

Third Point Reinsurance Ltd.  
Form 10-Q  
November 04, 2016  
UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
x OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-35039

THIRD POINT REINSURANCE LTD.

(Exact name of registrant as specified in its charter)

Bermuda

98-1039994

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

Point House

3 Waterloo Lane

Pembroke HM 08, Bermuda

+1 441 542-3300

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

Yes  No

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

As of November 2, 2016, there were 106,383,928 common shares of the registrant's common shares issued and outstanding, including 1,739,031 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 September 30, 2016 and December 31, 2015

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

	September 30, 2016	December 31, 2015
Assets		
Equity securities, trading, at fair value (cost - \$1,502,824; 2015 - \$1,156,369)	\$ 1,622,938	\$ 1,231,077
Debt securities, trading, at fair value (cost - \$1,030,848; 2015 - \$1,049,652)	1,079,132	1,034,247
Other investments, at fair value	49,664	51,920
Total investments in securities	2,751,734	2,317,244
Cash and cash equivalents	20,982	20,407
Restricted cash and cash equivalents	365,451	330,915
Due from brokers	284,170	326,971
Derivative assets, at fair value	22,565	35,337
Interest and dividends receivable	11,756	10,687
Reinsurance balances receivable	448,450	294,313
Deferred acquisition costs, net	255,379	197,093
Other assets	17,101	12,141
Total assets	\$ 4,177,588	\$ 3,545,108
Liabilities and shareholders' equity		
Liabilities		
Accounts payable and accrued expenses	\$ 13,508	\$ 11,966
Reinsurance balances payable	47,713	24,119
Deposit liabilities	105,207	83,955
Unearned premium reserves	668,980	531,710
Loss and loss adjustment expense reserves	565,682	466,047
Securities sold, not yet purchased, at fair value	198,393	314,353
Securities sold under an agreement to repurchase	55,880	8,944
Due to brokers	894,856	574,962
Derivative liabilities, at fair value	11,472	15,392
Performance fee payable to related party	24,846	—
Interest and dividends payable	1,772	4,400
Senior notes payable, net of deferred costs	113,510	113,377
Total liabilities	2,701,819	2,149,225
Commitments and contingent liabilities		
Shareholders' equity		
Preference shares (par value \$0.10; authorized, 30,000,000; none issued)	—	—
Common shares (par value \$0.10; authorized, 300,000,000; issued and outstanding, 106,383,928 (2015 - 105,479,341))	10,638	10,548
Treasury shares (644,768 shares (2015 - nil shares))	(7,389)	—
Additional paid-in capital	1,090,975	1,080,591
Retained earnings	362,915	288,587
Shareholders' equity attributable to shareholders	1,457,139	1,379,726
Non-controlling interests	18,630	16,157
Total shareholders' equity	1,475,769	1,395,883
Total liabilities and shareholders' equity	\$ 4,177,588	\$ 3,545,108

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

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

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenues				
Gross premiums written	\$ 142,573	\$ 205,583	\$ 536,595	\$ 603,259
Gross premiums ceded	(927 )	(375 )	(2,352 )	(1,852 )
Net premiums written	141,646	205,208	534,243	601,407
Change in net unearned premium reserves	(13,463 )	3,597	(136,136 )	(132,949 )
Net premiums earned	128,183	208,805	398,107	468,458
Net investment income (loss)	88,356	(193,156 )	134,592	(89,627 )
Total revenues	216,539	15,649	532,699	378,831
Expenses				
Loss and loss adjustment expenses incurred, net	85,015	158,537	273,822	316,336
Acquisition costs, net	45,127	50,509	145,296	152,664
General and administrative expenses	12,354	9,822	33,885	35,797
Other expenses	347	670	6,226	5,686
Interest expense	2,069	2,074	6,163	5,162
Foreign exchange gains	(3,905 )	(746 )	(14,359 )	(800 )
Total expenses	141,007	220,866	451,033	514,845
Income (loss) before income tax (expense) benefit	75,532	(205,217 )	81,666	(136,014 )
Income tax (expense) benefit	(2,484 )	7,781	(5,865 )	5,768
Income (loss) including non-controlling interests	73,048	(197,436 )	75,801	(130,246 )
(Income) loss attributable to non-controlling interests	(967 )	1,721	(1,473 )	663
Net income (loss)	\$ 72,081	\$ (195,715 )	\$ 74,328	\$ (129,583 )
Earnings (loss) per share				
Basic	\$ 0.69	\$ (1.88 )	\$ 0.71	\$ (1.25 )
Diluted	\$ 0.68	\$ (1.88 )	\$ 0.70	\$ (1.25 )
Weighted average number of ordinary shares used in the determination of earnings (loss) per share				
Basic	103,780,196	104,117,448	104,055,946	103,931,871
Diluted	105,795,313	104,117,448	105,590,668	103,931,871

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 nine months ended September 30, 2016 and 2015  
 (expressed in thousands of U.S. dollars)

	2016	2015
Common shares		
Balance, beginning of period	\$10,548	\$10,447
Issuance of common shares	90	101
Balance, end of period	10,638	10,548
Treasury shares		
Balance, beginning of period	—	—
Repurchase of common shares	(7,389)	) —
Balance, end of period	(7,389)	) —
Additional paid-in capital		
Balance, beginning of period	1,080,591	1,065,489
Issuance of common shares, net	3,788	4,233
Share compensation expense	6,596	8,605
Balance, end of period	1,090,975	1,078,327
Retained earnings		
Balance, beginning of period	288,587	375,977
Income (loss) including non-controlling interests	75,801	(130,246)
(Income) loss attributable to non-controlling interests	(1,473)	) 663
Balance, end of period	362,915	246,394
Shareholders' equity attributable to shareholders	1,457,139	1,335,269
Non-controlling interests		
Balance, beginning of period	16,157	100,135
Non-controlling interest in investment affiliate, net	1,000	(24,137)
Non-controlling interest in Catastrophe Fund	—	(59,705)
Non-controlling interest in Catastrophe Fund Manager	—	292
Income (loss) attributable to non-controlling interests	1,473	(663)
Balance, end of period	18,630	15,922
Total shareholders' equity	\$1,475,769	\$1,351,191

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 nine months ended September 30, 2016 and 2015  
(expressed in thousands of U.S. dollars)

	2016	2015
Operating activities		
Income (loss) including non-controlling interests	\$ 75,801	\$(130,246)
Adjustments to reconcile income (loss) including non-controlling interests to net cash provided by operating activities:		
Share compensation expense	6,596	8,605
Net interest (income) expense on deposit liabilities	(507 )	3,170
Net unrealized (gain) loss on investments and derivatives	(90,675 )	165,202
Net realized gain on investments and derivatives	(62,316 )	(91,712 )
Net foreign exchange gains	(14,359 )	(800 )
Amortization of premium and accretion of discount, net	4,954	478
Changes in assets and liabilities:		
Reinsurance balances receivable	(145,593 )	2,585
Deferred acquisition costs, net	(58,286 )	(36,550 )
Other assets	(4,960 )	(10,897 )
Interest and dividends receivable, net	(3,697 )	(6,452 )
Unearned premium reserves	137,270	133,756
Loss and loss adjustment expense reserves	111,014	144,253
Accounts payable and accrued expenses	1,518	2,213
Reinsurance balances payable	24,013	7,916
Performance fee payable to related party	24,846	—
Net cash provided by operating activities	5,619	191,521
Investing activities		
Purchases of investments	(2,803,862 )	(2,621,367)
Proceeds from sales of investments	2,533,656	2,274,201
Purchases of investments to cover short sales	(978,039 )	(371,635 )
Proceeds from short sales of investments	854,689	488,601
Change in due to/from brokers, net	362,695	137,054
Decrease in securities purchased under an agreement to sell	—	29,852
Increase in securities sold under an agreement to repurchase	46,936	—
Change in restricted cash and cash equivalents	(34,536 )	(187,121 )
Net cash used in investing activities	(18,461 )	(250,415 )
Financing activities		
Proceeds from issuance of common shares, net of costs	3,878	4,334
Purchases of common shares under share repurchase program	(7,389 )	—
Proceeds from issuance of senior notes payable, net of costs	—	113,220
Increase in deposit liabilities, net	15,928	6,975
Non-controlling interest in investment affiliate, net	1,000	(24,137 )
Non-controlling interest in Catastrophe Fund	—	(59,705 )
Non-controlling interest in Catastrophe Fund Manager	—	292
Net cash provided by financing activities	13,417	40,979
Net increase (decrease) in cash and cash equivalents	575	(17,915 )
Cash and cash equivalents at beginning of period	20,407	28,734
Cash and cash equivalents at end of period	\$ 20,982	\$ 10,819
Supplementary information		
Interest paid in cash	\$ 19,605	\$ 7,675

Income taxes paid in cash	\$3,775	\$3,074
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The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

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Third Point Reinsurance Ltd.

Notes to the Condensed Consolidated Financial Statements (UNAUDITED)

(Expressed in United States Dollars)

#### 1. Organization

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

In June 2012, Third Point Reinsurance Opportunities Fund Ltd. (the “Catastrophe Fund”), Third Point Reinsurance Investment Management Ltd. (the “Catastrophe Fund Manager”), and Third Point Re Cat Ltd. (the “Catastrophe Reinsurer”) were incorporated in Bermuda. The Catastrophe Fund Manager, a Bermuda exempted company, was the investment manager of the Catastrophe Fund. In December 2014, the Company announced that it would no longer accept investments in the Catastrophe Fund, that no new business would be written in the Catastrophe Reinsurer and that the Company would be redeeming all existing investments in the Catastrophe Fund. As of December 31, 2015, all investments in the Catastrophe Fund were redeemed. In February 2016, the Company completed the dissolution of the Catastrophe Fund and Catastrophe Reinsurer.

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

These unaudited condensed consolidated financial statements include the results of Third Point Reinsurance Ltd. and its wholly and majority owned subsidiaries (together, the “Company”) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 in Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In addition, the year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. This Quarterly Report should be read in conjunction with the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 (the “2015 10-K”), as filed with the U.S. Securities and Exchange Commission on February 26, 2016.

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

The results for the nine months ended September 30, 2016 are not necessarily indicative of the results expected for the full calendar year.

## 2. Significant accounting policies

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

### Treasury shares

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

### Prior year changes in the presentation of condensed consolidated financial statements

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

### Recently issued accounting standards

Issued and effective as of September 30, 2016

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

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

Issued but not yet effective as of September 30, 2016

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

In March 2016, the FASB issued Accounting Standards Update 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (ASU 2016-06). ASU 2016-06 clarifies that determining whether the economic characteristics of a put or call are clearly and closely related to its debt host requires only an assessment of the four-step decision sequence outlined in FASB ASC paragraph 815-15-25-24. Additionally, entities are not required to separately assess whether the contingency itself is clearly and closely related. The ASU is effective for interim and annual periods in fiscal years beginning after December 15, 2016. This new accounting standard is not expected to have a material impact on the Company's condensed consolidated financial statements when it becomes effective.

In March 2016, the FASB issued Accounting Standards Update 2016-07, Investments - Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting (ASU 2016-07). ASU 2016-07 simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment

that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. ASU 2016-07 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. This new accounting standard is not expected to have a material impact on the Company's condensed consolidated financial statements when it becomes effective.

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

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

In August 2016, the FASB issued Accounting Standards Update 2016-15, Statement of Cash Flows (Topic 230), a consensus of the FASB's Emerging Issues Task Force (ASU 2016-15). ASU 2016-15 intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, 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 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. 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 September 30, 2016 and December 31, 2015 consisted of the following:

	September 30,	December 31,
	2016	2015
	(\$ in thousands)	
Restricted cash securing letter of credit facilities (1)	\$ 195,257	\$ 270,755
Restricted cash securing other reinsurance contracts (2)	170,194	60,160

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Total restricted cash and cash equivalents	365,451	330,915
Restricted investments securing other reinsurance contracts (2)	333,742	292,111
Total restricted cash and cash equivalents and restricted investments	\$699,193	\$ 623,026

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

(2) Restricted cash and restricted investments securing other reinsurance contracts pertain to trust accounts securing the Company's contractual obligations under certain reinsurance contracts that the Company will not be released from until all underlying risks have expired or have been

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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:

	September 30, 2016	December 31, 2015
Assets	(\$ in thousands)	
Total investments in securities	\$2,724,518	\$ 2,290,779
Cash and cash equivalents	11	57
Restricted cash and cash equivalents	365,451	330,915
Due from brokers	284,170	326,971
Derivative assets	22,565	35,337
Interest and dividends receivable	11,756	10,687
Total assets	3,408,471	2,994,746
Liabilities and non-controlling interest		
Accounts payable and accrued expenses	783	770
Securities sold, not yet purchased	198,393	314,353
Securities sold under an agreement to repurchase	55,880	8,944
Due to brokers	894,856	574,962
Derivative liabilities	11,472	15,392
Performance fee payable to related party	24,846	—
Interest and dividends payable	737	1,345
Non-controlling interest	18,630	16,157
Total liabilities and non-controlling interest	1,205,597	931,923
Total net investments managed by Third Point LLC	\$2,202,874	\$ 2,062,823

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

Securities listed on a national securities exchange or quoted on NASDAQ are valued at their last sales price as of the last business day of the period. Listed securities with no reported sales on such date and over-the-counter ("OTC") securities are valued at their last closing bid price if held long by the Company, and last closing ask price if held short by the Company. As of September 30, 2016, securities valued at \$380.1 million (December 31, 2015 - \$570.9 million), representing 13.8% (December 31, 2015 - 24.5%) of investments in securities and derivative assets, and \$2.0 million (December 31, 2015 - \$1.5 million), representing 0.9% (December 31, 2015 - 0.4%) of securities sold, not yet purchased and derivative liabilities, are valued based on broker quotes.

Private securities are those not registered for public sale and are carried at an estimated fair value at the end of the period. Valuation techniques used by the Company may include market approach, last transaction analysis, liquidation analysis and/or discounted cash flow models where the significant inputs could include but are not limited to additional rounds of equity financing, financial metrics such as revenue multiples or price-earnings ratio, discount rates and other factors. In addition, third party valuation firms may be employed to conduct investment valuations of such private



securities. The third party valuation firms provide written reports documenting their recommended valuation as of the determination date for the specified investments.

As of September 30, 2016, the Company had \$48.0 million (December 31, 2015 - \$31.0 million) of investments fair valued by the Company's Investment Manager representing approximately 1.7% (December 31, 2015 - 1.3%) of total investments in securities and derivative assets of which 99.4% were also separately valued by third party valuation firms using information obtained from the Company's Investment Manager. The actual value at which these securities could be sold or settled with a willing buyer or seller may differ from the Company's estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

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

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

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

	September 30, 2016		December 31, 2015	
	(\$ in thousands)			
Re-REMIC (1)	\$50,318	18.7 %	\$195,889	39.6 %
Subprime RMBS	118,787	44.1 %	174,777	35.3 %
Collateralized debt obligations	14,208	5.3 %	50,455	10.2 %
Market place loans	35,971	13.4 %	13,247	2.7 %
Other (2)	49,934	18.5 %	60,355	12.2 %
	\$269,218	100.0 %	\$494,723	100.0 %

(1) Mezzanine portions of the re-securitized real estate mortgage investment conduits ("re-REMIC") structure of ABS.

(2) Other includes: U.S. Alt-A positions, commercial mortgage-backed securities, Non-U.S. RMBS and student loans ABS.

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

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

The Company made a \$25.0 million investment in the Kiskadee Diversified Fund Ltd. (the "Kiskadee Fund"), a fund vehicle managed by Hiscox Insurance Company (Bermuda) Limited. The Kiskadee Fund invests in property catastrophe



exposures through collateralized reinsurance transactions and other insurance-linked investments. As of September 30, 2016, the Company had no remaining commitments. For the nine months ended September 30, 2016, the Company made withdrawals of \$0.3 million (2015 - \$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 \$27.2 million as of September 30, 2016. The resulting net gains or losses are reflected in the condensed consolidated statements of income (loss).

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

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

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

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

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

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

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

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

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

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

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

	September 30, 2016			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(\$ in thousands)			
Assets				
Equity securities	\$1,578,758	\$4,131	\$ —	\$1,582,889
Private common equity securities	—	—	3,433	3,433
Private preferred equity securities	—	—	36,616	36,616
Total equities	1,578,758	4,131	40,049	1,622,938
Asset-backed securities	—	266,423	2,795	269,218
Bank debt	—	50,215	—	50,215
Corporate bonds	—	224,612	8,333	232,945
U.S. Treasury securities	—	257,678	—	257,678
Sovereign debt	—	269,076	—	269,076
Total debt securities	—	1,068,004	11,128	1,079,132
Options	4,349	2,006	—	6,355
Rights and warrants	118	—	—	118
Trade claims	—	8,773	—	8,773
Total other investments	4,467	10,779	—	15,246
Derivative assets (free standing)	1,572	20,993	—	22,565
	\$1,584,797	\$1,103,907	\$ 51,177	2,739,881
Investments in funds valued at NAV				34,418
Total assets				\$2,774,299
Liabilities				
Equity securities	\$166,423	\$—	\$ —	\$166,423
Corporate bonds	—	20,995	—	20,995
Options	4,954	6,021	—	10,975
Total securities sold, not yet purchased	171,377	27,016	—	198,393
Derivative liabilities (free standing)	763	9,383	1,326	11,472
Derivative liabilities (embedded)	—	—	6,296	6,296
Total liabilities	\$172,140	\$36,399	\$ 7,622	\$216,161

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

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

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

	July 1, 2016	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) (1)	September 30, 2016
	(\$ in thousands)					
<b>Assets</b>						
Private common equity securities	\$3,170	\$—	\$ 60	\$—	\$ 203	\$ 3,433
Private preferred equity securities	31,079	—	2,646	(60 )	2,951	36,616
Asset-backed securities	2,814	(213 )	225	(334 )	303	2,795
Corporate bonds	3,110	—	4,967	—	256	8,333
Sovereign debt	2	—	—	(2 )	—	—
Total assets	\$40,175	\$(213 )	\$ 7,898	\$(396 )	\$ 3,713	\$ 51,177
<b>Liabilities</b>						
Derivative liabilities (free standing)	\$(1,220 )	\$—	\$—	\$(106 )	\$—	\$( 1,326 )
Derivative liabilities (embedded)	(6,335 )	—	—	—	39	(6,296 )
Total liabilities	\$(7,555 )	\$—	\$—	\$(106 )	\$ 39	\$( 7,622 )

	January 1, 2016	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) (1)	September 30, 2016
	(\$ in thousands)					
<b>Assets</b>						
Private common equity securities	\$4,357	\$—	\$ 60	\$—	\$ (984 )	\$ 3,433
Private preferred equity securities	24,178	—	14,900	(60 )	(2,402 )	36,616
Asset-backed securities	2,617	1,967	1,001	(1,941 )	(849 )	2,795
Bank debt	7,660	(7,660 )	—	—	—	—
Corporate bonds	3,252	—	5,166	(80 )	(5 )	8,333
Sovereign debt	21	—	—	(20 )	(1 )	—
Total assets	\$42,085	\$(5,693 )	\$ 21,127	\$(2,101 )	\$ (4,241 )	\$ 51,177
<b>Liabilities</b>						
Derivative liabilities (free standing)	\$(1,020 )	\$—	\$—	\$(306 )	\$—	\$( 1,326 )
Derivative liabilities (embedded)	(5,563 )	—	—	(861 )	128	(6,296 )
Total liabilities	\$(6,583 )	\$—	\$—	\$(1,167 )	\$ 128	\$( 7,622 )

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	July 1, 2015	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) (1)	September 30, 2015
(\$ in thousands)						
<b>Assets</b>						
Private common equity securities	\$962	\$—	\$—	\$—	\$ (361 )	\$ 601
Private preferred equity securities	13,474	—	5,084	—	(295 )	18,263
Asset-backed securities	1,843	916	1,125	(62 )	36	3,858
Bank debt	7,404	—	—	—	277	7,681
Corporate bonds	2,772	—	—	(107 )	570	3,235
Sovereign debt	18	—	—	—	(1 )	17
<b>Total assets</b>	<b>\$26,473</b>	<b>\$916</b>	<b>\$ 6,209</b>	<b>\$(169 )</b>	<b>\$ 226</b>	<b>\$ 33,655</b>
<b>Liabilities</b>						
Derivative liabilities (free standing)	\$(1,020 )	\$—	\$—	\$—	\$ —	\$ (1,020 )
Derivative liabilities (embedded)	(9,817 )	—	—	(2,354 )	2,096	(10,075 )
<b>Total liabilities</b>	<b>\$(10,837)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(2,354)</b>	<b>\$ 2,096</b>	<b>\$ (11,095 )</b>

	January 1, 2015	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains(Losses) (1)	September 30, 2015
(\$ in thousands)						
<b>Assets</b>						
Private common equity securities	\$1,443	\$—	\$—	\$—	\$ (842 )	\$ 601
Private preferred equity securities	—	—	13,586	—	4,677	18,263
Asset-backed securities	4,720	(3,599 )	2,024	(1,061 )	1,774	3,858
Bank debt	—	—	7,634	—	47	7,681
Corporate bonds	3,799	—	—	(259 )	(305 )	3,235
Sovereign debt	—	19	—	—	(2 )	17
<b>Total assets</b>	<b>\$9,962</b>	<b>\$(3,580)</b>	<b>\$ 23,244</b>	<b>\$(1,320)</b>	<b>\$ 5,349</b>	<b>\$ 33,655</b>
<b>Liabilities</b>						
Derivative liabilities (free standing)	\$(962 )	\$—	\$—	\$(174 )	\$ 116	\$ (1,020 )
Derivative liabilities (embedded)	(9,289 )	—	—	(3,152 )	2,366	(10,075 )
<b>Total liabilities</b>	<b>\$(10,251)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(3,326)</b>	<b>\$ 2,482</b>	<b>\$ (11,095 )</b>

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

Total change in unrealized gains (losses) on fair value of assets using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2016 was \$3.4 million and \$(4.1) million, respectively (2015 - \$1.4 million and \$5.3 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.

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The following table summarizes information about the significant unobservable inputs used in determining the fair value of the Level 3 investments held by the Company. Level 3 investments not presented in the table below generally do not have any unobservable inputs to disclose, as they are valued primarily using dealer quotes or at cost. September 30, 2016

Assets	Fair value (\$ in thousands)	Valuation technique	Unobservable (U) and observable (O) inputs	Range
Derivative liabilities (embedded)	\$ 6,296	Discounted cash flow	Contractual Variable Annual Investment Credit (U) Mean Monthly Investment Return (U) Duration from Inception of Contracts (U) Duration from Valuation Date (U) Interest Rates (O)	0.0 - 2.5% 1.2 % 5.0 - 5.5 years 3.3 - 4.3 years U.S. Treasury Spot Rates
Private equity investments	\$ 35,185	Market approach	Discount (U)	10.0 - 25.0%
December 31, 2015				
Assets	Fair value (\$ in thousands)	Valuation technique	Unobservable (U) and observable (O) inputs	Range
Corporate bond	\$ 2,444	Discounted cash flow	Yield (U) Duration (U) Credit spread (U) Volatility (U)	10.4 - 11.4% 3.0 years 986 bps 25.0 - 35.0%
Derivative liabilities (embedded)	\$ 5,563	Discounted cash flow	Contractual Variable Annual Investment Credit (U) Mean Monthly Investment Return (U) Duration from Inception of Contracts (U) Duration from Valuation Date (U) Interest Rates (O)	0.0 - 2.5% 1.2% 5.0 - 5.5 years 4.0 - 5.0 years U.S. Treasury Spot Rates

Derivative liabilities (embedded)

The Company also has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value with changes in fair value of the embedded derivative reported in other expenses. The Company's embedded derivatives relate to interest crediting features in certain reinsurance and deposit contracts that vary based on the returns on the Company's investments managed by Third Point LLC. The Company determines the fair value of the embedded derivatives using models developed by the Company. The fair value of these embedded derivative liabilities is positively correlated with the actual realized investment returns and the assumed future investment returns during the contract period and negatively correlated with U.S. Treasury Spot Rates.

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

Private equity investments

The Company's private equity investments include investments in four privately held companies with a total fair value of \$35.2 million as of September 30, 2016. The Company measures the fair value of these investments using a market approach where it uses the last transaction price adjusting for market comparable changes.

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

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

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

	Three months ended September 30, 2016	Nine months ended September 30, 2015
	(\$ in thousands)	
Foreign currency gains (losses) on reverse repurchase agreements	\$ 65	\$ (2,227 )
Foreign currency gains (losses) on repurchase agreements	\$ (377 )	\$ (41 )

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

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

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

September 30, 2016	Overnight and continuing	30 - 90 days	Greater than 90 days	Total
	(\$ in thousands)			
Securities sold under an agreement to repurchase				
Non-U.S. sovereign debt	\$—	\$ —\$123,286	\$	—\$123,286
Securities lending transactions				
U.S. Treasury and agency securities	\$1,007	\$ —	\$	—\$1,007

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

6. Due from/to brokers

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

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

	September 30, 2016	December 31, 2015
(\$ in thousands)		
Due from brokers		
Cash held at brokers (1)	\$212,317	\$ 249,871
Receivable from unsettled trades	71,853	77,100
	\$284,170	\$ 326,971
Due to brokers		
Borrowing from prime brokers	\$813,668	\$ 572,688
Payable from unsettled trades	81,188	2,274
	\$894,856	\$ 574,962

(1) As of September 30, 2016, the Company's cash held at brokers includes a total non-U.S. currency receivable balance of \$1.5 million (December 31, 2015 - receivable of \$9.8 million).

The Company uses prime brokerage borrowing arrangements to provide collateral for its letter of credit facilities and to fund trust accounts securing certain reinsurance contracts. As of September 30, 2016, the Company had \$699.2 million (December 31, 2015 - \$623.0 million) of restricted cash and investments securing letter of credit facilities and certain reinsurance contracts. Margin debt at the brokers primarily relates to borrowings to fund collateral arrangements and investment activities. Amounts are borrowed through committed facilities with terms of up to 90 days, secured by assets of the Company held by the prime broker, and incur interest based on the Company's negotiated rates. This interest expense is reflected in net investment income (loss) in the condensed consolidated statements of income (loss).

## 7. Derivatives

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

As of September 30, 2016			
	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Assets by Primary Underlying Risk			
Commodity Price			
Commodity Future Options - Purchased	USD	\$1,573	\$18,480
Credit			
Credit Default Swaps - Protection Purchased	USD	12,672	83,165
Equity Price			
Contracts for Differences - Long Contracts	EUR/GBP	513	45,099
Contracts for Differences - Short Contracts	CHF/EUR/GBP	2,142	16,790
Total Return Swaps - Long Contracts	JPY/USD	2,331	50,710
Interest Rates			
Interest Rate Swaptions	JPY/USD	1,702	1,076,528
Treasury Futures - Short Contracts	USD	1,217	106,948
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	CNH/EUR/GBP	125	45,453
Foreign Currency Options - Purchased	SAR	290	124,405
Total Derivative Assets		\$22,565	\$1,567,578
Derivative Liabilities by Primary Underlying Risk			
Commodity Price			
Commodity Future Options - Purchased	USD	\$763	\$33,600
Credit			
Credit Default Swaps - Protection Purchased	USD	2,852	41,743
Credit Default Swaps - Protection Sold	USD	1,978	3,917
Equity Price			
Contracts for Differences - Long Contracts	EUR/ GBP/USD	582	18,136
Contracts for Differences - Short Contracts	CHF/EUR/SEK/USD	1,556	44,251
Total Return Swaps - Long Contracts	USD	1,374	17,538
Total Return Swaps - Short Contracts	JPY	852	18,229
Interest Rates			
Interest Rate Swaptions	JPY/USD	357	1,075,183
Treasury Futures - Short Contracts	USD	26	33,699
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	CAD/CNH/EUR/JPY/MXN/SAR	1,132	196,593
Total Derivative Liabilities (free standing)		\$11,472	\$1,482,889
Embedded derivative liabilities in reinsurance contracts (3)	USD	\$6,296	\$20,000
Total Derivative Liabilities (embedded)		\$6,296	\$20,000

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

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

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

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

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

Embedded derivative liabilities in reinsurance contracts (3)	USD	\$5,563	\$20,000
Total Derivative Liabilities (embedded)		\$5,563	\$20,000

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

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

(3)

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

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

	Three months ended			
	September 30, 2016		September 30, 2015	
Free standing Derivatives - Primary Underlying Risk	Realized Gain (Loss)	Unrealized Gain (Loss)*	Realized Gain (Loss)	Unrealized Gain (Loss)*
	(\$ in thousands)			
Credit				
Commodity Future Options - Purchased	\$(475 )	\$(1,310 )	\$—	\$—
Credit				
Credit Default Swaps - Protection Purchased	(887 )	(433 )	1,232	3,026
Credit Default Swaps - Protection Sold	38	(7 )	322	(556 )
Equity Price				
Contracts for Differences - Long Contracts	1,666	791	512	(12,058 )
Contracts for Differences - Short Contracts	(3,767 )	(2,166 )	14,087	2,505
Total Return Swaps - Long Contracts	2,172	3,174	3,477	3,451
Total Return Swaps - Short Contracts	(4,392 )	831	(108 )	869
Interest Rates				
Bond Futures - Short Contracts	—	—	(1,702 )	232
Commodity Futures - Short Contracts	870	—	—	—
Interest Rate Swaps	—	—	119	(530 )
Interest Rate Swaptions	(244 )	216	265	(978 )
Total Return Swaps - Long Contracts	268	(261 )	—	—
Total Return Swaps - Short Contracts	(100 )	65	—	—
Treasury Futures - Short Contracts	14	1,191	(2,746 )	(600 )
Foreign Currency Exchange Rates				
Foreign Currency Forward	(4,110 )	2,838	2,656	(1,134 )
Foreign Currency Options - Purchased	—	(384 )	307	1,373
Foreign Currency Options - Sold	—	(1 )	—	—
	\$(8,947)	\$4,544	\$18,421	\$(4,400 )
Embedded Derivatives				
Embedded derivatives in reinsurance contracts	\$—	\$39	\$—	\$366
Embedded derivatives in deposit contracts	—	—	—	1,730
Total Derivative Liabilities (embedded)	\$—	\$39	\$—	\$2,096

	Nine months ended			
	2016		2015	
Free standing Derivatives - Primary Underlying Risk	Realized Gain (Loss)	Unrealized Gain (Loss)*	Realized Gain (Loss)	Unrealized Gain (Loss)*
	(\$ in thousands)			
Commodity Price				
Commodity Future Options - Purchased	\$106	\$490	\$(286)	\$285
Commodity Future Options - Sold	—	—	272	(269)
Credit				
Credit Default Swaps - Protection Purchased	5,520	(5,420)	617	3,431
Credit Default Swaps - Protection Sold	(4,129)	4,245	2,017	(1,916)
Equity Price				
Contracts for Differences - Long Contracts	(756)	412	(335)	(7,602)
Contracts for Differences - Short Contracts	803	(1,888)	12,150	3,925
Total Return Swaps - Long Contracts	(2,654)	3,974	2,859	(2,857)
Total Return Swaps - Short Contracts	(3,701)	(931)	(159)	31
Index				
Index Futures - Long Contracts	—	—	1,144	—
Interest Rates				
Bond Futures - Short Contracts	—	—	(1,702)	(457)
Commodities Futures - Short Contracts	(281)	(52)	(201)	143
Fixed Income Swap - Short Contracts	(94)	—	—	—
Interest Rate Swaps	—	—	119	—
Interest Rate Swaptions	(356)	171	(286)	(419)
Treasury Futures - Short Contracts	14	1,191	(2,685)	(165)
Foreign Currency Exchange Rates				
Foreign Currency Forward	(13,014)	(1,913)	20,071	(3,984)
Foreign Currency Options - Purchased	(2,040)	(2,001)	1,255	(1,936)
Foreign Currency Options - Sold	617	(183)	992	132
Reinsurance contract derivatives	—	—	30	—
	\$(19,965)	\$(1,905)	\$35,872	\$(11,658)
Embedded Derivatives				
Embedded derivatives in reinsurance contracts	\$—	\$128	\$(5)	\$211
Embedded derivatives in deposit contracts	—	—	—	2,160
Total Derivative Liabilities (embedded)	\$—	\$128	\$(5)	\$2,371

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

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

The Company obtains/provides collateral from/to various counterparties for OTC derivative contracts in accordance with bilateral collateral agreements. As of September 30, 2016, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$4.6 million (December 31, 2015 - \$1.8 million) for which the Company posted collateral in the form of cash of \$71.6 million (December 31, 2015 - \$62.6 million) of collateral in the normal course of business. Similarly, the Company held collateral (approximately \$3.9 million) in cash from certain counterparties as of September 30, 2016. If the credit-risk-related contingent

features underlying these instruments had been triggered as of September 30, 2016 and the Company had to settle these

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instruments immediately, no additional amounts would be required to be posted that would exceed the settlement amounts of open derivative contracts or in the case of cross margining relationships, the assets in the Company's prime brokerage accounts are sufficient to offset the derivative liabilities.

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

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

September 30, 2016 Derivative Contracts	Gross Amounts not Offset in the Condensed Consolidated Balance Sheet			
	Gross Amounts of Assets Presented in the Condensed Consolidated Balance Sheet (1)		Cash Collateral Received	Net Amount
	Financial Instruments	Financial Instruments		
Financial assets, derivative assets and collateral received	(\$ in thousands)			
Counterparty 1	\$ 326	\$ 326	\$ —	\$ —
Counterparty 2	937	629	—	308
Counterparty 3	6,194	4,259	—	1,935
Counterparty 4	2,022	2,022	—	—
Counterparty 5	5,396	2,250	—	3,146
Counterparty 6	7,091	1,986	3,861	1,244
Counterparty 8	1,777	600	—	1,177
Counterparty 9	828	828	—	—
	\$ 24,571	\$ 12,900	\$ 3,861	\$ 7,810

September 30, 2016 Derivative Contracts	Gross Amounts not Offset in the Condensed Consolidated Balance Sheet			
	Gross Amounts of Liabilities Presented in the Condensed Consolidated Balance Sheet (2)		Cash Collateral Pledged	Net Amount
	Financial	Instruments		
Financial liabilities, derivative liabilities and collateral pledged	(\$ in thousands)			
Counterparty 1	\$3,292	\$ 326	\$ 2,966	\$ —
Counterparty 2	629	629	—	—
Counterparty 3	4,259	4,259	—	—
Counterparty 4	3,218	2,022	1,196	—
Counterparty 5	2,250	2,250	—	—
Counterparty 6	1,986	1,986	—	—
Counterparty 8	600	600	—	—
Counterparty 9	1,259	828	431	—
	\$17,493	\$ 12,900	\$ 4,593	\$ —
Securities sold under an agreement to repurchase and securities lending transactions				
Counterparty 3	\$986	\$ 986	\$ —	\$ —
Counterparty 4	24,032	24,032	—	—
Counterparty 6	31,848	31,848	—	—
	\$56,866	\$ 56,866	\$ —	\$ —

The Gross Amounts of Assets Presented in the Condensed Consolidated Balance Sheets presented above includes (1) the fair value of Derivative Contract assets as well as gross OTC option contract assets of \$2.0 million included in Other Investments in the Condensed Consolidated Balance Sheets.

The Gross Amounts of Liabilities Presented in the Condensed Consolidated Balance Sheets presented above (2) 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, 2015 Derivative Contracts	Gross Amounts not Offset in the Condensed Consolidated Balance Sheet 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	\$2,171	\$ 2,171	\$ —	\$—
Counterparty 2	4,959	1,243	—	3,716
Counterparty 3	6,347	2,335	—	4,012
Counterparty 4	3,679	2,656	—	1,023
Counterparty 5	14,181	4,027	—	10,154
Counterparty 6	7,351	1,657	1,993	3,701
Counterparty 7	882	—	194	688
Counterparty 8	2,669	2,669	—	—
Counterparty 9	2,009	542	—	1,467
	\$44,248	\$ 17,300	\$ 2,187	\$24,761

December 31, 2015 Derivative Contracts	Gross Amounts not Offset in the Condensed Consolidated Balance Sheet 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	\$2,626	\$ 2,171	\$ 455	\$—
Counterparty 2	1,243	1,243	—	—
Counterparty 3	2,335	2,335	—	—
Counterparty 4	2,816	2,656	160	—
Counterparty 5	4,028	4,028	—	—
Counterparty 6	1,657	1,657	—	—
Counterparty 8	3,659	2,669	—	990
Counterparty 9	542	542	—	—
Counterparty 15	153	6	147	—
	\$19,059	\$ 17,307	\$ 762	\$990

Securities sold under an agreement to repurchase and securities lending transactions

Counterparty 3	\$114	\$ —	\$ 112	\$2
Counterparty 4	8,944	8,944	—	—
	\$9,058	\$ 8,944	\$ 112	\$2

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

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

## 8. Loss and loss adjustment expense reserves

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

	September 30, 2016	December 31, 2015
	(\$ in thousands)	
Case loss and loss adjustment expense reserves	\$ 103,884	\$ 87,186
Incurred but not reported loss and loss adjustment expense reserves	459,657	375,690
Deferred gains on retroactive reinsurance contracts	2,141	3,171
	\$ 565,682	\$ 466,047

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

	2016	2015
	(\$ in thousands)	
Gross reserves for loss and loss adjustment expenses, beginning of period	\$ 466,047	\$ 277,362
Less: loss and loss adjustment expenses recoverable, beginning of period	(125 )	(814 )
Net reserves for loss and loss adjustment expenses, beginning of period	465,922	276,548
Increase (decrease) in net loss and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	250,097	324,951
Prior years	24,610	(8,443 )
Amortization of deferred gains on retroactive reinsurance contracts	(885 )	(172 )
Total incurred loss and loss adjustment expenses	273,822	316,336
Net loss and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(58,523 )	(58,315 )
Prior years	(104,161 )	(113,137 )
Total net paid losses	(162,684 )	(171,452 )
Foreign currency translation	(11,379 )	(967 )
Net reserve for loss and loss adjustment expenses, end of period	565,681	420,465
Plus: loss and loss adjustment expenses recoverable, end of period	1	184
Gross reserve for loss and loss adjustment expenses, end of period	\$ 565,682	\$ 420,649

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 \$24.6 million increase in prior years' reserves for the nine months ended September 30, 2016 includes \$15.0 million of net adverse reserve development related to re-estimating loss reserves and \$9.7 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 \$15.0 million of net adverse prior years' reserve development for the nine months ended September 30, 2016 was accompanied by net decreases of \$2.5 million in acquisition costs, resulting in a net increase of

\$12.5 million in net underwriting loss. The net underwriting loss impact of the adverse loss development was primarily due to:

\$4.8 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;

\$3.5 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;

\$3.3 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; and

\$3.1 million of net adverse underwriting loss development relating to non-standard auto contracts, primarily due to the inability of cedents to promptly react to increasing frequency and severity trends, resulting in underpriced business and adverse selection.

The \$9.7 million increase in loss and loss adjustment expenses incurred related to the increase in premium estimates on certain contracts was accompanied by a \$5.1 million increase in acquisition costs, for a total of \$14.8 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 \$14.8 million, resulting in minimal impact in net underwriting loss for the nine months ended September 30, 2016.

In total, the change in net underwriting loss for prior periods due to loss reserve development and adjustments to premium estimates was an increase in net underwriting loss of \$12.5 million for the nine months ended September 30, 2016.

The \$8.4 million decrease in prior years' reserves for the nine months ended September 30, 2015 reflects \$8.8 million of favorable reserve development partially offset by \$0.4 million of additional loss reserves resulting from increases in premium estimates on certain contracts. The prior years' reserve development is explained as follows:

The \$8.8 million of net favorable prior years' reserve development for the nine months ended September 30, 2015 was accompanied by net increases of \$13.3 million in acquisition costs, resulting in a net increase of \$4.5 million in net underwriting loss. The \$4.5 million net increase in net underwriting loss was a result of having favorable loss reserve development on certain contracts that was either fully or partially offset by increases in sliding scale or profit commissions whereas certain other contracts with adverse loss development did not have offsetting decreases in acquisition costs to the same degree resulting in the net favorable development being more than offset by acquisition costs in the current period. The net adverse development was primarily a result of deterioration in attritional loss experience on certain workers' compensation, auto and property contracts that did not result in offsetting changes in acquisition costs.

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

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

Pursuant to the Investment Agreements, TP GP receives a performance fee allocation equal to 20% of the net investment income of the applicable company's share of the investment assets managed by Third Point LLC. The performance fee accrued on net investment income is included in liabilities as a performance fee payable during the period, unless funds are redeemed from the Joint Venture accounts, in which case, the proportionate share of performance fee associated

with the redemption is allocated to non-controlling interests. At the end of each year, the portion of the performance fee payable that has not been included in non-controlling interests through redemptions is then allocated to TP GP's capital account in accordance with the Investment Agreements.

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

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

Management fees are paid monthly, whereas performance fees are paid annually, in arrears.

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

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
	(\$ in thousands)			
Management fees - Third Point LLC	\$1,638	\$ 1,645	\$4,741	\$ 4,753
Management fees - Founders (1)	9,322	9,320	26,905	26,935
Performance fees - Third Point Advisors LLC	21,892	(24,197 )	24,846	862
	\$32,852	\$ (13,232 )	\$56,492	\$ 32,550

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

The negative performance fees for the three months ended September 30, 2015 were due to the net investment loss in the period which resulted in the reversal of performance fees accrued in the first six months of 2015. As of September 30, 2016, \$24.8 million related to performance fees due under the Investment Agreements was included in performance fee payable to related party in the condensed consolidated balance sheets. As of December 31, 2015, \$0.9 million related to performance fees earned by TP GP were included in non-controlling interests.

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

#### 10. Deposit contracts

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

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

	September 30,	December 31,
	2016	2015
	(\$ in thousands)	
Balance, beginning of period	\$83,955	\$ 145,430

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Consideration received	16,325	21,246
Consideration receivable	6,137	—
Net investment expense (income) allocation and change in fair value of embedded derivatives	(507	) 2,207
Payments	(397	) (84,928
Foreign currency translation	(306	) —
Balance, end of period	\$105,207	\$ 83,955

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

## Senior Notes payable

As of September 30, 2016, TPRUSA had outstanding debt obligations consisting of an aggregate principal amount of \$115.0 million of senior unsecured notes (the "Notes") due February 13, 2025. The Notes bear interest at 7.0% and interest is payable semi-annually on February 13 and August 13 of each year. The Notes are fully and unconditionally guaranteed by Third Point Reinsurance Ltd., and, in certain circumstances specified in the indenture governing the Notes, certain existing or future subsidiaries of the Company may be required to guarantee the Notes. As of September 30, 2016, the Company had capitalized \$1.5 million of costs associated with the Notes, which are presented as a direct deduction from the principal amount of the Notes on the condensed consolidated balance sheets. As of September 30, 2016, the Notes had an estimated fair value of \$105.4 million. The fair value measurements were based on observable inputs and therefore would be considered to be Level 2. The Company was in compliance with all of the debt covenants as of September 30, 2016 and December 31, 2015.

## Letters of credit

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

	Facility	Utilized	Collateral
September 30, 2016 (\$ in thousands)			
BNP Paribas	\$50,000	\$17,990	\$17,990
Citibank	300,000	150,227	150,227
J.P. Morgan	50,000	8	8
Lloyds Bank (1)	125,000	27,032	27,032
	\$525,000	\$195,257	\$195,257

(1) In August 2016, the Lloyds Bank facility of \$100.0 million with Third Point Re was terminated and two new facilities were entered into, \$75.0 million with Third Point Re and \$50.0 million with Third Point Re USA.

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

12. Net investment income (loss)

Net investment income (loss) for the three and nine months ended September 30, 2016 and 2015 consisted of the following:

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
Net investment income (loss) by type	(\$ in thousands)			
Net realized gains on investments and investment derivatives	\$20,688	\$ 3,157	\$62,642	\$ 91,759
Net unrealized gains (losses) on investments and investment derivatives	90,709	(216,226 )	89,470	(168,468 )
Net losses on foreign currencies	(1,191 )	(1,705 )	(2,158 )	(1,215 )
Dividend and interest income	15,238	10,380	56,262	28,500
Dividends paid on securities sold, not yet purchased	(324 )	(247 )	(1,284 )	(669 )
Management and performance fees	(32,852 )	13,232	(56,492 )	(32,550 )
Other expenses	(4,508 )	(2,550 )	(14,926 )	(8,037 )
Net investment income (loss) on investments managed by Third Point LLC	87,760	(193,959 )	133,514	(90,680 )
Net gain on investment in Kiskadee Fund	596	801	1,078	984
Net investment income related to Catastrophe Reinsurer and Catastrophe Fund	—	2	—	69
	\$88,356	\$ (193,156 )	\$ 134,592	\$ (89,627 )
	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
Net investment income (loss) by asset class	(\$ in thousands)			
Net investment gains (losses) on equity securities	\$94,100	\$ (211,253 )	\$ 112,690	\$ (132,310 )
Net investment gains (losses) on debt securities	58,912	(17,233 )	143,780	46,665
Net investment losses on other investments	(11,633 )	(1,611 )	(25,197 )	(28,611 )
Net investment gains (losses) on investment derivatives	(4,403 )	14,021	(21,870 )	24,214
Net investment gains (losses) on securities sold, not yet purchased	(10,683 )	13,610	(4,513 )	39,974
Net investment losses on cash, including foreign exchange losses	(3,279 )	(2,295 )	(7,638 )	(916 )
Net investment gains (losses) on securities purchased under an agreement to resell	1,443	27	—	(2,287 )
Net investment losses on securities sold under an agreement to repurchase	(1,813 )	(347 )	(1,937 )	(86 )
Management and performance fees	(32,852 )	13,232	(56,492 )	(32,550 )
Other investment expenses	(1,436 )	(1,307 )	(4,231 )	(3,720 )
	\$88,356	\$ (193,156 )	\$ 134,592	\$ (89,627 )

13. Other expenses

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

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(\$ in thousands)			
Deposit liabilities investment expense (income)	\$(1,838)	\$ 1,187	\$(507 )	\$ 3,170
Reinsurance contracts investment expense	2,224	1,579	6,861	4,882
Change in fair value of embedded derivatives in deposit and reinsurance contracts	(39 )	(2,096 )	(128 )	(2,366 )
	\$347	\$ 670	\$6,226	\$ 5,686

14. Income taxes

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

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

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

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

The Company has recorded uncertain tax positions related to investment transactions in certain foreign jurisdictions. As of September 30, 2016, the Company has accrued \$1.7 million for uncertain tax positions.

For the three and nine months ended September 30, 2016 and 2015, the Company recorded income tax expense, as follows:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(\$ in thousands)			
Income tax expense (benefit) related to U.S. and U.K. subsidiaries	\$1,372	\$(9,206 )	\$1,053	\$(8,512 )
Change in uncertain tax positions	138	35	158	(615 )
Withholding taxes on certain investment transactions	974	1,390	4,654	3,359
	\$2,484	\$(7,781 )	\$5,865	\$(5,768 )

As of September 30, 2016, the Company has recorded \$5.6 million (December 31, 2015 - \$6.6 million) of net (1) deferred tax assets, which are included in other assets in the condensed consolidated balance sheets. As of September 30, 2016 and December 31,

2015, the net deferred tax asset was primarily the result of operating losses in the Company's U.S. subsidiaries. The Company believes that it is more likely than not that the tax benefit will be realized.

#### 15. Share capital

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

Common shares	2016	2015
Balance, beginning of period	105,479,341	104,473,402
Options exercised	388,152	433,279
Restricted shares granted	47,712	110,853
Performance restricted shares granted, net of forfeitures	468,723	461,807
Balance, end of period	106,383,928	105,479,341
Treasury shares	2016	2015
Balance, beginning of period	—	—
Repurchase of common shares	644,768	—
Balance, end of period	644,768	—

#### Authorized and issued

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

#### Share repurchases

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

During the three months ended September 30, 2016, the Company did not repurchase any of its common shares.

During the nine months ended September 30, 2016, the Company repurchased 644,768 of its common shares in the open market for an aggregate cost of \$7.4 million at a weighted average cost, including commissions, of \$11.46 per share. Common shares repurchased by the Company were not canceled and are classified as treasury shares.

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

#### 16. Share-based compensation

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

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

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(\$ in thousands)			
Management and director options	\$1,660	\$ 1,555	\$4,769	\$ 4,709
Restricted shares with service condition	387	386	979	1,566
Restricted shares with service and performance condition	(153 )	866	848	2,330
	\$1,894	\$ 2,807	\$6,596	\$ 8,605

As of September 30, 2016, the Company had \$7.0 million (December 31, 2015 - \$13.1 million) of unamortized share compensation expense, which is expected to be amortized over a weighted average period of 1.4 years (December 31, 2015 - 1.3 years).

Management and director options

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

	Number of options	Weighted average exercise price
Balances as of January 1, 2015	10,990,841	\$ 13.41
Forfeited	(306,976 )	14.36
Exercised	(433,279 )	10.00
Balances as of December 31, 2015	10,250,586	13.52
Forfeited	(139,534 )	18.00
Exercised	(388,152 )	10.00
Balances as of September 30, 2016	9,722,900	\$ 13.60

As of September 30, 2016, the weighted average remaining contractual term for options outstanding was 5.0 years (December 31, 2015 - 6.0 years).

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

Range of exercise prices	Options outstanding			Options exercisable	
	Number of options	Weighted average exercise price	Remaining contractual life	Number of options	Weighted average exercise price
\$10.00 - \$10.89	5,400,241	\$ 10.03	5.1 years	4,339,775	\$ 10.03
\$15.05 - \$16.89	2,196,214	15.94	5.0 years	1,717,145	15.98
\$20.00 - \$25.05	2,126,445	20.23	4.9 years	1,689,238	20.12
	9,722,900	\$ 13.60	5.0 years	7,746,158	\$ 13.55

Restricted shares with service condition

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

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

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

Restricted shares with service and performance condition

Restricted share award activity for the restricted shares with a service and performance condition for the nine months ended September 30, 2016 and year ended December 31, 2015 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, 2015	459,746	306,496	\$ 14.60
Granted	514,276	342,846	14.00
Forfeited	(52,469 )	(34,980 )	14.29
Change in estimated restricted shares considered probable of vesting	n/a	(78,128 )	14.60
Balance as of December 31, 2015	921,553	536,234	14.24
Granted	653,958	435,971	11.40
Forfeited	(185,235 )	(77,962 )	13.16
Change in estimated restricted shares considered probable of vesting	n/a	(305,621)	(12.46 )
Balance as of September 30, 2016	1,390,276	588,622	\$ 12.93

17. Non-controlling interests

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

	September 30, 2016	December 31, 2015
Joint Ventures - Third Point Advisors LLC shares	\$18,630	\$ 16,157

(\$ in thousands)

\$18,630 \$ 16,157

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

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(\$ in thousands)			
Catastrophe Fund	\$—	\$ (139 )	\$—	\$ (123 )
Catastrophe Fund Manager	—	—	—	(33 )
Joint Ventures - Third Point Advisors LLC shares	967	(1,582 )	1,473	(507 )
	\$967	\$ (1,721 )	\$1,473	\$ (663 )

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

For the nine months ended September 30, 2016, a net contribution of \$1.0 million (2015 - \$24.1 million) was made by TP GP.

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

a) TP Lux Holdco LP

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

LuxCo's principal objective is to act as a collective investment vehicle to purchase Euro debt and equity investments. The Company invests in the Cayman HoldCo alongside other investment funds managed by the Investment Manager. As of September 30, 2016, Third Point Re held a 13.8% (December 31, 2015 - 10.8%) interest in the Cayman Holdco. The Company accounts for its investment in the limited partnership under the variable interest model, in which the Company is not the primary beneficiary, at fair value in the condensed consolidated balance sheets. The Company has elected the fair value option for this investment and records changes in fair value in the condensed consolidated statements of income (loss).

As of September 30, 2016, the estimated fair value of the investment in the limited partnership was \$0.9 million (December 31, 2015 - \$2.4 million). The Cayman HoldCo made net distributions of \$2.0 million to the Company during the period ended September 30, 2016 due to the disposition of underlying investments. The valuation policy with respect to this investment in a limited partnership is further described in Note 4. The Company's maximum exposure to loss as a result of its involvement with this investment is limited to the carrying value of the investment.

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

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

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

As of September 30, 2016, the estimated fair value of Third Point Re's investment in the Hellenic Fund was \$5.7 million (December 31, 2015 - \$5.4 million), representing a 3.0% interest (December 31, 2015 - 3.0%). Third Point Re accounts for its investment in the limited partnership under the variable interest model, in which Third Point Re is not the primary beneficiary, at fair value in the condensed consolidated balance sheets. The Company has elected the fair value option for this investment and records the change in the fair value in the condensed consolidated statements of income (loss).

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

#### 18. Earnings (loss) per share

The following sets forth the computation of basic and diluted earnings (loss) per common share for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
(\$ in thousands, except share and per share amounts)				
Weighted-average number of common shares outstanding:				
Basic number of common shares outstanding, net of treasury shares	103,780,196	104,117,448	104,055,946	103,931,871
Dilutive effect of options	940,627	—	570,580	—
Dilutive effect of warrants	912,286	—	682,594	—
Dilutive effect of restricted shares with service and performance condition	162,204	—	281,548	—
Diluted number of common shares outstanding	105,795,313	104,117,448	105,590,668	103,931,871
Basic earnings (loss) per common share:				
Net income (loss)	\$72,081	\$(195,715)	\$74,328	\$(129,583)
Income allocated to participating shares	(241)	—	(233)	—
Net income (loss) available to common shareholders	\$71,840	\$(195,715)	\$74,095	\$(129,583)
Basic earnings (loss) per common share	\$0.69	\$(1.88)	\$0.71	\$(1.25)
Diluted earnings (loss) per common share:				
Net income (loss)	\$72,081	\$(195,715)	\$74,328	\$(129,583)
Income allocated to participating shares	(237)	—	(229)	—
Net income (loss) available to common shareholders	\$71,844	\$(195,715)	\$74,099	\$(129,583)
Diluted earnings (loss) per common share	\$0.68	\$(1.88)	\$0.70	\$(1.25)

For the three months ended September 30, 2016, anti-dilutive options of 4,322,659 were excluded from the computation of diluted earnings per share. For the three months ended September 30, 2015, anti-dilutive options and restricted shares with service and performance condition of 4,811,305 were excluded from the computation of diluted loss per share.

For the nine months ended September 30, 2016, anti-dilutive options of 4,384,788 were excluded from the computation of diluted earnings per share. For the nine months ended September 30, 2015, anti-dilutive options and restricted shares with service and performance condition of 4,109,979 were excluded from the computation of diluted loss per share.

As a result of the net loss for the three and nine months ended September 30, 2015, all outstanding options and warrants totaling 10,539,427 and 10,744,049, respectively, are considered anti-dilutive and excluded from the computation of diluted loss per common share. No allocation of the net loss has been made to participating shares in the calculation of diluted net loss per common share.



#### 19. Related party transaction

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

Third Point Loan L.L.C. (“Loan LLC”) and Third Point Ventures LLC (“Ventures LLC” and, together with Loan LLC, “Nominees”) serve as nominees of the Company and other affiliated investment management clients of the Investment Manager for certain investments. The Nominees have appointed the Investment Manager as its true and lawful agent and attorney. As of September 30, 2016, Loan LLC held \$103.3 million (December 31, 2015 - \$65.0 million) and Ventures LLC held \$16.9 million (December 31, 2015 - \$nil) of the Company’s investments, which are included in investments in securities and derivative contracts in the condensed consolidated balance sheets. The Company’s pro rata interest in the underlying investments registered in the name of the Nominees and the related income and expense are reflected in the condensed consolidated balance sheets and the condensed consolidated statements of income (loss).

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

##### Off-balance sheet risk

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

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

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

In the normal course of trading activities in its investment portfolio, the Company trades and holds certain derivative contracts, such as written options, which constitute guarantees. The maximum payout for written put options is limited to the number of contracts written and the related strike prices and the maximum payout for written call options is dependent upon the market price of the underlying security at the date of a payout event. As of September 30, 2016, the investment portfolio had a maximum payout amount of approximately \$537.7 million (December 31, 2015 - \$42.2 million) relating to written put option contracts with expiration ranging from one month to four 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 September 30, 2016 was \$6.7 million (December 31, 2015 - \$2.6 million) and is included in securities sold, not yet purchased in the condensed consolidated balance sheets.





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	Expiring		Default			
	Through		Swaps			
	2046		(1)			
	(\$ in thousands)					
Single name (0 - 250)	\$—	\$ 2,878	\$ 2,878	\$-1,480	\$ (1,480	)
Single name (251-500)	3,558	—	3,558	—574	(574	)
	\$3,558	\$ 2,878	\$ 6,436	\$-2,054	\$ (2,054	)

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- (1) As of September 30, 2016 and December 31, 2015, the Company did not hold any offsetting buy protection credit derivatives with the same underlying reference obligation.
- (2) Fair value amounts of derivative contracts are shown on a gross basis prior to cash collateral or counterparty netting.

Concentrations of credit risk

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

The Company's maximum exposure to credit risk associated with counterparty nonperformance on derivative contracts is limited to the net unrealized gains by counterparties inherent in such contracts which are recognized in the condensed consolidated balance sheets. As of September 30, 2016, the Company's maximum counterparty credit risk exposure was \$24.6 million (December 31, 2015 - \$24.8 million).

21. Commitments and Contingencies

Agreements

NetJets

In September 2016, the Company traded in its existing aircraft and acquired from NetJets Sales Inc. ("NetJets") an undivided 31.25% interest in a new aircraft for a five year period. The agreement with NetJets provides for monthly management fees, occupied hourly fees and other fees.

Future minimum management fee commitments as of September 30, 2016 under the existing agreement is expected to be as follows:

	(\$ in thousands)
2017	\$ 709
2018	736
2019	763
2020	792
2021	548
	\$ 3,548

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 September 30, 2016, the Company had one unfunded capital commitment of \$3.5 million related to its investment in the Hellenic Fund (see Note 17 for additional information).

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

legal fees and other costs. Any expenses related to this indemnification are reflected in net investment income (loss) in the condensed consolidated statements of income (loss).

#### Financing

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

#### Litigation

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

#### 22. Segment reporting

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

The following is a summary of the Company's operating segment results for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30, 2016			
	Property and Casualty Reinsurance	Catastrophe Risk Management	Corporate	Total
	(\$ in thousands)			
Revenues				
Gross premiums written	\$ 142,573	\$ —	—\$ —	\$ 142,573
Gross premiums ceded	(927 )	—	—	(927 )
Net premiums written	141,646	—	—	141,646
Change in net unearned premium reserves	(13,463 )	—	—	(13,463 )
Net premiums earned	128,183	—	—	128,183
Expenses				
Loss and loss adjustment expenses incurred, net	85,015	—	—	85,015
Acquisition costs, net	45,127	—	—	45,127
General and administrative expenses	6,380	—	5,974	12,354
Total expenses	136,522	—	5,974	142,496
Net underwriting loss	(8,339 )	n/a	n/a	n/a
Net investment income	22,031	—	66,325	88,356
Other expenses	(347 )	—	—	(347 )
Interest expense	—	—	(2,069 )	(2,069 )
Foreign exchange gains	—	—	3,905	3,905
Income tax expense	—	—	(2,484 )	(2,484 )
Segment income (loss) including non-controlling interests	13,345	—	59,703	73,048
Segment income attributable to non-controlling interests	—	—	(967 )	(967 )
Segment income (loss)	\$ 13,345	\$ —	—\$ 58,736	\$ 72,081
Property and Casualty Reinsurance - Underwriting Ratios (1):				
Loss ratio	66.3	%		
Acquisition cost ratio	35.2	%		
Composite ratio	101.5	%		
General and administrative expense ratio	5.0	%		
Combined ratio	106.5	%		

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

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Nine months ended September 30, 2016

	Property and Casualty Reinsurance	Catastrophe Risk Management	Corporate	Total
Revenues				
(\$ in thousands)				
Gross premiums written	\$536,595	\$	—\$—	\$536,595
Gross premiums ceded	(2,352 )	—	—	(2,352 )
Net premiums written	534,243	—	—	534,243
Change in net unearned premium reserves	(136,136 )	—	—	(136,136 )
Net premiums earned	398,107	—	—	398,107
Expenses				
Loss and loss adjustment expenses incurred, net	273,822	—	—	273,822
Acquisition costs, net	145,296	—	—	145,296
General and administrative expenses	19,527	—	14,358	33,885
Total expenses	438,645	—	14,358	453,003
Net underwriting loss	(40,538 )	n/a	n/a	n/a
Net investment income	32,868	—	101,724	134,592
Other expenses	(6,226 )	—	—	(6,226 )
Interest expense	—	—	(6,163 )	(6,163 )
Foreign exchange gains	—	—	14,359	14,359
Income tax expense	—	—	(5,865 )	(5,865 )
Segment income (loss) including non-controlling interests	(13,896 )	—	89,697	75,801
Segment income attributable to non-controlling interests	—	—	(1,473 )	(1,473 )
Segment income (loss)	\$(13,896 )	\$	—\$88,224	\$74,328

Property and Casualty Reinsurance - Underwriting Ratios (1):

Loss ratio	68.8	%
Acquisition cost ratio	36.5	%
Composite ratio	105.3	%
General and administrative expense ratio	4.9	%
Combined ratio	110.2	%

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



Three months ended September 30, 2015

	Property and Casualty Reinsurance	Catastrophe Risk Management	Corporate	Total
(\$ in thousands)				
Revenues				
Gross premiums written	\$205,729	\$ (146 )	\$—	\$205,583
Gross premiums ceded	(375 )	—	—	(375 )
Net premiums written	205,354	(146 )	—	205,208
Change in net unearned premium reserves	3,597	—	—	3,597
Net premiums earned	208,951	(146 )	—	208,805
Expenses				
Loss and loss adjustment expenses incurred, net	158,387	150	—	158,537
Acquisition costs, net	50,527	(18 )	—	50,509
General and administrative expenses	5,872	32	3,918	9,822
Total expenses	214,786	164	3,918	218,868
Net underwriting loss	(5,835 )	n/a	n/a	n/a
Net investment income (loss)	(51,988 )	1	(141,169 )	(193,156 )
Other expenses	(670 )	—	—	(670 )
Interest expense	—	—	(2,074 )	(2,074 )
Foreign exchange gains	—	—	746	746
Income tax benefit	—	—	7,781	7,781
Segment income (loss) including non-controlling interests	(58,493 )	(309 )	(138,634 )	(197,436 )
Segment loss attributable to non-controlling interests	—	140	1,581	1,721
Segment income (loss)	\$(58,493 )	\$ (169 )	\$(137,053 )	\$(195,715)

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

Loss ratio	75.8	%
Acquisition cost ratio	24.2	%
Composite ratio	100.0	%
General and administrative expense ratio	2.8	%
Combined ratio	102.8	%

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

Nine months ended September 30, 2015

	Property and Casualty Reinsurance	Catastrophe Risk Management	Corporate	Total
Revenues				
(\$ in thousands)				
Gross premiums written	\$603,303	\$ (44 )	\$—	\$603,259
Gross premiums ceded	(1,852 )	—	—	(1,852 )
Net premiums written	601,451	(44 )	—	601,407
Change in net unearned premium reserves	(133,001 )	52	—	(132,949 )
Net premiums earned	468,450	8	—	468,458
Expenses				
Loss and loss adjustment expenses incurred, net	316,186	150	—	316,336
Acquisition costs, net	152,665	(1 )	—	152,664
General and administrative expenses	18,681	463	16,653	35,797
Total expenses	487,532	612	16,653	504,797
Net underwriting loss	(19,082 )	n/a	n/a	n/a
Net investment income (loss)	(23,623 )	69	(66,073 )	(89,627 )
Other expenses	(5,686 )	—	—	(5,686 )
Interest expense	—	—	(5,162 )	(5,162 )
Foreign exchange gains	—	—	800	800
Income tax benefit	—	—	5,768	5,768
Segment loss including non-controlling interests	(48,391 )	(535 )	(81,320 )	(130,246 )
Segment loss attributable to non-controlling interests	—	156	507	663
Segment loss	\$(48,391 )	\$ (379 )	\$(80,813 )	\$(129,583)

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

Loss ratio	67.5	%
Acquisition cost ratio	32.6	%
Composite ratio	100.1	%
General and administrative expense ratio	4.0	%
Combined ratio	104.1	%

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

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

	Three months ended		Nine months ended		
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	
Largest contract	42.4 %	44.5 %	20.9 %	15.5 %	
Second largest contract	26.8 %	27.1 %	11.3 %	15.2 %	
Third largest contract	10.1 %	11.3 %	n/a	n/a	
Total for contracts contributing greater than 10% each	79.3 %	82.9 %	32.2 %	30.7 %	
Total for contracts contributing less than 10% each	20.7 %	17.1 %	67.8 %	69.3 %	
	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 nine months ended September 30, 2016 and 2015:

	Three months ended			Nine months ended		
	September 30, 2016	September 30, 2015		September 30, 2016	September 30, 2015	
	(\$ in thousands)					
Property	\$56,632	39.7 %	\$21,863	10.6 %	\$63,714	11.9 %
Casualty	26,640	18.7 %	161,980	78.9 %	187,146	34.9 %
Specialty	59,301	41.6 %	21,886	10.6 %	285,735	53.2 %
Total property and casualty reinsurance	142,573	100.0 %	205,729	100.1 %	536,595	100.0 %
Catastrophe risk management	—	— %	(146 )	(0.1 ) %	—	— %
	\$142,573	100.0 %	\$205,583	100.0 %	\$536,595	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 nine months ended September 30, 2016 and 2015:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(\$ in thousands)			
Prospective	\$142,573	100.0 %	\$114,029	55.5 %
Retroactive (1)	—	— %	91,554	44.5 %
	\$142,573	100.0 %	\$205,583	100.0 %

(1) Includes all retroactive exposure in reinsurance contracts.

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

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

	Three months ended		September 30,		September 30,		September 30,		September 30,	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(\$ in thousands)									
Largest broker	\$95,073	66.7 %	\$91,554	44.5 %	\$186,737	34.8 %	\$173,888	28.8 %		
Second largest broker	27,461	19.3 %	83,588	40.7 %	180,631	33.7 %	128,512	21.3 %		
Third largest broker	n/a	n/a	n/a	n/a	89,756	16.7 %	91,554	15.2 %		
Other	20,039	14.0 %	30,441	14.8 %	79,471	14.8 %	209,305	34.7 %		
	\$142,573	100.0%	\$205,583	100.0%	\$536,595	100.0%	\$603,259	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 nine months ended September 30, 2016 and 2015:

	Three months ended		September 30,		September 30,		September 30,		September 30,	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(\$ in thousands)									
United States	\$123,233	86.4 %	\$52,515	25.5 %	\$290,971	54.2 %	\$242,382	40.2 %		
Bermuda	18,538	13.0 %	60,239	29.3 %	65,078	12.1 %	104,288	17.3 %		
United Kingdom	802	0.6 %	92,829	45.2 %	180,546	33.7 %	256,589	42.5 %		
	\$142,573	100.0%	\$205,583	100.0%	\$536,595	100.0%	\$603,259	100.0%		

### 23. Supplemental guarantor information

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

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

## CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2016

(expressed in thousands of U.S. dollars)

	Third Point Reinsurance Ltd.	TPRUSA	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Equity securities	\$	—\$	—\$ 1,622,938	\$	—\$ 1,622,938
Debt securities	—	—	1,079,132	—	1,079,132
Other investments	—	—	49,664	—	49,664
Total investments in securities	—	—	2,751,734	—	2,751,734
Cash and cash equivalents	1,565	—	19,4		