Third Point Reinsurance Ltd.
Form 10-Q
August 03, 2017
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-35039

THIRD POINT REINSURANCE LTD.
(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes 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, smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ¨ No x

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

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

THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
As of June 30, 2017 and December 31, 2016
(expressed in thousands of U.S. dollars, except per share and share amounts)

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

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

THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
For the three and six months ended June 30, 2017 and 2016
(expressed in thousands of U.S. dollars, except per share and share amounts)

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

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

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

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

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

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

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

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

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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.

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

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

In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company’s financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated.

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

2. Significant accounting policies

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

Recently issued accounting standards

Issued and effective as of June 30, 2017

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

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

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

Issued but not yet effective as of June 30, 2017

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

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

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

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

3. Restricted cash and cash equivalents and restricted investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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	April 1, 2016	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) (1)	June 30, 2016
	($ in thousands)					
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)

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

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

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

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

June 30, 2017

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

December 31, 2016

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

Private equity investments

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

Bank Debt

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

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

5. Due from/to brokers

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

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

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

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

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

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

6. Derivatives

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

	As of June 30, 2017		
	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Assets by Primary Underlying Risk	($ in thousands)		
Credit			
Credit Default Swaps - Protection Purchased	EUR/USD	$10,447	$62,313
Total Return Swaps - Long Contracts	EGP	10,625	10,625
Equity Price			
Contracts for Differences - Long Contracts	CHF/EUR/GBP/USD	11,028	87,217
Contracts for Differences - Short Contracts	DKK/NOK/SEK/USD	1,922	31,769
Total Return Swaps - Long Contracts	BRL/USD	8,033	115,472
Total Return Swaps - Short Contracts	USD	31	8,861
Interest Rates			
Interest Rate Swaptions	JPY/USD	2,019	94,398
Sovereign Debt Futures - Short Contracts	EUR/USD	10	5,774
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	HKD/MXN/SAR	651	210,774
Foreign Currency Options - Purchased	EUR/USD	344	2,557
Total Derivative Assets		$45,110	$629,760

	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Liabilities by Primary Underlying Risk	($ in thousands)		
Credit			
Credit Default Swaps - Protection Purchased	EUR/USD	$2,886	$61,123
Credit Default Swaps - Protection Sold	USD	2,015	4,015
Equity Price			
Contracts for Differences - Long Contracts	EUR/USD	2,577	84,445
Contracts for Differences - Short Contracts	SEK	83	3,259
Total Return Swaps - Long Contracts	USD	545	9,250
Total Return Swaps - Short Contracts	USD	363	37,670
Interest Rates			
Interest Rate Swaptions	JPY	207	64,653
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	CNH/EUR/HKD/MXN/SAR	3,273	235,853
Total Derivative Liabilities (free standing)		$11,949	$500,268
Embedded derivative liabilities in reinsurance contracts (3)	USD	$180	$20,000
Total Derivative Liabilities (embedded)		$180	$20,000

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

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

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

	As of December 31, 2016		
	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Assets by Primary Underlying Risk	($ in thousands)		
Credit			
Credit Default Swaps - Protection Purchased	EUR/ USD	$10,905	$84,327
Equity Price			
Contracts for Differences - Long Contracts	EUR/ GBP	1,765	36,879
Total Return Swaps - Long Contracts	BRL/ USD	617	19,140
Total Return Swaps - Short Contracts	JPY	183	8,696
Interest Rates			
Interest Rate Swaps	GBP/USD	2,462	195,571
Interest Rate Swaptions	JPY / USD	5,354	424,816
Sovereign Debt Futures - Short Contracts	USD	961	107,591
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	CAD/ CNH/ GBP/ MXN	653	47,754
Foreign Currency Options - Purchased	CNH/EUR/HKD/JPY/SAR	4,532	501,465
Total Derivative Assets		$27,432	$1,426,239

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

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

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

(3)

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

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

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

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

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

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

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

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

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

		Gross Amounts not Offset in the Condensed Consolidated Balance Sheet		
June 30, 2017 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	$1,776	$ 1,776	$ —	$—
Counterparty 2	1,130	627	—	503
Counterparty 3	19,135	3,697	—	15,438
Counterparty 4	2,016	1,805	—	211
Counterparty 5	10,247	3,216	—	7,031
Counterparty 6	5,762	529	3,829	1,404
Counterparty 8	8,185	1,401	—	6,784
Counterparty 9	2,795	2,795	—	—
	$51,046	$ 15,846	$ 3,829	$31,371

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

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

(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 $6.0 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 $6.0 million included in Securities sold, not yet purchased in the condensed consolidated balance sheets.

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

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

Securities lending transactions

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

(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 $0.7 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 $3.5 million included in Securities sold, not yet purchased in the condensed consolidated balance sheets.

7. Loss and loss adjustment expense reserves

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

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

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

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

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

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

- The $32.5 million of net favorable prior years' reserve development for the six months ended June 30, 2017 was primarily a result of having favorable loss development on certain retroactive reinsurance contracts. These retroactive reinsurance contracts had profit commission terms such that the favorable reserve development associated with these contracts was offset by similar increases in acquisition costs. The total net increases in acquisition costs associated with the prior year loss development for the six months ended June 30, 2017 was $32.5 million, resulting in minimal impact in the net underwriting loss.
- The $7.2 million increase in loss and loss adjustment expenses incurred related to increases in premium estimates on certain contracts was accompanied by a $0.4 million increase in acquisition costs, for a total of $7.6 million increase in loss and loss adjustment expenses incurred and acquisition costs. The increase in earned premium related to the increase in premium estimates was $7.6 million, resulting in minimal impact in the net underwriting loss for the six months ended June 30, 2017.

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

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

8. Management, performance and founders fees

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

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

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

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

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

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

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

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

9. Deposit accounted contracts

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

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

10. Senior Notes payable and letter of credit facilities

Senior Notes payable

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

Letters of credit

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

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

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

11. Net investment income

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

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

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

12. Other expenses

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

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

13. Income taxes

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

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

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

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

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

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

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

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

14. Share capital

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

Common shares	2017	2016
Balance, beginning of period	106,501,299	105,479,341
Options exercised	100,000	104,652
Restricted shares granted, net of forfeitures	36,418	47,712
Performance restricted shares granted, net of forfeitures	694,886	653,958
Balance, end of period	107,332,603	106,285,663

Treasury shares	2017	2016
Balance, beginning of period	644,768	—
Repurchase of common shares	3,300,152	644,768
Balance, end of period	3,944,920	644,768

Authorized and issued

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

Share repurchases

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

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

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

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

15. Share-based compensation

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

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

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

Management and director options

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

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

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

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

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

Restricted shares with service condition

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

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

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

Restricted shares with service and performance condition

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

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

Balance as of June 30, 2017	1,940,008	1,020,081	$ 12.26

16. Non-controlling interests

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

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

For the six months ended June 30, 2017, net distributions of $18.1 million (2016 - $nil million) were made by TP GP.

The following variable interest entities were not consolidated as per ASC 810:

TP Lux Holdco LP

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

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

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

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

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

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

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

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

TP DR Holdings LLC

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

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

As of June 30, 2017, the estimated fair value of the investment was $10.5 million (December 31, 2016 - $9.5 million), corresponding to $1.7 million of equity (December 31, 2016 - $0.9 million) and $8.8 million of debt interest (December 31, 2016 - $8.6 million). The Company has no further commitments or guarantees with respect to TP DR. The valuation policy with respect to this investment in investment funds is further described in Note 4. The Company's maximum exposure to loss as a result of its involvement with this investment is limited to the carrying value of the investment.

Cloudbreak II Cayman Ltd and TP Trading II LLC

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

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

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

17. Earnings per share

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

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

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

18. Related party transaction

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

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

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

Off-balance sheet risk

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

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

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

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

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

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

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

Credit derivatives

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

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

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

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

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

June 30, 2017	Maximum Payout/ Notional Amount (by period of expiration)			Fair Value of Written Credit Derivatives (2)		
Credit Spreads on underlying (basis points)	0-5 years	5 years or Greater Expiring Through 2047	Total Written Credit Default Swaps (1)	Asset	Liability	Net Asset/(Liability)
	($ in thousands)					
Single name (0 - 250)	$ —	$ 4,015	$ 4,015	$ —	$ 2,015	$ (2,015)

December 31, 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 2047	Total Written Credit Default Swaps (1)	Asset	Liability	Net Asset/(Liability)
	($ in thousands)					
Single name (0 - 250)	$ —	$ 3,943	$ 3,943	$ —	$ 1,952	$ (1,952)

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

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

Concentrations of credit risk

Investments

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

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

Underwriting

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

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

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

20. Commitments and Contingencies

Investments

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

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

Financing

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

Litigation

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

21. Segment reporting

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

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

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

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

Property and Casualty Reinsurance - Underwriting Ratios (1):	
Loss ratio	61.9 %
Acquisition cost ratio	39.5 %
Composite ratio	101.4 %
General and administrative expense ratio	5.6 %
Combined ratio	107.0 %

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

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

Property and Casualty Reinsurance - Underwriting Ratios (1):	
Loss ratio	62.0 %
Acquisition cost ratio	39.5 %
Composite ratio	101.5 %
General and administrative expense ratio	5.1 %
Combined ratio	106.6 %

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

	Three months ended June 30, 2016		
	Property and Casualty Reinsurance	Corporate	Total
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
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.

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

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

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

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

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

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

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

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

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

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

22. Supplemental guarantor information

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

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

CONDENSED CONSOLIDATING BALANCE SHEET
As of June 30, 2017
(expressed in thousands of U.S. dollars)

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

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2016
(expressed in thousands of U.S. dollars)

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

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Three months ended June 30, 2017
(expressed in thousands of U.S. dollars)

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

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Six months ended June 30, 2017
(expressed in thousands of U.S. dollars)

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

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

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

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

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

	Third Point Reinsurance Ltd.	TPRUSA	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues					
Gross premiums written	$ —	$ —	$ 394,022	$ —	$ 394,022
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 CASH FLOWS
Six months ended June 30, 2017
(expressed in thousands of U.S. dollars)

	Third Point Reinsurance Ltd.	TPRUSA	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities					
Income including non-controlling interests	$ 178,764	$ 11,169	$ 186,072	$ (195,040)	$ 180,965
Adjustments to reconcile income (loss) including non-controlling interests to net cash provided by (used in) operating activities:					
Equity in (earnings) losses of subsidiaries	(181,213)	(13,832)	5	195,040	—
Share compensation expense	73	—	3,301	—	3,374
Net interest expense on deposit liabilities	—	—	312	—	312
Net unrealized gain on investments and derivatives	—	—	(128,168)	—	(128,168)
Net realized gain on investments and derivatives	—	—	(154,504)	—	(154,504)
Net foreign exchange losses	—	—	4,796	—	4,796
Amortization of premium and accretion of discount, net	—	88	(210)	—	(122)
Changes in assets and liabilities:					
Reinsurance balances receivable	—	—	(85,733)	—	(85,733)
Deferred acquisition costs, net	—	—	18,425	—	18,425
Other assets	302	(1,663)	3,869	—	2,508
Interest and dividends receivable, net	—	(35)	2,988	—	2,953
Unearned premium reserves	—	—	(9,261)	—	(9,261)
Loss and loss adjustment expense reserves	—	—	63,769	—	63,769
Accounts payable and accrued expenses	67	—	7,482	—	7,549
Reinsurance balances payable	—	—	22,237	—	22,237
Performance fees payable to related party	—	—	53,455	—	53,455
Amounts due from (to) affiliates	40,523	(3,831)	(36,692)	—	—
Net cash provided by (used in) operating activities	38,516	(8,104)	(47,857)	—	(17,445)
Investing activities					
Purchases of investments	—	—	(1,712,929)	—	(1,712,929)
Proceeds from sales of investments	—	—	1,966,027	—	1,966,027
Purchases of investments to cover short sales	—	—	(306,237)	—	(306,237)
Proceeds from short sales of investments	—	—	462,066	—	462,066
Change in due to/from brokers, net	—	—	(261,994)	—	(261,994)
Change in restricted cash and cash equivalents	—	—	(73,128)	—	(73,128)
Net cash provided by (used in) investing activities	—	—	73,805	—	73,805
Financing activities					
Proceeds from issuance of common shares, net of costs	998	—	—	—	998
Purchases of common shares under share repurchase program	(40,864)	—	—	—	(40,864)
Decrease in deposit liabilities, net	—	—	(124)	—	(124)
Non-controlling interest in investment affiliate, net	—	—	(18,066)	—	(18,066)
Dividend received by (paid to) parent	—	8,300	(8,300)	—	—
Net cash provided by (used in) financing activities	(39,866)	8,300	(26,490)	—	(58,056)
Net increase (decrease) in cash and cash equivalents	(1,350)	196	(542)	—	(1,696)

Cash and cash equivalents at beginning of period	1,629	79	8,243	—	9,951
Cash and cash equivalents at end of period	$ 279	$ 275	$ 7,701	$ —	$ 8,255

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

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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:

- 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;
- dependence on financing available through our investment accounts to secure letters of credit and collateral for reinsurance contracts;
- 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 Re 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. and/or Third Point Re 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.

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.

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 low when compared to many other reinsurers with whom we compete.

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. As a result, net investment income on float, is considered to be a non-GAAP measure.

We believe that over time, 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.

Non-GAAP Financial Measures and Other Financial Metrics

We have included certain 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, change in 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 our underlying business. These measures are used by management to monitor our results and should not be viewed as a substitute for those determined in accordance with GAAP. Reconciliations of non-GAAP measures to the most comparable GAAP figures are included below.

In addition, we refer to certain financial metrics such as net investment return on investments managed by Third Point LLC, which is an important metric to measure the performance of our investment manager, Third Point LLC. A more detailed description of this financial metric is included 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 table below shows the key performance indicators that we believe are most meaningful in analyzing our consolidated business for the three and six months ended June 30, 2017 and 2016:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Key underwriting metrics for Property and Casualty Reinsurance segment:	($ in thousands, except for per share data and ratios)			
Net underwriting income (loss) (1)	$(12,111)	$(25,576)	$(20,761)	$(32,199)
Combined ratio (1)	107 %	119.2 %	106.6 %	111.9 %
Key investment return metrics:				
Net investment income	$107,325	$86,346	$235,835	$46,236
Net investment return on investments managed by Third Point LLC	4.5 %	4.0 %	10.6 %	1.9 %
Key shareholders' value creation metrics:				
Book value per share (2) (3)	$15.36	$13.57	$15.36	$13.57
Diluted book value per share (2) (3)	$14.74	$13.16	$14.74	$13.16
Change in diluted book value per share (2)	5.0 %	4.1 %	12.0 %	0.2 %
Return on beginning shareholders' equity (2)	5.0 %	4.0 %	12.8 %	0.2 %
Invested asset leverage (3)	1.53	1.55	1.53	1.55

(1) See Note 21 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, change in diluted book value per share and return on beginning shareholders' equity are non-GAAP financial measures. There are no comparable GAAP measures. See reconciliations below.

(3) Prior year comparatives represent amounts as of December 31, 2016.

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 underwriting activities. See additional information in Note 21 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. This ratio is a key indicator of a reinsurance company's underwriting profitability. A combined ratio of 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 21 to our condensed consolidated financial statements.

Net Investment Income

Net investment income is an important measure that affects overall profitability. Net investment income is primarily 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.

Net Investment Income on Float

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 because it assists our management and investors in evaluating the overall contribution of our property and casualty reinsurance operations to our consolidated results. 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, 2017 and 2016 was comprised of the following:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	($ in thousands)			
Net investment income on float	$31,206	19,098	$67,326	$10,837
Net investment income on capital	75,926	67,014	168,049	34,918
Net investment income on investments managed by Third Point LLC	107,132	86,112	235,375	45,755
Net gain on investment in Kiskadee Fund	193	234	460	481
Net investment income	$107,325	$86,346	$235,835	$46,236

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 and there are no comparable GAAP 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 represents book value per share combined with the impact from dilution of all in-the-money share options issued, warrants and unvested restricted shares outstanding as of any period end. For unvested restricted shares with a performance condition, we include the unvested restricted shares for which we consider vesting to be probable. Change in book value per share is calculated by taking the change in book value per share divided by the beginning of period book value per share. Change in diluted book value per share is calculated by taking the change in diluted book value per share divided by the beginning of period diluted book value per share. We believe that long-term growth in diluted book value per share is the most important measure of our financial performance because it allows our 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.

As of June 30, 2017, book value per share was $15.36, representing an increase of $0.79 per share, or 5.4%, from $14.57 per share as of March 31, 2017. As of June 30, 2017, diluted book value per share was $14.74, representing an increase of $0.70 per share, or 5.0%, from $14.04 per share as of March 31, 2017. The increases were primarily due to net income in the period.

As of June 30, 2017, book value per share was $15.36, representing an increase of $1.79 per share, or 13.2%, from $13.57 per share as of December 31, 2016. As of June 30, 2017, diluted book value per share was $14.74, representing an increase of $1.58 per share, or 12.0%, from $13.16 per share as of December 31, 2016. The increases were primarily due to net income in the period.

The changes in book value per share and diluted book value per share were also impacted by share activity including share repurchases and the issuance of performance restricted shares.

The following table sets forth the computation of basic and diluted book value per share as of June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
	($ in thousands, except share and per share amounts)	
Basic and diluted book value per share numerator:		
Total shareholders' equity	$1,576,132	$1,449,725
Less: non-controlling interests	(19,809)	(35,674)
Shareholders' equity attributable to shareholders	1,556,323	1,414,051
Effect of dilutive warrants issued to founders and an advisor	46,512	46,512
Effect of dilutive stock options issued to directors and employees	51,930	52,930
Diluted book value per share numerator:	$1,654,765	$1,513,493
Basic and diluted book value per share denominator:		
Issued and outstanding shares, net of treasury shares	101,339,828	104,173,748
Effect of dilutive warrants issued to founders and an advisor	4,651,163	4,651,163
Effect of dilutive stock options issued to directors and employees	5,174,333	5,274,333
Effect of dilutive restricted shares issued to directors and employees (1)	1,127,928	878,529
Diluted book value per share denominator:	112,293,252	114,977,773
Basic book value per share	$15.36	$13.57
Diluted book value per share	$14.74	$13.16

(1) As of June 30, 2017, the effect of dilutive restricted shares issued to directors and employees was comprised of 107,847 restricted shares with a service condition only and 1,020,081 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 (loss) by the beginning shareholders’ equity attributable to shareholders. We believe that return on beginning shareholders’ equity is an important measure because it assists our management and investors in evaluating the Company’s profitability. For the three and six months ended June 30, 2017, 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, 2017 and 2016 was calculated as follows:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	($ in thousands)			
Net income	$74,578	$53,376	$178,764	$2,247
Shareholders’ equity attributable to shareholders - beginning of period	1,501,681	1,331,247	1,414,051	1,379,726
Impact of weighting related to shareholders’ equity from shares repurchased	(9,863)	(2,609)	(16,882)	(1,305)
Adjusted shareholders’ equity attributable to shareholders - beginning of period	$1,491,818	$1,328,638	$1,397,169	$1,378,421
Return on beginning shareholders’ equity	5.0%	4.0%	12.8%	0.2%

Invested asset leverage

Invested asset leverage is a ratio calculated by dividing our net investments managed by Third Point LLC by shareholders' equity attributable to shareholders and is a key metric in assessing the amount of insurance float generated by our reinsurance operation that has been invested by our investment manager, Third Point LLC. Given the sensitivity of our return on beginning shareholders' equity to our net investment return on investments managed by Third Point LLC, invested asset leverage is an important metric that management monitors. It is also an important metric by which we evaluate our capital adequacy for rating agency and regulatory purposes. Maintaining an appropriate invested asset leverage to optimize the return potential of the Company, while maintaining sufficient rating agency and regulatory capital is an important aspect of how we manage the Company.

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;
- foreign exchange; 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 performance fees we pay to TP GP. A 1.5% management fee calculated on net investment assets under management is paid monthly to Third Point LLC. In addition, a performance fee equal to 20% of the net investment income is paid annually to TP GP. See Note 8 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.

Foreign exchange gains (losses) consist of the revaluation of monetary assets and liabilities denominated in foreign currencies to U.S. dollar, our functional currency.

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.

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 and market conditions remain challenging. 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.

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.

During our first four years of operation through 2015, we had significant premium growth and float generation and reached a premium level that supports our fixed expense base and an invested asset leverage that appropriately utilizes our capital. As a result of challenging market conditions, it has been more difficult to originate reinsurance opportunities that meet our underwriting standards and therefore gross written premium in 2016 was slightly lower than 2015. Given current market conditions and our focus on improving underwriting results, it is possible that our premiums written for 2017 may decline further.

Consolidated Results of Operations—Three and six months ended June 30, 2017 and 2016:

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, 2017 and 2016:

	Three months ended			Six months ended		
	June 30, 2017	June 30, 2016	Change	June 30, 2017	June 30, 2016	Change
	($ in thousands)					
Net underwriting income (loss) (1)	$(12,111)	$(25,576)	$13,465	$(20,761)	$(32,199)	$11,438
Net investment income	107,325	86,346	20,979	235,835	46,236	189,599
Net investment return on investments managed by Third Point LLC	4.5 %	4.0 %	0.5 %	10.6 %	1.9 %	8.7 %
Foreign exchange gains (losses)	(4,781)	8,068	(12,849)	(4,796)	10,454	(15,250)
Income tax expense	(5,307)	(5,310)	(3)	(10,605)	(3,381)	7,224
Net income	$74,578	$53,376	$21,202	$178,764	$2,247	$176,517

(1) Property and Casualty Reinsurance segment only.

A key driver of our consolidated 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, 2017 compared to the prior year periods were primarily due to the following:

- The decrease in net underwriting loss for the three and six months ended June 30, 2017 was primarily due to adverse development on certain contracts in the prior year periods compared to small favorable development in the current year periods. See "Segment Results" below for additional details.
- The change in foreign exchange gains (losses) was primarily due to the revaluation of foreign currency loss and loss adjustment expense reserves denominated in British pounds where the United States dollar weakened in the current year periods compared to prior year periods where the United States dollar strengthened.

- The increase in income tax expense for the six months ended June 30, 2017 was primarily the result of an increase in taxable income generated by our U.S. subsidiaries.

Segment Results—Three and six months ended June 30, 2017 and 2016.

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 changes for the Property and Casualty Reinsurance segment for the three and six months ended June 30, 2017 and 2016:

	Three months ended			Six months ended		
	June 30, 2017	June 30, 2016	Change	June 30, 2017	June 30, 2016	Change
	($ in thousands)					
Gross premiums written	$156,564	$196,866	$(40,302)	$302,918	$394,022	$(91,104)
Net premiums earned	173,558	133,122	40,436	311,567	269,924	41,643
Loss and loss adjustment expenses incurred, net	107,379	104,131	3,248	193,274	188,807	4,467
Acquisition costs, net	68,641	48,482	20,159	123,093	100,169	22,924
General and administrative expenses	9,649	6,085	3,564	15,961	13,147	2,814
Net underwriting income (loss)	(12,111)	(25,576)	13,465	(20,761)	(32,199)	11,438
Net investment income on float	31,206	19,098	12,108	67,326	10,837	56,489
Other expenses	2,105	3,173	(1,068)	(5,006)	(5,879)	873
Segment income (loss)	$16,990	$(9,651)	$26,641	$41,559	$(27,241)	$68,800
Underwriting ratios (1):						
Loss ratio	61.9 %	78.2 %	(16.3)%	62.0 %	69.9 %	(7.9)%
Acquisition cost ratio	39.5 %	36.4 %	3.1 %	39.5 %	37.1 %	2.4 %
Composite ratio	101.4 %	114.6 %	(13.2)%	101.5 %	107.0 %	(5.5)%
General and administrative expense ratio	5.6 %	4.6 %	1.0 %	5.1 %	4.9 %	0.2 %
Combined ratio	107.0 %	119.2 %	(12.2)%	106.6 %	111.9 %	(5.3)%

(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;

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- 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 and/or cancellation provisions; 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, 2017 and 2016:

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

The decrease in gross premiums written of $40.3 million, or 20.5%, for the three months ended June 30, 2017 compared to the three months ended June 30, 2016 was driven by:

Factors resulting in decreases:

- We recognized a net increase in premium of $20.2 million in the three months ended June 30, 2017 compared to a net increase of $82.4 million in the three months ended June 30, 2016 related to the net impact of contract extensions, cancellations and contracts renewed with no comparable premium in the comparable period.
- We recognized $52.9 million of premium in the three months ended June 30, 2016 related to contracts that we did not renew in the three months ended June 30, 2017 as a result of underlying terms and conditions.
- We recorded net increases in premium estimates relating to prior periods of $14.3 million and $49.1 million for the three months ended June 30, 2017 and 2016, respectively. The increases in premium estimates for the three months ended June 30, 2017 and 2016 were due to several contracts for which clients provided updated projections indicating that they expected to write more business than initially estimated.
- Changes in renewal premiums for the three months ended June 30, 2017 resulted in a net decrease in premiums of $5.7 million primarily due to a reduction in our participation on one contract that was renewed in the period.

Factor resulting in an increase:

- In the three months ended June 30, 2017, we wrote $115.3 million of new premium, which included $83.9 million of new retroactive exposures in reinsurance contracts.

The decrease in gross premiums written of $91.1 million, or 23.1%, for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 was driven by:

Factors resulting in decreases:

- We recognized $147.6 million of premium in the six months ended June 30, 2016 related to contracts that did not renew in the six months ended June 30, 2017 as a result of underlying terms and conditions.

- We recorded net increases in premium estimates relating to prior periods of $15.6 million and $50.4 million for the six months ended June 30, 2017 and 2016, respectively. The increases in premium estimates for the six months ended June 30, 2017 and 2016 were due to several contracts for which clients provided updated projections indicating that they expected to write more business than initially estimated.
- We recognized a net increase in premium of $80.4 million in the six months ended June 30, 2017 compared to a net increase of $113.6 million in the six months ended June 30, 2016 related to net impact of contract extensions, cancellations and contracts renewed with no comparable premium in the comparable period.
- Changes in renewal premiums for the six months ended June 30, 2017 resulted in a net decrease in premiums of $5.7 million. 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.

Factor resulting in an increase:

- In the six months ended June 30, 2017, we wrote $130.2 million of new premium, which included $83.9 million of new retroactive exposures in reinsurance contracts.

Net Premiums Earned

The increase in net premiums earned was primarily due to the addition of $83.9 million of new retroactive exposures in reinsurance contracts included in net premiums earned in the three and six months ended June 30, 2017, partially offset by a lower in-force underwriting portfolio. We did not write any retroactive reinsurance contracts in the three and six months ended June 30, 2016.

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. The change in our net loss and loss adjustment expenses and related ratio was primarily affected by changes in mix of business and prior years' reserve development. The following is a summary of reserve development for the three and six months ended June 30, 2017 and 2016:

For the three months ended June 30, 2017, we incurred $30.9 million of net favorable prior years' reserve development which was primarily a result of having favorable loss development on certain retroactive reinsurance contracts. These retroactive reinsurance contracts had profit commission terms such that the favorable reserve development associated with these contracts was offset by similar increases in acquisition costs, resulting in a net decrease of $0.04 million, or nil percentage points, in net underwriting loss.

For the three months ended June 30, 2016, we incurred $14.7 million of net adverse prior years' reserve development. The $14.7 million of net adverse prior years' reserve development 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 six months ended June 30, 2017, we incurred $32.5 million of net favorable prior years' reserve development. The $32.5 million of net favorable prior years' reserve development for the six months ended June 30, 2017 was primarily a result of having favorable loss development on certain retroactive reinsurance contracts. These retroactive reinsurance contracts had profit commission terms such that the favorable reserve development associated with these contracts was offset by similar increases in acquisition costs , resulting in a net decrease of $0.03 million, or nil percentage points, in net underwriting loss.

For the six months ended June 30, 2016, we incurred $14.4 million 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.

Acquisition Costs

Acquisition costs include commissions, 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. 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.

Many of 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. The increase in acquisition costs, net and the related acquisition cost ratio for the three and six months ended June 30, 2017 was primarily due to favorable development on two retroactive reinsurance contracts which have profit commission terms such that the favorable development associated with these contracts was entirely offset by similar increases in acquisition cost, which resulted in an increase in acquisition costs of $25.8 million in the three and six months ended June 30, 2017.

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, 2017 compared to the three and six months ended June 30, 2016 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 and total net investment income (loss) for the years presented.

General and Administrative Expenses

The increase in general and administrative expenses and the related general and administrative expenses ratio for the three and six months ended June 30, 2017 compared to the three and six months ended June 30, 2016 was primarily due to an increase in our annual incentive plan compensation expense, partially offset by lower stock compensation expense as a result of most stock options granted to certain employees being fully vested. Our annual incentive plan is based on the Company's return on average equity and we increased our accruals in the second quarter to reflect the performance of the Company to date.

Corporate Function

The following table sets forth net income and the period over period changes for the Corporate Function for the three and six months ended June 30, 2017 and 2016:

	Three months ended			Six months ended		
	June 30, 2017	June 30, 2016	Change	June 30, 2017	June 30, 2016	Change
	($ in thousands)					
Net investment income on capital	$76,119	$67,248	$8,871	$168,509	$35,399	$133,110
General and administrative expenses	5,365	4,158	1,207	9,625	8,384	1,241
Interest expense	2,051	2,046	5	4,077	4,094	(17)
Foreign exchange gains (losses)	(4,781)	8,068	(12,849)	(4,796)	10,454	(15,250)
Income tax expense	(5,307)	(5,310)	3	(10,605)	(3,381)	(7,224)
Segment loss attributable to non-controlling interests	(1,027)	(775)	(252)	(2,201)	(506)	(1,695)
Segment income	$57,588	$63,027	$(5,439)	$137,205	$29,488	$107,717

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, 2017 and 2016:

	Three months ended					
	June 30, 2017			June 30, 2016		
	Long	Short	Net	Long	Short	Net
Equity	6.5 %	(1.1)%	5.4 %	0.6 %	(0.3)%	0.3 %
Credit	(0.3)%	(0.3)%	(0.6)%	4.0 %	(0.2)%	3.8 %
Other	0.2 %	(0.5)%	(0.3)%	(0.1)%	— %	(0.1)%
Net investment return on investments managed by Third Point LLC	6.4 %	(1.9)%	4.5 %	4.5 %	(0.5)%	4.0 %
S&P 500 Total Return Index			3.1 %			2.5 %

	Six months ended					
	June 30, 2017			June 30, 2016		
	Long	Short	Net	Long	Short	Net
Long/short equities	13.0 %	(2.2)%	10.8 %	— %	(0.7)%	(0.7)%
Credit	0.1 %	(0.4)%	(0.3)%	4.1 %	(0.4)%	3.7 %
Other	1.0 %	(0.9)%	0.1 %	(0.2)%	(0.9)%	(1.1)%
Net investment return on investments managed by Third Point LLC	14.1 %	(3.5)%	10.6 %	3.9 %	(2.0)%	1.9 %
S&P 500 Total Return Index			9.3 %			3.8 %

For the three months ended June 30, 2017, the long equity strategy was the primary driver of returns. Within equities, we saw positive attribution across every sector with large long investments in the healthcare and industrials portfolios contributing the majority of positive returns. Gains in our long equity strategy were partially offset by losses in market hedges and short equity positions. Modest losses in the credit strategy were primarily driven by both long and short performing credit investments. Losses from macroeconomic hedges were partially offset by gains in currency, private and risk arbitrage investments in the other strategy.

For the six months ended June 30, 2017, the net investment results were led by strong gains in the long equity strategy, outpacing the S&P 500 for the same period with significantly less exposure at risk. The strategy saw positive attribution from every sector in which the portfolio is invested. The long equity portfolio performance was partially offset by negative performance from short equity positions, including market hedges. The credit strategy detracted modestly with flat or negative performance from each sub-strategy. In the other strategy, losses from macroeconomic hedges were offset by positive contribution from risk arbitrage, private and currency investments.

The positive return for the three months ended June 30, 2016 was primarily a result of Third Point LLC's long 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 offset by modest losses in hedges and the technology, media and telecommunications sector.

The strong performance in the second quarter of 2016 outweighed moderate losses in the first quarter of 2016 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.

General and Administrative Expenses

General and administrative expenses allocated to corporate activities 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 increase in general and administrative expenses related to corporate activities for the three and six months ended June 30, 2017 was primarily due to an increase in our annual incentive plan compensation expense, partially offset by lower stock compensation expense. Our annual incentive plan is based on the Company's return on average equity and we increased our accruals in the second quarter to reflect the performance of the Company to date.

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.

Foreign Exchange Gains (Losses)

The foreign exchange losses for the three and six months ended June 30, 2017 compared to the foreign exchange gains for the three and six months ended June 30, 2016 was primarily due to the revaluation of foreign currency loss and loss adjustment expense reserves denominated in British pounds into the United States dollar, which had strengthened during the prior year period compared to the current year period. 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. Refer to "ITEM 3. Quantitative and Qualitative Disclosures about Market Risks" for further discussion on foreign currency risk related to our reinsurance contracts.

Income Taxes

See Note 13 to our condensed consolidated financial statements for additional information regarding income taxes. The increase in income tax expense for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 was primarily due to higher taxable income generated by our U.S. subsidiaries.

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 three 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 to manage our operations.

As of June 30, 2017, $1,886.8 million, or 70.6% (December 31, 2016 - $1,452.3 million, or 54.9%) 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 requirement ("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 December 31, 2016, Third Point Re could pay dividends to Third Point Reinsurance Ltd. of approximately $326.9 million). Third Point Re USA has also entered into a Net Worth Maintenance Agreement that further restricts the amount of capital and surplus it has available for the payment of dividends. In order to remain in compliance with the Net Worth Maintenance Agreement we have entered into with Third Point Re USA (the "Net Worth Maintenance Agreement"), we have committed to ensuring that Third Point Re USA will maintain a minimum level of capital of $250.0 million. Failure of Third Point Re USA 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 $25.5 million as of June 30, 2017 (December 31, 2016 - $19.6 million).

In addition to the regulatory and other contractual constraints to paying dividends, we manage the capital of the group and each of our operating subsidiaries to support our current ratings from A.M. Best. This could further reduce the ability and amount of dividends that could be paid from Third Point Re or Third Point Re USA to Third Point Reinsurance

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Ltd. After several years of premium growth and float generation from our inception, we have reached a level that allows us to rationalize our expense base and appropriately utilize our capital. Given difficult 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, general and administrative expenses and to purchase investments.

Our cash flows from operations generally represent the difference between: (1) 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, 2017 and 2016 were as follows:

	2017	2016
	($ in thousands)	
Net cash provided by (used in) operating activities	$(17,445)	$28,163
Net cash provided by (used in) investing activities	73,805	(38,941)
Net cash used in financing activities	(58,056)	(2,591)
Net decrease in cash and cash equivalents	(1,696)	(13,369)
Cash and cash equivalents at beginning of period	9,951	20,407
Cash and cash equivalents at end of period	$8,255	$7,038

Operating Activities

Cash flows provided by 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, 2017 compared to the six months ended June 30, 2016 is primarily due to lower float generated from our reinsurance operations in the six months ended June 30, 2017 compared to the six months ended June 30, 2016. 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, 2017 and 2016, we redeemed $15.1 million and contributed $36.6 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.

Investing Activities

Cash flows provided by investing activities primarily reflects investment activities related to our separate accounts managed by Third Point LLC. Cash flows provided by investing activities for the six months ended June 30, 2017 primarily relates to proceeds from the sale of certain investments to fund cash flows from operations and share repurchases. Cash flows used in investing activities for the six months ended June 30, 2016 primarily reflects the investment of float generated from our reinsurance operations, including the proceeds from deposit contracts.

Financing Activities

Cash flows used in financing activities for the six months ended June 30, 2017 consisted of $18.1 million of net withdrawals from the non-controlling interests and $40.9 million for shares repurchased. Cash flows used in financing activities for the six months ended June 30, 2016 consisted of $7.4 million for shares repurchased partially offset by contributions received on deposit contracts.

For the period from inception until June 30, 2017, 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 $4.2 million, or 0.6%, to $730.5 million as of June 30, 2017 from $726.2 million as of December 31, 2016. 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 10 to our condensed consolidated financial statements for additional information regarding our letter of credit facilities.

As of June 30, 2017, $218.0 million (December 31, 2016 - $231.8 million) of letters of credit, representing 45.9% of the total available facilities of $475.0 million, had been issued (December 31, 2016 - 44.2% (based on total available facilities of $525.0 million)).

Under the letter of credit facilities, we provide collateral that consists of cash and cash equivalents. As of June 30, 2017, total cash and cash equivalents with a fair value of $219.5 million (December 31, 2016 - $231.8 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 5 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 securing letters of credit are included in restricted cash and cash equivalents 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, 2017.

Financial Condition

Shareholders' equity

As of June 30, 2017, total shareholders' equity was $1,576.1 million, compared to $1,449.7 million as of December 31, 2016. The increase was primarily due to net income of $178.8 million and share compensation expense and proceeds from stock options exercised totaling $4.4 million, partially offset by net distributions and contributions of non-controlling interests of $18.1 million, primarily related to our investment in our joint venture with Third Point LLC, and share repurchases of $40.9 million in the six months ended June 30, 2017.

Investments

As of June 30, 2017, total cash and net investments managed by Third Point LLC was $2,385.5 million, compared to $2,191.6 million as of December 31, 2016. The increase was primarily due to net investment income on investments managed by Third Point LLC of $235.4 million, partially offset by net redemptions of $34.8 million.

Contractual Obligations

There have been no other 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, 2017, we had an unfunded capital commitment of $3.2 million related to our investment in the Hellenic Fund (see Note 16 to our condensed consolidated financial statements for additional information).

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 2016 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, 2017. Refer to Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations”, included in our 2016 Form 10-K.

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, 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, 2017, 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, 2017, a 10% decline in the value of all equity and equity-linked derivatives would result in a loss of $161.7 million, or 6.6% 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, $381.2 million, or 13.6%, were written in currencies other than the U.S. dollar. As of June 30, 2017, loss and loss adjustment expense reserves included $151.2 million (December 31, 2016 - $94.5 million) and net reinsurance balances receivable included $94.9 million (December 31, 2016 - $5.1 million) in foreign currencies. These foreign currency liability exposures were generally offset by foreign currencies held in trust accounts of $99.7 million as of June 30, 2017 (December 31, 2016 - $104.2 million). The foreign currency cash and cash equivalents and investments held in reinsurance trust accounts are included in net investments managed by Third Point LLC. The exposure to foreign currency collateral held in trust accounts is excluded from the foreign currency investment exposure table 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 ordinary 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, 2017, our total net short exposure to foreign denominated securities represented 8.2% (December 31, 2016 - 10.6%) of our investment portfolio including cash and cash equivalents, of $200.8 million (December 31, 2016 - $204.0 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, 2017:

	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)			
Hong Kong Dollar	$15,999	0.65 %	$(15,999)	(0.65)%
Saudi Arabian Riyal	11,217	0.46 %	(11,217)	(0.46)%
Swiss Franc	(3,734)	(0.15)%	3,734	0.15 %
Other	(3,408)	(0.14)%	3,408	0.14 %
Total	$20,074	0.82 %	$(20,074)	(0.82)%

Interest Rate Risk

Our investment portfolio includes interest rate sensitive securities, such as corporate bonds, U.S. treasury securities, and sovereign debt instruments, asset-backed securities ("ABS"), and interest rate options and derivatives. 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, 2017:

	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 bonds, U.S. treasuries and sovereign debt instruments(1)	$(9,318)	(0.4)%	$9,660	0.4 %
Asset-backed securities(2)	(2,990)	(0.1)%	3,078	0.1 %
Interest rate swaps and derivatives	4,080	0.2 %	(4,080)	(0.2)%
Net exposure to interest rate risk	$(8,228)	(0.3)%	$8,658	0.3 %

(1) Includes interest rate risk associated with investments held in reinsurance trust accounts.

(2) Includes instruments for which durations are available on June 30, 2017. 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 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, 2017, our investment portfolio had de minimis (December 31, 2016 - de minimis) commodity exposure.

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 have exposure to credit risk in several reinsurance contracts with companies that write credit risk insurance, which primarily consists of mortgage insurance credit risk. Loss experience in these lines of business is cyclical and is affected by the state of the general economic environment. We provide our clients in these lines of business with reinsurance protection against credit deterioration, defaults or other types of financial non-performance. We mitigate the risks associated with these credit-sensitive lines of business through the use of risk management techniques such as risk diversification and monitoring of risk aggregations. We have written $247.2 million, or 8.8%, of credit and financial lines premium since inception, of which $18.8 million was written in the six months ended June 30, 2017. 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.

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

We are exposed to credit risk 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.

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, 2017 and December 31, 2016, the largest concentration of our asset-backed securities ("ABS") holdings were as follows:

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

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

As of June 30, 2017, all of 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 8.4% (December 31, 2016 - 9.7%) of total cash and investments as of June 30, 2017. 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, certain 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, 2017, we had $1,886.8 million (December 31, 2016 - $1,452.3 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 limited 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, 2017 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, 2017. 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, 2017.

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 24, 2017.

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, 2017:

	(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 of Shares that May Yet Be Purchased Under the Plans or Programs(2)
April 1, 2017 - April 30, 2017	—	$ —	—	$73,726,864
May 1, 2017 - May 31, 2017	1,686,547	12.42	1,686,547	52,787,163
June 1, 2017 - June 30, 2017	80,734	12.88	80,734	51,747,060
Total	1,767,281	$ 12.44	1,767,281	$51,747,060

(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

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 3, 2017

/s/ J. Robert Bredahl
J. Robert Bredahl
President and Chief Executive Officer
(Principal Executive Officer)

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