RENAISSANCERE HOLDINGS LTD
Form 10-Q
November 02, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
Q QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 001-14428
RENAISSANCERE HOLDINGS LTD.
(Exact Name Of Registrant As Specified In Its Charter)

Bermuda	98-014-1974
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

Renaissance House, 12 Crow Lane, Pembroke HM 19 Bermuda
(Address of Principal Executive Offices)
(441) 295-4513
(Registrant’s telephone number)

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 Q No o

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 Q No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, as defined in Rule 12b-2 of the Act. Large accelerated filer Q, Accelerated filer o, Non-accelerated filer o, Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes o No Q

The number of Common Shares, par value US $1.00 per share, outstanding at October 31, 2016 was 41,155,526.

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NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Form 10-Q”) of RenaissanceRe Holdings Ltd. (“RenaissanceRe”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us. In particular, statements using words such as “may”, “should”, “estimate”, “expect”, “anticipate”, “intend”, “believe”, “
“potential”, or words of similar import generally involve forward-looking statements. For example, we may include certain forward-looking statements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” with regard to trends in results, prices, volumes, operations, investment results, margins, combined ratios, fees, reserves, market conditions, risk management and exchange rates. This Form 10-Q also contains forward-looking statements with respect to our business and industry, such as those relating to our strategy and management objectives, market standing and product volumes, competition and new entrants in our industry, industry capital, insured losses from loss events, government initiatives and regulatory matters affecting the reinsurance and insurance industries.

The inclusion of forward-looking statements in this report should not be considered as a representation by us or any other person that our current objectives or plans will be achieved. Numerous factors could cause our actual results to differ materially from those addressed by the forward-looking statements, including the following:

- the frequency and severity of catastrophic and other events we cover;
- the effectiveness of our claims and claim expense reserving process;
- our ability to maintain our financial strength ratings;
- the effect of climate change on our business;
- the effect of emerging claims and coverage issues;
- our reliance on a small and decreasing number of reinsurance brokers and other distribution services for the preponderance of our revenue;
- our exposure to credit loss from counterparties in the normal course of business;
- the effect of continued challenging economic conditions throughout the world;
- continued soft reinsurance underwriting market conditions;
- a contention by the Internal Revenue Service (“IRS”) that Renaissance Reinsurance Ltd. (“Renaissance Reinsurance”), or any of our other Bermuda subsidiaries, is subject to taxation in the United States (“U.S.”);
- the performance of our investment portfolio;
- our ability to successfully implement our business strategies and initiatives;
- our ability to retain our key senior officers and to attract or retain the executives and employees necessary to manage our business;
- our ability to determine the impairments taken on our investments;
- the availability of retrocessional reinsurance on acceptable terms;
- the effect of inflation;
- the adequacy of our ceding companies’ ability to assess the risks they underwrite;
- the effect of operational risks, including system or human failures;
- our ability to effectively manage capital on behalf of investors in joint ventures or other entities we manage;
- foreign currency exchange rate fluctuations;

- uncertainties related to the vote in the United Kingdom (“U.K.”) to leave the European Union (“EU”);
- our ability to raise capital if necessary;
- our ability to comply with covenants in our debt agreements;
- changes to the regulatory systems under which we operate, including challenges to the claim of exemption from insurance regulation of RenaissanceRe and our subsidiaries and increased global regulation of the insurance and reinsurance industry;
- losses we could face from terrorism, political unrest or war;
- our dependence on the ability of our operating subsidiaries to declare and pay dividends;
- the success of any of our strategic investments or acquisitions, including our ability to manage our operations as our product and geographical diversity increases;
- the effect of cybersecurity risks, including technology breaches or failure, on our business;
- aspects of our corporate structure that may discourage third party takeovers and other transactions;
- the cyclical nature of the reinsurance and insurance industries;
- adverse legislative developments that reduce the size of the private markets we serve or impede their future growth;
- other regulatory or legislative changes adversely impacting us;
- the effect on our business of the highly competitive nature of our industry, including the effect of new entrants to, competing products for and consolidation in the (re)insurance industry;
- consolidation of customers or insurance and reinsurance brokers;
- the effect of Organization for Economic Co-operation and Development (the “OECD”) or EU measures to increase our taxes;
- adverse tax developments, including potential changes to the taxation of inter-company or related party transactions, or changes to the tax treatment of investors in RenaissanceRe or our joint ventures or other entities we manage;
- changes in regulatory regimes and/or accounting rules, including the EU directive concerning capital adequacy, risk management and regulatory reporting for insurers; and
- our need to make many estimates and judgments in the preparation of our financial statements.

As a consequence, our future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of us. The factors listed above, which are discussed in more detail in our filings with the U.S. Securities and Exchange Commission (“SEC”), including our Annual Report on Form 10-K (“Form 10-K”) for the year ended December 31, 2015, should not be construed as exhaustive. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to revise or update forward-looking statements to reflect new information, events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Balance Sheets
(in thousands of United States Dollars, except per share amounts)

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Assets		
Fixed maturity investments trading, at fair value – amortized cost $7,014,564 at September 30, 2016 (December 31, 2015 – $6,825,877)	$ 7,088,419	$ 6,765,005
Fixed maturity investments available for sale, at fair value – amortized cost $10,323 at September 30, 2016 (December 31, 2015 – $15,943)	11,721	17,813
Short term investments, at fair value	1,136,660	1,208,401
Equity investments trading, at fair value	345,565	393,877
Other investments, at fair value	511,621	481,621
Investments in other ventures, under equity method	120,569	132,351
Total investments	9,214,555	8,999,068
Cash and cash equivalents	493,330	506,885
Premiums receivable	1,181,331	778,009
Prepaid reinsurance premiums	511,421	230,671
Reinsurance recoverable	240,769	134,526
Accrued investment income	37,245	39,749
Deferred acquisition costs	351,841	199,380
Receivable for investments sold	193,071	220,834
Other assets	181,290	181,011
Goodwill and other intangible assets	254,678	265,154
Total assets	$ 12,659,531	$ 11,555,287
Liabilities, Noncontrolling Interests and Shareholders' Equity		
Liabilities		
Reserve for claims and claim expenses	$ 2,861,099	$ 2,767,045
Unearned premiums	1,434,136	889,102
Debt	951,620	960,495
Reinsurance balances payable	774,660	523,974
Payable for investments purchased	437,826	391,378
Other liabilities	227,847	245,145
Total liabilities	6,687,188	5,777,139
Commitments and Contingencies		
Redeemable noncontrolling interest	1,164,553	1,045,964
Shareholders' Equity		
Preference shares: $1.00 par value – 16,000,000 shares issued and outstanding at September 30, 2016 (December 31, 2015 – 16,000,000)	400,000	400,000
Common shares: $1.00 par value – 41,155,526 shares issued and outstanding at September 30, 2016 (December 31, 2015 – 43,701,064)	41,156	43,701
Additional paid-in capital	213,053	507,674
Accumulated other comprehensive income	2,621	2,108
Retained earnings	4,150,960	3,778,701
Total shareholders' equity attributable to RenaissanceRe	4,807,790	4,732,184
Total liabilities, noncontrolling interests and shareholders' equity	$ 12,659,531	$ 11,555,287

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Operations
For the three and nine months ended September 30, 2016 and 2015
(in thousands of United States Dollars, except per share amounts) (Unaudited)

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenues				
Gross premiums written	$430,224	$ 369,642	$2,051,485	$ 1,675,217
Net premiums written	$284,222	$ 266,820	$1,315,813	$ 1,179,532
Decrease (increase) in unearned premiums	62,299	95,568	(264,284)	(140,556)
Net premiums earned	346,521	362,388	1,051,529	1,038,976
Net investment income	51,423	28,338	134,410	106,649
Net foreign exchange (losses) gains	(5,986)	616	(8,368)	(4,254)
Equity in (losses) earnings of other ventures	(11,630)	5,730	(3,997)	17,185
Other income	2,268	2,306	9,001	5,272
Net realized and unrealized gains (losses) on investments	59,870	(41,138)	191,295	(26,101)
Total revenues	442,466	358,240	1,373,870	1,137,727
Expenses				
Net claims and claim expenses incurred	112,575	100,028	406,930	346,225
Acquisition expenses	80,580	78,126	215,177	183,193
Operational expenses	40,493	54,518	147,801	154,812
Corporate expenses	11,537	7,322	25,514	65,723
Interest expense	10,536	10,542	31,610	25,720
Total expenses	255,721	250,536	827,032	775,673
Income before taxes	186,745	107,704	546,838	362,054
Income tax benefit (expense)	1,316	4,573	(8,040)	54,319
Net income	188,061	112,277	538,798	416,373
Net income attributable to redeemable noncontrolling interests	(35,641)	(31,153)	(110,867)	(82,982)
Net income attributable to RenaissanceRe	152,420	81,124	427,931	333,391
Dividends on preference shares	(5,595)	(5,595)	(16,786)	(16,786)
Net income available to RenaissanceRe common shareholders	$146,825	$ 75,529	$411,145	$ 316,605
Net income available to RenaissanceRe common shareholders per common share – basic	$3.58	$ 1.68	$9.77	$ 7.25
Net income available to RenaissanceRe common shareholders per common share – diluted	$3.56	$ 1.66	$9.71	$ 7.19
Dividends per common share	$0.31	$ 0.30	$0.93	$ 0.90

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three and nine months ended September 30, 2016 and 2015
(in thousands of United States Dollars) (Unaudited)

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Comprehensive income				
Net income	$188,061	$ 112,277	$538,798	$ 416,373
Change in net unrealized gains on investments	284	(733)	513	(1,156)
Comprehensive income	188,345	111,544	539,311	415,217
Net income attributable to redeemable noncontrolling interests	(35,641)	(31,153)	(110,867)	(82,982)
Comprehensive income attributable to redeemable noncontrolling interests	(35,641)	(31,153)	(110,867)	(82,982)
Comprehensive income attributable to RenaissanceRe	$152,704	$ 80,391	$428,444	$ 332,235
Disclosure regarding net unrealized gains				
Total net realized and unrealized holding gains (losses) on investments	$284	$ (733)	$513	$ (818)
Net realized gains on fixed maturity investments available for sale	—	—	—	(338)
Change in net unrealized gains on investments	$284	$ (733)	$513	$ (1,156)

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2016 and 2015
(in thousands of United States Dollars) (Unaudited)

	Nine months ended	
	September 30, 2016	September 30, 2015
Preference shares		
Balance – January 1	$400,000	$400,000
Balance – September 30	400,000	400,000
Common shares		
Balance – January 1	43,701	38,442
Issuance of shares	—	7,435
Repurchase of shares	(2,741)	(2,026)
Exercise of options and issuance of restricted stock awards	196	270
Balance – September 30	41,156	44,121
Additional paid-in capital		
Balance – January 1	507,674	—
Issuance of shares	—	754,384
Repurchase of shares	(306,693)	(209,462)
Change in redeemable noncontrolling interests	(1,040)	(403)
Exercise of options and issuance of restricted stock awards	13,112	7,164
Balance – September 30	213,053	551,683
Accumulated other comprehensive income		
Balance – January 1	2,108	3,416
Change in net unrealized gains on investments	513	(1,156)
Balance – September 30	2,621	2,260
Retained earnings		
Balance – January 1	3,778,701	3,423,857
Net income	538,798	416,373
Net income attributable to redeemable noncontrolling interests	(110,867)	(82,982)
Dividends on common shares	(38,886)	(40,883)
Dividends on preference shares	(16,786)	(16,786)
Balance – September 30	4,150,960	3,699,579
Total shareholders' equity	$4,807,790	$4,697,643

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2016 and 2015
(in thousands of United States Dollars) (Unaudited)

	Nine months ended	
	September 30, 2016	September 30, 2015
Cash flows provided by operating activities		
Net income	$538,798	$ 416,373
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization, accretion and depreciation	18,343	3,837
Equity in undistributed losses (earnings) of other ventures	10,173	(11,303)
Net realized and unrealized (gains) losses on investments	(191,295)	26,101
Net unrealized losses included in net investment income	17,608	10,690
Net unrealized losses included in other income	—	426
Change in:		
Premiums receivable	(403,322)	(191,470)
Prepaid reinsurance premiums	(280,750)	(156,184)
Reinsurance recoverable	(106,243)	(70,994)
Deferred acquisition costs	(152,461)	(103,460)
Reserve for claims and claim expenses	94,054	(14,293)
Unearned premiums	545,034	296,950
Reinsurance balances payable	250,686	74,124
Other	29,378	(118,650)
Net cash provided by operating activities	370,003	162,147
Cash flows provided by (used in) investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	6,509,019	6,956,729
Purchases of fixed maturity investments trading	(6,744,838)	(7,194,793)
Proceeds from sales and maturities of fixed maturity investments available for sale	5,931	6,741
Net sales (purchases) of equity investments trading	183,112	(153,452)
Net sales of short term investments	128,869	896,027
Net (purchases) sales of other investments	(56,765)	7,033
Net purchases of investments in other ventures	—	(45)
Net sales of other assets	400	4,500
Net purchase of Platinum	—	(678,152)
Net cash provided by (used in) investing activities	25,728	(155,412)
Cash flows (used in) provided by financing activities		
Dividends paid – RenaissanceRe common shares	(38,886)	(40,883)
Dividends paid – preference shares	(16,786)	(16,786)
RenaissanceRe common share repurchases	(309,434)	(197,350)
Issuance of debt, net of expenses	—	445,589
Net third party redeemable noncontrolling interest share transactions	(45,496)	(187,339)
Net cash (used in) provided by financing activities	(410,602)	3,231
Effect of exchange rate changes on foreign currency cash	1,316	(11,004)
Net decrease in cash and cash equivalents	(13,555)	(1,038)
Cash and cash equivalents, beginning of period	506,885	525,584
Cash and cash equivalents, end of period	$493,330	$ 524,546

See accompanying notes to the consolidated financial statements

RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016
(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except shares, per share amounts and percentages) (Unaudited)

NOTE 1. ORGANIZATION

This report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K ("Form 10-K") for the fiscal year ended December 31, 2015.

RenaissanceRe was formed under the laws of Bermuda on June 7, 1993. Together with its wholly owned and majority-owned subsidiaries and DaVinciRe (as defined below), which are collectively referred to herein as the "Company", RenaissanceRe provides reinsurance and insurance coverages and related services to a broad range of customers.

- On March 2, 2015, RenaissanceRe completed its acquisition of Platinum Underwriters Holdings, Ltd. ("Platinum"). As a result of the acquisition, Platinum and its subsidiaries became wholly owned subsidiaries of RenaissanceRe, including Renaissance Reinsurance U.S. Inc., formerly known as Platinum Underwriters Reinsurance, Inc. ("Renaissance Reinsurance U.S."). The Company accounted for the acquisition of Platinum under the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic Business Combinations and the Company's consolidated results of operations include those of Platinum from March 2, 2015.
- Renaissance Reinsurance, a Bermuda-domiciled reinsurance company, is the Company's principal reinsurance subsidiary and provides property catastrophe and specialty reinsurance coverages to insurers and reinsurers on a worldwide basis. Effective October 1, 2016, each of Renaissance Reinsurance Specialty Risks Ltd. and Platinum Underwriters Bermuda, Ltd. merged into Renaissance Reinsurance, with Renaissance Reinsurance being the sole surviving entity.
- Renaissance Reinsurance U.S. is a reinsurance company domiciled in the state of Maryland that provides property and casualty reinsurance coverages to insurers and reinsurers, primarily in the Americas.
- RenaissanceRe Underwriting Managers U.S. LLC, a specialty reinsurance agency domiciled in the state of Connecticut, provides specialty treaty reinsurance solutions on both a quota share and excess of loss basis; and writes business on behalf of RenaissanceRe Specialty U.S. Ltd. ("RenaissanceRe Specialty U.S."), a Bermuda-domiciled reinsurer, which operates subject to U.S. federal income tax, and RenaissanceRe Syndicate 1458 ("Syndicate 1458").
- Syndicate 1458 is the Company's Lloyd's syndicate. RenaissanceRe Corporate Capital (UK) Limited ("RenaissanceRe CCL"), a wholly owned subsidiary of RenaissanceRe, is Syndicate 1458's sole corporate member and RenaissanceRe Syndicate Management Ltd. ("RSML"), a wholly owned subsidiary of RenaissanceRe, is the managing agent for Syndicate 1458.
- The Company also manages property catastrophe and specialty reinsurance business written on behalf of joint ventures, which principally include Top Layer Reinsurance Ltd. ("Top Layer Re"), recorded under the equity method of accounting, and DaVinci Reinsurance Ltd. ("DaVinci"). Because the Company owns a noncontrolling equity interest in, but controls a majority of the outstanding voting power of DaVinci's parent, DaVinciRe Holdings Ltd. ("DaVinciRe"), the results of DaVinci and DaVinciRe are consolidated in the Company's financial statements and all significant intercompany transactions have been eliminated. Redeemable noncontrolling interest - DaVinciRe represents the interests of external parties with respect to the net income and shareholders' equity of DaVinciRe. Renaissance Underwriting Managers, Ltd. ("RUM"), a wholly owned subsidiary of RenaissanceRe, acts as exclusive underwriting manager for these joint ventures in return for fee-based income and profit participation.
- RenaissanceRe Medici Fund Ltd. ("Medici") is an exempted fund, incorporated under the laws of Bermuda. Medici's objective is to seek to invest substantially all of its assets in various insurance based investment instruments that have returns primarily tied to property catastrophe risk. Third party

investors have subscribed for a portion of the participating, non-voting common shares of Medici. Because the Company owns a noncontrolling equity interest in, but controls a majority of the outstanding voting power of, Medici's parent, RenaissanceRe Fund Holdings Ltd. ("Fund Holdings"), the results of Medici and Fund Holdings are consolidated in the Company's financial statements and all significant inter-company transactions have been eliminated. Redeemable noncontrolling interest - Medici represents the interests of external parties with respect to the net income and shareholders' equity of Medici.

- Effective January 1, 2013, the Company formed and launched a managed joint venture, Upsilon RFO Re Ltd., formerly known as Upsilon Reinsurance II Ltd. ("Upsilon RFO"), a Bermuda domiciled special purpose insurer, to provide additional capacity to the worldwide aggregate and per-occurrence primary and retrocessional property catastrophe excess of loss market. Upsilon RFO is considered a variable interest entity ("VIE") and the Company is considered the primary beneficiary. As a result, Upsilon RFO is consolidated by the Company and all significant inter-company transactions have been eliminated.
- Effective November 13, 2014, the Company incorporated RenaissanceRe Upsilon Fund Ltd. ("Upsilon Fund"), an exempted Bermuda segregated accounts company. Upsilon Fund was formed to provide a fund structure through which third party investors can invest in reinsurance risk managed by the Company. As a segregated accounts company, Upsilon Fund is permitted to establish segregated accounts to invest in and hold identified pools of assets and liabilities. Each pool of assets and liabilities in each segregated account is structured to be ring-fenced from any claims from the creditors of Upsilon Fund's general account and from the creditors of other segregated accounts within Upsilon Fund. Third party investors purchase redeemable, non-voting preference shares linked to specific segregated accounts of Upsilon Fund and own 100% of these shares. Upsilon Fund is an investment company and is considered a VIE. The Company does not have a variable interest in Upsilon Fund and as a result Upsilon Fund is not consolidated by the Company.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting policies as described in its Form 10-K for the year ended December 31, 2015, except as noted below.

BASIS OF PRESENTATION

These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States ("GAAP") for interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, these unaudited 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 from these statements. Certain comparative information has been reclassified to conform to the current presentation. Because of the seasonality of the Company's business, the results of operations and cash flows for any interim period will not necessarily be indicative of the results of operations and cash flows for the full fiscal year or subsequent quarters.

USE OF ESTIMATES IN FINANCIAL STATEMENTS

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (“ASU 2014-12”). The objective of ASU 2014-12 is to resolve the diverse accounting treatment of share-based payment awards in situations where an employee would be eligible to vest in the award regardless of whether the employee is rendering service on the date the performance target is achieved. For example, if an employee is eligible to retire or otherwise terminate employment before the end of the period in which a performance target could be achieved and still be eligible to vest in the award. ASU 2014-12 will resolve if and when the performance target is achieved. ASU 2014-12 became effective for all entities in annual and interim periods beginning after December 15, 2015. Early adoption was permitted. The Company adopted ASU 2014-12 effective January 1, 2016, and prospectively applied the amendments in ASU 2014-12 to all awards granted or modified after the effective date. The adoption of ASU 2014-12 did not have a material impact on the Company’s consolidated statements of operations and financial position.

Amendments to the Consolidation Analysis

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis (“ASU 2015-02”). ASU 2015-02 will affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under ASU 2015-02. ASU 2015-02 set forth amendments: modifying the evaluation of whether limited partnerships and similar legal entities are VIEs; eliminating the presumption that a general partner should consolidate a limited partnership; affecting the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangement and related party relationships; and providing a scope exception from consolidation guidance for reporting entities with interests in certain investment funds. ASU 2015-02 became effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption was permitted. The Company adopted ASU 2015-02 effective January 1, 2016 and it did not have a material impact on the Company’s consolidated statements of operations and financial position. See “Note 7. Variable Interest Entities” for additional information related to the Company’s VIE’s.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). The objective of ASU 2015-03 is to simplify the presentation of debt issuance costs by requiring debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. ASU 2015-03 became effective for public business entities in annual and interim periods beginning after December 15, 2015 with retroactive application. The Company retrospectively adopted ASU 2015-03 effective January 1, 2016 and the impact on the Company’s consolidated balance sheet at December 31, 2015 was to reduce each of other assets and debt by $5.6 million, respectively, which represented the deferred debt issuance costs previously recorded in other assets and reclassified as an offset to debt. In addition, for the nine months ended September 30, 2015, corporate expense was reduced by $0.4 million and interest expense was increased by $0.4 million to reclassify the amortization of deferred debt issuance costs from corporate expense to interest expense. There was no net impact on the Company’s consolidated statements of operations or financial position as a result of the retrospective adoption of ASU 2015-03.

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

In May 2015, the FASB issued ASU No. 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (“ASU 2015-07”). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net

asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. ASU 2015-07 became effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Earlier application was permitted. The Company retrospectively adopted ASU 2015-07 effective January 1, 2016; since this update is disclosure-related only, it did not have a material impact on the Company's statements of operations and financial position.

Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). ASU 2015-16 removes the requirement to retrospectively account for adjustments made to provisional amounts recognized in a business combination. Rather, those adjustments are to be recognized by the acquirer in the reporting period in which the adjustment amounts are determined. A reporting entity is also required to disclose, in the reporting period in which the adjustment amounts are recorded, the effect on earnings of changes in depreciation, amortization, or other income effects, as a result of the change to provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition, the reporting entity would present on the face of the income statement or disclose in the notes the amounts that would have been recorded in previous reporting periods if the adjustment to provisional amounts had been recognized as of the acquisition date. ASU 2015-16 was effective for public business entities in annual and interim periods beginning after December 15, 2015. ASU 2015-16 should be applied prospectively to adjustments for provisional amounts that occur after the effective date, with earlier application permitted for financial statements that have not been issued. The Company adopted ASU 2015-16 effective January 1, 2016 and it did not have a material impact on the Company's consolidated statements of operations and financial position.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also provides guidance on accounting for certain contract costs and will also require new disclosures. ASU 2014-09 is effective for public business entities in annual and interim periods beginning after December 15, 2017. Early adoption is permitted. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

Disclosures about Short-Duration Contracts

In May 2015, the FASB issued ASU No. 2015-09, Disclosures about Short-Duration Contracts ("ASU 2015-09"). ASU 2015-09 requires insurance entities to disclose for annual reporting periods additional information about the liability for unpaid claims and claim adjustment expenses, including: (1) incurred and paid claims development information by accident year, on a net basis, for the number of years for which claims incurred typically remain outstanding, not exceeding 10 years; (2) a reconciliation of incurred and paid claims development information to the aggregate carry amount of the liability for claims and claim adjustment expenses, with separate disclosure of reinsurance recoverable on unpaid claims for each period presented in the statement of financial position; (3) for each accident year presented of incurred claims development information, the total of incurred but not reported liabilities plus expected development on reported claims including in the liability for unpaid claims and claim adjustment expenses, accompanied by a description of the reserving methodologies; (4) for each accident year presented of incurred claims development information, quantitative information about claim frequency accompanied by a qualitative description of methodologies used for determining claim frequency information; and (5) for all claims, the

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average annual percentage payout of incurred claims by age for the same number of accident years presented in (3) and (4) above. ASU 2015-09 also requires insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including the reasons for the change and the effects on the financial statements. In addition, ASU 2015-09 requires insurance entities to disclose for annual and interim reporting periods a rollforward of the liability for unpaid claims and claim adjustment expenses. ASU 2015-09 is effective for public business entities in annual periods beginning after December 31, 2015, and interim periods within annual periods beginning after December 31, 2016. Early adoption is permitted. ASU 2015-09 should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. As this guidance is disclosure-related only, the adoption of this guidance is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

Recognition and Measurement of Financial Assets and Financial Liabilities

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

NOTE 3. INVESTMENTS

Fixed Maturity Investments Trading

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

	September 30, 2016	December 31, 2015
U.S. treasuries	$ 2,564,635	$ 2,064,944
Agencies	120,761	137,976
Municipal	550,062	583,282
Non-U.S. government (Sovereign debt)	313,560	334,981
Non-U.S. government-backed corporate	129,423	138,994
Corporate	1,916,092	2,055,323
Agency mortgage-backed	521,851	504,368
Non-agency mortgage-backed	276,438	262,235
Commercial mortgage-backed	487,621	554,625
Asset-backed	207,976	128,277
Total fixed maturity investments trading	$ 7,088,419	$ 6,765,005

Fixed Maturity Investments Available For Sale

The following table summarizes the amortized cost, fair value and related unrealized gains and losses and non-credit other-than-temporary impairments of fixed maturity investments available for sale:

		Included in Accumulated Other Comprehensive Income			
September 30, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit Other-Than-Temporary Impairments (1)
Agency mortgage-backed	$ 136	$ —	$ —	$136	$ —
Non-agency mortgage-backed	5,683	1,212	—	6,895	474
Commercial mortgage-backed	4,504	186	—	4,690	—
Total fixed maturity investments available for sale	$ 10,323	$ 1,398	$ —	$11,721	$ 474

		Included in Accumulated Other Comprehensive Income			
December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit Other-Than-Temporary Impairments (1)
Agency mortgage-backed	$ 143	$ 7	$ —	$150	$ —
Non-agency mortgage-backed	7,005	1,523	—	8,528	550
Commercial mortgage-backed	6,578	293	—	6,871	—
Asset-backed	2,217	47	—	2,264	—
Total fixed maturity investments available for sale	$ 15,943	$ 1,870	$ —	$17,813	$ 550

(1) Represents the non-credit component of other-than-temporary impairments recognized in accumulated other comprehensive income adjusted for subsequent sales of securities. It does not include the change in fair value subsequent to the impairment measurement date.

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

	Trading		Available for Sale		Total Fixed Maturity Investments	
September 30, 2016	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$280,939	$280,850	$—	$—	$280,939	$280,850
Due after one through five years	4,083,141	4,102,622	—	—	4,083,141	4,102,622
Due after five through ten years	1,014,691	1,044,737	—	—	1,014,691	1,044,737
Due after ten years	159,118	166,324	—	—	159,118	166,324
Mortgage-backed	1,269,868	1,285,910	10,323	11,721	1,280,191	1,297,631
Asset-backed	206,807	207,976	—	—	206,807	207,976

Total	$7,014,564	$7,088,419	$10,323	$11,721	$7,024,887	$7,100,140

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Equity Investments Trading

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

	September 30, 2016	December 31, 2015
Financials	$ 238,572	$ 193,716
Communications and technology	36,421	65,833
Industrial, utilities and energy	28,361	51,168
Consumer	20,846	40,918
Healthcare	17,966	36,148
Basic materials	3,399	6,094
Total	$ 345,565	$ 393,877

Pledged Investments

At September 30, 2016, $2.4 billion of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to the Company's letter of credit facilities (December 31, 2015 - $2.5 billion). Of this amount, $686.0 million is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities (December 31, 2015 - $664.6 million).

Reverse Repurchase Agreements

At September 30, 2016, the Company held $58.2 million (December 31, 2015 - $26.2 million) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of short term investments on the Company's consolidated balance sheets. The required collateral for these loans typically includes high-quality, readily marketable instruments at a minimum amount of 102% of the loan principal. Upon maturity, the Company receives principal and interest income.

Net Investment Income

The components of net investment income are as follows:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Fixed maturity investments	$39,959	$ 37,023	$122,056	$ 96,753
Short term investments	1,174	267	3,401	761
Equity investments	797	1,791	3,325	6,308
Other investments				
Private equity investments	4,572	(14,505)	(430)	1,333
Other	8,765	7,261	17,109	11,443
Cash and cash equivalents	246	80	584	355
	55,513	31,917	146,045	116,953
Investment expenses	(4,090)	(3,579)	(11,635)	(10,304)
Net investment income	$51,423	$ 28,338	$134,410	$ 106,649

Net Realized and Unrealized Gains on Investments

Net realized and unrealized gains on investments are as follows:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Gross realized gains	$20,383	$ 9,160	$60,794	$ 39,364
Gross realized losses	(3,363)	(13,720)	(25,832)	(40,143)
Net realized gains (losses) on fixed maturity investments	17,020	(4,560)	34,962	(779)
Net unrealized (losses) gains on fixed maturity investments trading	(4,235)	10,208	125,501	(11,924)
Net realized and unrealized gains (losses) on investments-related derivatives	1,727	(16,612)	(26,873)	(1,004)
Net realized gains (losses) on equity investments trading	127	(114)	14,038	16,199
Net unrealized gains (losses) on equity investments trading	45,231	(30,060)	43,667	(28,593)
Net realized and unrealized gains (losses) on investments	$59,870	$ (41,138)	$191,295	$ (26,101)

The Company did not have any fixed maturity investments available for sale in an unrealized loss position at September 30, 2016 or December 31, 2015.

NOTE 4. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company’s consolidated financial statements. Fair value is defined under accounting guidance currently applicable to the Company to be the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations, with the exception of changes in unrealized gains and losses on its fixed maturity investments available for sale, which are recognized as a component of accumulated other comprehensive income in shareholders’ equity.

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

- Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access. The fair value is determined by multiplying the quoted price by the quantity held by the Company;
- Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices; and
- Level 3 inputs are based all or in part on significant unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management’s best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

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

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

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

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

At September 30, 2016	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$2,564,635	$2,564,635	$—	$ —
Agencies	120,761	—	120,761	—
Municipal	550,062	—	550,062	—
Non-U.S. government (Sovereign debt)	313,560	—	313,560	—
Non-U.S. government-backed corporate	129,423	—	129,423	—
Corporate	1,916,092	—	1,916,092	—
Agency mortgage-backed	521,987	—	521,987	—
Non-agency mortgage-backed	283,333	—	283,333	—
Commercial mortgage-backed	492,311	—	492,311	—
Asset-backed	207,976	—	207,976	—
Total fixed maturity investments	7,100,140	2,564,635	4,535,505	—
Short term investments	1,136,660	—	1,136,660	—
Equity investments trading	345,565	345,565	—	—
Other investments				
Catastrophe bonds	298,408	—	298,408	—
Private equity partnerships (1)	192,217	—	—	—
Senior secured bank loan fund (1)	19,440	—	—	—
Hedge funds (1)	1,556	—	—	—
Total other investments	511,621	—	298,408	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(12,012)	—	—	(12,012)
Derivatives (3)	4,682	916	3,766	—
Other	(8,173)	—	(8,173)	—
Total other assets and (liabilities)	(15,503)	916	(4,407)	(12,012)
	$9,078,483	$2,911,116	$5,966,166	$ (12,012)

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

(2) Included in assumed and ceded (re)insurance contracts at September 30, 2016 was $5.8 million and $17.8 million of other assets and other liabilities, respectively.

(3) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

At December 31, 2015	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$2,064,944	$2,064,944	$—	$ —
Agencies	137,976	—	137,976	—
Municipal	583,282	—	583,282	—
Non-U.S. government (Sovereign debt)	334,981	—	334,981	—
Non-U.S. government-backed corporate	138,994	—	138,994	—
Corporate	2,055,323	—	2,047,705	7,618
Agency mortgage-backed	504,518	—	504,518	—
Non-agency mortgage-backed	270,763	—	270,763	—
Commercial mortgage-backed	561,496	—	561,496	—
Asset-backed	130,541	—	130,541	—
Total fixed maturity investments	6,782,818	2,064,944	4,710,256	7,618
Short term investments	1,208,401	—	1,208,401	—
Equity investments trading	393,877	393,877	—	—
Other investments				
Catastrophe bonds	241,253	—	241,253	—
Private equity partnerships (1)	214,848	—	—	—
Senior secured bank loan fund (1)	23,231	—	—	—
Hedge funds (1)	2,289	—	—	—
Total other investments	481,621	—	241,253	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(5,899)	—	—	(5,899)
Derivatives (3)	1,486	(1,234)	2,720	—
Other	(12,320)	—	(12,320)	—
Total other assets and (liabilities)	(16,733)	(1,234)	(9,600)	(5,899)
	$8,849,984	$2,457,587	$6,150,310	$ 1,719

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

(2) Included in assumed and ceded (re)insurance contracts at December 31, 2015 was $3.5 million and $9.4 million of other assets and other liabilities, respectively.

(3) See “Note 11. Derivative Instruments” for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

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

Fixed Maturity Investments

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

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

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

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

U.S. treasuries

Level 1 - At September 30, 2016, the Company’s U.S. treasuries fixed maturity investments were primarily priced by pricing services and had a weighted average effective yield of 0.9% and a weighted average credit quality of AA (December 31, 2015 - 1.3% and AA, respectively). When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

Agencies

Level 2 - At September 30, 2016, the Company’s agency fixed maturity investments had a weighted average effective yield of 1.3% and a weighted average credit quality of AA (December 31, 2015 - 1.7% and AA, respectively). The issuers of the Company’s agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

Municipal

Level 2 - At September 30, 2016, the Company’s municipal fixed maturity investments had a weighted average effective yield of 1.7% and a weighted average credit quality of AA (December 31, 2015 - 2.0% and AA, respectively). The Company’s municipal fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information regarding the security from third party sources such as trustees, paying agents or issuers. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread over widely accepted market benchmarks.

Non-U.S. government (Sovereign debt)

Level 2 - At September 30, 2016, the Company’s non-U.S. government fixed maturity investments had a weighted average effective yield of 1.1% and a weighted average credit quality of AAA (December 31, 2015 - 1.4% and AA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Non-U.S. government-backed corporate

Level 2 - At September 30, 2016, the Company's non-U.S. government-backed corporate fixed maturity investments had a weighted average effective yield of 1.0% and a weighted average credit quality of AAA (December 31, 2015 - 1.3% and AA, respectively). Non-U.S. government-backed fixed maturity investments are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Corporate

Level 2 - At September 30, 2016, the Company's corporate fixed maturity investments principally consisted of U.S. and international corporations and had a weighted average effective yield of 3.5% and a weighted average credit quality of BBB (December 31, 2015 - 3.8% and BBB, respectively). The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

Agency mortgage-backed

Level 2 - At September 30, 2016, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average effective yield of 2.1%, a weighted average credit quality of AA and a weighted average life of 5.0 years (December 31, 2015 - 2.7%, AA and 6.1 years, respectively). The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes.

Non-agency mortgage-backed

Level 2 - The Company's non-agency mortgage-backed fixed maturity investments include non-agency prime residential mortgage-backed and non-agency Alt-A fixed maturity investments. The Company has no fixed maturity investments that were classified as sub-prime at the time of purchase held in its fixed maturity investments portfolio. At September 30, 2016, the Company's non-agency prime residential mortgage-backed fixed maturity investments had a weighted average effective yield of 4.2%, a weighted average credit quality of non-investment grade, and a weighted average life of 4.5 years (December 31, 2015 - 3.8%, non-investment grade and 4.3 years, respectively). The Company's non-agency Alt-A fixed maturity investments held at September 30, 2016 had a weighted average effective yield of 5.0%, a weighted average credit quality of non-investment grade and a weighted average life of 5.9 years (December 31, 2015 - 4.7%, non-investment grade and 5.4 years, respectively). Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer

spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

Commercial mortgage-backed

Level 2 - At September 30, 2016, the Company's commercial mortgage-backed fixed maturity investments had a weighted average effective yield of 2.3%, a weighted average credit quality of AAA, and a weighted average life of 3.7 years (December 31, 2015 - 2.9%, AAA and 3.7 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

Asset-backed

Level 2 - At September 30, 2016, the Company's asset-backed fixed maturity investments had a weighted average effective yield of 2.1%, a weighted average credit quality of AAA and a weighted average life of 2.8 years (December 31, 2015 - 2.1%, AAA and 2.5 years, respectively). The underlying collateral for the Company's asset-backed fixed maturity investments primarily consists of student loans, credit card receivables, auto loans and other receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short Term Investments

Level 2 - The fair value of the Company's portfolio of short term investments is generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company's fixed maturity investments noted above. At September 30, 2016, the Company's short term investments had a weighted average effective yield of 0.5% and a weighted average credit quality of AAA (December 31, 2015 - 0.4% and AAA, respectively).

Equity Investments, Classified as Trading

Level 1 - The fair value of the Company's portfolio of equity investments, classified as trading is primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the pricing services utilize daily data from many real time market sources, including applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source was used for each security.

Other investments

Catastrophe bonds

Level 2 - The Company's other investments include investments in catastrophe bonds which are recorded at fair value based on broker or underwriter bid indications.

Other assets and liabilities

Derivatives

Level 1 and Level 2 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value of these transactions includes certain exchange traded foreign currency forward contracts which are considered Level 1, and certain credit derivatives, determined using standard industry valuation models and considered Level 2, as the inputs to the valuation model are based on observable market inputs, including credit spreads, credit ratings of the underlying referenced security, the risk free rate and the contract term.

Other

Level 2 - The liabilities measured at fair value and included in Level 2 at September 30, 2016 of $8.2 million are comprised of cash settled restricted stock units ("CSRSU") that form part of the Company's compensation program. The fair value of the Company's CSRSUs is determined using observable exchange traded prices for the Company's common shares.

Level 3 Assets and Liabilities Measured at Fair Value

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

At September 30, 2016	Fair Value (Level 3)	Valuation Technique	Unobservable (U) and Observable (O) Inputs	Low	High	Weighted Average or Actual
Other assets and (liabilities)						
Assumed and ceded (re)insurance contracts	(677)	Internal valuation model	Bond price (U)	$100.01	$102.95	$101.57
			Liquidity discount (U)	n/a	n/a	1.3 %
Assumed and ceded (re)insurance contracts	(11,335)	Internal valuation model	Net undiscounted cash flows (U)	n/a	n/a	$(11,520)
			Expected loss ratio (U)	n/a	n/a	39.0 %
			Net acquisition expense ratio (O)	n/a	n/a	(21.7)%
			Contract period (O)	0.7 years	4.7 years	4.3 years
			Discount rate (U)	n/a	n/a	1.1 %
Total assumed and ceded (re)insurance contracts	(12,012)					
Total other assets and (liabilities)	(12,012)					
	$(12,012)					

Other assets and liabilities

Assumed and ceded (re)insurance contracts

Level 3 - At September 30, 2016, the Company had a $0.7 million net liability related to an assumed reinsurance contract accounted for at fair value, with the fair value obtained through the use of an internal valuation model. The inputs to the internal valuation model are principally based on indicative pricing obtained from independent brokers and pricing vendors for similarly structured marketable securities. The most significant unobservable inputs include prices for similar marketable securities and a liquidity premium. The Company considers the prices for similar securities to be unobservable, as there is little, if any market activity for these similar assets. In addition, the Company has estimated a liquidity premium that would be required if the Company attempted to effectively exit its position by executing a short sale of these securities. Generally, an increase in the prices for similar marketable securities or a decrease in the liquidity premium would result in an increase in the expected profit and ultimate fair value of this assumed reinsurance contract.

Level 3 - At September 30, 2016, the Company had an $11.3 million net liability related to assumed and ceded (re)insurance contracts accounted for at fair value, with the fair value obtained through the use of an internal valuation model. The inputs to the internal valuation model are principally based on proprietary data as observable market inputs are generally not available. The most significant unobservable inputs include

the assumed and ceded expected net cash flows related to the contracts, including the expected premium, acquisition expenses and losses; the expected loss ratio and the relevant discount rate used to present value the net cash flows. The contract period and acquisition expense ratio are considered observable input as each is defined in the contract. The negative acquisition expense ratio used to determine the fair value of the contracts at September 30, 2016 is the result of override commissions on the contracts being higher than the gross acquisition expenses. Generally, an increase in the net expected cash flows and expected term of the contract and a decrease in the discount rate, expected loss ratio or acquisition expense ratio, would result in an increase in the expected profit and ultimate fair value of these assumed and ceded (re)insurance contracts.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Fixed maturity investments trading	Other assets and (liabilities)	Total
Balance - July 1, 2016	$—	$ (2,680)	$ (2,680)
Total realized gains			
Included in other income	—	795	795
Purchases	—	(10,127)	(10,127)
Settlements	—	—	—
Balance - September 30, 2016	$—	$ (12,012)	$ (12,012)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Fixed maturity investments trading	Other assets and (liabilities)	Total
Balance - January 1, 2016	$ 7,618	$ (5,899)	$ 1,719
Total unrealized losses			
Included in net investment income	(118)	—	(118)
Total realized gains			
Included in other income	—	4,587	4,587
Purchases	—	(10,700)	(10,700)
Settlements	(7,500)	—	(7,500)
Balance - September 30, 2016	$—	$ (12,012)	$ (12,012)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Fixed maturity investments trading	Other assets and (liabilities)	Total
Balance - July 1, 2015	$7,660	$ 75,687	$83,347
Total unrealized (losses) gains			
Included in net investment income	(65)	4	(61)
Included in other income	—	(78)	(78)
Total realized gains			
Included in other income	—	1,827	1,827
Total foreign exchange losses	—	7	7
Purchases	—	(498)	(498)
Settlements	—	—	—
Balance - September 30, 2015	$7,595	$ 76,949	$84,544
Change in unrealized gains for the period included in earnings for assets held at the end of the period included in net investment income	$(65)	$ 4	$(61)
Change in unrealized gains for the period included in earnings for assets held at the end of the period included in other income	$—	$ (78)	$(78)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Fixed maturity investments trading	Other assets and (liabilities)	Total
Balance - January 1, 2015	$15,660	$ (8,934)	$6,726
Total unrealized (losses) gains			
Included in net investment income	(565)	180	(385)
Included in other income	—	(426)	(426)
Total realized gains			
Included in other income	—	4,655	4,655
Total foreign exchange gains	—	7	7
Purchases	—	81,467	81,467
Settlements	(7,500)	—	(7,500)
Balance - September 30, 2015	$7,595	$ 76,949	$84,544
Change in unrealized gains for the period included in earnings for assets held at the end of the period included in net investment income	$(383)	$ 180	$(203)
Change in unrealized gains for the period included in earnings for assets held at the end of the period included in other income	$—	$ (426)	$(426)

Financial Instruments Disclosed, But Not Carried, at Fair Value

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

Debt

Included on the Company's consolidated balance sheet at September 30, 2016 were debt obligations of $951.6 million (December 31, 2015 - $960.5 million). At September 30, 2016, the fair value of the Company's debt obligations was $1.0 billion (December 31, 2015 – $973.3 million).

The fair value of the Company's debt obligations is determined using indicative market pricing obtained from third-party service providers, which the Company considers Level 2 in the fair value hierarchy. There have been no changes during the period in the Company's valuation technique used to determine the fair value of the Company's debt obligations.

The Fair Value Option for Financial Assets and Financial Liabilities

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

	September 30, 2016	December 31, 2015
Other investments	$ 511,621	$ 481,621
Other assets	$ 5,804	$ 3,463
Other liabilities	$ 17,816	$ 9,362

Included in net investment income for the three and nine months ended September 30, 2016 were net unrealized gains of $2.8 million and losses of $17.6 million, respectively, related to the changes in fair value of other investments (2015 – losses of $13.9 million and losses of $10.7 million, respectively). Included in other income for the three and nine months ended September 30, 2016 were net unrealized gains of $Nil and $Nil, respectively related to the changes in the fair value of other assets and liabilities (2015 - losses of $0.1 million and $0.4 million, respectively).

Measuring the Fair Value of Other Investments Using Net Asset Valuations

The table below shows the Company's portfolio of other investments measured using net asset valuations as a practical expedient:

At September 30, 2016	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Minimum Days)	Redemption Notice Period (Maximum Days)
Private equity partnerships	$192,217	$ 233,006	See below	See below	See below
Senior secured bank loan fund	19,440	5,055	See below	See below	See below
Hedge funds	1,556	—	See below	See below	See below
Total other investments measured using net asset valuations	$213,213	$ 238,061			

Private equity partnerships – The Company's investments in private equity partnerships included alternative asset limited partnerships (or similar corporate structures) that invest in certain private equity asset classes, including U.S. and global leveraged buyouts, mezzanine investments, distressed securities, real estate, and oil, gas and power. The Company generally has no right to redeem its interest in any of these private equity partnerships in advance of dissolution of the applicable private equity partnership. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the respective private equity partnership. It is estimated that the majority of the underlying assets of the limited partnerships would liquidate over 7 to 10 years from inception of the respective limited partnership.

Senior secured bank loan fund – At September 30, 2016, the Company had $19.4 million invested in a closed end fund which invests primarily in loans. The Company has no right to redeem its investment in this fund. It is estimated that the majority of the underlying assets in this closed end fund would liquidate over 4 to 5 years from inception of the fund.

Hedge funds – The Company invests in hedge funds that pursue multiple strategies. The Company’s investments in hedge funds at September 30, 2016 were $1.6 million of so called “side pocket” investments which are not redeemable at the option of the shareholder. The Company will retain its interest in the side pocket investments referred to above, until the underlying investments attributable to such side pockets are liquidated, realized or deemed realized at the discretion of the fund manager.

NOTE 5. REINSURANCE

The Company purchases reinsurance and other protection to manage its risk portfolio and to reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions or on a proportional basis. In addition to loss recoveries, certain of the Company’s ceded reinsurance contracts provide for recoveries of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to other reinsurance contracts. The Company remains liable to the extent that any reinsurance company fails to meet its obligations.

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

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Premiums written				
Direct	$53,488	$ 31,781	$154,205	$ 96,934
Assumed	376,736	337,861	1,897,280	1,578,283
Ceded	(146,002)	(102,822)	(735,672)	(495,685)
Net premiums written	$284,222	$ 266,820	$1,315,813	$ 1,179,532
Premiums earned				
Direct	$43,097	$ 26,040	$114,173	$ 70,547
Assumed	471,097	456,957	1,392,278	1,307,932
Ceded	(167,673)	(120,609)	(454,922)	(339,503)
Net premiums earned	$346,521	$ 362,388	$1,051,529	$ 1,038,976
Claims and claim expenses				
Gross claims and claim expenses incurred	$153,846	$ 121,744	$540,696	$ 433,558
Claims and claim expenses recovered	(41,271)	(21,716)	(133,766)	(87,333)
Net claims and claim expenses incurred	$112,575	$ 100,028	$406,930	$ 346,225

NOTE 6. NONCONTROLLING INTERESTS

A summary of the Company’s redeemable noncontrolling interests on its consolidated balance sheets is set forth below:

	September 30, 2016	December 31, 2015
Redeemable noncontrolling interest - DaVinciRe	$ 983,788	$ 930,955
Redeemable noncontrolling interest - Medici	180,765	115,009
Redeemable noncontrolling interest	$ 1,164,553	$ 1,045,964

A summary of the Company's redeemable noncontrolling interests on its consolidated statements of operations set forth below:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Redeemable noncontrolling interest - DaVinciRe	$30,745	$ 27,751	$101,997	$ 78,422
Redeemable noncontrolling interest - Medici	4,896	3,402	8,870	4,560
Net income attributable to redeemable noncontrolling interests	$35,641	$ 31,153	$110,867	$ 82,982

Redeemable Noncontrolling Interest – DaVinciRe

In October 2001, the Company formed DaVinciRe and DaVinci with other equity investors. RenaissanceRe owns a noncontrolling economic interest in DaVinciRe; however, because RenaissanceRe controls a majority of DaVinciRe's outstanding voting rights, the consolidated financial statements of DaVinciRe are included in the consolidated financial statements of the Company. The portion of DaVinciRe's earnings owned by third parties is recorded in the consolidated statements of operations as net income attributable to redeemable noncontrolling interests. The Company's noncontrolling economic ownership in DaVinciRe was 24.0% at September 30, 2016 (December 31, 2015 - 26.3%).

DaVinciRe shareholders are party to a shareholders agreement which provides DaVinciRe shareholders, excluding RenaissanceRe, with certain redemption rights that enable each shareholder to notify DaVinciRe of such shareholder's desire for DaVinciRe to repurchase up to half of such shareholder's initial aggregate number of shares held, subject to certain limitations, such as limiting the aggregate of all share repurchase requests to 25% of DaVinciRe's capital in any given year and satisfying all applicable regulatory requirements. If total shareholder requests exceed 25% of DaVinciRe's capital, the number of shares repurchased will be reduced among the requesting shareholders pro-rata, based on the amounts desired to be repurchased. Shareholders desiring to have DaVinci repurchase their shares must notify DaVinciRe before March 1 of each year. The repurchase price will be based on GAAP book value as of the end of the year in which the shareholder notice is given, and the repurchase will be effective as of January 1 of the following year. The repurchase price is generally subject to a true-up for potential development on outstanding loss reserves after settlement of all claims relating to the applicable years.

2015

During January 2015, DaVinciRe redeemed a portion of its outstanding shares from certain existing DaVinciRe shareholders, including RenaissanceRe. The net redemption as a result of these transactions was $225.0 million. In connection with the redemption, DaVinciRe retained a $22.5 million holdback. The Company's noncontrolling economic ownership in DaVinciRe subsequent to these transactions was 26.3%, effective January 1, 2015.

2016

During January 2016, DaVinciRe redeemed a portion of its outstanding shares from certain existing DaVinciRe shareholders, including RenaissanceRe, while new DaVinciRe shareholders purchased shares in DaVinciRe from RenaissanceRe. The net redemption as a result of these transactions was $100.0 million. In connection with the redemption, DaVinciRe retained a $10.0 million holdback. The Company's noncontrolling economic ownership in DaVinciRe subsequent to these transactions was 24.0%, effective January 1, 2016.

The Company expects its noncontrolling economic ownership in DaVinciRe to fluctuate over time.

The activity in redeemable noncontrolling interest – DaVinciRe is detailed in the table below:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Beginning balance	$953,443	$ 879,266	$930,955	$ 1,037,306
Redemption of shares from redeemable noncontrolling interest	(400)	(1,007)	(92,204)	(209,718)
Sale of shares to redeemable noncontrolling interests	—	—	43,040	—
Net income attributable to redeemable noncontrolling interest	30,745	27,751	101,997	78,422
Ending balance	$983,788	$ 906,010	$983,788	$ 906,010

Redeemable Noncontrolling Interest - RenaissanceRe Medici Fund Ltd. (“Medici”)

Medici is an exempted company incorporated under the laws of Bermuda and its objective is to seek to invest substantially all of its assets in various insurance-based investment instruments that have returns primarily tied to property catastrophe risk. RenaissanceRe owns a noncontrolling economic interest in Medici; however, because RenaissanceRe controls all of Medici’s outstanding voting rights, the financial statements of Medici are included in the consolidated financial statements of the Company. The portion of Medici’s earnings owned by third parties is recorded in the consolidated statements of operations as net income attributable to redeemable noncontrolling interests. Any shareholder may redeem all or any portion of its shares as of the last day of any calendar month, upon at least 30 calendar days’ prior irrevocable written notice to Medici. As the participating, non-voting common shares of Medici have redemption features which are outside the control of the issuer, the portion related to the redeemable noncontrolling interest in Medici is recorded in the mezzanine section of the consolidated balance sheets of the Company.

2015

During 2015, third-party investors subscribed for $36.1 million and redeemed $20.1 million of the participating, non-voting common shares of Medici. As a result of these net subscriptions, the Company’s economic ownership in Medici was 46.1%, effective December 31, 2015.

2016

During the nine months ended September 30, 2016, third-party investors subscribed for $78.6 million and redeemed $21.7 million of the participating, non-voting common shares of Medici. As a result of these net subscriptions, the Company’s economic ownership in Medici was 36.4% at September 30, 2016.

The Company expects its ownership in Medici to fluctuate over time.

The activity in redeemable noncontrolling interest – Medici is detailed in the table below:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Beginning balance	$168,960	$ 109,546	$115,009	$ 94,402
Redemption of shares from redeemable noncontrolling interest	(14,389)	(1,910)	(21,729)	(19,017)
Sale of shares to redeemable noncontrolling interests	21,298	4,980	78,615	36,073
Net income attributable to redeemable noncontrolling interest	4,896	3,402	8,870	4,560
Ending balance	$180,765	$ 116,018	$180,765	$ 116,018

NOTE 7. VARIABLE INTEREST ENTITIES
Upsilon RFO
Effective January 1, 2013, the Company formed and launched Upsilon RFO, a managed joint venture, and a Bermuda domiciled special purpose insurer, to provide additional capacity to the worldwide aggregate and per-occurrence retrocessional property catastrophe excess of loss market.
The shareholders (other than the Class A shareholder) participate in substantially all of the profits or losses of Upsilon RFO while their shares remain outstanding. The shareholders (other than the Class A shareholder) indemnify Upsilon RFO against losses relating to insurance risk and therefore these shares have been accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance.
Upsilon RFO is considered a VIE as it has insufficient equity capital to finance its activities without additional financial support. The Company is the primary beneficiary of Upsilon RFO as it has the power over the activities that most significantly impact the economic performance of Upsilon RFO and has the obligation to absorb expected losses and the right to receive expected benefits that could be significant to Upsilon RFO, in accordance with the accounting guidance. As a result, the Company consolidates Upsilon RFO and all significant inter-company transactions have been eliminated. Other than its equity investment in Upsilon RFO, the Company has not provided financial or other support to Upsilon RFO that it was not contractually required to provide.
2015
During 2015, Upsilon RFO returned capital to all of the investors who participated in risks incepting during 2014, including the Company. The total amount of capital returned was $420.2 million, including $132.3 million to the Company.
In conjunction with risks incepting during 2015, $153.7 million of Upsilon RFO non-voting preference shares were issued to unaffiliated third-party investors through their investment in Upsilon Fund. Additionally, $42.5 million of the non-voting preference shares were issued to the Company, representing a 21.7% participation in the risks assumed by Upsilon RFO incepting during 2015.
2016
During the nine months ended September 30, 2016, Upsilon RFO returned $242.5 million of capital to its investors, including $59.8 million to the Company. In addition, during the nine months ended September 30, 2016, $166.6 million of Upsilon RFO non-voting preference shares were issued to existing investors therein, including $55.2 million to the Company. At September 30, 2016, the Company’s participation in the risks assumed by Upsilon RFO was 28.9%.
At September 30, 2016, the Company’s consolidated balance sheet included total assets and total liabilities of Upsilon RFO of $215.4 million and $215.4 million, respectively (December 31, 2015 - $250.6 million and $250.5 million, respectively).
Mona Lisa Re Ltd. (“Mona Lisa Re”)
On March 14, 2013, Mona Lisa Re was licensed as a Bermuda domiciled special purpose insurer to provide reinsurance capacity to subsidiaries of RenaissanceRe, namely Renaissance Reinsurance and DaVinci, through reinsurance agreements which will be collateralized and funded by Mona Lisa Re through the issuance of one or more series of principal-at-risk variable rate notes to third-party investors.
Upon issuance of a series of notes by Mona Lisa Re, all of the proceeds from the issuance are expected to be deposited into collateral accounts, separated by series, to fund any potential obligation under the reinsurance agreements entered into with Renaissance Reinsurance and/or DaVinci underlying such series of notes. The outstanding principal amount of each series of notes generally will be returned to holders of such notes upon the expiration of the risk period underlying such notes, unless an event occurs which causes a loss under the applicable series of notes, in which case the amount returned will be reduced by such noteholder’s pro rata share of such loss, as specified in the applicable governing documents of such

notes. In addition, holders of such notes are generally entitled to interest payments, payable quarterly, as determined by the applicable governing documents of each series of notes.

The Company concluded that Mona Lisa Re meets the definition of a VIE as it does not have sufficient equity capital to finance its activities. Therefore, the Company evaluated its relationship with Mona Lisa Re and concluded it does not have a variable interest in Mona Lisa Re. As a result, the financial position and results of operations of Mona Lisa Re are not consolidated by the Company. At September 30, 2016, the total assets and total liabilities of Mona Lisa Re were \$187.5 million and \$187.5 million, respectively (December 31, 2015 - \$184.0 million and \$184.0 million, respectively).

The only transactions related to Mona Lisa Re that are recorded in the Company's consolidated financial statements are the ceded reinsurance agreements entered into by Renaissance Reinsurance and DaVinci which are accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance. Renaissance Reinsurance and DaVinci have together entered into ceded reinsurance contracts with Mona Lisa Re with gross premiums ceded of \$7.4 million and \$5.1 million, respectively, during the nine months ended September 30, 2016 (2015 - \$7.3 million and \$5.0 million, respectively). In addition, Renaissance Reinsurance and DaVinci recognized ceded premiums earned related to the ceded reinsurance contracts with Mona Lisa Re of \$5.4 million and \$3.7 million, respectively, during the nine months ended September 30, 2016 (2015 - \$5.4 million and \$3.7 million, respectively).

NOTE 8. SHAREHOLDERS' EQUITY

Dividends

The Board of Directors of RenaissanceRe declared a dividend of \$0.31 per common share to common shareholders of record on March 15, 2016, June 15, 2016 and September 15, 2016, respectively, and RenaissanceRe paid a dividend of \$0.31 per common share to common shareholders on March 31, 2016, June 30, 2016 and September 30, 2016, respectively. During the nine months ended September 30, 2016, the Company declared and paid \$16.8 million in preference share dividends (2015 - \$16.8 million) and \$38.9 million in common share dividends (2015 - \$40.9 million).

Share Repurchases

The Company's share repurchase program may be effected from time to time, depending on market conditions and other factors, through open market purchases and privately negotiated transactions. On August 2, 2016, RenaissanceRe's Board of Directors approved a renewal of its authorized share repurchase program for an aggregate amount of \$500.0 million. Unless terminated earlier by RenaissanceRe's Board of Directors, the program will expire when the Company has repurchased the full value of the shares authorized. The Company's decision to repurchase common shares will depend on, among other matters, the market price of the common shares and the capital requirements of the Company. During the nine months ended September 30, 2016, the Company repurchased an aggregate of 2.7 million shares in open market transactions at an aggregate cost of \$309.4 million, and at an average share price of \$112.87. At September 30, 2016, \$500.0 million remained available for repurchase under the share repurchase program.

NOTE 9. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

(thousands of shares)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Numerator:				
Net income available to RenaissanceRe common shareholders	$146,825	$ 75,529	$411,145	$ 316,605
Amount allocated to participating common shareholders (1)	(1,770)	(867)	(4,939)	(3,642)
Net income allocated to RenaissanceRe common shareholders	$145,055	$ 74,662	$406,206	$ 312,963
Denominator:				
Denominator for basic income per RenaissanceRe common share - weighted average common shares	40,513	44,564	41,594	43,166
Per common share equivalents of employee stock options and restricted shares	220	349	248	365
Denominator for diluted income per RenaissanceRe common share - adjusted weighted average common shares and assumed conversions	40,733	44,913	41,842	43,531
Net income available to RenaissanceRe common shareholders per common share – basic	$3.58	$ 1.68	$9.77	$ 7.25
Net income available to RenaissanceRe common shareholders per common share – diluted	$3.56	$ 1.66	$9.71	$ 7.19

(1) Represents earnings attributable to holders of unvested restricted shares issued under the Company's 2001 Stock Incentive Plan, 2010 Performance-Based Equity Incentive Plan, 2016 Long-Term Incentive Plan and to the Company's non-employee directors.

NOTE 10. SEGMENT REPORTING

The Company has the following reportable segments: (1) Catastrophe Reinsurance, which includes catastrophe reinsurance and certain property catastrophe joint ventures managed by the Company's ventures unit; (2) Specialty Reinsurance, which includes specialty reinsurance and certain specialty joint ventures managed by the Company's ventures unit; and (3) Lloyd's, which includes reinsurance and insurance business written through Syndicate 1458. RenaissanceRe CCL, an indirect wholly owned subsidiary of RenaissanceRe, is the sole corporate member of Syndicate 1458.

The underwriting results of Platinum are included in the Company's Catastrophe Reinsurance and Specialty Reinsurance segments from March 2, 2015.

The financial results of the Company's strategic investments, former Insurance segment and redeemable noncontrolling interests are included in the Other category of the Company's segment results. Also included in the Other category of the Company's segment results are the Company's investments in other ventures, investments unit, corporate expenses, capital servicing costs and certain expenses related to the acquisition of Platinum.

The Company does not manage its assets by segment; accordingly, net investment income and total assets are not allocated to the segments.

Potential Change to Segments

The Company continually monitors and reviews its segment reporting structure in accordance with authoritative guidance to determine whether any changes have occurred that would impact its reportable segments. As a result of the evolution of the Company following its acquisition of Platinum, the integration of Platinum's activities within the Company, its increased focus on casualty and specialty lines of business, its current management structure including recent management changes, and its current underwriting platforms, it is likely that the Company will change its reportable segments to “Property” and “Casualty and Specialty” in the future. The expected new segment presentation is based on extensive work performed during 2016, some of which is still ongoing, to recast the Company's current and prior periods within its financial systems to conform to this new presentation. The Company expects to complete this work in the fourth quarter of 2016 and present its full year results for 2016 based on the new segments. However, the timing of the expected segment change will depend on the satisfactory completion of this work, including transactional and financial systems internal controls testing. All prior periods presented will be reclassified to conform to this new presentation.

A summary of the significant components of the Company’s revenues and expenses is as follows:

Three months ended September 30, 2016	Catastrophe Reinsurance	Specialty Reinsurance	Lloyd’s	Other	Total
Gross premiums written	$67,394	$270,876	$91,954	$—	$430,224
Net premiums written	$37,526	$177,331	$69,365	$—	$284,222
Net premiums earned	$121,062	$150,766	$74,693	$—	$346,521
Net claims and claim expenses incurred	927	82,113	29,337	198	112,575
Acquisition expenses	7,603	52,019	20,958	—	80,580
Operational expenses	16,355	15,360	8,760	18	40,493
Underwriting income (loss)	$96,177	$1,274	$15,638	$(216)	112,873
Net investment income				51,423	51,423
Net foreign exchange losses				(5,986)	(5,986)
Equity in losses of other ventures				(11,630)	(11,630)
Other income				2,268	2,268
Net realized and unrealized gains on investments				59,870	59,870
Corporate expenses				(11,537)	(11,537)
Interest expense				(10,536)	(10,536)
Income before taxes and redeemable noncontrolling interests					186,745
Income tax benefit				1,316	1,316
Net income attributable to redeemable noncontrolling interests				(35,641)	(35,641)
Dividends on preference shares				(5,595)	(5,595)
Net income available to RenaissanceRe common shareholders					$146,825
Net claims and claim expenses incurred – current accident year	$18,267	$102,025	$38,068	$—	$158,360
Net claims and claim expenses incurred – prior accident years	(17,340)	(19,912)	(8,731)	198	(45,785)
Net claims and claim expenses incurred – total	$927	$82,113	$29,337	$198	$112,575
Net claims and claim expense ratio – current accident year	15.1%	67.7%	51.0%		45.7%
Net claims and claim expense ratio – prior accident years	(14.3)%	(13.2)%	(11.7)%		(13.2)%
Net claims and claim expense ratio – calendar year	0.8%	54.5%	39.3%		32.5%
Underwriting expense ratio	19.8%	44.7%	39.8%		34.9%
Combined ratio	20.6%	99.2%	79.1%		67.4%

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Nine months ended September 30, 2016	Catastrophe Reinsurance	Specialty Reinsurance	Lloyd's	Other	Total
Gross premiums written	$825,271	$840,598	$385,616	$ —	$2,051,485
Net premiums written	$481,956	$569,842	$264,015	$ —	$1,315,813
Net premiums earned	$399,663	$443,252	$208,614	$ —	$1,051,529
Net claims and claim expenses incurred	64,878	241,666	100,185	201	406,930
Acquisition expenses	33,410	127,871	53,896	—	215,177
Operational expenses	55,308	57,092	35,302	99	147,801
Underwriting income (loss)	$246,067	$16,623	$19,231	$ (300)	281,621
Net investment income				134,410	134,410
Net foreign exchange losses				(8,368)	(8,368)
Equity in losses of other ventures				(3,997)	(3,997)
Other income				9,001	9,001
Net realized and unrealized gains on investments				191,295	191,295
Corporate expenses				(25,514)	(25,514)
Interest expense				(31,610)	(31,610)
Income before taxes and redeemable noncontrolling interests					546,838
Income tax expense				(8,040)	(8,040)
Net income attributable to redeemable noncontrolling interests				(110,867)	(110,867)
Dividends on preference shares				(16,786)	(16,786)
Net income available to RenaissanceRe common shareholders					$411,145
Net claims and claim expenses incurred – current accident year	$102,471	$275,520	$105,583	$ —	$483,574
Net claims and claim expenses incurred – prior accident years	(37,593)	(33,854)	(5,398)	201	(76,644)
Net claims and claim expenses incurred – total	$64,878	$241,666	$100,185	$ 201	$406,930
Net claims and claim expense ratio – current accident year	25.6 %	62.2 %	50.6 %		46.0 %
Net claims and claim expense ratio – prior accident years	(9.4)%	(7.7)%	(2.6)%		(7.3)%
Net claims and claim expense ratio – calendar year	16.2 %	54.5 %	48.0 %		38.7 %
Underwriting expense ratio	22.2 %	41.7 %	42.8 %		34.5 %
Combined ratio	38.4 %	96.2 %	90.8 %		73.2 %

Three months ended September 30, 2015	Catastrophe Reinsurance	Specialty Reinsurance	Lloyd's	Other	Total
Gross premiums written	$81,692	$214,372	$73,578	$—	$369,642
Net premiums written	$55,182	$155,987	$55,651	$—	$266,820
Net premiums earned	$159,641	$146,213	$56,534	$—	$362,388
Net claims and claim expenses incurred	22,319	41,005	36,425	279	100,028
Acquisition expenses	14,048	50,432	13,654	(8)	78,126
Operational expenses	23,513	17,542	13,427	36	54,518
Underwriting income (loss)	$99,761	$37,234	$(6,972)	$(307)	129,716
Net investment income				28,338	28,338
Net foreign exchange gains				616	616
Equity in earnings of other ventures				5,730	5,730
Other income				2,306	2,306
Net realized and unrealized losses on investments				(41,138)	(41,138)
Corporate expenses				(7,322)	(7,322)
Interest expense				(10,542)	(10,542)
Income before taxes and noncontrolling interests					107,704
Income tax benefit				4,573	4,573
Net income attributable to noncontrolling interests				(31,153)	(31,153)
Dividends on preference shares				(5,595)	(5,595)
Net income available to RenaissanceRe common shareholders					$75,529
Net claims and claim expenses incurred – current accident year	$36,244	$96,737	$37,397	$—	$170,378
Net claims and claim expenses incurred – prior accident years	(13,925)	(55,732)	(972)	279	(70,350)
Net claims and claim expenses incurred – total	$22,319	$41,005	$36,425	$279	$100,028
Net claims and claim expense ratio – current accident year	22.7 %	66.2 %	66.1 %		47.0 %
Net claims and claim expense ratio – prior accident years	(8.7)%	(38.2)%	(1.7)%		(19.4)%
Net claims and claim expense ratio – calendar year	14.0 %	28.0 %	64.4 %		27.6 %
Underwriting expense ratio	23.5 %	46.5 %	47.9 %		36.6 %
Combined ratio	37.5 %	74.5 %	112.3 %		64.2 %

Nine months ended September 30, 2015	Catastrophe Reinsurance	Specialty Reinsurance	Lloyd's	Other	Total
Gross premiums written (1)	$856,305	$498,676	$320,326	$(90)	$1,675,217
Net premiums written	$548,312	$399,769	$231,540	$(89)	$1,179,532
Net premiums earned	$466,113	$396,673	$176,279	$(89)	$1,038,976
Net claims and claim expenses incurred	85,289	166,655	93,951	330	346,225
Acquisition expenses	41,016	99,372	42,557	248	183,193
Operational expenses	65,966	49,579	39,086	181	154,812
Underwriting income (loss)	$273,842	$81,067	$685	$(848)	354,746
Net investment income				106,649	106,649
Net foreign exchange losses				(4,254)	(4,254)
Equity in earnings of other ventures				17,185	17,185
Other income				5,272	5,272
Net realized and unrealized losses on investments				(26,101)	(26,101)
Corporate expenses				(65,723)	(65,723)
Interest expense				(25,720)	(25,720)
Income before taxes and noncontrolling interests					362,054
Income tax benefit				54,319	54,319
Net income attributable to noncontrolling interests				(82,982)	(82,982)
Dividends on preference shares				(16,786)	(16,786)
Net income available to RenaissanceRe common shareholders					$316,605
Net claims and claim expenses incurred – current accident year	$127,702	$250,316	$93,778	$—	$471,796
Net claims and claim expenses incurred – prior accident years	(42,413)	(83,661)	173	330	(125,571)
Net claims and claim expenses incurred – total	$85,289	$166,655	$93,951	$330	$346,225
Net claims and claim expense ratio – current accident year	27.4%	63.1%	53.2%		45.4%
Net claims and claim expense ratio – prior accident years	(9.1)%	(21.1)%	0.1%		(12.1)%
Net claims and claim expense ratio – calendar year	18.3%	42.0%	53.3%		33.3%
Underwriting expense ratio	22.9%	37.6%	46.3%		32.6%
Combined ratio	41.2%	79.6%	99.6%		65.9%

(1) Included in gross premiums written in the Other category is the elimination of inter-segment gross premiums written of $0.1 million for the nine months ended September 30, 2015.

NOTE 11. DERIVATIVE INSTRUMENTS

The Company enters into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and speculation. The Company's derivative instruments are generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event one party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the

derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.
The tables below show the gross and net amounts of recognized derivative assets and liabilities, including the location on the consolidated balance sheets and fair value of the Company's principal derivative instruments:

	Derivative Assets					
At September 30, 2016	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	$2,781	1,645	$ 1,136	Other assets	$ —	$ 1,136
Foreign currency forward contracts (1)	4,677	508	4,169	Other assets	—	4,169
Foreign currency forward contracts (2)	244	168	76	Other assets	—	76
Credit default swaps	1,107	106	1,001	Other assets	420	581
Total	$8,809	$ 2,427	$ 6,382		$ 420	$ 5,962

	Derivative Liabilities					
At September 30, 2016	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	$1,865	1,645	$ 220	Other liabilities	$ 220	$ —
Foreign currency forward contracts (1)	1,129	—	1,129	Other liabilities	—	1,129
Foreign currency forward contracts (2)	200	168	32	Other liabilities	—	32
Credit default swaps	425	106	319	Other liabilities	199	120
Total	$3,619	$ 1,919	$ 1,700		$ 419	$ 1,281

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.
(2) Contracts used to manage foreign currency risks in investment operations.

	Derivative Assets					
At December 31, 2015	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	$1,059	937	$ 122	Other assets	$ —	$ 122
Foreign currency forward contracts (1)	4,645	82	4,563	Other assets	—	4,563
Foreign currency forward contracts (2)	1,007	599	408	Other assets	—	408
Credit default swaps	257	44	213	Other assets	—	213
Total	$6,968	$ 1,662	$ 5,306		$ —	$ 5,306

	Derivative Liabilities					
At December 31, 2015	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	$2,293	937	$ 1,356	Other liabilities	$ 1,356	$ —
Foreign currency forward contracts (1)	1,891	81	1,810	Other liabilities	—	1,810
Foreign currency forward contracts (2)	806	599	207	Other liabilities	—	207
Credit default swaps	491	44	447	Other liabilities	447	—
Total	$5,481	$ 1,661	$ 3,820		$ 1,803	$ 2,017

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.
(2) Contracts used to manage foreign currency risks in investment operations.

Refer to “Note 3. Investments” for information on reverse repurchase agreements.

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

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
Three months ended September 30,		2016	2015
Interest rate futures	Net realized and unrealized gains (losses) on investments	$1,040	$(16,817)
Foreign currency forward contracts (1)	Net foreign exchange (losses) gains	5,097	817
Foreign currency forward contracts (2)	Net foreign exchange (losses) gains	(489)	2,185
Credit default swaps	Net realized and unrealized gains (losses) on investments	687	195
Weather contract	Net realized and unrealized gains (losses) on investments	—	10
Total		$6,335	$(13,610)

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
Nine months ended September 30,		2016	2015
Interest rate futures	Net realized and unrealized gains (losses) on investments	$(27,775)	$(1,441)
Foreign currency forward contracts (1)	Net foreign exchange (losses) gains	(92)	(5,782)
Foreign currency forward contracts (2)	Net foreign exchange (losses) gains	(3,706)	7,978
Credit default swaps	Net realized and unrealized gains (losses) on investments	902	257
Weather contract	Net realized and unrealized gains (losses) on investments	—	180
Total		$(30,671)	$1,192

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.
(2) Contracts used to manage foreign currency risks in investment operations.

The Company is not aware of the existence of any credit-risk related contingent features that it believes would be triggered in its derivative instruments that are in a net liability position at September 30, 2016.

Interest Rate Futures

The Company uses interest rate futures within its portfolio of fixed maturity investments to manage its exposure to interest rate risk, which can include increasing or decreasing its exposure to this risk. At September 30, 2016, the Company had $952.3 million of notional long positions and $772.5 million of notional short positions of primarily Eurodollar, U.S. treasury and non-U.S. dollar futures contracts (December 31, 2015 - $1.0 billion and $1.1 billion, respectively). The fair value of these derivatives is determined using exchange traded prices.

Foreign Currency Derivatives

The Company's functional currency is the U.S. dollar. The Company writes a portion of its business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses in the Company's consolidated financial statements. All changes in exchange rates, with the exception of non-monetary assets and liabilities, are recognized currently in the Company's consolidated statements of operations.

Underwriting Operations Related Foreign Currency Contracts

The Company’s foreign currency policy with regard to its underwriting operations is generally to hold foreign currency assets, including cash, investments and receivables that approximate the foreign currency liabilities, including claims and claim expense reserves and reinsurance balances payable. When necessary, the Company may use foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with its underwriting operations. The fair value of the Company’s underwriting operations related foreign currency contracts is determined using indicative pricing obtained from counterparties or broker quotes. At September 30, 2016, the Company had outstanding underwriting related foreign currency contracts of $205.1 million in notional long positions and $150.7 million in notional short positions, denominated in U.S. dollars (December 31, 2015 - $172.4 million and $101.5 million, respectively).

Investment Portfolio Related Foreign Currency Forward Contracts

The Company’s investment operations are exposed to currency fluctuations through its investments in non-U.S. dollar fixed maturity investments, short term investments and other investments. From time to time, the Company may employ foreign currency forward contracts in its investment portfolio to either assume foreign currency risk or to economically hedge its exposure to currency fluctuations from these investments. The fair value of the Company’s investment portfolio related foreign currency forward contracts is determined using an interpolated rate based on closing forward market rates. At September 30, 2016, the Company had outstanding investment portfolio related foreign currency contracts of $30.1 million in notional long positions and $62.0 million in notional short positions, denominated in U.S. dollars (December 31, 2015 - $31.3 million and $143.4 million, respectively).

Credit Derivatives

The Company’s exposure to credit risk is primarily due to its fixed maturity investments, short term investments, premiums receivable and reinsurance recoverable. From time to time, the Company purchases credit derivatives to hedge its exposures in the insurance industry, and to assist in managing the credit risk associated with ceded reinsurance. The Company also employs credit derivatives in its investment portfolio to either assume credit risk or hedge its credit exposure. The fair value of the credit derivatives is determined using industry valuation models, broker bid indications or internal pricing valuation techniques. The fair value of these credit derivatives can change based on a variety of factors including changes in credit spreads, default rates and recovery rates, the correlation of credit risk between the referenced credit and the counterparty, and market rate inputs such as interest rates. At September 30, 2016, the Company had outstanding credit derivatives of $Nil in notional long positions and $45.7 million in notional short positions, denominated in U.S. dollars (December 31, 2015 - $Nil and $46.1 million, respectively).

NOTE 12. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS

There are no material changes from the commitments and contingencies previously disclosed in the Company’s Form 10-K for the year ended December 31, 2015.

Legal Proceedings

The Company and its subsidiaries are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct surplus lines insurance policies. In our industry, business litigation may involve allegations of underwriting or claims-handling errors or misconduct, disputes relating to the scope of, or compliance with, the terms of delegated underwriting agreements, employment claims, regulatory actions or disputes arising from the Company’s business ventures. The Company’s operating subsidiaries are subject to claims litigation involving, among other things, disputed interpretations of policy coverages. Generally, the Company’s direct surplus lines insurance operations are subject to greater frequency and diversity of claims and claims-related litigation than its reinsurance operations and, in some jurisdictions, may be subject to direct actions by allegedly injured persons or entities seeking damages from policyholders. These lawsuits, involving or arising out of claims on policies issued by the Company’s subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in its loss and loss expense reserves. In addition, the Company may from time to time engage in litigation or arbitration related to its claims for payment in respect of ceded reinsurance, including disputes that challenge the Company’s ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate accordingly. Currently, the Company believes that no individual litigation or arbitration to which it is presently a party is likely to have a material adverse effect on its financial condition, business or operations.

NOTE 13. CONDENSED CONSOLIDATING FINANCIAL INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT OF SUBSIDIARIES

The following tables present condensed consolidating balance sheets at September 30, 2016 and December 31, 2015, condensed consolidating statements of operations and condensed consolidating statements of comprehensive income for the three and nine months ended September 30, 2016 and 2015, and condensed consolidating statements of cash flow for the nine months ended September 30, 2016 and 2015. Each of RenRe North America Holdings Inc., Platinum Underwriters Finance, Inc. and RenaissanceRe Finance is a 100% owned subsidiary of RenaissanceRe. For additional information related to the terms of the Company’s outstanding debt securities, see “Note 10. Debt and Credit Facilities in the Notes to Consolidated Financial Statements” in the Company’s Form 10-K for the year ended December 31, 2015.

Condensed Consolidating Balance Sheet at September 30, 2016	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Platinum Underwriters Finance, Inc. (Subsidiary Issuer)	RenaissanceRe Finance, Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Assets							
Total investments	$ 195,577	$ 117,733	$ 275,624	$ —	$ 8,625,621	$ —	$ 9,214,555
Cash and cash equivalents	10,147	857	1,745	2,530	478,051	—	493,330
Investments in subsidiaries	4,080,741	38,860	899,635	1,218,521	—	(6,237,757)	—
Due from subsidiaries and affiliates	119,086	92,192	—	2,345	—	(213,623)	—
Premiums receivable	—	—	—	—	1,181,331		