt | — | 5,856 | — | 5,856 |
| Corporate bonds | — | 76,131 | — | 76,131 |
| Options | 690 | 3,667 | — | 4,357 |
| Total securities sold, not yet purchased | 228,699 | 85,654 | — | 314,353 |
| Derivative liabilities (free standing) | — | 14,372 | 1,020 | 15,392 |
| Derivative liabilities (embedded) | — | — | 5,563 | 5,563 |
| Total liabilities | $228,699 | $100,026 | $ 6,583 | $335,308 |

During the six months ended June 30, 2016, the Company made no significant reclassifications of assets or liabilities between Levels 1 and 2. During the year ended December 31, 2015, the Company reclassified $4.0 million of equity securities from Level 2 to Level 1 equity securities. These reclassifications were the result of the issuer’s IPO, with quoted prices having become available in an active market as of the reporting date and transfers due to restriction change.

The following table presents the reconciliation of all investments measured at fair value using Level 3 inputs for the three and six months ended June 30, 2016 and 2015:

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

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

| | April 1, 2015 | Transfers in to (out of) Level 3 | Purchases | Sales | Realized and Unrealized Gains(Losses) (1) | June 30, 2015 |
|---|---|---|---|---|---|---|
| | ($ in thousands) | | | | | |
| Assets | | | | | | |
| Private common equity securities | $962 | $— | $— | $— | $ — | $962 |
| Private preferred equity securities | 8,502 | — | — | — | 4,972 | 13,474 |
| Asset-backed securities | 3,586 | (2,897 ) | — | (438 ) | 1,592 | 1,843 |
| Bank debt | 7,681 | — | — | — | (277 ) | 7,404 |
| Corporate bonds | 3,118 | — | — | (151 ) | (195 ) | 2,772 |
| Sovereign debt | 18 | — | — | — | — | 18 |
| Total assets | $23,867 | $(2,897 ) | $— | $(589 ) | $ 6,092 | $26,473 |
| Liabilities | | | | | | |
| Derivative liabilities (free standing) | $(1,136 ) | $— | $— | $— | $ 116 | $(1,020 ) |
| Derivative liabilities (embedded) | (9,618 ) | — | — | (769 ) | 570 | (9,817 ) |
| Total liabilities | $(10,754 ) | $— | $— | $(769 ) | $ 686 | $(10,837 ) |

| | January 1, 2015 | Transfers in to (out of) Level 3 | Purchases | Sales | Realized and Unrealized Gains(Losses) (1) | June 30, 2015 |
|---|---|---|---|---|---|---|
| | ($ in thousands) | | | | | |
| Assets | | | | | | |
| Private common equity securities | $1,443 | $— | $— | $— | $ (481 ) | $962 |
| Private preferred equity securities | — | — | 8,502 | — | 4,972 | 13,474 |
| Asset-backed securities | 4,720 | (3,727 ) | 91 | (990 ) | 1,749 | 1,843 |
| Bank debt | — | — | 7,634 | — | (230 ) | 7,404 |
| Corporate bonds | 3,799 | — | — | (152 ) | (875 ) | 2,772 |
| Sovereign debt | — | 18 | — | — | — | 18 |
| Total assets | $9,962 | $(3,709 ) | $ 16,227 | $(1,142 ) | $ 5,135 | $26,473 |
| Liabilities | | | | | | |
| Derivative liabilities (free standing) | $(962 ) | $— | $— | $(144 ) | $ 86 | $(1,020 ) |
| Derivative liabilities (embedded) | (9,289 ) | — | — | (798 ) | 270 | (9,817 ) |
| Total liabilities | $(10,251 ) | $— | $— | $(942 ) | $ 356 | $(10,837 ) |

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

Total change in unrealized gains (losses) on fair value of assets using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2016 was $(6.3) million and $(8.2) million, respectively (2015 - $5.5 million and $3.9 million, respectively).

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

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

June 30, 2016

| Assets | Fair value ($ in thousands) | Valuation technique | Unobservable (U) and observable (O) inputs | Range |
|---|---|---|---|---|
| Corporate bond | $ 2,416 | Discounted cash flow | Yield (U) | 19.5 - 20.5% |
| | | | Duration (U) | 1.8 years |
| | | | Credit spread (U) | 972 bps |
| | | | Volatility (U) | 30.0 - 36.5% |
| Derivative liabilities (embedded) | $ 6,335 | Discounted cash flow | Contractual Variable Annual Investment Credit (U) | 0.0 - 2.5% |
| | | | Mean Monthly Investment Return (U) | 1.2 % |
| | | | Duration from Inception of Contracts (U) | 5.0 - 5.5 years |
| | | | Duration from Valuation Date (U) | 3.5 - 4.5 years |
| | | | Interest Rates (O) | U.S. Treasury Spot Rates |
| Private equity investments | $ 34,250 | Market approach | Discount (U) | 15.0 - 25.0% |

December 31, 2015

| Assets | Fair value ($ in thousands) | Valuation technique | Unobservable (U) and observable (O) inputs | Range |
|---|---|---|---|---|
| Corporate bond | $ 2,444 | Discounted cash flow | Yield (U) | 10.4 - 11.4% |
| | | | Duration (U) | 3.0 years |
| | | | Credit spread (U) | 986 bps |
| | | | Volatility (U) | 25.0 - 35.0% |
| Derivative liabilities (embedded) | $ 5,563 | Discounted cash flow | Contractual Variable Annual Investment Credit (U) | 0.0 - 2.5% |
| | | | Mean Monthly Investment Return (U) | 1.2% |
| | | | Duration from Inception of Contracts (U) | 5.0 - 5.5 years |
| | | | Duration from Valuation Date (U) | 4.0 - 5.0 years |
| | | | Interest Rates (O) | U.S. Treasury Spot Rates |

Corporate bond

Included in the Company’s corporate bond investments are investments in the convertible debt of a real estate investment company with a fair value of $2.4 million as of June 30, 2016. The Company measures the fair value of this investment using the Tsiveriotis-Fernandes income and Black-Scholes approaches and seeks to incorporate all relevant information reasonably available. The valuation methodology takes into account both the equity and debt component of the instrument. In addition, foreign exchange risk is considered as the bonds are denominated in Euro and U.S. Dollars and the underlying stock is traded in British Pounds Sterling. The fair value of the Company’s investment in this corporate convertible debt is positively correlated to the underlying investment stock price, and

inversely correlated to the credit spread, liquidity discount and the risk-free rate.
Derivative liabilities (embedded)
The Company also has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value with changes in fair value of the embedded derivative reported in other expenses. The Company’s embedded derivatives relate to interest crediting features in certain reinsurance and deposit contracts that vary based on the returns on the Company’s investments managed by Third Point LLC. The Company determines the fair value of the embedded derivatives using models developed by the Company. The fair

value of these embedded derivative liabilities is positively correlated with the actual realized investment returns and the assumed future investment returns during the contract period and negatively correlated with U.S. Treasury Spot Rates.

For the six months ended June 30, 2016 and 2015, there were no changes in the valuation techniques as they relate to the above.

Private equity investments

The Company's private equity investments include investments in four privately held companies with a total fair value of $34.3 million as of June 30, 2016. The Company measures the fair value of these investments using a market approach where it uses the last transaction price adjusting for market comparable changes.

5. Securities purchased under an agreement to sell, securities sold under an agreement to repurchase and securities lending transactions

The Company may enter into repurchase and reverse repurchase agreements with financial institutions in which the financial institution agrees to resell or repurchase securities and the Company agrees to repurchase or resell such securities at a mutually agreed price upon maturity. These agreements are generally collateralized by corporate or government bonds or asset-backed securities. As the Company held only repurchase agreements as of June 30, 2016, these positions are not affected by counterparty netting agreements. Interest payable and receivable related to these transactions are included in interest payable and receivable in the condensed consolidated balance sheets.

Foreign currency gains (losses) on reverse repurchase agreements and repurchase agreements for the three and six months ended June 30, 2016 and 2015, which are included in net investment income in the condensed consolidated income statement, consisted of the following:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Foreign currency gains (losses) on reverse repurchase agreements | $ — | $ 649 | $ — | $ (2,292) |
| Foreign currency gains on repurchase agreements | $ — | $ — | $ — | $ 336 |

Generally, repurchase and reverse repurchase agreements mature within 30 to 90 days. The Company may lend securities for securities lending transactions or pledge securities and/or cash for securities borrowed transactions. The value of any securities loaned is reflected in investments in securities. Any collateral received is reflected in due to brokers in the condensed consolidated balance sheets.

The Company's repurchase and securities lending agreements may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. It is the Company's policy to monitor and control collateral under such agreements.

The following table presents the remaining contractual maturity of the repurchase agreements and securities lending transactions by class of collateral pledged as of June 30, 2016 and December 31, 2015:

| June 30, 2016 | Overnight and continuous | Up to 30 days | 30 - 90 days | Greater than 90 days | Total |
|---|---|---|---|---|---|
| | ($ in thousands) | | | | |
| Securities sold under an agreement to repurchase | | | | | |
| Non-U.S. sovereign debt | $ — | $ — | $ 242,032 | $ — | $ 242,032 |
| Securities lending transactions | | | | | |
| U.S. Treasury and agency securities | $ 179 | $ — | $ — | $ — | $ 179 |

| December 31, 2015 | Overnight and continuous | Up to 30 days | 30 - 90 days | Greater than 90 days | Total |
|---|---|---|---|---|---|
| | ($ in thousands) | | | | |
| Securities sold under an agreement to repurchase | | | | | |
| Non-U.S. sovereign debt | $— | $ — | $8,944 | $ — | $8,944 |
| Securities lending transactions | | | | | |
| Corporate bonds | $112 | $ — | $— | $ — | $112 |

6. Due from/to brokers

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

As of June 30, 2016 and December 31, 2015, the Company's due from/to brokers were comprised of the following:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | ($ in thousands) | |
| Due from brokers | | |
| Cash held at brokers (1) | $259,186 | $ 249,871 |
| Receivable from unsettled trades | 78,078 | 77,100 |
| | $337,264 | $ 326,971 |
| | | |
| Due to brokers | | |
| Borrowing from prime brokers | $709,490 | $ 572,688 |
| Payable from unsettled trades | 84,651 | 2,274 |
| | $794,141 | $ 574,962 |

(1) As of June 30, 2016, the Company's cash held at brokers includes a total non-U.S. currency receivable balance of $12.5 million (December 31, 2015 - receivable of $9.8 million).

The Company uses prime brokerage borrowing arrangements to provide collateral for its letter of credit facilities and to fund trust accounts securing certain reinsurance contracts. As of June 30, 2016, the Company had $680.6 million (December 31, 2015 - $623.0 million) of restricted cash and investments securing letter of credit facilities and certain reinsurance contracts. Margin debt at the brokers primarily relates to borrowings to fund collateral arrangements and investment activities. Amounts are borrowed through committed facilities with terms of up to 90 days, secured by assets of the Company held by the prime broker, and incur interest based on the Company's negotiated rates. This interest expense is reflected in net investment income in the condensed consolidated statements of income.

7. Derivatives

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

| | As of June 30, 2016 | | |
|---|---|---|---|
| | Listing currency (1) | Fair Value | Notional Amounts (2) |
| Derivative Assets by Primary Underlying Risk | ($ in thousands) | | |
| Commodity Price | | | |
| Commodity Future Options - Purchased | USD | $4,816 | $67,700 |
| Credit | | | |
| Credit Default Swaps - Protection Purchased | USD | 13,911 | 86,528 |
| Equity Price | | | |
| Contracts for Differences - Long Contracts | GBP | 361 | 16,854 |
| Contracts for Differences - Short Contracts | CHF/EUR | 3,139 | 13,954 |
| Total Return Swaps - Long Contracts | USD | 649 | 23,253 |
| Total Return Swaps - Short Contracts | HKD/MXN/USD | 140 | 3,713 |
| Interest Rates | | | |
| Interest Rate Swaptions | JPY | 403 | 11,576 |
| Total Return Swaps - Short Contracts | USD | 262 | 668,049 |
| Foreign Currency Exchange Rates | | | |
| Foreign Currency Forward Contracts | CAD/CNH/EUR/GBP | 1,772 | 128,429 |
| Foreign Currency Options - Purchased | SAR | 669 | 123,607 |
| Total Derivative Assets | | $26,122 | $1,143,663 |

| | Listing currency (1) | Fair Value | Notional Amounts (2) |
|---|---|---|---|
| Derivative Liabilities by Primary Underlying Risk | ($ in thousands) | | |
| Credit | | | |
| Credit Default Swaps - Protection Purchased | USD | $2,466 | $41,316 |
| Credit Default Swaps - Protection Sold | USD | 1,805 | 3,620 |
| Equity Price | | | |
| Contracts for Differences - Long Contracts | EUR/ GBP/USD | 1,219 | 12,464 |
| Contracts for Differences - Short Contracts | EUR/SEK/USD | 387 | 35,667 |
| Total Return Swaps - Long Contracts | JPY/USD | 2,866 | 22,884 |
| Total Return Swaps - Short Contracts | AUD/HKD/USD | 1,822 | 13,500 |
| Interest Rates | | | |
| Interest Rate Swaptions | JPY | 152 | 11,358 |
| Total Return Swaps - Short Contracts | USD | 66 | 667,851 |
| Foreign Currency Exchange Rates | | | |
| Foreign Currency Forward Contracts | CNH/EUR/GBP/JPY/MXN/SAR | 5,618 | 90,888 |
| Total Derivative Liabilities (free standing) | | $16,401 | $899,548 |
| | | | |
| Embedded derivative liabilities in reinsurance contracts (3) | USD | $6,335 | $20,000 |
| Total Derivative Liabilities (embedded) | | $6,335 | $20,000 |

(1) AUD = Australian Dollar, CAD = Canadian Dollar, CHF = Swiss Franc, CNH = Chinese Yuan, EUR = Euro, GBP = British Pound, HKD = Hong Kong Dollar, JPY = Japanese Yen, MXN = Mexican Peso, SAR = Saudi Arabian Riyal, SEK = Swedish Krona, USD = US Dollar

(2) The absolute notional exposure represents the Company’s derivative activity as of June 30, 2016, which is representative of the volume of derivatives held during the period.

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

| | As of December 31, 2015 | | |
|---|---|---|---|
| | Listing currency (1) | Fair Value | Notional Amounts (2) |
| Derivative Assets by Primary Underlying Risk | ($ in thousands) | | |
| Credit | | | |
| Credit Default Swaps - Protection Purchased | EUR/USD | $21,692 | $183,125 |
| Equity Price | | | |
| Contracts for Differences - Long Contracts | EUR/GBP/USD | 631 | 41,686 |
| Contracts for Differences - Short Contracts | CHF/EUR/GBP/JPY/NOK/USD | 5,884 | 80,027 |
| Total Return Swaps - Long Contracts | USD | 415 | 58,799 |
| Total Return Swaps - Short Contracts | JPY/USD | 466 | 9,457 |
| Interest Rates | | | |
| Commodity Futures - Short Contracts | USD | 71 | 17,501 |
| Interest Rate Swaptions | JPY/USD | 90 | 43,831 |
| Foreign Currency Exchange Rates | | | |
| Foreign Currency Forward Contracts | CAD/EUR/GBP/MXN/SAR | 1,947 | 155,518 |
| Foreign Currency Options - Purchased | CNH/EUR/SAR | 4,141 | 193,613 |
| Total Derivative Assets | | $35,337 | $783,557 |

| | Listing currency (1) | Fair Value | Notional Amounts (2) |
|---|---|---|---|
| Derivative Liabilities by Primary Underlying Risk | ($ in thousands) | | |
| Credit | | | |
| Credit Default Swaps - Protection Purchased | EUR/USD | $3,449 | $38,455 |
| Credit Default Swaps - Protection Sold | GBP/EUR/USD | 2,054 | 6,436 |
| Equity Price | | | |
| Contracts for Differences - Long Contracts | EUR/GBP/USD | 1,111 | 2,311 |
| Contracts for Differences - Short Contracts | EUR/GBP/USD | 3,411 | 50,471 |
| Total Return Swaps - Long Contracts | JPY/USD | 3,430 | 163,224 |
| Total Return Swaps - Short Contracts | AUD/JPY/USD | 386 | 19,318 |
| Interest Rates | | | |
| Commodity Futures - Short Contracts | USD | 18 | 13,069 |
| Interest Rate Swaptions | USD | 17 | 87,499 |
| Foreign Currency Exchange Rates | | | |
| Foreign Currency Forward Contracts | JPY/SAR | 1,041 | 87,127 |
| Foreign Currency Options - Sold | CNH/SAR | 475 | 118,415 |
| Total Derivative Liabilities (free standing) | | $15,392 | $586,325 |
| | | | |
| Embedded derivative liabilities in reinsurance contracts (3) | USD | $5,563 | $20,000 |
| Total Derivative Liabilities (embedded) | | $5,563 | $20,000 |

(1) AUD = Australian Dollar, CAD = Canadian Dollar, EUR = Euro, GBP = British Pound, JPY = Japanese Yen, KRW = South Korean Won, NOK = Norwegian Krone, SAR = Saudi Arabian Riyal, USD = US Dollar

(2) The absolute notional exposure represents the Company’s derivative activity as of December 31, 2015, which is representative of the volume of derivatives held during the period.

(3)

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

The following table sets forth, by major risk type, the Company's realized and unrealized gains (losses) relating to derivatives for the three and six months ended June 30, 2016 and 2015. Realized and unrealized gains (losses) related to free standing derivatives are included in net investment income in the condensed consolidated statements of income. Realized and unrealized gains (losses) related to embedded derivatives are included in other expenses in the condensed consolidated statements of income.

| | Three months ended | | | |
|---|---|---|---|---|
| | June 30, 2016 | | June 30, 2015 | |
| Free standing Derivatives - Primary Underlying Risk | Realized Gain (Loss) | Unrealized Gain (Loss)* | Realized Gain (Loss) | Unrealized Gain (Loss)* |
| Credit | ($ in thousands) | | | |
| Commodity Future Options - Purchased | $834 | $ 2,380 | $— | $ — |
| Credit | | | | |
| Credit Default Swaps - Protection Purchased | (1,278 ) | 2,037 | (959 ) | 763 |
| Credit Default Swaps - Protection Sold | 191 | (192 ) | 42 | 300 |
| Equity Price | | | | |
| Contracts for Differences - Long Contracts | (1,697 ) | 185 | (544 ) | 3,013 |
| Contracts for Differences - Short Contracts | 2,317 | 6,581 | 932 | 2,591 |
| Total Return Swaps - Long Contracts | 5,692 | (3,857 ) | 1,547 | (8,804 ) |
| Total Return Swaps - Short Contracts | (537 ) | 606 | (454 ) | (1,274 ) |
| Index | | | | |
| Index Futures - Long Contracts | — | — | 565 | (243 ) |
| Interest Rates | | | | |
| Bond Futures - Short Contracts | — | — | — | (689 ) |
| Commodity Futures - Short Contracts | 1 | — | — | — |
| Fixed Income Swap - Short Contracts | (116 ) | 72 | — | — |
| Interest Rate Swaps | — | — | — | 530 |
| Interest Rate Swaptions | — | (84 ) | (551 ) | 708 |
| Total Return Swaps - Long Contracts | (268 ) | 261 | — | — |
| Total Return Swaps - Short Contracts | 100 | (65 ) | — | — |
| Treasury Futures - Short Contracts | — | — | 506 | 229 |
| Foreign Currency Exchange Rates | | | | |
| Foreign Currency Forward | (5,808 ) | 7,622 | (8,311 ) | 4,729 |
| Foreign Currency Options - Purchased | (859 ) | 355 | 463 | (2,641 ) |
| Foreign Currency Options - Sold | 112 | (101 ) | 1,021 | (371 ) |
| Reinsurance contract derivatives | — | — | 30 | — |
| | $(1,316) | $ 15,800 | $(5,713) | $ (1,159 ) |
| Embedded Derivatives | | | | |
| Embedded derivatives in reinsurance contracts | $— | $ (146 ) | $— | $ (40 ) |
| Embedded derivatives in deposit contracts | — | — | — | 610 |
| Total Derivative Liabilities (embedded) | $— | $ (146 ) | $— | $ 570 |

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| Free standing Derivatives - Primary Underlying Risk | Six months ended 2016 Realized Gain (Loss) | 2016 Unrealized Gain (Loss)* | 2015 Realized Gain (Loss) | 2015 Unrealized Gain (Loss)* |
|---|---|---|---|---|
| Commodity Price | ($ in thousands) | | | |
| Commodity Future Options - Purchased | $581 | $ 1,800 | $(286) | $ 285 |
| Commodity Future Options - Sold | — | — | 272 | (269) |
| Credit | | | | |
| Credit Default Swaps - Protection Purchased | 6,407 | (4,987) | (615) | 405 |
| Credit Default Swaps - Protection Sold | (4,167) | 4,252 | 1,695 | (1,360) |
| Equity Price | | | | |
| Contracts for Differences - Long Contracts | (2,422) | (379) | (847) | 4,456 |
| Contracts for Differences - Short Contracts | 4,570 | 278 | (1,937) | 1,420 |
| Total Return Swaps - Long Contracts | (4,826) | 800 | (618) | (6,308) |
| Total Return Swaps - Short Contracts | 691 | (1,762) | (51) | (838) |
| Index | | | | |
| Index Futures - Long Contracts | — | — | 1,144 | — |
| Interest Rates | | | | |
| Bond Futures - Short Contracts | — | — | — | (689) |
| Commodities Futures - Short Contracts | (1,151) | (52) | (201) | 143 |
| Fixed Income Swap - Short Contracts | (94) | — | — | — |
| Interest Rate Swaps | — | — | — | 530 |
| Interest Rate Swaptions | (112) | (45) | (551) | 559 |
| Total Return Swaps - Long Contracts | (268) | 261 | — | — |
| Total Return Swaps - Short Contracts | 100 | (65) | — | — |
| Treasury Futures - Short Contracts | — | — | 61 | 435 |
| Foreign Currency Exchange Rates | | | | |
| Foreign Currency Forward | (8,904) | (4,751) | 17,415 | (2,850) |
| Foreign Currency Options - Purchased | (2,040) | (1,617) | 948 | (3,309) |
| Foreign Currency Options - Sold | 617 | (182) | 992 | 132 |
| Reinsurance contract derivatives | — | — | 30 | — |
| | $(11,018) | $ (6,449) | $17,451 | $ (7,258) |
| Embedded Derivatives | | | | |
| Embedded derivatives in reinsurance contracts | $— | $ 89 | $(5) | $ (155) |
| Embedded derivatives in deposit contracts | — | — | — | 430 |
| Total Derivative Liabilities (embedded) | $— | $ 89 | $(5) | $ 275 |

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

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

The Company obtains/provides collateral from/to various counterparties for OTC derivative contracts in accordance with bilateral collateral agreements. As of June 30, 2016, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $7.3 million (December 31, 2015 - $1.8 million) for which the Company posted collateral in the form of cash of $62.0 million (December 31, 2015 - $62.6

million) of collateral in the normal course of business. Similarly, the Company held collateral (approximately $5.4

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million) in cash from certain counterparties as of June 30, 2016. If the credit-risk-related contingent features underlying these instruments had been triggered as of June 30, 2016 and the Company had to settle these instruments immediately, no additional amounts would be required to be posted that would exceed the settlement amounts of open derivative contracts or in the case of cross margining relationships, the assets in the Company's prime brokerage accounts are sufficient to offset the derivative liabilities.

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

The Company does not offset its derivative instruments and presents all amounts in the condensed consolidated balance sheets on a gross basis. The Company has pledged cash collateral to counterparties to support the current value of amounts due to the counterparties based on the value of the underlying security. As of June 30, 2016 and December 31, 2015, the gross and net amounts of derivative instruments and repurchase and reverse repurchase agreements that are subject to enforceable master netting arrangements or similar agreements were as follows:

| | | Gross Amounts not Offset in the Condensed Consolidated Balance Sheet | | |
|---|---|---|---|---|
| June 30, 2016<br>Derivative Contracts | Gross Amounts of Assets Presented in the Condensed Consolidated Balance Sheet (1) | Financial Instruments | Cash Collateral Received | Net Amount |
| Financial assets, derivative assets and collateral received | ($ in thousands) | | | |
| Counterparty 1 | $1,284 | $ 1,284 | $ — | $ — |
| Counterparty 2 | 1,772 | 316 | — | 1,456 |
| Counterparty 3 | 8,457 | 4,475 | — | 3,982 |
| Counterparty 4 | 2,132 | 2,132 | — | — |
| Counterparty 5 | 4,070 | 4,070 | — | — |
| Counterparty 6 | 9,630 | 2,418 | 5,389 | 1,823 |
| Counterparty 8 | 1,113 | 277 | — | 836 |
| Counterparty 9 | 1,116 | 1,116 | — | — |
| Counterparty 15 | 113 | 36 | — | 77 |
| | $29,687 | $ 16,124 | $ 5,389 | $ 8,174 |

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| June 30, 2016<br>Derivative Contracts | Gross Amounts of Liabilities Presented in the Condensed Consolidated Balance Sheet (2) | Gross Amounts not Offset in the Condensed Consolidated Balance Sheet<br>Financial Instruments | Cash Collateral Pledged | Net Amount |
|---|---|---|---|---|
| Financial liabilities, derivative liabilities and collateral pledged | ($ in thousands) | | | |
| Counterparty 1 | $3,379 | $ 1,284 | $ 2,095 | $ — |
| Counterparty 2 | 316 | 316 | — | — |
| Counterparty 3 | 4,475 | 4,475 | — | — |
| Counterparty 4 | 3,026 | 2,132 | 894 | — |
| Counterparty 5 | 7,077 | 4,070 | 3,007 | — |
| Counterparty 6 | 2,418 | 2,418 | — | — |
| Counterparty 8 | 277 | 277 | — | — |
| Counterparty 9 | 1,662 | 1,116 | 546 | — |
| Counterparty 10 | 422 | — | 422 | — |
| Counterparty 14 | 316 | — | 316 | — |
| Counterparty 15 | 36 | 36 | — | — |
| | $23,404 | $ 16,124 | $ 7,280 | $ — |
| Securities sold under an agreement to repurchase and securities lending transactions | | | | |
| Counterparty 3 | $160 | $ 160 | $ — | $ — |
| Counterparty 4 | 128,635 | 128,635 | — | — |
| Counterparty 6 | 39,721 | 39,721 | — | — |
| Total | $168,516 | $ 168,516 | $ — | $ — |

(1) The Gross Amounts of Assets Presented in the Condensed Consolidated Balance Sheets presented above includes the fair value of Derivative Contract assets as well as gross OTC option contract assets of $3.6 million included in Other Investments in the Condensed Consolidated Balance Sheets.

(2) The Gross Amounts of Liabilities Presented in the Condensed Consolidated Balance Sheets presented above includes the fair value of Derivative Contract liabilities as well as gross OTC option contract liabilities of $7.0 million included in Securities sold, not yet purchased in the Condensed Consolidated Balance Sheets.

| December 31, 2015 Derivative Contracts | Gross Amounts of Assets Presented in the Condensed Consolidated Balance Sheet (1) | Financial Instruments | Cash Collateral Received | Net Amount |
|---|---|---|---|---|
| | Gross Amounts not Offset in the Condensed Consolidated Balance Sheet | | | |
| Financial assets, derivative assets and collateral received | ($ in thousands) | | | |
| Counterparty 1 | $2,171 | $ 2,171 | $ — | $— |
| Counterparty 2 | 4,959 | 1,243 | — | 3,716 |
| Counterparty 3 | 6,347 | 2,335 | — | 4,012 |
| Counterparty 4 | 3,679 | 2,656 | — | 1,023 |
| Counterparty 5 | 14,181 | 4,027 | — | 10,154 |
| Counterparty 6 | 7,351 | 1,657 | 1,993 | 3,701 |
| Counterparty 7 | 882 | — | 194 | 688 |
| Counterparty 8 | 2,669 | 2,669 | — | — |
| Counterparty 9 | 2,009 | 542 | — | 1,467 |
| | $44,248 | $ 17,300 | $ 2,187 | $24,761 |

| December 31, 2015 Derivative Contracts | Gross Amounts of Liabilities Presented in the Condensed Consolidated Balance Sheet (2) | Financial Instruments | Cash Collateral Pledged | Net Amount |
|---|---|---|---|---|
| | Gross Amounts not Offset in the Condensed Consolidated Balance Sheet | | | |
| Financial liabilities, derivative liabilities and collateral pledged | ($ in thousands) | | | |
| Counterparty 1 | $2,626 | $ 2,171 | $ 455 | $— |
| Counterparty 2 | 1,243 | 1,243 | — | — |
| Counterparty 3 | 2,335 | 2,335 | — | — |
| Counterparty 4 | 2,816 | 2,656 | 160 | — |
| Counterparty 5 | 4,028 | 4,028 | — | — |
| Counterparty 6 | 1,657 | 1,657 | — | — |
| Counterparty 8 | 3,659 | 2,669 | — | 990 |
| Counterparty 9 | 542 | 542 | — | — |
| Counterparty 15 | 153 | 6 | 147 | — |
| | $19,059 | $ 17,307 | $ 762 | $990 |

| | | | | |
|---|---|---|---|---|
| Securities sold under an agreement to repurchase and securities lending transactions | | | | |
| Counterparty 3 | $114 | $ — | $ 112 | $2 |
| Counterparty 4 | 8,944 | 8,944 | — | — |
| | $9,058 | $ 8,944 | $ 112 | $2 |

(1) The Gross Amounts of Assets Presented in the Condensed Consolidated Balance Sheets presented above includes the fair value of Derivative Contract assets as well as gross OTC option contract assets of $8.9 million included in Other Investments in the Condensed Consolidated Balance Sheets.

(2) The Gross Amounts of Liabilities Presented in the Condensed Consolidated Balance Sheets presented above includes the fair value of Derivative Contract liabilities as well as gross OTC option contract liabilities of $3.7 million included in Securities sold, not yet purchased in the Condensed Consolidated Balance Sheets.

8. Loss and loss adjustment expense reserves

As of June 30, 2016 and December 31, 2015, loss and loss adjustment expense reserves in the condensed consolidated balance sheets was comprised of the following:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | ($ in thousands) | |
| Case loss and loss adjustment expense reserves | $103,912 | $ 87,186 |
| Incurred but not reported loss and loss adjustment expense reserves | 430,385 | 375,690 |
| Deferred gains on retroactive reinsurance contracts | 2,658 | 3,171 |
| | $536,955 | $ 466,047 |

The following table represents the activity in the loss and loss adjustment expense reserves for the six months ended June 30, 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| | ($ in thousands) | |
| Gross reserves for loss and loss adjustment expenses, beginning of period | $466,047 | $277,362 |
| Less: loss and loss adjustment expenses recoverable, beginning of period | (125) | (814) |
| Net reserves for loss and loss adjustment expenses, beginning of period | 465,922 | 276,548 |
| Increase (decrease) in net loss and loss adjustment expenses incurred in respect of losses occurring in: | | |
| Current year | 165,884 | 162,313 |
| Prior years | 23,647 | (4,717) |
| Amortization of deferred gains on retroactive reinsurance contracts | (724) | 203 |
| Total incurred loss and loss adjustment expenses | 188,807 | 157,799 |
| Net loss and loss adjustment expenses paid in respect of losses occurring in: | | |
| Current year | (25,201) | (22,784) |
| Prior years | (83,837) | (98,636) |
| Total net paid losses | (109,038) | (121,420) |
| Foreign currency translation | (8,737) | (166) |
| Net reserve for loss and loss adjustment expenses, end of period | 536,954 | 312,761 |
| Plus: loss and loss adjustment expenses recoverable, end of period | 1 | 184 |
| Gross reserve for loss and loss adjustment expenses, end of period | $536,955 | $312,945 |

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

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

- The $14.4 million of net adverse prior years' reserve development for the six months ended June 30, 2016 was accompanied by net decreases of $1.9 million in acquisition costs, resulting in a net increase of $12.5 million in net underwriting loss.
- The $9.2 million increase in loss and loss adjustment expenses incurred related to the increase in premium estimates on certain contracts was accompanied by a $5.0 million increase in acquisition costs, for a total of $14.2 million increase in loss and loss adjustment expenses incurred and acquisition costs. The related increase in earned premium related to the increase in premium estimates was $13.9 million, resulting in a $0.3 million increase in net underwriting loss for the six months ended June 30, 2016.
- In total, the change in net underwriting loss for prior periods due to loss reserve development and adjustments to premium estimates was an increase in net underwriting loss of $12.8 million for the six months ended June 30, 2016.

The $4.7 million decrease in prior years' reserves for the six months ended June 30, 2015 reflects $7.0 million of favorable reserve development partially offset by $2.3 million of additional loss reserves resulting from increases in premium estimates on certain contracts. The prior years' reserve development is explained as follows:

- The $7.0 million of net favorable prior years' reserve development for the six months ended June 30, 2015 was accompanied by net increases of $10.0 million in acquisition costs, resulting in a net increase of $3.0 million in net underwriting loss.
- The $2.3 million increase in loss and loss adjustment expenses incurred related to the increase in premium estimates on certain contracts was accompanied by a $2.0 million increase in acquisition costs, for a total of $4.3 million increase in loss and loss adjustment expenses incurred and acquisition costs. The related increase in earned premium related to the increase in premium estimates was $4.3 million, resulting in an insignificant change in net underwriting loss for the six months ended June 30, 2015.
- In total, the change in net underwriting loss for prior periods due to loss reserve development and adjustments to premium estimates was an increase in net underwriting loss of $3.0 million for the six months ended June 30, 2015.

9. Management, performance and founders fees

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

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

The performance fee is subject to a loss carryforward provision pursuant to which TP GP is required to maintain a Loss Recovery Account, which represents the sum of all prior period net loss amounts, not offset by prior year net profit amounts, and that is allocated to future profit amounts until the Loss Recovery Account has returned to a positive balance. Until such time, no performance fees are payable under the Investment Agreements. As of June 30, 2016, the Loss Recovery Account for Third Point Re's investment account was $nil (December 31, 2015 - $5.0 million) and for Third Point Re USA's investment account was $nil (December 31, 2015 - $1.2 million). The loss carryforward amounts were not recorded in the Company's consolidated balance sheets.

Additionally, a total management fee equal to 2% annually of the Third Point Re's and Third Point Re USA's share of the investment assets managed by Third Point LLC is paid to Third Point LLC and certain founding investors. Management fees are paid monthly, whereas performance fees are paid annually, in arrears.

Investment fee expenses related to the Investment Agreements, which are included in net investment income in the condensed consolidated statements of income for the three and six months ended June 30, 2016 and 2015 are as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | ($ in thousands) | | | |
| Management fees - Third Point LLC | $1,582 | $1,633 | $3,103 | $3,108 |
| Management fees - Founders (1) | 8,962 | 9,259 | 17,583 | 17,615 |
| Performance fees - Third Point Advisors LLC | 2,954 | 9,215 | 2,954 | 25,059 |
| | $13,498 | $20,107 | $23,640 | $45,782 |

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

As of June 30, 2016, $3.0 million related to performance fees due under the Investment Agreements was included in performance fee payable to related party in the condensed consolidated balance sheets. As of December 31, 2015, $0.9 million related to performance fees earned by TP GP were included in non-controlling interests.

On June 22, 2016, Third Point Reinsurance Ltd., Third Point Re, TPRUSA and Third Point Re USA entered into amended and restated Joint Venture and Investment Management Agreements with Third Point LLC and TP GP for an additional five year term, effective on December 22, 2016, the end of the term of the current agreements. These agreements have similar terms to the existing agreements, however, the management fee will be reduced from 2% to 1.5%.

10. Deposit contracts

The Company's deposit liability contracts generally contain a fixed interest crediting rate. Certain deposit contracts also contained a variable interest crediting feature based on actual investment returns realized by the Company that can increase the overall effective interest crediting rate on those contracts. These variable interest crediting features are considered embedded derivatives. The Company includes the estimated fair value of these embedded derivatives with the host deposit liability contracts. Changes in the estimated fair value of these embedded derivatives are recorded in other expenses in the condensed consolidated statements of income.

The following table represents activity in the deposit liabilities for the six months ended June 30, 2016 and year ended December 31, 2015:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | ($ in thousands) | |
| Balance, beginning of period | $83,955 | $ 145,430 |
| Consideration received | 4,049 | 21,246 |
| Net investment expense allocation and change in fair value of embedded derivatives | 1,331 | 2,207 |
| Payments | (297) | (84,928) |
| Foreign currency translation | (221) | — |
| Balance, end of period | $88,817 | $ 83,955 |

11. Senior Notes payable and letter of credit facilities

Senior Notes payable

As of June 30, 2016, TPRUSA had outstanding debt obligations consisting of an aggregate principal amount of $115.0 million of senior unsecured notes (the "Notes") due February 13, 2025. The Notes bear interest at 7.0% and interest is payable semi-annually on February 13 and August 13 of each year. The Notes are fully and unconditionally guaranteed by Third Point Reinsurance Ltd., and, in certain circumstances specified in the indenture governing the Notes, certain existing or future subsidiaries of the Company may be required to guarantee the Notes. As of June 30, 2016, the Company had capitalized $1.5 million of costs associated with the Notes, which are presented as a direct deduction from the principal amount of the Notes on the condensed consolidated balance sheets. As of June 30, 2016, the Notes had an estimated fair value of $103.2 million. The fair value measurements were based on observable inputs and therefore would be considered to be Level 2. The Company was in compliance with all of the debt covenants as of June 30, 2016 and December 31, 2015.

Letters of credit

As of June 30, 2016, the Company had entered into the following letter of credit facilities:

| | Facility | Utilized | Collateral |
|---|---|---|---|
| June 30, 2016 | ($ in thousands) | | |
| BNP Paribas | $50,000 | $17,990 | $17,990 |
| Citibank | 300,000 | 190,841 | 190,841 |
| J.P. Morgan | 50,000 | 9 | 9 |
| Lloyds Bank | 100,000 | 32,481 | 32,481 |
| | $500,000 | $241,321 | $241,321 |

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

12. Net investment income

Net investment income for the three and six months ended June 30, 2016 and 2015 consisted of the following:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Net investment income by type | ($ in thousands) | | | |
| Net realized gains on investments and investment derivatives | $18,713 | $35,319 | $41,955 | $88,602 |
| Net unrealized gains (losses) on investments and investment derivatives | 53,603 | 11,162 | (1,239) | 47,758 |
| Net gains (losses) on foreign currencies | (801) | 3,959 | (967) | 489 |
| Dividend and interest income | 33,352 | 10,757 | 41,024 | 18,119 |
| Dividends paid on securities sold, not yet purchased | (526) | (302) | (960) | (422) |
| Management and performance fees | (13,498) | (20,107) | (23,640) | (45,782) |
| Other expenses | (4,731) | (2,358) | (10,418) | (5,485) |
| Net investment income on investments managed by Third Point LLC | 86,112 | 38,430 | 45,755 | 103,279 |
| Net gain on investment in Kiskadee Fund | 234 | 139 | 481 | 183 |
| Net investment income related to Catastrophe Reinsurer and Catastrophe Fund | — | 42 | — | 67 |
| | $86,346 | $38,611 | $46,236 | $103,529 |

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| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Net investment income by asset class | ($ in thousands) | | | |
| Net investment gains on equity securities | $20,821 | $43,190 | $18,590 | $78,943 |
| Net investment gains on debt securities | 72,720 | 22,025 | 84,869 | 63,898 |
| Net investment losses on other investments | (5,069 ) | (13,525 ) | (13,565 ) | (27,000 ) |
| Net investment gains (losses) on investment derivatives | 14,484 | (6,872 ) | (17,467 ) | 10,193 |
| Net investment gains on securities sold, not yet purchased | 1,866 | 12,012 | 6,170 | 26,364 |
| Net investment gains (losses) on cash, including foreign exchange losses | (2,644 ) | 2,634 | (4,359 ) | 1,379 |
| Net investment gains (losses) on securities purchased under an agreement to resell | (779 ) | 638 | (1,443 ) | (2,314 ) |
| Net investment gains (losses) on securities sold under an agreement to repurchase | (91 ) | (54 ) | (124 ) | 261 |
| Management and performance fees | (13,498 ) | (20,107 ) | (23,640 ) | (45,782 ) |
| Other investment expenses | (1,464 ) | (1,330 ) | (2,795 ) | (2,413 ) |
| | $86,346 | $38,611 | $46,236 | $103,529 |

13. Other expenses

Other expenses for the three and six months ended June 30, 2016 and 2015 consisted of the following:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | ($ in thousands) | | | |
| Deposit liabilities investment expense | $860 | $1,352 | $1,331 | $1,983 |
| Reinsurance contracts investment expense | 2,167 | 1,533 | 4,637 | 3,303 |
| Change in fair value of embedded derivatives in deposit and reinsurance contracts | 146 | (570 ) | (89 ) | (270 ) |
| | $3,173 | $2,315 | $5,879 | $5,016 |

14. Income taxes

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

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

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

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

The Company has recorded uncertain tax positions related to investment transactions in certain foreign jurisdictions. As of June 30, 2016, the Company has accrued $1.6 million for uncertain tax positions.

For the three and six months ended June 30, 2016 and 2015, the Company recorded income tax expense (benefit), as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | ($ in thousands) | | | |
| Income tax expense (benefit) related to U.S. and U.K. subsidiaries | $2,800 | $ 216 | $(319 ) | $694 |
| Change in uncertain tax positions | 20 | (650 ) | 20 | (650 ) |
| Withholding taxes on certain investment transactions | 2,490 | 1,142 | 3,680 | 1,969 |
| | $5,310 | $ 708 | $3,381 | $2,013 |

(1) As of June 30, 2016, the Company has recorded $7.0 million (December 31, 2015 - $6.6 million) of net deferred tax assets, which are included in other assets in the condensed consolidated balance sheets. As of June 30, 2016 and December 31, 2015, the net deferred tax asset was primarily the result of operating losses in the Company's U.S. subsidiaries. The Company believes that it is more likely than not that the tax benefit will be realized.

15. Share capital

The following tables are a summary of the common shares issued and outstanding and shares repurchased held as treasury shares as of and for the six months ended June 30, 2016 and 2015:

| Common shares | 2016 | 2015 |
|---|---|---|
| Balance, beginning of period | 105,479,341 | 104,473,402 |
| Options exercised | 104,652 | 216,279 |
| Restricted shares granted | 47,712 | 110,853 |
| Performance restricted shares granted | 653,958 | 461,807 |
| Balance, end of period | 106,285,663 | 105,262,341 |

| Treasury shares | 2016 | 2015 |
|---|---|---|
| Balance, beginning of period | — | — |
| Repurchase of common shares | 644,768 | — |
| Balance, end of period | 644,768 | — |

Authorized and issued

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

Share repurchases

On May 4, 2016, the Company's Board of Directors authorized a common share repurchase program for up to an aggregate of $100.0 million of the Company's outstanding common shares. Under the common share repurchase program, the Company may repurchase shares from time to time in privately negotiated transactions or in open-market purchases in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended.

During the three and six months ended June 30, 2016, we repurchased 644,768 of our common shares in the open market for an aggregate cost of $7.4 million at a weighted average cost, including commissions, of $11.46 per share. Common shares repurchased by the Company were not cancelled and are classified as treasury shares.

As of June 30, 2016, the Company may repurchase up to an aggregate of $92.6 million of additional common shares under its share repurchase program.

16. Share-based compensation

On July 15, 2013, the Third Point Reinsurance Ltd. 2013 Omnibus Incentive Plan ("Omnibus Plan") was approved by the Board of Directors and subsequently on August 2, 2013 by the Shareholders of the Company. An aggregate of 21,627,906 common shares were made available under the Omnibus Plan. This number of shares includes the shares available under the Third Point Reinsurance Ltd. Share Incentive Plan ("Share Incentive Plan"). Awards under the Omnibus Plan may be made in the form of performance awards, restricted shares, restricted share units, share options, share appreciation rights and other share-based awards.

The following table provides the total share-based compensation expense included in general and administrative expenses during the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | ($ in thousands) | | | |
| Management and director options | $1,555 | $ 1,511 | $3,109 | $ 3,154 |
| Restricted shares with service condition | 386 | 386 | 592 | 1,180 |
| Restricted shares with service and performance condition | 110 | 817 | 1,001 | 1,463 |
| | $2,051 | $ 2,714 | $4,702 | $ 5,797 |

As of June 30, 2016, the Company had $11.7 million (December 31, 2015 - $13.1 million) of unamortized share compensation expense, which is expected to be amortized over a weighted average period of 1.4 years (December 31, 2015 - 1.3 years).

Management and director options

The management and director options activity for the six months ended June 30, 2016 and year ended December 31, 2015 were as follows:

| | Number of options | Weighted average exercise price |
|---|---|---|
| Balances as of January 1, 2015 | 10,990,841 | $ 13.41 |
| Forfeited | (306,976 ) | 14.36 |
| Exercised | (433,279 ) | 10.00 |
| Balances as of December 31, 2015 | 10,250,586 | 13.52 |
| Forfeited | (139,534 ) | 18.00 |
| Exercised | (104,652 ) | 10.00 |
| Balances as of June 30, 2016 | 10,006,400 | $ 13.50 |

As of June 30, 2016, the weighted average remaining contractual term for options outstanding was 5.6 years (December 31, 2015 - 6.0 years).

The following table summarizes information about the Company's management and director share options outstanding as of June 30, 2016:

| Range of exercise prices | Options outstanding: Number of options | Options outstanding: Weighted average exercise price | Remaining contractual life | Options exercisable: Number of options | Options exercisable: Weighted average exercise price |
|---|---|---|---|---|---|
| $10.00 - $10.89 | 5,683,741 | $ 10.03 | 5.57 | 4,455,834 | $ 10.03 |
| $15.05 - $16.89 | 2,196,214 | 15.94 | 5.74 | 1,661,332 | 15.97 |
| $20.00 - $25.05 | 2,126,445 | 20.23 | 5.68 | 1,633,425 | 20.13 |
| | 10,006,400 | $ 13.50 | 5.63 | 7,750,591 | $ 13.43 |

Restricted shares with service condition

Restricted share award activity for the six months ended June 30, 2016 and year ended December 31, 2015 were as follows:

| | Number of non-vested restricted shares | Weighted average grant date fair value |
|---|---|---|
| Balance as of January 1, 2015 | 616,114 | $ 10.10 |
| Granted | 118,120 | 13.06 |
| Forfeited | (7,267 ) | 13.76 |
| Vested | (425,924) | 10.37 |
| Balance as of December 31, 2015 | 301,043 | 11.31 |
| Granted | 47,712 | 11.37 |
| Balance as of June 30, 2016 | 348,755 | $ 11.15 |

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

Restricted shares with service and performance condition

Restricted share award activity for the restricted shares with a service and performance condition for the six months ended June 30, 2016 and year ended December 31, 2015 was as follows:

| | Number of non-vested restricted shares | Number of non-vested restricted shares probable of vesting | Weighted average grant date fair value of shares probable of vesting |
|---|---|---|---|
| Balance as of January 1, 2015 | 459,746 | 306,496 | $ 14.60 |
| Granted | 514,276 | 342,846 | 14.00 |
| Forfeited | (52,469 ) | (34,980 ) | 14.29 |
| Change in estimated restricted shares considered probable of vesting | n/a | (78,128 ) | 14.60 |
| Balance as of December 31, 2015 | 921,553 | 536,234 | 14.24 |
| Granted | 653,958 | 435,971 | 11.40 |
| Change in estimated restricted shares considered probable of vesting | n/a | (163,576) | (13.51 ) |
| Balance as of June 30, 2016 | 1,575,511 | 808,629 | $ 12.85 |

17. Non-controlling interests

Non-controlling interests represent the portion of equity in consolidated subsidiaries not attributable, directly or indirectly, to the Company. The ownership interests in consolidated subsidiaries held by parties other than the Company have been presented in the condensed consolidated balance sheets as a separate component of shareholders' equity. Non-controlling interests as of June 30, 2016 and December 31, 2015 is as follows:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | ($ in thousands) | |
| Joint Ventures - Third Point Advisors LLC shares | $16,663 | $ 16,157 |
| | $16,663 | $ 16,157 |

Income attributable to non-controlling interests for the three and six months ended June 30, 2016 and 2015 was as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | ($ in thousands) | | | |
| Catastrophe Fund | $— | $ 64 | $— | $16 |
| Catastrophe Fund Manager | — | (1 ) | — | (33 ) |
| Joint Ventures - Third Point Advisors LLC shares | 775 | 432 | 506 | 1,075 |
| | $775 | $ 495 | $506 | $1,058 |

As of June 30, 2016, the joint ventures created through the Investment Agreements (Note 9) have been considered variable interest entities and have been consolidated in accordance with ASC 810, Consolidation (ASC 810). Since the Company was deemed to be the primary beneficiary, the Company has consolidated the joint ventures and has recorded TP GP's minority interests as a non-controlling interests in the condensed consolidated statements of shareholders' equity.

For the six months ended June 30, 2016, no distributions (2015 - $25.0 million) were made to TP GP.

As of June 30, 2016, the following entities were not consolidated as per ASC 810:

a) TP Lux Holdco LP

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

LuxCo's principal objective is to act as a collective investment vehicle to purchase Euro debt and equity investments. The Company invests in the Cayman HoldCo alongside other investment funds managed by the Investment Manager. As of June 30, 2016, Third Point Re held a 14.3% (December 31, 2015 - 10.8%) interest in the Cayman Holdco. The Company accounts for its investment in the limited partnership under the variable interest model, in which the Company is not the primary beneficiary, at fair value in the condensed consolidated balance sheets. The Company has elected the fair value option for this investment and records changes in fair value in the condensed consolidated statements of income.

As of June 30, 2016, the estimated fair value of the investment in the limited partnership was $2.8 million (December 31, 2015 - $2.4 million). The Cayman HoldCo made net distributions of $0.04 million to the Company during the period ended June 30, 2016 due to the disposition of underlying investments. The valuation policy with respect to this investment in a limited partnership is further described in Note 4. The Company's maximum exposure to loss as a result of its involvement with this investment is limited to the carrying value of the investment.

b) Third Point Hellenic Recovery US Feeder Fund, L.P.

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

Third Point Re has committed to invest $11.4 million (December 31, 2015 - $11.4 million) in the Hellenic Fund. No capital distributions or calls were made during the six months ended June 30, 2016 and 2015.

As of June 30, 2016, the estimated fair value of Third Point Re’s investment in the Hellenic Fund was $5.3 million (December 31, 2015 - $5.4 million), representing a 3.0% interest (December 31, 2015 - 3.0%). Third Point Re accounts for its investment in the limited partnership under the variable interest model, in which Third Point Re is not the primary beneficiary, at fair value in the condensed consolidated balance sheets. The Company has elected the fair value option for this investment and records the change in the fair value in the condensed consolidated statements of income.

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

18. Earnings per share

The following sets forth the computation of basic and diluted earnings per common share for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Weighted-average number of common shares outstanding: | ($ in thousands, except share and per share amounts) | | | |
| Basic number of common shares outstanding, net of treasury shares | 104,132,797 | 103,927,761 | 104,195,336 | 103,837,545 |
| Dilutive effect of options | 403,547 | 1,341,209 | 358,015 | 1,223,680 |
| Dilutive effect of warrants | 556,829 | 1,427,904 | 553,222 | 1,364,122 |
| Dilutive effect of restricted shares with service and performance condition | 140,748 | — | 121,601 | — |
| Diluted number of common shares outstanding | 105,233,921 | 106,696,874 | 105,228,174 | 106,425,347 |
| Basic earnings per common share: | | | | |
| Net income | $53,376 | $ 15,662 | $2,247 | $ 66,132 |
| Income allocated to participating shares | (169 ) | (50 ) | (7 ) | (223 ) |
| Net income available to common shareholders | $53,207 | $ 15,612 | $2,240 | $ 65,909 |
| Basic earnings per common share | $0.51 | $ 0.15 | $0.02 | $ 0.63 |
| Diluted earnings per common share: | | | | |
| Net income | $53,376 | $ 15,662 | $2,247 | $ 66,132 |
| Income allocated to participating shares | (167 ) | (49 ) | (7 ) | (218 ) |
| Net income available to common shareholders | $53,209 | $ 15,613 | $2,240 | $ 65,914 |
| Diluted earnings per common share | $0.51 | $ 0.15 | $0.02 | $ 0.62 |

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For the three months ended June 30, 2016, anti-dilutive options of 4,370,193 were excluded from the computation of diluted earnings per share. For the three months ended June 30, 2015, anti-dilutive options and restricted shares with service and performance condition of 4,874,969 were excluded from the computation of diluted earnings per share. For the six months ended June 30, 2016, anti-dilutive options of 4,416,193 were excluded from the computation of diluted earnings per share. For the six months ended June 30, 2015, anti-dilutive options and restricted shares with service and performance condition of 4,869,394 were excluded from the computation of diluted earnings per share.

19. Related party transaction

In addition to the transactions disclosed in Notes 4, 9 and 17 to these condensed consolidated financial statements, the following transaction is classified as a related party transaction, as the counterparties have either a direct or indirect shareholding in the Company or the Company has an investment in such counterparty.

Third Point Loan L.L.C. ("Loan LLC") and Third Point Ventures LLC ("Ventures LLC" and, together with Loan LLC, "Nominees") serve as nominees of the Company and other affiliated investment management clients of the Investment Manager for certain investments. The Nominees have appointed the Investment Manager as its true and lawful agent and attorney. As of June 30, 2016, Loan LLC held $78.1 million (December 31, 2015 - $65.0 million) and Ventures LLC held $12.5 million (December 31, 2015 - $nil) of the Company's investments, which are included in investments in securities and derivative contracts in the condensed consolidated balance sheets. The Company's pro rata interest in the underlying investments registered in the name of the Nominees and the related income and expense are reflected in the condensed consolidated balance sheets and the condensed consolidated statements of income.

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

Off-balance sheet risk

In the normal course of business, the Company trades various financial instruments and engages in various investment activities with off-balance sheet risk. These financial instruments include securities sold, not yet purchased, forwards, futures, options, swaptions, swaps and contracts for differences. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms at specified future dates. Each of these financial instruments contains varying degrees of off-balance sheet risk whereby changes in the fair values of the securities underlying the financial instruments or fluctuations in interest rates and index values may exceed the amounts recognized in the condensed consolidated balance sheets.

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

Forward and futures contracts are a commitment to purchase or sell financial instruments, currencies or commodities at a future date at a negotiated rate. Forward and futures contracts expose the Company to market risks to the extent that adverse changes occur to the underlying financial instruments such as currency rates or equity index fluctuations.

Option contracts give the purchaser the right, but not the obligation, to purchase from or sell to the option writer financial instruments, commodities or currencies within a defined time period for a specified price. The premium received by the Company upon writing an option contract is recorded as a liability, marked to market on a daily basis and is included in securities sold, not yet purchased in the condensed consolidated balance sheets. In writing an option, the Company bears the market risk of an unfavorable change in the financial instrument underlying the written option. Exercise of an option written by the Company could result in the Company selling or buying a financial instrument at a price different from the current fair value.

In the normal course of trading activities in its investment portfolio, the Company trades and holds certain derivative contracts, such as written options, which constitute guarantees. The maximum payout for written put options is limited to the number of contracts written and the related strike prices and the maximum payout for written call options is dependent upon the market price of the underlying security at the date of a payout event. As of June 30, 2016, the investment portfolio had a maximum payout amount of approximately $340.7 million (December 31, 2015 - $42.2 million) relating to written put option contracts with expiration ranging from one month to seven months from the balance sheet date. The maximum payout amount could be offset by the subsequent sale, if any, of assets obtained via

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the settlement of a payout event. The fair value of these written put options as of June 30, 2016 was $2.8 million (December 31, 2015 - $2.6 million) and is included in securities sold, not yet purchased in the condensed consolidated balance sheets.

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

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

Credit derivatives

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

The Company may also enter into index and/or basket credit default swaps where the credit derivative may reference a basket of single-name credit default swaps or a broad-based index. Generally, in the event of a default on one of the underlying names, the buyer will receive a pro-rata portion of the total notional amount of the credit default index or basket contract from the seller. When the Company purchases single-name, index and basket credit default swaps, the Company is exposed to counterparty nonperformance.

Upon selling credit default swap protection, the Company may expose itself to the risk of loss from related credit events specified in the contract. Credit spreads of the underlying positions together with the period of expiration is indicative of the likelihood of a credit event under the credit default swap contract and the Company’s risk of loss. Higher credit spreads and shorter expiration dates are indicative of a higher likelihood of a credit event resulting in the Company’s payment to the buyer of protection. Lower credit spreads and longer expiration dates would indicate the opposite and lowers the likelihood the Company needs to pay the buyer of protection. As of June 30, 2016, there was no cash collateral received specifically related to written credit default swaps as collateral is based on the net exposure associated with all derivative instruments subject to applicable netting agreements with counterparties and may not be specific to any individual derivative contract.

The following table sets forth certain information related to the Company’s written credit derivatives as of June 30, 2016 and December 31, 2015:

| June 30, 2016 | Maximum Payout/ Notional Amount (by period of expiration) | | | Fair Value of Written Credit Derivatives (2) | | |
|---|---|---|---|---|---|---|
| Credit Spreads on underlying (basis points) | 0-5 years | 5 years or Greater Expiring Through 2046 | Total Written Credit Default Swaps (1) | Asset | Liability | Net Asset/(Liability) |
| | ($ in thousands) | | | | | |
| Single name (0 - 250) | $— | $ 3,620 | $ 3,620 | $— | $ 1,805 | $ (1,805) |
| Single name (251-500) | — | — | — | — | — | — |
| | $— | $ 3,620 | $ 3,620 | $— | $ 1,805 | $ (1,805) |

| December 31, 2015 | Maximum Payout/ Notional Amount (by period of expiration) | | | Fair Value of Written Credit Derivatives (2) | | |
|---|---|---|---|---|---|---|
| Credit Spreads on underlying (basis points) | 0-5 years | 5 years or Greater Expiring Through 2046 | Total Written Credit Default Swaps (1) | Asset | Liability | Net Asset/(Liability) |
| | ($ in thousands) | | | | | |
| Single name (0 - 250) | $— | $ 2,878 | $ 2,878 | $— | $ 1,480 | $ (1,480) |
| Single name (251-500) | 3,558 | — | 3,558 | — | 574 | (574) |
| | $3,558 | $ 2,878 | $ 6,436 | $— | $ 2,054 | $ (2,054) |

(1) As of June 30, 2016 and December 31, 2015, the Company did not hold any offsetting buy protection credit derivatives with the same underlying reference obligation.

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

Concentrations of credit risk

In addition to off-balance sheet risks related to specific financial instruments, the Company may be subject to concentrations of credit risk with particular counterparties. Substantially all securities transactions of the Company are cleared by several major securities firms. The Company had substantially all such individual counterparty concentration with these brokers or their affiliates as of June 30, 2016. However, the Company reduces its credit risk with counterparties by entering into master netting agreements. Therefore, assets represent the Company’s greater unrealized gains less unrealized losses for derivative contracts in which the Company has master netting agreements. Similarly, liabilities represent the Company’s greater unrealized losses less unrealized gains for derivative contracts in which the Joint Ventures have master netting agreements. Furthermore, the Company obtains collateral from counterparties to reduce its exposure to counterparty credit risk.

The Company’s maximum exposure to credit risk associated with counterparty nonperformance on derivative contracts is limited to the net unrealized gains by counterparties inherent in such contracts which are recognized in the condensed consolidated balance sheets. As of June 30, 2016, the Company’s maximum counterparty credit risk exposure was $29.7 million (December 31, 2015 - $24.8 million).

21. Commitments and Contingencies

Investments

Loan and other participation interests purchased by the Company, such as bank debt, may include revolving credit arrangements or other financing commitments obligating the Company to advance additional amounts on demand. As of June 30, 2016, the Company had one unfunded capital commitment of $3.5 million related to its investment in the Hellenic Fund (see Note 17 for additional information).

In the normal course of business, the Company, as part of its investment strategy, enters into contracts that contain a variety of indemnifications and warranties. The Company’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, the

Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote. Thus, no amounts have been accrued related to such indemnifications. The Company also indemnifies TP GP, Third Point LLC and its employees from and against any loss or expense, including, without limitation any judgment, settlement, legal fees and other costs. Any expenses related to this indemnification are reflected in net investment income in the condensed consolidated statements of income.

Financing

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

Litigation

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

22. Segment reporting

The determination of the Company's business segments is based on the manner in which management monitors the performance of its operations. The Company reports one operating segment, Property and Casualty Reinsurance. The Company has also identified a corporate function that includes the Company's investment income on capital, certain general and administrative expenses related to corporate activities, interest expense, foreign exchange gains (losses) and income tax (expense) benefit. As of December 31, 2015, all investments in the Catastrophe Fund had been redeemed. In February 2016, the Company completed the dissolution of the Catastrophe Fund and Catastrophe Reinsurer. As a result, there is no further activity in the Catastrophe Risk Management segment.

The following is a summary of the Company’s operating segment results for the three and six months ended June 30, 2016 and 2015:

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

| | |
|---|---|
| Property and Casualty Reinsurance - Underwriting Ratios (1): | |
| Loss ratio | 78.2 % |
| Acquisition cost ratio | 36.4 % |
| Composite ratio | 114.6 % |
| General and administrative expense ratio | 4.6 % |
| Combined ratio | 119.2 % |

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

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

| | | |
|---|---|---|
| Property and Casualty Reinsurance - Underwriting Ratios (1): | | |
| Loss ratio | 69.9 | % |
| Acquisition cost ratio | 37.1 | % |
| Composite ratio | 107.0 | % |
| General and administrative expense ratio | 4.9 | % |
| Combined ratio | 111.9 | % |

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

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| | Three months ended June 30, 2015 | | | |
|---|---|---|---|---|
| | Property and Casualty Reinsurance | Catastrophe Risk Management | Corporate | Total |
| Revenues | ($ in thousands) | | | |
| Gross premiums written | $184,191 | $ 151 | $— | $184,342 |
| Gross premiums ceded | (1,425 ) | — | — | (1,425 ) |
| Net premiums written | 182,766 | 151 | — | 182,917 |
| Change in net unearned premium reserves | (62,384 ) | 45 | — | (62,339 ) |
| Net premiums earned | 120,382 | 196 | — | 120,578 |
| Expenses | | | | |
| Loss and loss adjustment expenses incurred, net | 76,053 | — | — | 76,053 |
| Acquisition costs, net | 47,475 | 23 | — | 47,498 |
| General and administrative expenses | 6,242 | 198 | 7,827 | 14,267 |
| Total expenses | 129,770 | 221 | 7,827 | 137,818 |
| Net underwriting loss | (9,388 ) | n/a | n/a | n/a |
| Net investment income | 9,790 | 43 | 28,778 | 38,611 |
| Other expenses | (2,315 ) | — | — | (2,315 ) |
| Interest expense | — | — | (2,052 ) | (2,052 ) |
| Foreign exchange losses | — | — | (139 ) | (139 ) |
| Income tax expense | — | — | (708 ) | (708 ) |
| Segment income (loss) including non-controlling interests | (1,913 ) | 18 | 18,052 | 16,157 |
| Segment income attributable to non-controlling interests | — | (64 ) | (431 ) | (495 ) |
| Segment income (loss) | $(1,913 ) | $ (46 ) | $17,621 | $15,662 |

| | |
|---|---|
| Property and Casualty Reinsurance - Underwriting Ratios (1): | |
| Loss ratio | 63.2 % |
| Acquisition cost ratio | 39.4 % |
| Composite ratio | 102.6 % |
| General and administrative expense ratio | 5.2 % |
| Combined ratio | 107.8 % |

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

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| | Six months ended June 30, 2015 | | | |
|---|---|---|---|---|
| | Property and Casualty Reinsurance | Catastrophe Risk Management | Corporate | Total |
| Revenues | ($ in thousands) | | | |
| Gross premiums written | $397,574 | $ 102 | $— | $397,676 |
| Gross premiums ceded | (1,477 ) | — | — | (1,477 ) |
| Net premiums written | 396,097 | 102 | — | 396,199 |
| Change in net unearned premium reserves | (136,598 ) | 52 | — | (136,546 ) |
| Net premiums earned | 259,499 | 154 | — | 259,653 |
| Expenses | | | | |
| Loss and loss adjustment expenses incurred, net | 157,799 | — | — | 157,799 |
| Acquisition costs, net | 102,138 | 17 | — | 102,155 |
| General and administrative expenses | 12,809 | 431 | 12,735 | 25,975 |
| Total expenses | 272,746 | 448 | 12,735 | 285,929 |
| Net underwriting loss | (13,247 ) | n/a | n/a | n/a |
| Net investment income | 28,365 | 68 | 75,096 | 103,529 |
| Other expenses | (5,016 ) | — | — | (5,016 ) |
| Interest expense | — | — | (3,088 ) | (3,088 ) |
| Foreign exchange gains | — | — | 54 | 54 |
| Income tax expense | — | — | (2,013 ) | (2,013 ) |
| Segment income (loss) including non-controlling interests | 10,102 | (226 ) | 57,314 | 67,190 |
| Segment (income) loss attributable to non-controlling interests | — | 16 | (1,074 ) | (1,058 ) |
| Segment income (loss) | $10,102 | $ (210 ) | $56,240 | $66,132 |

| | | |
|---|---|---|
| Property and Casualty Reinsurance - Underwriting Ratios (1): | | |
| Loss ratio | 60.8 | % |
| Acquisition cost ratio | 39.4 | % |
| Composite ratio | 100.2 | % |
| General and administrative expense ratio | 4.9 | % |
| Combined ratio | 105.1 | % |

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

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The following table lists the number of contracts that individually contributed more than 10% of total gross premiums written for the three and six months ended June 30, 2016 and 2015 as a percentage of total gross premiums written in the relevant period:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Largest contract | 14.9 % | 18.9 % | 28.4 % | 23.5 % |
| Second largest contract | 12.6 % | n/a | n/a | n/a |
| Third largest contract | 11.4 % | n/a | n/a | n/a |
| Total for contracts contributing greater than 10% each | 38.9 % | 18.9 % | 28.4 % | 23.5 % |
| Total for contracts contributing less than 10% each | 61.1 % | 81.1 % | 71.6 % | 76.5 % |
| | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

The following table provides a breakdown of the Company's gross premiums written by line of business for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2016 | | June 30, 2015 | | June 30, 2016 | | June 30, 2015 | |
| | ($ in thousands) | | | | | | | |
| Property | $7,257 | 3.7 % | $27,535 | 14.9 % | $7,082 | 1.8 % | $48,991 | 12.3 % |
| Casualty | 149,129 | 75.7 % | 149,157 | 80.9 % | 160,506 | 40.7 % | 159,009 | 40.0 % |
| Specialty | 40,480 | 20.6 % | 7,499 | 4.1 % | 226,434 | 57.5 % | 189,574 | 47.7 % |
| Total property and casualty reinsurance | 196,866 | 100.0 % | 184,191 | 99.9 % | 394,022 | 100.0 % | 397,574 | 100.0 % |
| Catastrophe risk management | — | — % | 151 | 0.1 % | — | — % | 102 | — % |
| | $196,866 | 100.0 % | $184,342 | 100.0 % | $394,022 | 100.0 % | $397,676 | 100.0 % |

The following table provides a breakdown of the Company's gross premiums written by prospective and retroactive reinsurance contracts for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2016 | | June 30, 2015 | | June 30, 2016 | | June 30, 2015 | |
| | ($ in thousands) | | | | | | | |
| Prospective | $196,866 | 100.0 % | $184,342 | 100.0 % | $394,022 | 100.0 % | $381,166 | 95.8 % |
| Retroactive (1) | — | — % | — | — % | — | — % | 16,510 | 4.2 % |
| | $196,866 | 100.0 % | $184,342 | 100.0 % | $394,022 | 100.0 % | $397,676 | 100.0 % |

(1) Includes all retroactive exposure in reinsurance contracts.

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

Substantially all of the Company's business is sourced through reinsurance brokers. The following table sets forth the Company's premiums written by source that individually contributed more than 10% of total gross premiums written for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | | | | | Six months ended | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2016 | | | June 30, 2015 | | | June 30, 2016 | | | June 30, 2015 | | |
| | ($ in thousands) | | | | | | | | | | | |
| Largest broker | $63,084 | 32.0 | % | $45,451 | 24.7 | % | $181,205 | 46.0 | % | $127,237 | 32.0 | % |
| Second largest broker | 58,000 | 29.5 | % | 43,700 | 23.7 | % | 94,749 | 24.0 | % | 90,299 | 22.7 | % |
| Third largest broker | 53,034 | 26.9 | % | 34,875 | 18.9 | % | 62,295 | 15.8 | % | 56,781 | 14.3 | % |
| Fourth largest broker | n/a | n/a | | 29,879 | 16.2 | % | n/a | n/a | | n/a | n/a | |
| Other | 22,748 | 11.6 | % | 30,437 | 16.5 | % | 55,773 | 14.2 | % | 123,359 | 31.0 | % |
| | $196,866 | 100.0 | % | $184,342 | 100.0 | % | $394,022 | 100.0 | % | $397,676 | 100.0 | % |

The following table provides a breakdown of the Company's gross premiums written by domicile of the ceding companies for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | | | | | Six months ended | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2016 | | | June 30, 2015 | | | June 30, 2016 | | | June 30, 2015 | | |
| | ($ in thousands) | | | | | | | | | | | |
| United States | $124,446 | 63.2 | % | $170,298 | 92.4 | % | $167,738 | 42.6 | % | $189,974 | 47.8 | % |
| Bermuda | 46,539 | 23.6 | % | 14,044 | 7.6 | % | 46,539 | 11.8 | % | 43,942 | 11.0 | % |
| United Kingdom | 25,881 | 13.2 | % | — | — | % | 179,745 | 45.6 | % | 163,760 | 41.2 | % |
| | $196,866 | 100.0 | % | $184,342 | 100.0 | % | $394,022 | 100.0 | % | $397,676 | 100.0 | % |

23. Supplemental guarantor information

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

The following information sets forth condensed consolidating balance sheets as of June 30, 2016 and December 31, 2015, condensed consolidating statements of income for the three and six months ended June 30, 2016 and 2015 and condensed consolidating statements of cash flows for the six months ended June 30, 2016 and 2015 for Third Point Reinsurance Ltd., TPRUSA and the non-guarantor subsidiaries of Third Point Reinsurance Ltd. Investments in subsidiaries are accounted for on the equity method; accordingly, entries necessary to consolidate the parent guarantor, TPRUSA and all other subsidiaries are reflected in the eliminations column.

CONDENSED CONSOLIDATING BALANCE SHEET
As of June 30, 2016
(expressed in thousands of U.S. dollars)

| | Third Point Reinsurance Ltd. | TPRUSA | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | | | | | |
| Equity securities | $— | $— | $ 1,458,015 | $— | $1,458,015 |
| Debt securities | — | — | 1,250,883 | — | 1,250,883 |
| Other investments | — | — | 64,320 | — | 64,320 |
| Total investments in securities | — | — | 2,773,218 | — | 2,773,218 |
| Cash and cash equivalents | 191 | 2 | 6,845 | — | 7,038 |
| Restricted cash and cash equivalents | — | — | 280,069 | — | 280,069 |
| Investment in subsidiaries | 1,391,418 | 268,950 | 165,318 | (1,825,686) | — |
| Due from brokers | — | — | 337,264 | — | 337,264 |
| Derivative assets, at fair value | — | — | 26,122 | — | 26,122 |
| Interest and dividends receivable | — | — | 7,492 | — | 7,492 |
| Reinsurance balances receivable | — | — | 429,358 | — | 429,358 |
| Deferred acquisition costs, net | — | — | 221,651 | — | 221,651 |
| Amounts due from (to) affiliates | (9,222) | (4,272) | 13,494 | — | — |
| Other assets | 170 | 4,055 | 9,934 | — | 14,159 |
| Total assets | $1,382,557 | $268,735 | $ 4,270,765 | $(1,825,686) | $4,096,371 |
| Liabilities and shareholders' equity | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | $2,225 | $50 | $ 7,603 | $— | $9,878 |
| Reinsurance balances payable | — | — | 45,747 | — | 45,747 |
| Deposit liabilities | — | — | 88,817 | — | 88,817 |
| Unearned premium reserves | — | — | 655,397 | — | 655,397 |
| Loss and loss adjustment expense reserves | — | — | 536,955 | — | 536,955 |
| Securities sold, not yet purchased, at fair value | — | — | 262,748 | — | 262,748 |
| Securities sold under an agreement to repurchase | — | — | 168,356 | — | 168,356 |
| Due to brokers | — | — | 794,141 | — | 794,141 |
| Derivative liabilities, at fair value | — | — | 16,401 | — | 16,401 |
| Performance fee payable to related party | — | — | 2,954 | — | 2,954 |
| Interest and dividends payable | — | 3,035 | 1,482 | — | 4,517 |
| Senior notes payable, net of deferred costs | — | 113,465 | — | — | 113,465 |
| Total liabilities | 2,225 | 116,550 | 2,580,601 | — | 2,699,376 |
| Shareholders' equity | | | | | |
| Common shares | 10,629 | — | 1,250 | (1,250) | 10,629 |
| Treasury shares | (7,389) | — | — | — | (7,389) |
| Additional paid-in capital | 1,086,258 | 165,386 | 1,524,883 | (1,690,269) | 1,086,258 |
| Retained earnings (deficit) | 290,834 | (13,201) | 147,368 | (134,167) | 290,834 |
| Shareholders' equity attributable to shareholders | 1,380,332 | 152,185 | 1,673,501 | (1,825,686) | 1,380,332 |
| Non-controlling interests | — | — | 16,663 | — | 16,663 |
| Total shareholders' equity | 1,380,332 | 152,185 | 1,690,164 | (1,825,686) | 1,396,995 |
| Total liabilities and shareholders' equity | $1,382,557 | $268,735 | $ 4,270,765 | $(1,825,686) | $4,096,371 |

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2015
(expressed in thousands of U.S. dollars)

| | Third Point Reinsurance Ltd. | TPRUSA | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | | | | | |
| Equity securities | $— | $— | $ 1,231,077 | $— | $ 1,231,077 |
| Debt securities | — | — | 1,034,247 | — | 1,034,247 |
| Other investments | — | — | 51,920 | — | 51,920 |
| Total investments in securities | — | — | 2,317,244 | — | 2,317,244 |
| Cash and cash equivalents | 308 | 5 | 20,094 | — | 20,407 |
| Restricted cash and cash equivalents | — | — | 330,915 | — | 330,915 |
| Investment in subsidiaries | 1,382,336 | 261,083 | 159,593 | (1,803,012) | — |
| Due from brokers | — | — | 326,971 | — | 326,971 |
| Derivative assets, at fair value | — | — | 35,337 | — | 35,337 |
| Interest and dividends receivable | — | — | 10,687 | — | 10,687 |
| Reinsurance balances receivable | — | — | 294,313 | — | 294,313 |
| Deferred acquisition costs, net | — | — | 197,093 | — | 197,093 |
| Amounts due from (to) affiliates | (346) | (230) | 576 | — | — |
| Other assets | 564 | 2,613 | 8,964 | — | 12,141 |
| Total assets | $ 1,382,862 | $ 263,471 | $ 3,701,787 | $ (1,803,012) | $ 3,545,108 |
| Liabilities and shareholders' equity | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | $ 3,136 | $ 40 | $ 8,790 | $— | $ 11,966 |
| Reinsurance balances payable | — | — | 24,119 | — | 24,119 |
| Deposit liabilities | — | — | 83,955 | — | 83,955 |
| Unearned premium reserves | — | — | 531,710 | — | 531,710 |
| Loss and loss adjustment expense reserves | — | — | 466,047 | — | 466,047 |
| Securities sold, not yet purchased, at fair value | — | — | 314,353 | — | 314,353 |
| Securities sold under an agreement to repurchase | — | — | 8,944 | — | 8,944 |
| Due to brokers | — | — | 574,962 | — | 574,962 |
| Derivative liabilities, at fair value | — | — | 15,392 | — | 15,392 |
| Interest and dividends payable | — | 3,055 | 1,345 | — | 4,400 |
| Senior notes payable, net of deferred costs | — | 113,377 | — | — | 113,377 |
| Total liabilities | 3,136 | 116,472 | 2,029,617 | — | 2,149,225 |
| Shareholders' equity | | | | | |
| Common shares | 10,548 | — | 1,250 | (1,250) | 10,548 |
| Additional paid-in capital | 1,080,591 | 159,618 | 1,509,594 | (1,669,212) | 1,080,591 |
| Retained earnings (deficit) | 288,587 | (12,619) | 145,169 | (132,550) | 288,587 |
| Shareholders' equity attributable to shareholders | 1,379,726 | 146,999 | 1,656,013 | (1,803,012) | 1,379,726 |
| Non-controlling interests | — | — | 16,157 | — | 16,157 |
| Total shareholders' equity | 1,379,726 | 146,999 | 1,672,170 | (1,803,012) | 1,395,883 |
| Total liabilities and shareholders' equity | $ 1,382,862 | $ 263,471 | $ 3,701,787 | $ (1,803,012) | $ 3,545,108 |

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Three months ended June 30, 2016
(expressed in thousands of U.S. dollars)

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

CONDENSED CONSOLIDATING STATEMENT OF INCOME (LOSS)
Six months ended June 30, 2016
(expressed in thousands of U.S. dollars)

| | Third Point Reinsurance Ltd. | TPRUSA | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Gross premiums written | $ — | $ — | $ 394,022 | $ — | $ 394,022 |
| Gross premiums ceded | — | — | (1,425) | — | (1,425) |
| Net premiums written | — | — | 392,597 | — | 392,597 |
| Change in net unearned premium reserves | — | — | (122,673) | — | (122,673) |
| Net premiums earned | — | — | 269,924 | — | 269,924 |
| Net investment income | — | — | 46,236 | — | 46,236 |
| Equity in earnings (losses) of subsidiaries | 4,561 | 2,099 | (43) | (6,617) | — |
| Total revenues | 4,561 | 2,099 | 316,117 | (6,617) | 316,160 |
| Expenses | | | | | |
| Loss and loss adjustment expenses incurred, net | — | — | 188,807 | — | 188,807 |
| Acquisition costs, net | — | — | 100,169 | — | 100,169 |
| General and administrative expenses | 2,314 | 30 | 19,187 | — | 21,531 |

| | | | | | |
|---|---|---|---|---|---|
| Other expenses | — | — | 5,879 | — | 5,879 |
| Interest expense | — | 4,094 | — | — | 4,094 |
| Foreign exchange gains | — | — | (10,454) | — | (10,454) |
| Total expenses | 2,314 | 4,124 | 303,588 | — | 310,026 |
| Income (loss) before income tax (expense) benefit | 2,247 | (2,025) | 12,529 | (6,617) | 6,134 |
| Income tax (expense) benefit | — | 1,443 | (4,824) | — | (3,381) |
| Income (loss) including non-controlling interests | 2,247 | (582) | 7,705 | (6,617) | 2,753 |
| Income attributable to non-controlling interests | — | — | (506) | — | (506) |
| Net income (loss) | $ 2,247 | $ (582) | $ 7,199 | $ (6,617) | $ 2,247 |

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Three months ended June 30, 2015
(expressed in thousands of U.S. dollars)

| | Third Point Reinsurance Ltd. | TPRUSA | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Gross premiums written | $ — | $ — | $ 184,342 | $ — | $ 184,342 |
| Gross premiums ceded | — | — | (1,425) | — | (1,425) |
| Net premiums written | — | — | 182,917 | — | 182,917 |
| Change in net unearned premium reserves | — | — | (62,339) | — | (62,339) |
| Net premiums earned | — | — | 120,578 | — | 120,578 |
| Net investment income | — | — | 38,611 | — | 38,611 |
| Equity in earnings of subsidiaries | 20,385 | 2,774 | 25 | (23,184) | — |
| Total revenues | 20,385 | 2,774 | 159,214 | (23,184) | 159,189 |
| Expenses | | | | | |
| Loss and loss adjustment expenses incurred, net | — | — | 76,053 | — | 76,053 |
| Acquisition costs, net | — | — | 47,498 | — | 47,498 |
| General and administrative expenses | 4,723 | 135 | 9,409 | — | 14,267 |
| Other expenses | — | — | 2,315 | — | 2,315 |
| Interest expense | — | 2,052 | — | — | 2,052 |
| Foreign exchange losses | — | — | 139 | — | 139 |
| Total expenses | 4,723 | 2,187 | 135,414 | — | 142,324 |
| Income before income tax expense | 15,662 | 587 | 23,800 | (23,184) | 16,865 |
| Income tax expense | — | (213) | (495) | — | (708) |
| Income including non-controlling interests | 15,662 | 374 | 23,305 | (23,184) | 16,157 |
| Income attributable to non-controlling interests | — | — | (495) | | (495) |
| Net income | $ 15,662 | $ 374 | $ 22,810 | $ (23,184) | $ 15,662 |

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Six months ended June 30, 2015
(expressed in thousands of U.S. dollars)

| | Third Point Reinsurance Ltd. | TPRUSA | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Gross premiums written | $ — | $ — | $ 397,676 | $ — | $ 397,676 |
| Gross premiums ceded | — | — | (1,477) | — | (1,477) |
| Net premiums written | — | — | 396,199 | — | 396,199 |
| Change in net unearned premium reserves | — | — | (136,546) | — | (136,546) |
| Net premiums earned | — | — | 259,653 | — | 259,653 |
| Net investment income | — | | 103,529 | — | 103,529 |
| Equity in earnings of subsidiaries | 72,107 | 5,217 | — | (77,324) | — |
| Total revenues | 72,107 | 5,217 | 363,182 | (77,324) | 363,182 |
| Expenses | | | | | |
| Loss and loss adjustment expenses incurred, net | — | — | 157,799 | — | 157,799 |
| Acquisition costs, net | — | — | 102,155 | — | 102,155 |
| General and administrative expenses | 5,975 | 220 | 19,780 | — | 25,975 |

| | | | | | |
|---|---|---|---|---|---|
| Other expenses | — | — | 5,016 | — | 5,016 |
| Interest expense | — | 3,088 | — | — | 3,088 |
| Foreign exchange gains | — | — | (54) | — | (54) |
| Total expenses | 5,975 | 3,308 | 284,696 | — | 293,979 |
| Income before income tax expense | 66,132 | 1,909 | 78,486 | (77,324) | 69,203 |
| Income tax expense | — | (688) | (1,325) | — | (2,013) |
| Income including non-controlling interests | 66,132 | 1,221 | 77,161 | (77,324) | 67,190 |
| Income attributable to non-controlling interests | — | — | (1,058) | — | (1,058) |
| Net income | $ 66,132 | $ 1,221 | $ 76,103 | $ (77,324) | $ 66,132 |

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Six months ended June 30, 2016
(expressed in thousands of U.S. dollars)

| | Third Point Reinsurance Ltd. | TPRUSA | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Operating activities | | | | | |
| Income (loss) including non-controlling interests | $ 2,247 | $ (582 ) | $ 7,705 | $ (6,617 ) | $ 2,753 |
| Adjustments to reconcile income (loss) including non-controlling interests to net cash provided by (used in) operating activities: | | | | | |
| Equity in (earnings) losses of subsidiaries | (4,561 ) | (2,099 ) | 43 | 6,617 | — |
| Share compensation expense | 181 | — | 4,521 | — | 4,702 |
| Net interest expense on deposit liabilities | — | — | 1,331 | — | 1,331 |
| Net unrealized loss on investments and derivatives | — | — | 670 | — | 670 |
| Net realized gain on investments and derivatives | — | — | (41,954 ) | — | (41,954 ) |
| Net foreign exchange gains | — | — | (10,454 ) | — | (10,454 ) |
| Amortization of premium and accretion of discount, net | — | 88 | 1,925 | — | 2,013 |
| Changes in assets and liabilities: | | | | | |
| Reinsurance balances receivable | — | — | (133,672 ) | — | (133,672 ) |
| Deferred acquisition costs, net | — | — | (24,558 ) | — | (24,558 ) |
| Other assets | 394 | (1,442 ) | (970 ) | — | (2,018 ) |
| Interest and dividends receivable, net | — | (20 ) | 3,332 | — | 3,312 |
| Unearned premium reserves | — | — | 123,687 | — | 123,687 |
| Loss and loss adjustment expense reserves | — | — | 79,645 | — | 79,645 |
| Accounts payable and accrued expenses | (911 ) | 10 | (1,237 ) | — | (2,138 ) |
| Reinsurance balances payable | — | — | 21,890 | — | 21,890 |
| Performance fees payable to related party | — | — | 2,954 | — | 2,954 |
| Amounts due from (to) affiliates | 8,876 | 4,042 | (12,918 ) | — | — |
| Net cash provided by (used in) operating activities | 6,226 | (3 ) | 21,940 | — | 28,163 |
| Investing activities | | | | | |
| Purchases of investments | — | — | (2,031,742 ) | — | (2,031,742) |
| Proceeds from sales of investments | — | — | 1,615,954 | — | 1,615,954 |
| Purchases of investments to cover short sales | — | — | (736,668 ) | — | (736,668 ) |
| Proceeds from short sales of investments | — | — | 694,371 | — | 694,371 |
| Change in due to/from brokers, net | — | — | 208,886 | — | 208,886 |
| Increase in securities sold under an agreement to repurchase | — | — | 159,412 | — | 159,412 |
| Change in restricted cash and cash equivalents | — | — | 50,846 | — | 50,846 |
| Contributed capital to subsidiaries | (5,000 ) | 5,000 | — | — | — |
| Contributed capital from parent and/or subsidiaries | — | (5,000 ) | 5,000 | — | — |
| Net cash provided by (used in) investing activities | (5,000 ) | — | (33,941 ) | — | (38,941 ) |
| Financing activities | | | | | |
| Proceeds from issuance of common shares, net of costs | 1,046 | — | — | — | 1,046 |
| Purchases of common shares under share repurchase program | (7,389 ) | — | — | — | (7,389 ) |
| Increase in deposit liabilities, net | — | — | 3,752 | — | 3,752 |
| Dividend received by (paid to) parent | 5,000 | — | (5,000 ) | — | — |
| Net cash provided by (used in) financing activities | (1,343 ) | — | (1,248 ) | — | (2,591 ) |

| | | | | | |
|---|---|---|---|---|---|
| Net decrease in cash and cash equivalents | (117) | (3) | (13,249) | — | (13,369) |
| Cash and cash equivalents at beginning of period | 308 | 5 | 20,094 | — | 20,407 |
| Cash and cash equivalents at end of period | $ 191 | $ 2 | $ 6,845 | $ — | $ 7,038 |

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Six months ended June 30, 2015
(expressed in thousands of U.S. dollars)

| | Third Point Reinsurance Ltd. | TPRUSA | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Operating activities | | | | | |
| Income including non-controlling interests | $ 66,132 | $ 1,221 | $ 77,161 | $ (77,324 ) | $ 67,190 |
| Adjustments to reconcile income including non-controlling interests to net cash provided by (used in) operating activities | | | | | |
| Equity in earnings of subsidiaries | (72,107 ) | (5,217 ) | — | 77,324 | — |
| Share compensation expense | 182 | — | 5,616 | — | 5,798 |
| Net interest expense on deposit liabilities | — | — | 1,983 | — | 1,983 |
| Net unrealized loss on investments and derivatives | — | — | (48,211 ) | — | (48,211 ) |
| Net realized gain on investments and derivatives | — | — | (88,632 ) | — | (88,632 ) |
| Foreign exchange gains included in net income | — | — | (54 ) | — | (54 ) |
| Amortization of premium and accretion of discount, net | — | 66 | 1,210 | — | 1,276 |
| Changes in assets and liabilities: | | | | | |
| Reinsurance balances receivable | — | — | 12,311 | — | 12,311 |
| Deferred acquisition costs, net | — | — | (24,551 ) | — | (24,551 ) |
| Other assets | 479 | 666 | (4,152 ) | — | (3,007 ) |
| Interest and dividends receivable, net | — | 3,022 | (2,947 ) | — | 75 |
| Unearned premium reserves | — | — | 137,771 | — | 137,771 |
| Loss and loss adjustment expense reserves | — | — | 35,749 | — | 35,749 |
| Accounts payable and accrued expenses | 2,990 | 355 | (1,074 ) | — | 2,271 |
| Reinsurance balances payable | — | — | 5,462 | — | 5,462 |
| Performance fees payable to related party | — | — | 25,059 | — | 25,059 |
| Amounts due from (to) affiliates | 1,586 | (1,508 ) | (78 ) | — | — |
| Net cash provided by (used in) operating activities | (738 ) | (1,395 ) | 132,623 | — | 130,490 |
| Investing activities | | | | | |
| Purchases of investments | — | — | (1,669,124 ) | — | (1,669,124 ) |
| Proceeds from sales of investments | — | — | 1,405,097 | — | 1,405,097 |
| Purchases of investments to cover short sales | — | — | (184,966 ) | — | (184,966 ) |
| Proceeds from short sales of investments | — | — | 278,170 | — | 278,170 |
| Change in due to/from brokers, net | — | — | 163,472 | — | 163,472 |
| Decrease in securities purchased under an agreement to sell | — | — | 11,889 | — | 11,889 |
| Increase in securities sold under an agreement to repurchase | — | — | 10,992 | — | 10,992 |
| Change in restricted cash and cash equivalents | — | — | (171,924 ) | — | (171,924 ) |
| Contributed capital (to) from subsidiaries | (158,000 ) | (266,975 ) | (25 ) | 425,000 | — |
| Contributed capital from parent | — | 158,000 | 267,000 | (425,000 ) | — |
| Net cash provided by (used in) investing activities | (158,000 ) | (108,975 ) | 110,581 | — | (156,394 ) |
| Financing activities | | | | | |
| Proceeds from issuance of common shares, net of costs | 2,161 | — | — | — | 2,161 |
| Proceeds from issuance of senior notes payable | — | 113,224 | — | — | 113,224 |

| | | | | | |
|---|---|---|---|---|---|
| Increase in deposit liabilities, net | — | — | 178 | — | 178 |
| Non-controlling interest in investment affiliate, net | — | — | (24,999) | — | (24,999) |
| Non-controlling interest in Catastrophe Fund | — | — | (46,886) | — | (46,886) |
| Non-controlling interest in Catastrophe Manager | — | — | 292 | — | 292 |
| Dividend received by (paid to) parent | 158,000 | — | (158,000) | — | — |
| Net cash provided by (used in) financing activities | 160,161 | 113,224 | (229,415) | — | 43,970 |
| Net increase in cash and cash equivalents | 1,423 | 2,854 | 13,789 | — | 18,066 |
| Cash and cash equivalents at beginning of period | 140 | — | 28,594 | — | 28,734 |
| Cash and cash equivalents at end of period | $ 1,563 | $ 2,854 | $ 42,383 | $ — | $ 46,800 |

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## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with our unaudited condensed consolidated interim financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q.

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in “Risk Factors” and ”Special Note Regarding Forward-Looking Statements”. Our actual results may differ materially from those contained in or implied by any forward looking statements.

### Special Note Regarding Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q may constitute “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding our industry, business strategy, plans, goals and expectations concerning our market position, international expansion, future operations, margins, profitability, future efficiencies, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words “may,” “believes,” “intends,” “seeks,” “anticipates,” “plans,” “estimates,” “expects,” “should,” “assumes,” “continues,” “could the negative of these or similar terms and phrases are intended to identify forward-looking statements in this Quarterly Report on Form 10-Q.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Although we believe the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to have been correct. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. Actual events, results and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, the following:

- limited historical information about us;
- fluctuation in results of operations;
- more established competitors;
- losses exceeding reserves;
- downgrades or withdrawal of ratings by rating agencies;
- dependence on key executives;
- dependence on letter of credit facilities that may not be available on commercially acceptable terms;
- potential inability to pay dividends;
- inability to service our indebtedness;
- limited cash flow and liquidity due to our indebtedness;
- unavailability of capital in the future;
- fluctuations in market price of our common shares;
- dependence on clients’ evaluations of risks associated with such clients’ insurance underwriting;
- suspension or revocation of our reinsurance licenses;
- potentially being deemed an investment company under U.S. federal securities law;

- potential characterization of Third Point Reinsurance Ltd. and/or Third Point Reinsurance Company Ltd. as a passive foreign investment company;
- future strategic transactions such as acquisitions, dispositions, merger or joint ventures;
- dependence on Third Point LLC to implement our investment strategy;
- termination by Third Point LLC of our investment management agreements;
- risks associated with our investment strategy being greater than those faced by competitors;
- increased regulation or scrutiny of alternative investment advisers affecting our reputation;
- Third Point Reinsurance Ltd. potentially becoming subject to U.S. federal income taxation;
- potentially becoming subject to U.S. withholding and information reporting requirements under the Foreign Account Tax Compliance Act;
- changes in Bermuda or other law and regulation that may have an adverse impact on our operations; and
- other risks and factors listed under “Risk Factors” in our most recent Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission.

Any one of these factors or a combination of these factors could materially affect our financial condition or future results of operations and could influence whether any forward-looking statements contained in this report ultimately prove to be accurate. Our forward-looking statements are not guarantees of future performance, and you should not place undue reliance on them. All forward-looking statements speak only as of the date made and we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

In addition, while we do, from time to time, communicate with security analysts, it is against our policy to disclose to them any material non-public information or other confidential information. Accordingly, shareholders should not assume that we agree with any statement or report issued by any analyst irrespective of the content of the statement or report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts, or opinions, such reports are not our responsibility.

Unless the context otherwise indicates or requires, the terms “we,” “our,” “us,” and the “Company,” as used in this report, refer to Third Point Reinsurance Ltd. and its directly and indirectly owned subsidiaries, including Third Point Reinsurance Company Ltd. (“Third Point Re”) and Third Point Reinsurance (USA) Ltd. (“Third Point Re USA”), as a combined entity, except where otherwise stated or where it is clear that the terms mean only Third Point Reinsurance Ltd. exclusive of its subsidiaries. Third Point Reinsurance Investment Management Ltd. is referred to as the “Catastrophe Fund Manager,” Third Point Reinsurance Opportunities Fund Ltd. as the “Catastrophe Fund” and Third Point Re Cat Ltd. as the “Catastrophe Reinsurer.”

## Overview

We are a holding company domiciled in Bermuda. Through our reinsurance subsidiaries, we provide specialty property and casualty reinsurance products to insurance and reinsurance companies on a worldwide basis. Our goal is to deliver attractive equity returns to our shareholders by combining profitable reinsurance underwriting with superior investment management provided by Third Point LLC, our investment manager. We believe that our reinsurance and investment strategy differentiates us from our competitors.

We manage our business on the basis of one operating segment, Property and Casualty Reinsurance. We also have a corporate function that includes our investment income on capital, certain general and administrative expenses related to corporate activities, interest expense, foreign exchange gains (losses) and income tax expense. As of December 31, 2015, all investments in the Catastrophe Fund had been redeemed. In February 2016, the Company completed the dissolution of the Catastrophe Fund and Catastrophe Reinsurer. As a result, there is no further activity in the Catastrophe Risk Management segment.

Property and Casualty Reinsurance

We provide reinsurance products to insurance and reinsurance companies, government entities, and other risk bearing vehicles. Contracts can be written on an excess of loss basis or quota share basis, although the majority of contracts written to date have been on a quota share basis. In addition, we write contracts on both a prospective basis and a retroactive basis. Prospective reinsurance contracts cover losses incurred as a result of future insurable events. Retroactive reinsurance contracts cover the potential for changes in estimates of loss and loss adjustment expense reserves related to loss events that have occurred in the past. Retroactive reinsurance contracts can be an attractive type of contract for us as they can generate an underwriting profit should the ultimate loss and loss adjustment expenses settle for less than the initial estimate of reserves and the premiums received at the inception of the contract generate insurance float. The product lines that we currently underwrite for this operating segment are: property, casualty and specialty. We assume a minimal amount of property catastrophe risk and we anticipate that our property catastrophe exposures will consistently remain extremely low when compared to many other reinsurers with whom we compete.

In February 2015, we began reinsurance operations in the United States through Third Point Re USA, a Bermuda company licensed as a Class 4 insurer and a wholly owned operating subsidiary of Third Point Re (USA) Holdings Inc. ("TPRUSA"). The results of Third Point Re USA are reflected in the results of the Property and Casualty Reinsurance segment. Third Point Re USA and TPRUSA have a limited operating history and are exposed to volatility in their results of operations. As a result, period to period comparisons of our results of operations may not be meaningful. Third Point Re USA's U.S. presence is a strategic component of our overall growth strategy. As a result of Third Point Re USA's U.S. presence, we have expanded our marketing activities and have begun to broaden our profile in the U.S. marketplace. In addition to developing new opportunities, we are strengthening our relationships with existing cedents and brokers. We also intend to continue developing a firsthand understanding of cedent underwriting and claims capabilities that will benefit our underwriting decisions.

Insurance float is an important aspect of our property and casualty reinsurance operation. In an insurance or reinsurance operation, float arises because premiums from reinsurance contracts and consideration received for deposit accounted contracts are collected before losses are paid on reinsurance contracts and payments are made on deposit accounted contracts. In some instances, the interval between cash receipts and payments can extend over many years. During this time interval, we invest the cash received and seek to generate investment returns. Float is not a concept defined by U.S. GAAP and therefore, there are no comparable U.S. GAAP measures. Net investment income on float, as a result, is considered to be a non-GAAP measure.

We believe that our property and casualty reinsurance segment will contribute to our results by both generating underwriting income as well as generating float. In addition, we expect that float will grow over time as our reinsurance operations expand.

Investment Management

Our investment strategy is implemented by our investment manager, Third Point LLC, under two long-term investment management contracts. We directly own the investments that are held in two separate accounts and managed by Third Point LLC on substantially the same basis as Third Point LLC's main hedge funds. On June 22, 2016, Third Point Reinsurance Ltd., Third Point Re, TPRUSA and Third Point Re USA entered into amended and restated Joint Venture and Investment Management Agreements with Third Point LLC and TP GP for an additional five year term, effective on December 22, 2016, the end of the term of the current agreements. These agreements have similar terms to the existing agreements, however, the management fee will be reduced from 2% to 1.5%. See Note 9 to our condensed consolidated financial statements for additional information.

Limited Operating History and Comparability of Results

We were incorporated on October 6, 2011 and completed our initial capitalization on December 22, 2011. We began underwriting business on January 1, 2012. We completed an initial public offering of common shares on August 20, 2013 (the "IPO"). As a result, we have a limited operating history and are exposed to volatility in our results of operations. Period to period comparisons of our results of operations may not be meaningful.

In addition, the amount of premiums written may vary from year to year and from period to period as a result of several factors, including changes in market conditions and our view of the long-term profit potential of individual lines of business.

Non-GAAP Financial Measures

We have included financial measures that are not calculated under standards or rules that comprise GAAP. Such measures, including net investment income on float, book value per share, diluted book value per share and return on beginning shareholders' equity, are referred to as non-GAAP financial measures. These non-GAAP financial measures may be defined or calculated differently by other companies. We believe these measures allow for a more complete understanding of the underlying business. These measures are used to monitor our results and should not be viewed as a substitute for those determined in accordance with GAAP. Reconciliations of such measures to the most comparable GAAP figures are referenced below.

Key Performance Indicators

We believe that by combining a disciplined and opportunistic approach to reinsurance underwriting with investment results from the active management of our investment portfolio, we will be able to generate attractive returns for our shareholders. The key financial measures that we believe are most meaningful in analyzing our performance are: net underwriting income (loss) for our property and casualty reinsurance segment, combined ratio for our property and casualty reinsurance segment, net investment income, net investment return on investments managed by Third Point LLC, book value per share, diluted book value per share, growth in diluted book value per share and return on beginning shareholders' equity.

The table below shows the key performance indicators for our consolidated business for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Key underwriting metrics for Property and Casualty Reinsurance segment: | ($ in thousands, except for per share data and ratios) | | | |
| Net underwriting loss (1) | $(25,576) | $(9,388 ) | $(32,199) | $(13,247 ) |
| Combined ratio (1) | 119.2 % | 107.8 % | 111.9 % | 105.1 % |
| Key investment return metrics: | | | | |
| Net investment income | $86,346 | $38,611 | $46,236 | $103,529 |
| Net investment return on investments managed by Third Point LLC | 4.0 % | 1.7 % | 1.9 % | 4.8 % |
| Key shareholders' value creation metrics: | | | | |
| Book value per share (2) (3) | $13.31 | $13.23 | $13.31 | $13.23 |
| Diluted book value per share (2) (3) | $12.88 | $12.85 | $12.88 | $12.85 |
| Increase (decrease) in diluted book value per share (2) | 4.1 % | 1.1 % | 0.2 % | 4.2 % |
| Return on beginning shareholders' equity (2) | 4.0 % | 1.0 % | 0.2 % | 4.6 % |

(1) See Note 22 to the accompanying condensed consolidated financial statements for a calculation of net underwriting loss and combined ratio.

(2) Book value per share, diluted book value per share and return on beginning shareholders' equity are non-GAAP financial measures. See reconciliations below.

(3) Prior year comparatives represent amounts as of December 31, 2015.

Net Underwriting Income (Loss) for Property and Casualty Reinsurance Segment

One way that we evaluate the performance of our property and casualty reinsurance results is by measuring net underwriting income (loss). We do not measure performance based on the amount of gross premiums written. Net underwriting income or loss is calculated from net premiums earned, less net loss and loss adjustment expenses, acquisition costs and general and administrative expenses related to the underwriting activities. See additional information in Note 22 to our condensed consolidated financial statements.

Combined Ratio for Property and Casualty Reinsurance Segment

Combined ratio is calculated by dividing the sum of loss and loss adjustment expenses incurred, net, acquisition costs, net and general and administrative expenses related to underwriting activities by net premiums earned. The combined ratio compares the amount of net premiums earned to the amount incurred in claims and underwriting related expenses. This ratio is a key indicator of a reinsurance company's profitability. A combined ratio greater than 100% means that loss and loss adjustment expenses, acquisition costs and general and administrative expenses related to underwriting activities exceeded net premiums earned. See additional information in Note 22 to our condensed consolidated financial statements.

Net Investment Income

Net investment income is an important measure that affects overall profitability. Net investment income is affected by the performance of Third Point LLC as our exclusive investment manager and the amount of investable cash, or float, generated by our reinsurance operations. Pursuant to our investment management agreements, Third Point LLC is required to manage our investment portfolio on substantially the same basis as its main hedge funds, subject to certain conditions set forth in our investment guidelines. These conditions include limitations on investing in private securities, a limitation on portfolio leverage, and a limitation on portfolio concentration in individual securities. Our investment

management agreements allow us to withdraw cash from our investment accounts with Third Point LLC at any time with three days' notice to pay claims and with five days' notice to pay expenses.

We track cash flows generated by our property and casualty reinsurance operations, or float, in separate accounts that allow us to also track the net investment income generated on the float. We believe that net investment income on float is an important consideration in evaluating the overall contribution of our property and casualty reinsurance operations to our consolidated results. It is also explicitly considered as part of the evaluation of management's performance for purposes of long-term incentive compensation. Net investment income on float as presented is a non-GAAP financial measure. See the table below for a reconciliation of net investment income on float to net investment income.

Net investment income for the three and six months ended June 30, 2016 and 2015 was comprised of the following:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | ($ in thousands) | | | |
| Net investment income on float | $19,098 | 9,790 | $10,837 | $28,365 |
| Net investment income on capital | 67,014 | 28,640 | 34,918 | 74,914 |
| Net investment income on investments managed by Third Point LLC | 86,112 | 38,430 | 45,755 | 103,279 |
| Net gain on investment in Kiskadee Fund | 234 | 139 | 481 | 183 |
| Net investment income related to Catastrophe Reinsurer and Catastrophe Fund | — | 42 | — | 67 |
| Net investment income | $86,346 | $38,611 | $46,236 | $103,529 |

Net Investment Return on Investments Managed by Third Point LLC

Net investment return represents the return on our investments managed by Third Point LLC, net of fees. The net investment return on investments managed by Third Point LLC is the percentage change in value of a dollar invested over the reporting period on our investment assets managed by Third Point LLC, net of non-controlling interests. The stated return is net of withholding taxes, which are presented as a component of income tax expense in our condensed consolidated statements of income. Net investment return is the key indicator by which we measure the performance of Third Point LLC, our investment manager.

Book Value Per Share and Diluted Book Value Per Share

Book value per share and diluted book value per share are non-GAAP financial measures. Book value per share is calculated by dividing shareholders' equity attributable to shareholders by the number of issued and outstanding shares at period end, net of treasury shares. Diluted book value per share is calculated by dividing shareholders' equity attributable to shareholders and adjusted to include unvested restricted shares and the exercise of all in-the-money options and warrants. For unvested restricted shares with a performance condition, we include the unvested restricted shares for which we consider vesting to be probable. We believe that long-term growth in diluted book value per share is the most important measure of our financial performance because it allows management and investors to track over time the value created by the retention of earnings. In addition, we believe this metric is used by investors because it provides a basis for comparison with other companies in our industry that also report a similar measure.

For the three months ended June 30, 2016, book value per share increased by $0.55 per share, or 4.3%, and diluted book value per share increased by $0.51 per share, or 4.1%. For the six months ended June 30, 2016, book value per share increased by $0.08 per share, or 0.6%, and diluted book value per share increased by $0.03 per share, or 0.2%. The increases were primarily due to net income in the periods.

The following table sets forth the computation of basic and diluted book value per share as of June 30, 2016 and December 31, 2015:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| | ($ in thousands, except share and per share amounts) | |
| Basic and diluted book value per share numerator: | | |
| Total shareholders' equity | $1,396,995 | $1,395,883 |
| Less: non-controlling interests | (16,663) | (16,157) |
| Shareholders' equity attributable to shareholders | 1,380,332 | 1,379,726 |
| Effect of dilutive warrants issued to Founders and an advisor | 46,512 | 46,512 |
| Effect of dilutive share options issued to directors and employees | 57,024 | 58,070 |
| Diluted book value per share numerator: | $1,483,868 | $1,484,308 |
| Basic and diluted book value per share denominator: | | |
| Issued and outstanding shares, net of treasury shares | 103,716,629 | 104,256,745 |
| Effect of dilutive warrants issued to Founders and an advisor | 4,651,163 | 4,651,163 |
| Effect of dilutive share options issued to directors and employees | 5,683,740 | 5,788,391 |
| Effect of dilutive restricted shares issued to directors and employees (1) | 1,157,384 | 837,277 |
| Diluted book value per share denominator: | 115,208,916 | 115,533,576 |
| | | |
| Basic book value per share | $13.31 | $13.23 |
| Diluted book value per share | $12.88 | $12.85 |

(1) As of June 30, 2016, the effect of dilutive restricted shares issued to directors and employees was comprised of 348,755 of restricted shares with a service condition only and 808,629 of restricted shares with a service and performance condition that were considered probable of vesting.

Return on Beginning Shareholders' Equity

Return on beginning shareholders' equity as presented is a non-GAAP financial measure. Return on beginning shareholders' equity is calculated by dividing net income by the beginning shareholders' equity attributable to shareholders. We believe this metric is used by investors to supplement measures of our profitability. For the periods ended June 30, 2016, we have also adjusted the beginning shareholders' equity for the impact of the shares repurchased on a weighted average basis. This adjustment increased the stated returns on beginning shareholders' equity.

Return on beginning shareholders' equity for the three and six months ended June 30, 2016 and 2015 was calculated as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | ($ in thousands) | | | |
| Net income | $53,376 | $15,662 | $2,247 | $66,132 |
| Shareholders' equity attributable to shareholders - beginning of period | 1,331,247 | 1,506,581 | 1,379,726 | 1,451,913 |
| Impact of weighting related to shareholders' equity from shares repurchased | (2,609) | — | (1,305) | — |
| Adjusted shareholders' equity attributable to shareholders - beginning of period | $1,328,638 | $1,506,581 | $1,378,421 | $1,451,913 |
| Return on beginning shareholders' equity | 4.0% | 1.0% | 0.2% | 4.6% |

Revenues

We derive our revenues from two principal sources:

- premiums from property and casualty reinsurance business assumed; and
- income from investments.

Premiums from our property and casualty reinsurance business assumed are directly related to the number, type and pricing of contracts we write. Premiums are earned over the contract period based on the exposure period of the underlying contracts of the ceding company.

Income from our investments is primarily comprised of interest income, dividends, and net realized and unrealized gains on investment securities included in our investment portfolio.

Expenses

Our expenses consist primarily of the following:

- loss and loss adjustment expenses;
- acquisition costs;
- investment-related expenses;
- general and administrative expenses;
- other expenses;
- interest expense; and
- income taxes.

Loss and loss adjustment expenses are a function of the amount and type of reinsurance contracts we write and loss experience of the underlying coverage. Loss and loss adjustment expenses are based on an actuarial analysis of the estimated losses, including losses incurred during the period and changes in estimates from prior periods. Depending on the nature of the contract, loss and loss adjustment expenses may be paid over a number of years.

Acquisition costs consist primarily of brokerage fees, ceding commissions, premium taxes and other direct expenses that relate to writing reinsurance contracts and are presented net of commissions ceded under reinsurance contracts. We amortize deferred acquisition costs in the same proportion that the premiums are earned.

Investment-related expenses primarily consist of management fees we pay to our investment manager, Third Point LLC, and certain of our Founders, and performance fees we pay to TP GP. A 2% management fee calculated on assets under management is paid monthly to Third Point LLC and certain of our Founders, and a performance fee equal to 20% of the net investment income is paid annually to TP GP. See Note 9 to our condensed consolidated financial statements for additional information on our Founders and management, performance and founders fees. We include these expenses in net investment income in our condensed consolidated statements of income. The performance fee is subject to a loss carryforward provision pursuant to which TP GP is required to maintain a Loss Recovery Account which represents the sum of all prior period net loss amounts, not offset by prior year net profit amounts, and which is allocated to future profit amounts until the Loss Recovery Account has returned to a positive balance. Until such time, no performance fees are payable under the Investment Agreements.

General and administrative expenses consist primarily of salaries, benefits and related payroll costs, including costs associated with our incentive compensation plan, share compensation expense, legal and accounting fees, travel and client entertainment, fees relating to our letter of credit facilities, information technology, occupancy and other general operating expenses.

Other expenses consist of investment credit expenses on deposit and reinsurance contracts and changes in the fair value of embedded derivatives in our deposit and reinsurance contracts.

Interest expense consists of interest expense incurred on TPRUSA's $115.0 million senior unsecured notes (the "Notes") issued in February 2015. The Notes bear interest at 7.0% and interest is payable semi-annually on February 13 and August 13 of each year. Also included in interest expense is the amortization of certain costs incurred in issuing the Notes. These costs are amortized over the term of the debt and are included in interest expense.

Income taxes consist primarily of taxes incurred in the U.S. as a result of our U.S. operations and withholding taxes and uncertain tax positions on certain investment transactions in the U.S. and in certain foreign jurisdictions.

## Critical Accounting Policies and Estimates

For a summary of our significant accounting and reporting policies, please refer to Note 2, "Significant accounting policies", included in our 2015 Form 10-K.

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions. We believe that the accounting policies that require the most significant judgments and estimations by management are: (1) premium revenue recognition including evaluation of risk transfer, (2) loss and loss adjustment expense reserves, and (3) fair value measurements related to our investments. If actual events differ significantly from the underlying judgments or estimates used by management in the application of these accounting policies, there could be a material adverse effect on our results of operations and financial condition.

There have been no material changes in our critical accounting estimates for the six months ended June 30, 2016. Refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our 2015 Form 10-K.

## Business Outlook

The reinsurance markets in which we operate have historically been cyclical. During periods of excess underwriting capacity, as defined by the availability of capital, competition can result in lower pricing and less favorable policy terms and conditions for insurers and reinsurers. During periods of reduced underwriting capacity, pricing and policy terms and conditions are generally more favorable for insurers and reinsurers. Historically, underwriting capacity has been affected by several factors, including industry losses, the impact of catastrophes, changes in legal and regulatory guidelines, new entrants and investment results including interest rate levels and the credit ratings and financial strength of competitors.

While management believes pricing remains adequate for certain types of business on which we focus, there is significant underwriting capacity currently available. Market conditions remain challenging, having deteriorated in the period, and we believe could deteriorate further in the near term. We believe excess capacity is due to strong retained earnings in the reinsurance industry primarily as a result of historically low catastrophe losses in recent years, an influx of capacity from collateralized reinsurance and other insurance-linked securities vehicles and increased competition from new entrants with similar total return business models to ours. While we do not participate in the property catastrophe excess of loss reinsurance segment, we believe that traditional reinsurers facing extreme price pressure in this segment are more aggressively pursuing our targeted lines of business.

We focus on segments and clients where we believe we benefit from relatively more attractive pricing opportunities due to the strength of our relationships, the tailored nature of our reinsurance solutions, an acute need for reinsurance capital as a result of market dislocation, a client's growth or historically poor performance. An example of a dislocated market where there is significant demand for reinsurance is the U.S. mortgage market. After suffering severe losses during the financial crisis of 2008, private mortgage insurers and the government sponsored mortgage lenders have been recapitalized and we believe reinsurance is an increasingly important component of their capital structure.

Most of our senior management team have spent decades within the reinsurance market and have strong relationships with intermediaries and reinsurance buyers from which we are receiving a strong flow of submissions in the lines and types of reinsurance we target. Although we are typically presented by brokers with proposed structures on syndicated deals, we often seek to customize the proposed solution for the client while improving our risk and return profile and establishing our position as the lead reinsurer in the transaction. We also look for non-syndicated opportunities where a highly customized solution is needed. These solutions may take the form of aggregate stop loss covers, loss portfolio transfers or other forms of reserve covers where clients seek capital relief and enhanced investment returns on the assets that back their loss and unearned premium reserves.

After four years of significant premium growth and float generation, we believe we have reached a level that supports our fixed expense base and appropriately utilizes our capital. Given the continued deterioration in market conditions and our focus on improving our underwriting results, we expect to remain selective in our underwriting, which may slow the rate of growth in gross written premium.

In February 2015, we began reinsurance operations in the United States through Third Point Re USA, a Bermuda company licensed as a Class 4 insurer and a wholly owned operating subsidiary of TPRUSA. Third Point Re USA's U.S. presence is a strategic component of our overall growth strategy. As a result of Third Point Re USA's U.S. presence, we have expanded our marketing activities and have broadened our profile in the U.S. marketplace. In addition to developing new opportunities, we are strengthening our relationships with existing cedents and brokers. We also intend to continue developing a firsthand understanding of cedent underwriting and claims capabilities that will benefit our underwriting decisions.

Consolidated Results of Operations—Three and six months ended June 30, 2016 and 2015:

The following table sets forth the key items discussed in the consolidated results of operations section, and the period over period change, for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | Increase (decrease) | June 30, 2016 | June 30, 2015 | Increase (decrease) |
| | ($ in thousands) | | | | | |
| Net underwriting loss (1) | $(25,576) | $(9,388) | $16,188 | $(32,199) | $(13,247) | $18,952 |
| Net investment income | 86,346 | 38,611 | 47,735 | 46,236 | 103,529 | (57,293) |
| Net investment return on investments managed by Third Point LLC | 4.0 % | 1.7 % | 2.3 % | 1.9 % | 4.8 % | (2.9)% |
| General and administrative expenses (2) | (4,158) | (7,827) | (3,669) | (8,384) | (12,735) | (4,351) |
| Other expenses | (3,173) | (2,315) | 858 | (5,879) | (5,016) | 863 |
| Interest expense | (2,046) | (2,052) | (6) | (4,094) | (3,088) | 1,006 |
| Foreign exchange gains (losses) | 8,068 | (139) | 8,207 | 10,454 | 54 | 10,400 |
| Income tax expense | (5,310) | (708) | 4,602 | (3,381) | (2,013) | 1,368 |
| Net income | $53,376 | $15,662 | $37,714 | $2,247 | $66,132 | $(63,885) |

(1) Property and Casualty Reinsurance segment only.

(2) Corporate function only.

A key driver of our results of operations is the performance of our investments managed by Third Point LLC. Given the nature of the underlying investment strategies, we expect volatility in our investment returns and therefore in our consolidated net income. See additional information regarding investment performance in “Investment Results” section below.

The other key changes in net income for the three and six months ended June 30, 2016 compared to the prior year periods were primarily due to the following:

- The increase in net underwriting loss and related combined ratio primarily reflects adverse development on certain contracts and continued deterioration in market conditions. See “Segment Results” below for additional details.
- The decrease in general and administrative expenses related to corporate activities for the three and six months ended June 30, 2016 compared to the prior year periods was primarily due to greater payroll and related expenses as a result of separation costs in the prior year periods and lower share compensation expense in the current year periods.
- In February 2015, TPRUSA issued $115.0 million of senior notes bearing 7.0% interest. As a result, our consolidated results of operations for the current six months include a full six months of interest expense.
- The foreign exchange gains were primarily due to the revaluation of foreign currency loss and loss adjustment expense reserves denominated in British pounds where the United States dollar strengthened in the the current year period.
- The income tax expense for the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 is a result of withholding taxes on certain investment transactions and taxable income generated our U.S. subsidiaries.

Segment Results—Three and six months ended June 30, 2016 and 2015.

The determination of our reportable segments is based on the manner in which management monitors the performance of our operations. For the periods presented, our business comprises one operating segment, Property and Casualty Reinsurance. We have also identified a corporate function that includes investment results, certain general and administrative expenses related to corporate activities, interest expense, foreign exchange gains (losses) and income tax expense.

Property and Casualty Reinsurance

The following table sets forth net underwriting results and ratios, and the period over period change for the Property and Casualty Reinsurance segment for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | Increase (decrease) | June 30, 2016 | June 30, 2015 | Increase (decrease) |
| | ($ in thousands) | | | | | |
| Gross premiums written | $196,866 | $184,191 | $12,675 | $394,022 | $397,574 | $(3,552) |
| Net premiums earned | 133,122 | 120,382 | 12,740 | 269,924 | 259,499 | 10,425 |
| Loss and loss adjustment expenses incurred, net | 104,131 | 76,053 | 28,078 | 188,807 | 157,799 | 31,008 |
| Acquisition costs, net | 48,482 | 47,475 | 1,007 | 100,169 | 102,138 | (1,969) |
| General and administrative expenses | 6,085 | 6,242 | (157) | 13,147 | 12,809 | 338 |
| Net underwriting loss | (25,576) | (9,388) | 16,188 | (32,199) | (13,247) | 18,952 |
| Net investment income on float | 19,098 | 9,790 | 9,308 | 10,837 | 28,365 | (17,528) |
| Other expenses | (3,173) | (2,315) | 858 | (5,879) | (5,016) | 863 |
| Segment income (loss) | $(9,651) | $(1,913) | $(7,738) | $(27,241) | $10,102 | $(37,343) |
| Underwriting ratios (1): | | | | | | |
| Loss ratio | 78.2 % | 63.2 % | 15.0 % | 69.9 % | 60.8 % | 9.1 % |
| Acquisition cost ratio | 36.4 % | 39.4 % | (3.0 )% | 37.1 % | 39.4 % | (2.3 )% |
| Composite ratio | 114.6 % | 102.6 % | 12.0 % | 107.0 % | 100.2 % | 6.8 % |
| General and administrative expense ratio | 4.6 % | 5.2 % | (0.6 )% | 4.9 % | 4.9 % | — % |
| Combined ratio | 119.2 % | 107.8 % | 11.4 % | 111.9 % | 105.1 % | 6.8 % |

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

Gross Premiums Written

The amount of gross premiums written and earned that we recognize can vary significantly from period to period due to several reasons, which include:

- We write a small number of large contracts; therefore individual renewals or new business can have a significant impact on premiums recognized in a period;
- We offer customized solutions to our clients, including reserve covers, on which we will not have a regular renewal opportunity;
- We record gross premiums written and earned for reserve covers, which are considered retroactive reinsurance contracts, at the inception of the contract;
- We write multi-year contracts that will not necessarily renew in a comparable period;
- We may extend and/or amend contracts resulting in premium that will not necessarily renew in a comparable period;
- Our reinsurance contracts often contain commutation provisions or can be canceled or terminated upon agreement from both parties; and
- Our quota share reinsurance contracts are subject to significant judgment in the amount of premiums that we expect to recognize and changes in premium estimates are recorded in the period they are determined.

As a result of these factors, we may experience volatility in the amount of gross premiums written and net premiums earned and period to period comparisons may not be meaningful.

The following table provides a breakdown of our property and casualty reinsurance segment's gross premiums written by line of business for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | | | | | Six months ended | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2016 | | | June 30, 2015 | | | June 30, 2016 | | | June 30, 2015 | | |
| | ($ in thousands) | | | | | | | | | | | |
| Property | $7,257 | 3.7 | % | $27,535 | 14.9 | % | $7,082 | 1.8 | % | $48,991 | 12.3 | % |
| Casualty | 149,129 | 75.7 | % | 149,157 | 81.0 | % | 160,506 | 40.7 | % | 159,009 | 40.0 | % |
| Specialty | 40,480 | 20.6 | % | 7,499 | 4.1 | % | 226,434 | 57.5 | % | 189,574 | 47.7 | % |
| | $196,866 | 100.0 | % | $184,191 | 100.0 | % | $394,022 | 100.0 | % | $397,574 | 100.0 | % |

The increase in gross premiums written of $12.7 million, or 6.9%, for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 was driven by:

Factors resulting in increases:

- We recorded net changes in premium estimates relating to prior periods of $49.1 million and $(1.2) million for the three months ended June 30, 2016 and 2015, respectively. The changes in premium estimates for the three months ended June 30, 2016 were primarily due to two specialty contracts where clients provided updated projections indicating that they expected to write more business than initially expected.
- We wrote $18.1 million of new business for the three months ended June 30, 2016, of which $16.6 million was casualty business and $1.5 million was specialty business.
- We recognized a net increase in premium of $14.2 million the three months ended June 30, 2016 related to the net impact of contract extensions and cancellations with no comparable premium in the comparable periods.
- Changes in renewal premiums for the three months ended June 30, 2016 resulted in a net increase in premiums of $0.6 million primarily due to increases in participations and underlying premium volume on contracts that renewed in the period.

Factors resulting in decreases:

- We recognized $38.7 million of premium in the three months ended June 30, 2015 that did not renew in the three months ended June 30, 2016, consisting of $23.6 million for contracts that we made a decision not to renew in 2016 due to changes in pricing and/or terms and conditions and $15.1 million for contracts that were not subject to renewal in 2016.
- We recognized $49.3 million of premium in the three months ended June 30, 2015 related to contracts that were subject to renewal in the current period where we agreed to extend the existing contracts for a period of less than one year resulting in $17.5 million of premium recognized in the three months ended June 30, 2016 for these contracts.

The decrease in gross premiums written of $3.6 million, or 0.9%, for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 was driven by:

Factors resulting in decreases:

- We recognized $78.2 million of premium in the six months ended June 30, 2015 that did not renew in the six months ended June 30, 2016, consisting of $54.7 million for contracts that we made a decision not to renew in 2016 due to changes in pricing and/or terms and conditions and $23.5 million for contracts that were not subject to renewal in 2016.
- We recognized $49.3 million of premium in the six months ended June 30, 2015 related to contracts that were subject to renewal in the current period where we agreed to extend the existing contracts for a period of less than one year resulting in $17.5 million of premium recognized in the six months ended June 30, 2016 for these contracts.

Factors resulting in increases:

- We wrote $54.5 million of new business for the six months ended June 30, 2016, of which $37.8 million was specialty business and $16.7 million new casualty business.
- We recognized a net increase in premium of $28.2 million the six months ended June 30, 2016 related to the net impact of contract extensions and cancellations with no comparable premium in the comparable periods.
- Changes in renewal premiums for the six months ended June 30, 2016 resulted in a net increase in premiums of $15.4 million primarily due to increases in participations and underlying premium volume on contracts that renewed in the year. Premiums can change on renewals of contracts due to a number of factors, including: changes in our line size or participation, changes in the underlying premium volume and pricing trends of the client's program as well as other contractual terms and conditions.
- We recorded increases in premium estimates relating to prior periods of $33.4 million and $25.1 million for the six months ended June 30, 2016 and 2015, respectively. The changes in premium estimates for the six months ended June 30, 2016 and 2015 were due to several contracts where clients provided updated projections indicating that they expected to write more business than initially expected.

Net Premiums Earned

The increase in net premiums earned for the three and six months ended June 30, 2016 compared to three and six months ended June 30, 2015 was primarily due to a larger in-force underwriting portfolio.

Net Loss and Loss Adjustment Expenses

The reinsurance contracts we write have a wide range of initial loss ratio estimates. As a result, our net loss and loss expense ratio can vary significantly from period to period depending on the mix of business. For example, property quota share contracts have a lower initial loss ratio compared to other casualty and specialty lines of business. Our net loss and loss adjustment expenses and acquisition costs and related ratios are affected by changes in mix of business, deterioration in market conditions and prior year reserve development. The following is a summary of reserve development for the three and six months ended June 30, 2016 and 2015:

For the three months ended June 30, 2016, we incurred $14.7 million, or 11.0 percentage points, of net adverse prior years' reserve development. The $14.7 million of net adverse prior years' reserve development for the three months ended June 30, 2016 was accompanied by net decreases of $1.8 million in acquisition costs, resulting in a net increase of $12.9 million in net underwriting loss, or 9.7 percentage points. The net impact of the adverse loss development was primarily due to:

- $4.4 million of net adverse underwriting loss development relating to one multi-line contract written since 2014. This contract contains underlying commercial auto physical damage and auto extended warranty exposure. The adverse loss experience is a result of an increase in the number of reported claims and inadequate pricing in certain segments of the underlying business;
- $4.3 million of net adverse underwriting loss development relating to a workers' compensation contract written in 2012, 2013, and 2014 under which we have been experiencing claims developing with higher than anticipated severity, which led to an increase in our previous loss assumptions on this contract;
- $2.7 million of net adverse underwriting loss development relating to our Florida homeowners' reinsurance contracts primarily as a result of higher than anticipated water damage claims and an increase in the practice of assignment of benefits whereby homeowners assign their rights for filing and settling claims to attorneys and public adjusters, which has led to increases in the frequency of claims reported as well as the severity of losses and loss adjustment expenses. Contracts for which we experienced this adverse loss development have not been renewed; and
- $1.9 million of net adverse underwriting loss development relating to non-standard auto contracts during the period, primarily due to the inability of cedents to promptly react to increasing frequency and severity trends, resulting in underpriced business and adverse selection.

For the three months ended June 30, 2015, we incurred $0.9 million, or 0.7 percentage points, of net favorable prior years' reserve development. The net $0.9 million of net favorable prior years' reserve development was accompanied by net increases of $2.9 million in acquisition costs, resulting in a net increase of $2.0 million in net underwriting loss. The net increase in net underwriting loss was a result of having favorable loss reserve development on certain contracts that was either fully or partially offset by increases in sliding scale or profit commissions whereas certain other contracts with adverse loss development did not have offsetting decreases in acquisition costs to the same degree. The adverse development for the three months ended June 30, 2015 was primarily a result of deterioration in attritional loss experience on certain workers' compensation, auto and property contracts that did not result in offsetting changes in acquisition costs.

For the six months ended June 30, 2016, we incurred $14.4 million, or 5.3 percentage points, of net adverse prior years' reserve development. The $14.4 million of net adverse prior years' reserve development for the six months ended June 30, 2016 was accompanied by net decreases of $1.9 million in acquisition costs, resulting in a net increase of $12.5 million in net underwriting loss, or 4.6 percentage points. As a result of limited loss development in the first quarter of 2016, the drivers of the adverse loss development for the six months ended June 30, 2016 are the same as for the three months ended June 30, 2016, which are explained above.

For the six months ended June 30, 2015, we incurred $7.0 million, or 2.7 percentage points, of net favorable prior years' reserve development. The net $7.0 million of net favorable prior years' reserve development was accompanied by net increases of $10.0 million in acquisition costs, resulting in a net increase of $3.0 million in net underwriting loss. The $3.0 million net increase in net underwriting loss was a result of having favorable loss reserve development on certain contracts that was either fully or partially offset by increases in sliding scale or profit commissions whereas certain other contracts with adverse loss development did not have offsetting decreases in acquisition costs to the same degree. The adverse development for the six months ended June 30, 2015 was primarily a result of deterioration in attritional loss experience on certain workers' compensation, auto and property contracts that did not result in offsetting changes in acquisition costs.

Acquisition Costs

Acquisition costs include commission, brokerage and excise taxes. Acquisition costs are presented net of commissions on reinsurance ceded. The reinsurance contracts we write have a wide range of acquisition cost ratios. As a result, our acquisition cost ratio can vary significantly from period to period depending on the mix of business. For example, our property quota share contracts have a higher initial acquisition cost ratio compared to other casualty and specialty lines. Furthermore, a number of our contracts have a sliding scale commission or profit commission feature that will vary depending on the expected loss expense for the contract. As a result, changes in estimates of loss and loss adjustment expenses on a contract can result in changes in the sliding scale commissions or profit commissions and a contract's overall acquisition cost ratio.

In general, our contracts have similar expected composite ratios (combined ratio before general and administrative expenses); therefore, contracts with higher initial loss ratio estimates have lower acquisition cost ratios and contracts with lower initial loss ratios have higher acquisition cost ratios.

Net Investment Income

Net investment income allocated to the Property and Casualty Reinsurance segment consists of net investment income on float. The change in net investment income on float for the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 was primarily due to the change in investment returns compared to the prior year periods. See the discussion of net investment income under "Corporate Function" below for explanations of the investment returns on investments managed by Third Point LLC.

General and Administrative Expenses

The decrease in general and administrative expenses for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 was primarily due to the reduction in stock compensation expense accruals on restricted shares with performance conditions reflecting the deterioration in our underwriting results in the period, partially offset by higher payroll and related employee costs.

The increase in general and administrative expenses for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 was due to higher payroll and related employee costs, partially offset by the reduction in stock compensation expense accruals on restricted shares with performance conditions reflecting deterioration in our underwriting results in the period.

Corporate Function

The following table sets forth net income and the period over period change for the Corporate Function for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | Increase (decrease) | June 30, 2016 | June 30, 2015 | Increase (decrease) |
| | ($ in thousands) | | | | | |
| Net investment income on capital | $67,248 | $28,778 | $38,470 | $35,399 | $75,096 | $(39,697) |
| General and administrative expenses | (4,158) | (7,827) | (3,669) | (8,384) | (12,735) | (4,351) |
| Interest expense | (2,046) | (2,052) | (6) | (4,094) | (3,088) | 1,006 |
| Foreign exchange gains (losses) | 8,068 | (139) | 8,207 | 10,454 | 54 | 10,400 |
| Income tax expense | (5,310) | (708) | 4,602 | (3,381) | (2,013) | 1,368 |
| Segment loss attributable to non-controlling interests | (775) | (431) | (344) | (506) | (1,074) | 568 |
| Segment income | $63,027 | $17,621 | $45,406 | $29,488 | $56,240 | $(26,752) |

Investment Results

The primary driver of our net investment income is the returns generated by our investment portfolio managed by our investment manager, Third Point LLC. The following is a summary of the net investment return on investments managed by Third Point LLC by investment strategy for the three and six months ended June 30, 2016 and 2015:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Long/short equities | 0.3 % | 1.1 % | (0.7)% | 2.4 % |
| Asset-backed securities | 0.3 % | 1.1 % | (0.5)% | 2.1 % |
| Corporate and sovereign credit | 3.5 % | (0.4)% | 4.2 % | 0.2 % |
| Macro and other | (0.1)% | (0.1)% | (1.1)% | 0.1 % |
| | 4.0 % | 1.7 % | 1.9 % | 4.8 % |
| | | | | |
| S&P 500 Total Return Index | 2.5 % | 0.3 % | 3.8 % | 1.2 % |

The positive return for the three months ended June 30, 2016 was primarily a result of Third Point LLC’s credit portfolios.Within credit, we saw positive performance in our sovereign, structured and corporate portfolios. Our investment accounts benefited from positive attribution from each sub-strategy with the exception of the macro and other category.  Within equities, significant gains in the healthcare and industrials sectors were partially offset by modest losses in hedges and the technology, media and telecommunications sector.

The strong performance in the second quarter outweighed moderate losses in the first quarter to generate positive returns for the first sixth months of 2016, driven by Third Point LLC’s corporate and sovereign credit portfolios. Negative returns in other strategies were primarily attributable to losses in our long equity and structured credit portfolios. Outperformance from several core portfolio positions within our long equity portfolio were more than offset by the losses from one healthcare position in the six months ended June 30, 2016. The macro and other category reduced returns in the first half of 2016 as a result of a markdown of a private position and negative performance from several currency and macroeconomic hedges.

Refer to “ITEM 3. Quantitative and Qualitative Disclosures about Market Risks” for a list of risks and factors that could adversely impact our investments results.

All of our assets managed by Third Point LLC are held in separate accounts and managed under two investment management agreements whereby TP GP, an affiliate of Third Point LLC, has a non-controlling interest in the assets held in the separate accounts. The value of the non-controlling interests is equal to the amounts invested by TP GP, plus performance fees paid earned by TP GP and investment gains and losses thereon.

Our investment manager, Third Point LLC, manages several funds and may manage other client accounts besides ours, some of which have, or may have, objectives and investment portfolio compositions similar to ours. Because of the similarity or potential similarity of our investment portfolio to other clients of our investment manager, and because, as a matter of ordinary course, Third Point LLC provides its clients, including us, and investors in its main hedge funds with results of their respective investment portfolios following the last day of each month, those other clients or investors indirectly may have material nonpublic information regarding our investment portfolio. To address this, and to comply with Regulation FD, we will continue to post on our website under the heading Investment Portfolio Returns located in the Investors section of the website, following the close of trading on the New York Stock Exchange on the last business day of each month, our preliminary monthly investment results for that month, with additional information regarding our monthly investment results to be posted following the close of trading on the New York Stock Exchange on the first business day of the following month.

General and Administrative Expenses

General and administrative expenses allocated to our corporate function include allocations of payroll and related costs for certain executives and non-underwriting staff. We also allocate a portion of overhead and other related costs based on a related headcount analysis. The decrease for the three and six months ended June 30, 2016 compared to the prior year periods was primarily due to separations costs in the prior year periods and lower stock compensation expense in current year periods.

Interest Expense

In February 2015, TPRUSA issued $115.0 million of senior notes bearing 7.0% interest. As a result, our consolidated results of operations include interest expense of $2.0 million and $4.1 million for the three and six months ended June 30, 2016, respectively, compared to $2.1 million and $3.1 million the three and six months ended June 30, 2015.

Foreign Exchange Gains (Losses)

The increase in foreign exchange gains in the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 was primarily due to the revaluation of foreign currency loss and loss adjustment expense reserves denominated in British pounds where the United States dollar strengthened in the current year periods.

Income Taxes

See Note 14 to our consolidated financial statements for additional information regarding income taxes. The increase in tax expense for the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015 was primarily due to withholding taxes on our investment portfolio.

Liquidity and Capital Resources

Our investment portfolio is concentrated in tradeable securities and is marked to market each day. Pursuant to our investment guidelines as specified in our two investment management agreements with Third Point LLC, at least 60% of our portfolio must be invested in securities of publicly traded companies and governments of Organization of Economic Co-operation and Development high income countries, asset-backed securities, cash, cash equivalents and gold and other precious metals. We can liquidate all or a portion of our investment portfolio at any time with not less than three days’ notice to pay claims on our reinsurance contracts, and with not less than five days’ notice to pay for expenses, and on not less than 30 days’ notice in order to satisfy a requirement of A.M. Best. Since we do not write excess of loss property catastrophe contracts or other types of reinsurance contracts that are typically subject to sudden, acute, liquidity demands, we believe the liquidity provided by our investment portfolio will be sufficient to satisfy our liquidity requirements.

As of June 30, 2016, $1,432.8 million, or 51.7% (December 31, 2015 - $1,182.3 million, or 51.0%) of our total investments in securities were classified as Level 1 assets, which are defined as securities valued using quoted prices available in active markets. See Note 4 to our condensed consolidated financial statements for additional information on the framework for measuring fair value established by U.S. GAAP disclosure requirements.

General

Third Point Reinsurance Ltd. is a holding company and has no substantial operations of its own and has moderate cash needs, most of which are related to the payment of corporate expenses. Its assets consist primarily of its investments in subsidiaries. Third Point Reinsurance Ltd.'s ability to pay dividends or return capital to shareholders will depend upon the availability of dividends or other statutorily permissible distributions from those subsidiaries.

We and our Bermuda subsidiaries are subject to Bermuda regulatory constraints that affect our ability to pay dividends. Under the Companies Act, as amended, a Bermuda company may declare or pay a dividend out of distributable reserves only if it has reasonable grounds for believing that it is, or would after the payment, be able to pay its liabilities as they become due and if the realizable value of its assets would thereby not be less than its liabilities. Under the Insurance Act, Third Point Re and Third Point Re USA, as Class 4 insurers, are prohibited from declaring or paying a dividend if they are in breach of their respective minimum solvency margin ("MSM"), enhanced capital ratio ("ECR") or minimum liquidity ratio or if the declaration or payment of such dividend would cause such a breach. Where either Third Point Re or Third Point Re USA, as Class 4 insurers, fails to meet its MSM or minimum liquidity ratio on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the approval of the Bermuda Monetary Authority ("BMA").

In addition, each of Third Point Re and Third Point Re USA, as Class 4 insurers, is prohibited from declaring or paying in any financial year dividends of more than 25% of its respective total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files (at least seven days before payment of such dividend) with the BMA an affidavit signed by at least two directors (one of whom must be a Bermuda resident director if any of the insurer's directors are resident in Bermuda) and the principal representative stating that it will continue to meet its solvency margin and minimum liquidity ratio.

As of June 30, 2016, Third Point Re could pay dividends to Third Point Reinsurance Ltd. of approximately $255.6 million (December 31, 2015 - $261.1 million). Third Point Re USA is also restricted by the amount of capital and surplus that is available for the payment of dividends. In order to remain in compliance with the Net Worth Maintenance Agreement that Third Point Re has entered into with Third Point Re USA (the "Net Worth Maintenance Agreement"), Third Point Re must have committed funds sufficient to, and must continue to, maintain a minimum level of capital at Third Point Re USA of $250.0 million. Failure to maintain the minimum level of capital required by the Net Worth Maintenance Agreement could limit or prevent Third Point Re USA from paying dividends to us. As a result, Third Point Re USA could pay dividends ultimately to Third Point Reinsurance Ltd. of approximately $19.0 million as of June 30, 2016 (December 31, 2015 - $11.1 million).

In addition to the regulatory and other contractual constraints to paying dividends, we manage the capital in each of our operating subsidiaries to support our current ratings from A.M. Best. After four years of significant premium growth and float generation, we have reached a level that allows us to rationalize our expense base and appropriately utilize our capital. Given the continued deterioration in market conditions and our focus on improving our underwriting results, we plan to remain selective in our underwriting which may slow the growth rate of our gross written premium.

Liquidity and Cash Flows

Historically, our sources of funds have primarily consisted of premiums written, reinsurance recoveries, investment income and proceeds from sales and redemptions of investments. Cash is used primarily to pay loss and loss adjustment expenses, reinsurance premiums, acquisition costs, interest expense, taxes and general and administrative expenses and to purchase investments.

Our cash flows from operations generally represent the difference between: (l) premiums collected and investment earnings realized and (2) loss and loss expenses paid, reinsurance purchased and underwriting and other expenses paid. Cash flows from operations may differ substantially from net income and may be volatile from period to period depending on the underwriting opportunities available to us and other factors. Due to the nature of our underwriting portfolio, claim payments can be unpredictable and may need to be made within relatively short periods of time. Claim payments can also be required several months or years after premiums are collected.

Operating, investing and financing cash flows for the six months ended June 30, 2016 and 2015 were as follows:

| | 2016 | 2015 |
|---|---|---|
| | ($ in thousands) | |
| Net cash provided by operating activities | $28,163 | $130,490 |
| Net cash used in investing activities | (38,941 ) | (156,394 ) |
| Net cash provided by (used in) financing activities | (2,591 ) | 43,970 |
| Net increase (decrease) in cash and cash equivalents | (13,369 ) | 18,066 |
| Cash and cash equivalents at beginning of period | 20,407 | 28,734 |
| Cash and cash equivalents at end of period | $7,038 | $46,800 |

Cash flows from operating activities generally represent net premiums collected less loss and loss adjustment expenses, acquisition costs and general and administrative expenses paid. The decrease in cash flows from operating activities in the six months ended June 30, 2016 compared to the six months ended June 30, 2015 is primarily due to lower float generated from our reinsurance operations in the six months ended June 30, 2016 compared to six months ended June 30, 2015. Excess cash generated from our operating activities is then invested by Third Point LLC, which is reflected in the cash used in investing activities.

For the six months ended June 30, 2016 and 2015, we contributed $36.6 million and $166.6 million, respectively, to our separate accounts managed by Third Point LLC from float generated from our reinsurance operations. These amounts do not correspond to the net cash provided by operating activities as presented in the condensed consolidated statements of cash flows prepared in accordance with U.S. GAAP. The amount of float can vary significantly from period to period depending on the timing, type and size of reinsurance contracts we bind. Refer to “ITEM 2. Management’s Discussion and Analysis - Property and Casualty Reinsurance” for a definition of insurance float.

Cash flows used in investment activities primarily reflects investment activities related to our separate accounts managed by Third Point LLC. Cash flows used in investing activities for the six months ended June 30, 2016 and June 30, 2015 primarily reflects the investment of float generated from our reinsurance operations. Cash flows used in investing activities for the six months ended June 30, 2015 also reflects the investment of the net proceeds from our issuance of Notes as part of the initial capitalization of Third Point Re USA.

In February 2015, we completed a public offering of Notes issued by TPRUSA and guaranteed by Third Point Reinsurance Ltd. pursuant to a registration statement on Form S-3, from which we received net proceeds of approximately $113.2 million, after deducting underwriting discounts and other offering costs. We used the net proceeds to TPRUSA, together with a capital contribution received indirectly from Third Point Re, to fund an aggregate contribution of $267.0 million for the initial capitalization of Third Point Re USA.

Cash flows used in financing activities for the six months ended June 30, 2016 consisted of $7.4 million of shares repurchased offset by contributions received on deposit liability contracts and proceeds from the exercise of stock options. Cash flows from financing activities for the six months ended June 30, 2015 consisted primarily of the proceeds from issuance of the Notes, partially offset by distributions of non-controlling interests from the investment affiliate and Catastrophe Fund.

For the period from inception until June 30, 2016, we have had sufficient cash flow from the proceeds of our initial capitalization and IPO, the issuance of Notes in February 2015 and from our operations to meet our liquidity requirements. We expect that projected operating and capital expenditure requirements and debt service requirements for at least the next twelve months will be met by our balance of cash, cash flows generated from operating activities and investment income. We may incur additional indebtedness in the future if we determine that it would be an efficient part of our capital structure.

In addition, we expect that our existing cash and cash flow from operations will provide us with the financial flexibility to execute our strategic objectives. Our ability to generate cash, however, is subject to our performance, general economic conditions, industry trends and other factors. To the extent existing cash and cash equivalents, investment returns and operating cash flow are insufficient to fund our future activities and requirements, we may need to raise additional funds through public or private equity or debt financing. If we issue equity securities in order to raise additional funds, substantial dilution to existing shareholders may occur. If we raise cash through the issuance of additional indebtedness, we may be subject to additional contractual restrictions on our business. There is no assurance that we would be able to raise the additional funds on favorable terms or at all. There are regulatory and contractual restrictions and rating agency considerations that might impact the ability of our reinsurance subsidiaries to pay dividends to their respective parent companies, including for purposes of servicing TPRUSA's debt obligations.

We do not believe that inflation has had a material effect on our consolidated results of operations to date. The effects of inflation are considered implicitly in pricing our reinsurance contracts. Loss reserves are established to recognize likely loss settlements at the date payment is made. Those reserves inherently recognize the effects of inflation. However, the actual effects of inflation on our results cannot be accurately known until claims are ultimately resolved.

Cash, Restricted Cash and Cash Equivalents and Restricted Investments

Cash and cash equivalents consist of cash held in banks and other short-term, highly liquid investments with original maturity dates of ninety days or less.

See Note 3 to our condensed consolidated financial statements for additional information on restricted cash, cash equivalents and investments.

Restricted cash and cash equivalents and restricted investments increased by $57.6 million , or 9.2%, to $680.6 million as of June 30, 2016 from $623.0 million as of December 31, 2015. The increase was primarily due to an increase in the number of reinsurance contracts that required collateral partially offset by lower letter of credit usage. In addition, we are now investing a portion of the collateral securing certain reinsurance contracts in U.S. treasury securities and sovereign debt. This portion of the collateral is included in debt securities in the condensed consolidated balance sheets and is disclosed as part of restricted investments.

Letter of Credit Facilities

See Note 11 to our condensed consolidated financial statements for additional information regarding our letter of credit facilities.

As of June 30, 2016, $241.3 million (December 31, 2015 - $270.4 million) of letters of credit, representing 48.3% of the total available facilities, had been issued (December 31, 2015 - 49.2% (based on total available facilities of $550.0 million)).

Under the facilities, we provide collateral that consists of cash and cash equivalents. U.S. treasuries and sovereign debt. As of June 30, 2016, total cash and cash equivalents with a fair value of $241.3 million (December 31, 2015 - $270.8 million) was pledged as collateral against the letters of credit issued. Our ability to post collateral securing letters of credit and certain reinsurance contracts depends in part on our ability to borrow against certain assets in our Investment

Accounts through prime brokerage arrangements. See Note 6 to our condensed consolidated financial statements for additional information regarding our prime brokerage arrangements. The loss or reduction in this borrowing capacity could reduce the amount of reinsurance we write or reduce the amount of float that we contribute to our Investment Accounts.The collateral amounts are included in restricted cash and cash equivalents and debt securities in the condensed consolidated balance sheets. Each of the facilities contain customary events of default and restrictive covenants, including but not limited to, limitations on liens on collateral, transactions with affiliates, mergers and sales of assets, as well as solvency and maintenance of certain minimum pledged equity requirements and an A.M. Best Company rating of "A-" or higher. Each restricts issuance of any debt without the consent of the letter of credit provider. Additionally, if an event of default exists, as defined in the letter of credit facilities, we will be prohibited from paying dividends. We were in compliance with all of the covenants under the aforementioned facilities as of June 30, 2016.

## Financial Condition

### Shareholders' equity

As of June 30, 2016, total shareholders' equity was $1,397.0 million, compared to $1,395.9 million as of December 31, 2015. The increase was primarily due to share compensation expense of $5.7 million, net income of $2.2 million and an increase of $0.5 million in non-controlling interests, partially offset by share repurchases of $7.4 million in the current year period.

### Investments

As of June 30, 2016, total cash and net investments managed by Third Point LLC was $2,133.6 million, compared to $2,062.8 million as of December 31, 2015. The increase was primarily due to float of $36.6 million generated by our reinsurance operations and net investment income on investments managed by Third Point LLC of $45.8 million.

## Contractual Obligations

There have been no material changes to our contractual obligations from our most recent Annual Report on Form 10-K, as filed with the SEC.

## Off-Balance Sheet Commitments and Arrangements

We have no obligations, assets or liabilities, other than those derivatives in our investment portfolio and disclosed in the notes to our condensed consolidated financial statements, which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

As of June 30, 2016, we had an unfunded capital commitment of $3.5 million related to our investment in the Hellenic Fund (see Note 17 to our condensed consolidated financial statements for additional information).

# ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We believe we are principally exposed to the following types of market risk:

- equity price risk;
- foreign currency risk;
- interest rate risk;
- commodity price risk;
- credit risk;
- liquidity risk; and
- political risk.

Equity Price Risk

Our investment manager, Third Point LLC, continually tracks the performance and exposures of our investment portfolio, each strategy and sector, and selective individual securities. A particular focus is placed on “beta” exposure, which is the portion of the portfolio that is directly correlated to risks and movements of the equity market as a whole (usually represented by the S&P 500 index) as opposed to idiosyncratic risks and factors associated with a specific position. Further, the performance of our investment portfolio has historically been compared to several market indices, including the S&P 500, CS/Tremont Event Driven Index, HFRI Event Driven Index, and others.

As of June 30, 2016, our investment portfolio included long and short equity securities, along with certain equity-based derivative instruments, the carrying values of which are primarily based on quoted market prices. Generally, market prices of common equity securities are subject to fluctuation, which could cause the amount to be realized upon the closing of the position to differ significantly from their current reported value. This risk is partly mitigated by the presence of both long and short equity securities in our investment portfolio. As of June 30, 2016, a 10% decline in the value of all equity and equity-linked derivatives would result in a loss of $103.3 million, or 4.7% in the fair value of our total net investments managed by Third Point LLC.

Computations of the prospective effects of hypothetical equity price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment securities and should not be relied on as indicative of future results.

Foreign Currency Risk

Reinsurance Contracts

We have foreign currency exposure related to non-U.S. dollar denominated reinsurance contracts. Of our gross premiums written from inception, $219.7 million, or 9.6%, were written in currencies other than the U.S. dollar. For these contracts, non-U.S. dollar reinsurance assets, or balances held in trust accounts securing reinsurance liabilities, generally offset reinsurance liabilities in the same non-U.S. dollar currencies resulting in minimal net exposure. As of June 30, 2016, loss and loss adjustment expense reserves included $90.9 million (December 31, 2015 - $98.2 million) and reinsurance balances payable included $14.6 million in foreign currencies. These foreign currency liability exposures were generally offset by foreign currencies held in trust accounts securing reinsurance liabilities of $116.5 million as of June 30, 2016 (December 31, 2015 - $116.7 million) and reinsurance assets of $3.4 million as of December 31, 2015. The foreign currency cash and cash equivalents and investments held in reinsurance trust accounts are included in net investments managed by Third Point LLC and are included in the foreign currency investment exposures described below.

Investments

Third Point LLC continually measures foreign currency exposures in the investment portfolio and compares current exposures to historical movement within the relevant currencies. Within the typical course of business, Third Point LLC may decide to hedge foreign currency risk within our investment portfolio by using short-term forward contracts; however, from time to time Third Point LLC may determine not to hedge based on its views of the likely movements of the underlying currency.

We are exposed to foreign currency risk through cash, forwards, options and investments in securities denominated in foreign currencies. Foreign currency exchange rate risk is the potential for adverse changes in the U.S. dollar value of investments (long and short) and foreign currency derivative instruments, which we employ from both a speculative and risk management perspective, due to a change in the exchange rate of the foreign currency in which cash and financial instruments are denominated. As of June 30, 2016, our total net short exposure to foreign denominated securities represented 4.1% (December 31, 2015 - 6.3%) of our investment portfolio including cash and cash equivalents, of $88.6 million (December 31, 2015 - $130.8 million).

The following table summarizes the net impact that a 10% increase and decrease in the value of the U.S. dollar against select foreign currencies would have had on the value of our investment portfolio as of June 30, 2016:

| | 10% increase in U.S. dollar | | 10% decrease in U.S. dollar | |
|---|---|---|---|---|
| | Change in fair value | Change in fair value as % of investment portfolio | Change in fair value | Change in fair value as % of investment portfolio |
| | ($ in thousands) | | | |
| Saudi Arabian Riyal | $10,126 | 0.47 % | $(10,126) | (0.47 )% |
| Euro | 1,110 | 0.05 % | (1,110 ) | (0.05 )% |
| Japanese Yen | 197 | 0.01 % | (197 ) | (0.01 )% |
| British Pound | (1,991 ) | (0.09 )% | 1,991 | 0.09 % |
| Other | (585 ) | (0.03 )% | 585 | 0.03 % |
| Total | $8,857 | 0.41 % | $(8,857 ) | (0.41 )% |

Interest Rate Risk

Our investment portfolio includes interest rate sensitive securities, such as corporate and sovereign debt instruments, asset-backed securities (“ABS”), and interest rate options. One key market risk exposure for any debt instrument is interest rate risk. As interest rates rise, the fair value of our long fixed-income portfolio falls, and the opposite is also true as interest rates fall. Additionally, some of our corporate and sovereign debt instruments, ABS and derivative investments may also be credit sensitive and their value may indirectly fluctuate with changes in interest rates.

The effect of interest rate movements have historically not had a material impact on the performance of our investment portfolio as managed by Third Point LLC. However, our investment manager monitors the potential effects of interest rate shifts by performing stress tests against the portfolio composition using a proprietary in-house risk system.

The following table summarizes the impact that a 100 basis point increase or decrease in interest rates would have on the value of our investment portfolio as of June 30, 2016:

| | 100 basis point increase in interest rates | | 100 basis point decrease in interest rates | |
|---|---|---|---|---|
| | Change in fair value | Change in fair value as % of investment portfolio | Change in fair value | Change in fair value as % of investment portfolio |
| | ($ in thousands) | | | |
| Corporate and Sovereign Debt Instruments | $(33,419) | (1.5 )% | $36,834 | 1.7 % |
| Asset Backed Securities[(1)] | (9,984 ) | (0.5 )% | 10,846 | 0.5 % |
| Net exposure to interest rate risk | $(43,403) | (2.0 )% | $47,680 | 2.2 % |

(1) Includes instruments for which durations are available on June 30, 2016. Includes a convexity adjustment if convexity is available. Not included are mortgage hedges which would reduce the impact of interest rate changes.

For the purposes of the above table, the hypothetical impact of changes in interest rates on debt instruments, ABS, and interest rate options was determined based on the interest rates and credit spreads applicable to each instrument individually. We and our investment manager periodically monitor our net exposure to interest rate risk and generally do not expect changes in interest rates to have a materially adverse impact on our operations.

Commodity Price Risk

In managing our investment portfolio, Third Point LLC periodically monitors and actively trades to take advantage of, and/or seeks to minimize any losses from, fluctuations in commodity prices. As our investment manager, Third Point LLC may choose to opportunistically make a long or short investment in a commodity or in a security directly affected by the price of a commodity as a response to market developments. From time to time, we invest in commodities or

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commodities exposures in the form of derivative contracts from both a speculative and risk management perspective. Generally, market prices of commodities are subject to fluctuation.

As of June 30, 2016, our investment portfolio had commodity exposure of 2.5% of net investments managed by Third Point LLC.

We and our investment manager periodically monitor our exposure to commodity price fluctuations and generally do not expect changes in commodity prices to have a material adverse impact on our operations.

Credit Risk

Reinsurance Contracts

We are exposed to credit risk from our clients relating to balances receivable under our reinsurance contracts, including premiums receivable, and the possibility that counterparties may default on their obligations to us. The risk of counterparty default is partially mitigated by the fact that any amount owed to us from a reinsurance counterparty would be netted against any losses we would pay in the future. We monitor the collectability of these balances on a regular basis.

We also have credit risk exposure in several reinsurance contracts with companies that write credit risk insurance. We have written $156.3 million of credit and financial lines premium since inception, which consists primarily of exposure to mortgage insurance credit risks. The majority of the mortgage insurance premium has been written as quota shares of private mortgage insurers, primarily in the United States. We also wrote a financial lines retrocessional cover that includes mortgage risk.

Investments

We are also exposed to credit risk through our investment activities related to our separate accounts managed by Third Point LLC. Third Point LLC typically performs intensive fundamental analysis on the broader markets, credit spreads, security-specific information, and the underlying issuers of debt securities that are contained in our investment portfolio.

In addition, the securities and cash in our investment portfolio are held with several prime brokers, subjecting us to the related credit risk from the possibility that one or more of them may default on their obligations to us. Our investment manager closely and regularly monitors the concentration of credit risk with each broker and if necessary, transfers cash or securities among brokers to diversify and mitigate our credit risk.

As of June 30, 2016 and December 31, 2015, the largest concentration of our asset-backed securities (“ABS”) holdings were as follows:

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | ($ in thousands) | | | |
| Re-REMIC (1) | $114,085 | 31.8 % | $195,889 | 39.6 % |
| Subprime RMBS | 154,479 | 43.1 % | 174,777 | 35.3 % |
| Collateralized debt obligations | 16,812 | 4.7 % | 50,455 | 10.2 % |
| Other (2) | 73,311 | 20.4 % | 73,602 | 14.9 % |
| | $358,687 | 100.0% | $494,723 | 100.0% |

(1) Mezzanine portions of the re-securitized real estate mortgage investment conduits (“re-REMIC”) structure of ABS.
(2) Other includes: U.S. Alt-A positions, commercial mortgage-backed securities, market place loans, Non-U.S. RMBS and student loans ABS.

As of June 30, 2016, all of our ABS holdings were private-label issued, non-investment grade securities, and none of these securities were guaranteed by a government sponsored entity. As a result of its investment in these types of ABS, our investment portfolio is exposed to the credit risk of underlying borrowers, which may not be able to make timely payments on loans or which may default on their loans. All of these classes of ABS are sensitive to changes in interest rates and any resulting change in the rate at which borrowers sell their properties (in the case of mortgage-backed securities), refinance, or otherwise pre-pay their loans. As an investor in these classes of ABS, we may be exposed to the credit risk of underlying borrowers not being able to make timely payments on loans or the likelihood of borrowers defaulting on their loans. In addition, we may be exposed to significant market and liquidity risks.

Liquidity Risk

Certain of our investments may become illiquid. Disruptions in the credit markets may materially affect the liquidity of certain investments, including ABS, which represent 13.1% (December 31, 2015 - 19.2%) of total cash and investments as of June 30, 2016. If we require significant amounts of cash on short notice in excess of normal cash requirements, which could include the payment of claims expenses or to satisfy a requirement of A.M. Best, in a period of market illiquidity, the investments may be difficult to sell in a timely manner and may have to be disposed of for less than what may otherwise have been possible under normal conditions. As of June 30, 2016, we had $1,432.8 million (December 31, 2015 - $1,182.3 million) of unrestricted, liquid investment assets, defined as unrestricted cash and investments and securities with quoted prices available in active markets/exchanges.

Political Risk

Investments

We are exposed to political risk to the extent our investment manager trades securities that are listed on various U.S. and foreign exchanges and markets. The governments in any of these jurisdictions could impose restrictions, regulations or other measures, which may have a material impact on our investment strategy and underwriting operations.

In managing our investment portfolio, Third Point LLC routinely monitors and assesses relative levels of risk associated with local political and market conditions and focuses its investments primarily in countries in which it believes the rule of law is respected and followed, thereby affording more predictable outcomes of investments in that country.

Reinsurance Contracts

We also have political risk exposure in several reinsurance contracts with companies that write political risk insurance.

Recent Accounting Pronouncements

Refer to Note 2 to our condensed consolidated financial statements for the six months ended June 30, 2016 included in Item 1 of this Quarterly Report on Form 10-Q for details of recently issued accounting standards.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of June 30, 2016. Based upon this evaluation, our Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2016.

Changes in Internal Control over Financial Reporting

There have been no material changes to our internal control over financial reporting in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - Other Information

ITEM 1. Legal Proceedings

We anticipate that, similar to the rest of the reinsurance industry, we will be subject to litigation and arbitration from time to time in the ordinary course of business.

If we are subject to disputes in the ordinary course of our business, we anticipate engaging in discussions with the parties to the applicable contract to seek to resolve the matter. If such discussions are unsuccessful, we anticipate invoking the dispute resolution provisions of the relevant contract, which typically provide for the parties to submit to arbitration or litigation, as applicable, to resolve the dispute.

There are currently no material legal proceedings to which we or our subsidiaries are a party.

ITEM 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our Form 10-K filed with the Securities and Exchange Commission on February 26, 2016.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes our repurchase of common shares during the three months ended June 30, 2016:

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share[(1)] | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs[(2)] |
|---|---|---|---|---|
| April 1, 2016 - April 30, 2016 | — | $ — | — | $ — |
| May 1, 2016 - May 31, 2016 | 387,777 | 11.38 | 387,777 | 95,586,535 |
| June 1, 2016 - June 30, 2016 | 256,991 | 11.58 | 256,991 | 92,611,129 |
| Total | 644,768 | $ 11.46 | 644,768 | $ 92,611,129 |

(1) Including commissions.

(2) On May 4, 2016, our Board of Directors authorized a common share repurchase program for up to an aggregate of $100.0 million of the Company’s outstanding common shares.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

| | |
|---|---|
| 10.1 | Amended and Restated Joint Venture and Investment Management Agreement dated as of June 22, 2016 by and among Third Point Reinsurance Ltd., Third Point Reinsurance Company Ltd., Third Point LLC and Third Point Advisors LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 28, 2016) |
| 10.2 | Amended and Restated Joint Venture and Investment Management Agreement dated as of June 22, 2016 by and among Third Point Re (USA) Holdings Inc., Third Point Reinsurance (USA) Ltd., Third Point LLC and Third Point Advisors LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on June 28, 2016) |
| 10.3.4 | Amendment No. 4 to Employment Agreement between Third Point Reinsurance Ltd. and J. Robert Bredahl, dated as of May 4, 2016 |
| 10.4.2 | Amendment No. 2 to Employment Agreement between Third Point Reinsurance Ltd. and Daniel Victor Malloy III dated as of May 4, 2016 |
| 10.32.2 | Amendment No. 2 to Employment Agreement between Third Point Reinsurance Ltd. and Manoj K. Gupta dated as of April 1, 2016 |
| 31.1 | Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1* | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Third Point Reinsurance Ltd.

Date: August 5, 2016

/s/ John R. Berger
John R. Berger
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

/s/ Christopher S. Coleman
Christopher S. Coleman
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)