

EVEREST REINSURANCE HOLDINGS INC
Form 10-Q
November 14, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED: Commission file number:
September 30, 2017 1-14527

EVEREST REINSURANCE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)
Delaware 22-3263609
(State or other jurisdiction of
incorporation or organization) (I.R.S. Employer
Identification No.)

477 Martinsville Road
Post Office Box 830
Liberty Corner, New Jersey 07938-0830
(908) 604-3000

(Address, including zip code, and telephone number, including area code,
of registrant's principal executive office)

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

YES X NO

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

YES X NO

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

Large accelerated filer Accelerated filer
Non-accelerated filer X Smaller reporting company
(Do not check if smaller reporting company) Emerging growth company

Indicate by check mark if the registrant is an emerging growth company and has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange act.

YES NOX

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

YES NOX

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Number of Shares Outstanding</u> <u>At November 1, 2017</u>
Common Shares, \$0.01 par value	1,000

The Registrant meets the conditions set forth in General Instruction H (1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format permitted by General Instruction H of Form 10-Q.

EVEREST REINSURANCE HOLDINGS, INC.

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EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value per share)	September 30, 2017 (unaudited)	December 31, 2016
ASSETS:		
Fixed maturities - available for sale, at market value (amortized cost: 2017, \$5,974,256; 2016, \$5,910,494)	\$6,039,361	\$ 5,970,496
Equity securities - available for sale, at fair value	998,071	887,800
Short-term investments	229,999	306,286
Other invested assets (cost: 2017, \$736,566; 2016, \$613,680)	739,486	613,740
Other invested assets, at fair value	1,922,402	1,766,626
Cash	302,331	297,794
Total investments and cash	10,231,650	9,842,742
Note receivable - affiliated	250,000	250,000
Accrued investment income	45,575	45,323
Premiums receivable	1,564,491	1,128,639
Reinsurance receivables - unaffiliated	1,116,370	887,657
Reinsurance receivables - affiliated	4,137,998	3,686,130
Funds held by reinsureds	204,989	190,421
Deferred acquisition costs	65,519	68,621
Prepaid reinsurance premiums	1,115,344	781,384
Other assets	411,425	202,519
TOTAL ASSETS	\$ 19,143,361	\$ 17,083,436
LIABILITIES:		
Reserve for losses and loss adjustment expenses	\$9,969,148	\$ 8,331,288
Unearned premium reserve	1,628,717	1,312,386
Funds held under reinsurance treaties	125,463	110,836
Losses in the course of payment	193,948	82,915
Commission reserves	24,932	52,037
Other net payable to reinsurers	1,158,259	815,298
4.868% Senior notes due 6/1/2044	396,804	396,714
6.6% Long term notes due 5/1/2067	236,536	236,462
Accrued interest on debt and borrowings	7,564	3,537
Income taxes	(29,533)	148,940
Unsettled securities payable	39,660	27,121
Other liabilities	224,219	267,349
Total liabilities	13,975,717	11,784,883
Commitments and Contingencies (Note 7)		
STOCKHOLDER'S EQUITY:		
Common stock, par value: \$0.01; 3,000 shares authorized; 1,000 shares issued and outstanding (2017 and 2016)	-	-
Additional paid-in capital	387,772	387,567
Accumulated other comprehensive income (loss), net of deferred income tax expense		

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(benefit) of \$9,405 at 2017 and (\$19,549) at 2016	17,459	(36,315)
Retained earnings	4,762,413	4,947,301
Total stockholder's equity	5,167,644	5,298,553
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$19,143,361	\$ 17,083,436

The accompanying notes are an integral part of the consolidated financial statements.

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EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017 (unaudited)	2016	2017 (unaudited)	2016
REVENUES:				
Premiums earned	\$518,507	\$556,653	\$1,457,759	\$1,527,433
Net investment income	73,417	64,570	206,166	196,887
Net realized capital gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(1,473)	(836)	(4,179)	(25,242)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-	-	-
Realized gain(loss) on sale of subsidiary	-	(28,032)	-	(28,032)
Other net realized capital gains (losses)	229,962	(21,195)	258,145	(34,001)
Total net realized capital gains (losses)	228,489	(50,063)	253,966	(87,275)
Other income (expense)	1,486	(13,208)	21,996	(10,806)
Total revenues	821,899	557,952	1,939,887	1,626,239
CLAIMS AND EXPENSES:				
Incurred losses and loss adjustment expenses	1,331,558	301,603	1,918,508	936,201
Commission, brokerage, taxes and fees	34,545	82,778	147,565	219,552
Other underwriting expenses	57,713	64,149	181,805	181,706
Corporate expenses	1,132	1,835	6,241	6,181
Interest, fee and bond issue cost amortization expense	7,161	8,859	23,974	26,576
Total claims and expenses	1,432,109	459,224	2,278,093	1,370,216
INCOME (LOSS) BEFORE TAXES	(610,210)	98,728	(338,206)	256,023
Income tax expense (benefit)	(220,486)	22,425	(153,318)	69,358
NET INCOME (LOSS)	\$(389,724)	\$76,303	\$(184,888)	\$186,665
Other comprehensive income (loss), net of tax:				
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	530	3,808	13,794	62,672
Less: reclassification adjustment for realized losses (gains) included in net income (loss)	(1,674)	(2,767)	(8,618)	23,085
Total URA(D) on securities arising during the period	(1,144)	1,041	5,176	85,757
Foreign currency translation adjustments	34,281	(2,642)	43,220	27,779
Benefit plan actuarial net gain (loss) for the period	-	-	-	-
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	1,369	1,268	5,377	3,949
Total benefit plan net gain (loss) for the period	1,369	1,268	5,377	3,949
Total other comprehensive income (loss), net of tax	34,507	(333)	53,774	117,485

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDER'S EQUITY

(Dollars in thousands, except share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017 (unaudited)	2016	2017 (unaudited)	2016
COMMON STOCK (shares outstanding):				
Balance, beginning of period	1,000	1,000	1,000	1,000
Balance, end of period	1,000	1,000	1,000	1,000
ADDITIONAL PAID-IN CAPITAL:				
Balance, beginning of period	\$387,705	\$382,537	\$387,567	\$374,789
Share-based compensation plans	67	2,437	205	10,185
Balance, end of period	387,772	384,974	387,772	384,974
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:				
Balance, beginning of period	(17,048)	55,682	(36,315)	(62,136)
Net increase (decrease) during the period	34,507	(333)	53,774	117,485
Balance, end of period	17,459	55,349	17,459	55,349
RETAINED EARNINGS:				
Balance, beginning of period	5,152,137	4,756,019	4,947,301	4,645,657
Net income (loss)	(389,724)	76,303	(184,888)	186,665
Balance, end of period	4,762,413	4,832,322	4,762,413	4,832,322
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	\$5,167,644	\$5,272,645	\$5,167,644	\$5,272,645

The accompanying notes are an integral part of the consolidated financial statements.

EVEREST REINSURANCE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Nine Months Ended September 30,	
	2017	2016
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$(184,888)	\$186,665
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(432,477)	(155,717)
Decrease (increase) in funds held by reinsureds, net	415	(948)
Decrease (increase) in reinsurance receivables	(649,539)	(120,745)
Decrease (increase) in income taxes	(206,857)	35,647
Decrease (increase) in prepaid reinsurance premiums	(330,345)	(94,400)
Increase (decrease) in reserve for losses and loss adjustment expenses	1,579,394	322,226
Increase (decrease) in unearned premiums	310,237	94,847
Increase (decrease) in other net payable to reinsurers	336,582	(216,024)
Increase (decrease) in losses in course of payment	110,669	1,860
Change in equity adjustments in limited partnerships	(20,415)	(17,067)
Distribution of limited partnership income	23,174	31,739
Change in other assets and liabilities, net	(88,583)	(125,150)
Non-cash compensation expense	7,675	7,453
Amortization of bond premium (accrual of bond discount)	13,675	13,754
Amortization of underwriting discount on senior notes	3	3
Net realized capital (gains) losses	(253,966)	87,275
Net cash provided by (used in) operating activities	214,754	51,418
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale, at market value	771,950	572,224
Proceeds from fixed maturities sold - available for sale, at market value	1,063,126	433,655
Proceeds from fixed maturities sold - available for sale, at fair value	-	1,587
Proceeds from equity securities sold - available for sale, at fair value	302,407	531,894
Proceeds from sale of subsidiary (net of cash disposed)	-	47,721
Distributions from other invested assets	1,459,677	1,119,428
Cost of fixed maturities acquired - available for sale, at market value	(1,809,485)	(1,516,092)
Cost of fixed maturities acquired - available for sale, at fair value	-	(3,940)
Cost of equity securities acquired - available for sale, at fair value	(326,444)	(253,041)
Cost of other invested assets acquired	(1,584,617)	(1,299,682)
Net change in short-term investments	79,509	376,832
Net change in unsettled securities transactions	(189,980)	40,771
Net cash provided by (used in) investing activities	(233,857)	51,357
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefit from share-based compensation	(7,471)	2,732
Net cash provided by (used in) financing activities	(7,471)	2,732
EFFECT OF EXCHANGE RATE CHANGES ON CASH	31,111	24,242

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Net increase (decrease) in cash	4,537	129,749
Cash, beginning of period	297,794	155,429
Cash, end of period	\$302,331	\$285,178

SUPPLEMENTAL CASH FLOW INFORMATION:

Income taxes paid (recovered)	\$53,273	\$30,877
Interest paid	19,783	17,608

The accompanying notes are an integral part of the consolidated financial statements.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the Three and Nine Months Ended September 30, 2017 and 2016

1. GENERAL

As used in this document, "Holdings" means Everest Reinsurance Holdings, Inc., a Delaware company and direct subsidiary of Everest Underwriting Group (Ireland) Limited ("Holdings Ireland"); "Group" means Everest Re Group, Ltd. (Holdings Ireland's parent); "Bermuda Re" means Everest Reinsurance (Bermuda), Ltd., a subsidiary of Group; "Everest Re" means Everest Reinsurance Company and its subsidiaries, a subsidiary of Holdings (unless the context otherwise requires) and the "Company" means Holdings and its subsidiaries.

During the third quarter of 2016, the Company established domestic subsidiaries, Everest Premier Insurance Company ("Everest Premier") and Everest Denali Insurance Company ("Everest Denali"), which will be used in the continued expansion of the Insurance operations.

Effective August 24, 2016, the Company sold its wholly-owned subsidiary, Heartland Crop Insurance Company ("Heartland"), a managing agent for crop insurance, to CGB Diversified Services, Inc. ("CGB"). The operating results of Heartland for the period owned are included within the Company's financial statements.

2. BASIS OF PRESENTATION

The unaudited consolidated financial statements of the Company for the three and nine months ended September 30, 2017 and 2016 include all adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for a fair statement of the results on an interim basis. Certain financial information, which is normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), has been omitted since it is not required for interim reporting purposes. The December 31, 2016 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results for the three and nine months ended September 30, 2017 and 2016 are not necessarily indicative of the results for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2016, 2015 and 2014 included in the Company's most recent Form 10-K filing.

All intercompany accounts and transactions have been eliminated.

Certain reclassifications and format changes have been made to prior years' amounts to conform to the 2017 presentation.

Application of Recently Issued Accounting Standard Changes.

Amortization of Bond Premium. In March 2017, FASB issued ASU 2017-08 which outlines guidance on the amortization period for premium on callable debt securities. The new guidance requires that the premium on callable debt securities be amortized through the earliest call date rather than through the maturity date of the callable security. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. The Company does not expect the adoption of ASU 2017-08 to have a material impact on its financial statements.

Presentation and Disclosure of Net Periodic Benefit Costs. In March 2017, FASB issued ASU 2017-07 which outlines guidance on the presentation of net periodic costs of benefit plans. The new guidance requires that the service cost component of net periodic benefit costs be reported within the same line item of the statements of operations as other compensation costs are reported. Other components of net periodic benefit costs should be reported separately. Footnote disclosure is required to state within which line items of the statements of operations the

components are reported. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company does not expect the adoption of ASU 2017-07 to have a material impact on its financial statements.

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Disclosure of Restricted Cash. In November 2016, FASB issued ASU 2016-18 which outlines guidance on the presentation in the statements of cash flows of changes in restricted cash. The new guidance requires that the statements of cash flows should reflect all changes in cash, cash equivalents and restricted cash in total and not segregated individually. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company does not expect the adoption of ASU 2016-18 to have a material impact on its financial statements.

Intra-Entity Asset Transfers. In October 2016, FASB issued ASU 2016-16 which outlines guidance on the tax accounting for intra-entity asset sales and transfers, other than inventory. The new guidance requires that reporting entities recognize tax expense from the intra-entity transfer of an asset in the seller's tax jurisdiction at the time of transfer and recognize any deferred tax asset in the buyer's tax jurisdiction at the time of transfer. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company does not expect the adoption of ASU 2016-16 to have a material impact on its financial statements.

Valuation of Financial Instruments. In June 2016, FASB issued ASU 2016-13 which outlines guidance on the valuation of and accounting for assets measured at amortized cost and available for sale debt securities. The carrying value of assets measured at amortized cost will now be presented as the amount expected to be collected on the financial asset (amortized cost less an allowance for credit losses valuation account). Available for sale debt securities will now record credit losses through an allowance for credit losses, which will be limited to the amount by which fair value is below amortized cost. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact of the adoption of ASU 2016-13 on its financial statements.

Leases. In February 2016, FASB issued ASU 2016-02 which outlines new guidance on the accounting for leases. The new guidance requires the recognition of lease assets and lease liabilities on the balance sheets for most leases that were previously deemed operating leases and required only lease expense presentation in the statements of operations. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

Recognition and Measurement of Financial Instruments. In January 2016, the FASB issued ASU 2016-01 which outlines revised guidance on the accounting for equity investments. The new guidance states that all equity investments in unconsolidated entities will be measured at fair value, with the change in value being recorded through the income statement rather than being recorded within other comprehensive income. The updated guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the adoption of ASU 2016-01 on its financial statements.

Disclosures about Short-Duration Contracts. In May 2015, the FASB issued ASU 2015-09, authoritative guidance regarding required disclosures associated with short duration insurance contracts. The new disclosure requirements focus on information about initial claim estimates and subsequent claim estimate adjustment, methodologies in estimating claims and the timing, frequency and severity of claims related to short duration insurance contracts. This guidance is effective for annual reporting periods beginning after December 15, 2015 and interim reporting periods beginning after December 15, 2016. The Company implemented this guidance effective in the fourth quarter of 2016.

Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share. In May 2015, the FASB issued ASU 2015-07, which removes the requirement to categorize, within the fair value hierarchy, investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, Fair Value Measurement. The updated guidance is effective for annual reporting periods beginning after December 15, 2015. The adoption did not have a material impact on the Company's financial statements.

Debt Issuance Costs. In April 2015, The FASB issued ASU 2015-03, authoritative guidance on the presentation of debt issuance costs. This guidance requires that debt issuance costs be presented within the balance sheet as a reduction of

the carrying value of the debt liability, rather than as a separate asset. This guidance is effective for annual reporting periods beginning after December 15, 2015 and related

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interim reporting periods. The Company implemented this guidance effective in the second quarter of 2016. The adoption did not have a material impact on the Company's financial statements.

Consolidation. In February 2015, the FASB issued ASU 2015-02, authoritative guidance regarding consolidation of reporting entities. The new guidance focuses on the required evaluation of whether certain legal entities should be consolidated. This guidance is effective for annual and interim reporting periods beginning after December 15, 2015. Based upon this guidance, the Company has determined that the separate segregated accounts associated with Mt. Logan Re should not be consolidated. The Company implemented the guidance effective January 1, 2016.

Revenue Recognition. In May 2014, the FASB issued ASU 2014-09 which outlines revised guidance on the recognition of revenue arising from contracts with customers. The new guidance states that reporting entities should apply certain steps to determine when revenue should be recognized, based upon fulfillment of performance obligations to complete contracts. The updated guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company does not expect the adoption of ASU 2014-09 to have a material impact on its financial statements.

Any issued guidance and pronouncements, other than those directly references above, are deemed by the Company to be either not applicable or immaterial to its financial statements.

3. REVISIONS TO FINANCIAL STATEMENTS

In preparing its second quarter of 2017 financial statements, the Company altered its processing of ceding certain commissions and deferred acquisition costs under an affiliated quota share agreement. In previous reporting periods, these expenses were ceded based upon a quarter lag. In the second quarter of 2017, the quarter lag was eliminated and these expenses are now recorded on a current quarter basis. Although management determined that the impact of the ceding lag was not material to prior period financial statements, the impact of eliminating the ceding lag would have significantly impacted results within the second quarter of 2017. As a result, prior period balances have been revised in the applicable financial statements and corresponding footnotes to eliminate the impact of the previous recording lag.

Management assessed the materiality of this change within prior period financial statements based upon SEC Staff Accounting Bulletin Number 99, Materiality, which is since codified in Accounting Standards Codification ("ASC") 250, Accounting Changes and Error Corrections. In accordance with ASC 250, the prior period comparative financial statements that are presented herein have been revised.

The following tables present line items for prior period financial statements that have been affected by the revision. For these line items, the tables detail the amounts as previously reported, the impact upon those line items due to the revision, and the amounts as currently revised within the financial statements.

CONSOLIDATED BALANCE SHEETS	March 31, 2017		
	As Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands, except par value per share)			
ASSETS:			
Deferred acquisition costs	\$62,308	\$(4,994)	\$57,314
TOTAL ASSETS	\$17,587,840	\$(4,994)	\$17,582,846
LIABILITIES:			
Other net payable to reinsurers	\$832,307	\$(41,746)	\$790,561
Income taxes	223,629	5,625	229,254

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Total liabilities	12,139,623	(36,121)	12,103,502
STOCKHOLDERS EQUITY:			
Retained earnings	5,085,352	31,127	5,116,479
Total stockholder's equity	5,448,217	31,127	5,479,344
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$17,587,840	\$(4,994)	\$17,582,846

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CONSOLIDATED BALANCE SHEETS

	December 31, 2016			December 31, 2015		
	As			As		
	Previously Reported	Impact of Revisions	As Revised	Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands, except par value per share)						
ASSETS:						
Deferred acquisition costs	\$73,924	\$(5,303)	\$68,621	\$92,651	\$(6,249)	\$86,402
TOTAL ASSETS	\$17,088,739	\$(5,303)	\$17,083,436	\$16,695,203	\$(6,249)	\$16,688,954
LIABILITIES:						
Other net payable to reinsurers	\$860,391	\$(45,093)	\$815,298	\$1,225,260	\$(37,480)	\$1,187,780
Income taxes	142,143	6,797	148,940	68,024	4,132	72,156
Total liabilities	11,823,179	(38,296)	11,784,883	11,763,992	(33,348)	11,730,644
STOCKHOLDERS EQUITY:						
Retained earnings	4,914,308	32,993	4,947,301	4,618,558	27,099	4,645,657
Total stockholder's equity	5,265,560	32,993	5,298,553	4,931,211	27,099	4,958,310
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$17,088,739	\$(5,303)	\$17,083,436	\$16,695,203	\$(6,249)	\$16,688,954

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS):

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	As			As		
	Previously Reported	Impact of Revisions	As Revised	Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CLAIMS AND EXPENSES:						
Commission, brokerage, taxes and fees	\$289,982	\$(8,558)	\$281,424	\$315,069	\$(2,744)	\$312,325
Total claims and expenses	1,928,940	(8,558)	1,920,382	1,892,062	(2,744)	1,889,318
INCOME (LOSS) BEFORE TAXES	390,433	8,558	398,991	604,542	2,744	607,286
Income tax expense (benefit)	94,683	2,664	97,347	191,889	3,007	194,896
NET INCOME (LOSS)	\$295,750	\$5,894	\$301,644	\$412,653	\$(263)	\$412,390
COMPREHENSIVE INCOME (LOSS)	\$321,571	\$5,894	\$327,465	\$345,998	\$(263)	\$345,735

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS):

	Year Ended December 31, 2014			Three Months Ended March 31, 2017		
	As			As		
	Previously Reported	Impact of Revisions	As Revised	Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CLAIMS AND EXPENSES:						
Commission, brokerage, taxes and fees	\$339,402	\$(427)	\$338,975	\$49,470	\$3,037	\$52,507
Total claims and expenses	1,930,749	(427)	1,930,322	411,543	3,037	414,580
INCOME (LOSS) BEFORE TAXES	657,688	427	658,115	247,984	(3,037)	244,947
Income tax expense (benefit)	203,562	1,125	204,687	76,940	(1,171)	75,769

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NET INCOME (LOSS)	\$454,126	\$ (698)	\$453,428	\$ 171,044	\$ (1,866)	\$ 169,178
COMPREHENSIVE INCOME (LOSS)	\$370,997	\$ (698)	\$370,299	\$ 182,587	\$ (1,866)	\$ 180,721

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS):	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	As Reported	Impact of Revisions	As Revised	As Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CLAIMS AND EXPENSES:						
Commission, brokerage, taxes and fees	\$ 85,563	\$ (2,785)	\$ 82,778	\$ 226,511	\$ (6,959)	\$ 219,552
Total claims and expenses	462,009	(2,785)	459,224	1,377,175	(6,959)	1,370,216
INCOME (LOSS) BEFORE TAXES	95,943	2,785	98,728	249,064	6,959	256,023
Income tax expense (benefit)	21,145	1,280	22,425	66,990	2,368	69,358
NET INCOME (LOSS)	\$ 74,798	\$ 1,505	\$ 76,303	\$ 182,074	\$ 4,591	\$ 186,665
COMPREHENSIVE INCOME (LOSS)	\$ 74,465	\$ 1,505	\$ 75,970	\$ 299,559	\$ 4,591	\$ 304,150

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS):	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	As Reported	Impact of Revisions	As Revised	As Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CLAIMS AND EXPENSES:						
Commission, brokerage, taxes and fees	\$ 72,126	\$ (1,717)	\$ 70,409	\$ 140,948	\$ (4,174)	\$ 136,774
Total claims and expenses	479,860	(1,717)	478,143	915,166	(4,174)	910,992
INCOME (LOSS) BEFORE TAXES	101,332	1,717	103,049	153,121	4,174	157,295
Income tax expense (benefit)	32,982	695	33,677	45,845	1,088	46,933
NET INCOME (LOSS)	\$ 68,350	\$ 1,022	\$ 69,372	\$ 107,276	\$ 3,086	\$ 110,362
COMPREHENSIVE INCOME (LOSS)	\$ 124,381	\$ 1,022	\$ 125,403	\$ 225,094	\$ 3,086	\$ 228,180

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS):	Three Months Ended March 31, 2016		
	As Reported	Impact of Revisions	As Revised
(Dollars in thousands)			
CLAIMS AND EXPENSES:			
Commission, brokerage, taxes and fees	\$ 68,822	\$ (2,457)	\$ 66,365
Total claims and expenses	435,306	(2,457)	432,849
INCOME (LOSS) BEFORE TAXES	51,789	2,457	54,246
Income tax expense (benefit)	12,863	393	13,256
NET INCOME (LOSS)	\$ 38,926	\$ 2,064	\$ 40,990

COMPREHENSIVE INCOME (LOSS) \$ 100,713 \$ 2,064 \$ 102,777

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY	Year Ended December 31, 2016			Year Ended December 31, 2015		
	As			As		
	Previously Reported	Impact of Revisions	As Revised	Previously Reported	Impact of Revisions	As Revised

(Dollars in thousands, except share amounts)

RETAINED EARNINGS:

Balance, beginning of period	\$4,618,558	\$ 27,099	\$4,645,657	\$4,205,905	\$ 27,362	\$4,233,267
Net income (loss)	295,750	5,894	301,644	412,653	(263)	412,390
Balance, end of period	4,914,308	32,993	4,947,301	4,618,558	27,099	4,645,657
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	\$5,265,560	\$ 32,993	\$5,298,553	\$4,931,211	\$ 27,099	\$4,958,310

CONSOLIDATED STATEMENTS
OF
CHANGES IN STOCKHOLDER'S
EQUITY

Year Ended December 31, 2014			Three Months Ended March 31, 2017		
As			As		
Previously Reported	Impact of Revisions	As Revised	Previously Reported	Impact of Revisions	As Revised

(Dollars in thousands, except share amounts)

RETAINED EARNINGS:

Balance, beginning of period	\$3,751,779	\$ 28,060	\$3,779,839	\$4,914,308	\$ 32,993	\$4,947,301
Net income (loss)	454,126	(698)	453,428	171,044	(1,866)	169,178
Balance, end of period	4,205,905	27,362	4,233,267	5,085,352	31,127	5,116,479
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	\$4,572,717	\$ 27,362	\$4,600,079	\$5,448,217	\$ 31,127	\$5,479,344

CONSOLIDATED
STATEMENTS OF
CHANGES IN
STOCKHOLDER'S EQUITY

Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
As			As		
Previously Reported	Impact of Revisions	As Revised	Previously Reported	Impact of Revisions	As Revised

(Dollars in thousands, except share amounts)

RETAINED EARNINGS:

Balance, beginning of period	\$4,725,834	\$ 30,185	\$4,756,019	\$4,618,558	\$ 27,099	\$4,645,657
Net income (loss)	74,798	1,505	76,303	182,074	4,591	186,665
Balance, end of period	4,800,632	31,690	4,832,322	4,800,632	31,690	4,832,322
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	\$5,240,955	\$ 31,690	\$5,272,645	\$5,240,955	\$ 31,690	\$5,272,645

CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDER'S
EQUITY

Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
As			As		
Previously Reported	Impact of Revisions	As Revised	Previously Reported	Impact of Revisions	As Revised

(Dollars in thousands, except share amounts)

RETAINED EARNINGS:

Balance, beginning of period	\$4,657,484	\$ 29,163	\$4,686,647	\$4,618,558	\$ 27,099	\$4,645,657
Net income (loss)	68,350	1,022	69,372	107,276	3,086	110,362
Balance, end of period	4,725,834	30,185	4,756,019	4,725,834	30,185	4,756,019
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	\$5,164,053	\$ 30,185	\$5,194,238	\$5,164,053	\$ 30,185	\$5,194,238

CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDER'S EQUITY

Three Months Ended March 31, 2016		
As		
Previously Reported	Impact of Revisions	As Revised

(Dollars in thousands, except share amounts)

RETAINED EARNINGS:

Balance, beginning of period	\$ 4,618,558	\$ 27,099	\$ 4,645,657
Net income (loss)	38,926	2,064	40,990
Balance, end of period	4,657,484	29,163	4,686,647
TOTAL STOCKHOLDER'S EQUITY, END OF PERIOD	\$ 5,036,717	\$ 29,163	\$ 5,065,880

CONSOLIDATED STATEMENTS OF
CASH FLOWS

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	As			As		
	Previously Reported	Impact of Revisions	As Revised	Previously Reported	Impact of Revisions	As Revised
(Dollars in thousands)						
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	\$295,750	\$ 5,894	\$ 301,644	\$412,653	\$ (263)	\$ 412,390
Decrease (increase) in income taxes	60,325	2,666	62,991	57,487	3,007	60,494
Increase (decrease) in other net payable to reinsurers	(364,242)	(7,614)	(371,856)	204,526	(8,590)	195,936
Change in other assets and liabilities, net	16,090	(946)	15,144	7,499	5,846	13,345

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CONSOLIDATED STATEMENTS OF CASH FLOWS	Year Ended December 31, 2014			Three Months Ended March 31, 2017		
	As	Impact		As	Impact	
	Previously	of	As	Previously	of	As
	Reported	Revisions	Revised	Reported	Revisions	As Revised
(Dollars in thousands)						
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	\$454,126	\$ (698)	\$ 453,428	\$ 171,044	\$ (1,866)	\$ 169,178
Decrease (increase) in income taxes	68,206	1,125	69,331	75,304	(1,172)	74,132
Increase (decrease) in other net payable to reinsurers	5,130	(3,216)	1,914	(30,525)	3,347	(27,178)
Change in other assets and liabilities, net	81,388	2,789	84,177	18,204	(309)	17,895

CONSOLIDATED STATEMENTS OF CASH FLOWS	Nine Months Ended September 30, 2016			Six Months Ended June 30, 2016		
	As	Impact		As	Impact	
	Previously	of	As	Previously	of	As
	Reported	Revisions	As Revised	Reported	Revisions	As Revised
(Dollars in thousands)						
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	\$ 182,074	\$ 4,591	\$ 186,665	\$ 107,276	\$ 3,086	\$ 110,362
Decrease (increase) in income taxes	33,279	2,368	35,647	8,190	1,089	9,279
Increase (decrease) in other net payable to reinsurers	(209,260)	(6,764)	(216,024)	(370,242)	(3,111)	(373,353)
Change in other assets and liabilities, net	(124,955)	(195)	(125,150)	14,216	(1,064)	13,152

CONSOLIDATED STATEMENTS OF CASH FLOWS	Three Months Ended March 31, 2016		
	As	Impact	
	Previously	of	As
	Reported	Revisions	As Revised
(Dollars in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 38,926	\$ 2,064	\$ 40,990
Decrease (increase) in income taxes	6,546	393	6,939
Increase (decrease) in other net payable to reinsurers	(106,588)	(1,122)	(107,710)
Change in other assets and liabilities, net	24,496	(1,335)	23,161

4. INVESTMENTS

The amortized cost, market value and gross unrealized appreciation and depreciation of available for sale, fixed maturity, equity security investments, carried at market value and other-than-temporary impairments ("OTTI") in accumulated other comprehensive income ("AOCI") are as follows for the periods indicated:

At September 30, 2017				
Amortized	Unrealized	Unrealized	Market	OTTI in AOCI

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(Dollars in thousands)	Cost	Appreciation	Depreciation	Value	(a)
Fixed maturity securities					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	\$657,018	\$ 2,088	\$ (3,220)	\$655,886	\$ -
Obligations of U.S. states and political					
subdivisions	652,525	24,061	(4,744)	671,842	-
Corporate securities	2,213,498	38,058	(11,965)	2,239,591	695
Asset-backed securities	153,400	451	(62)	153,789	-
Mortgage-backed securities					
Commercial	59,311	334	(622)	59,023	-
Agency residential	683,178	1,904	(7,252)	677,830	-
Non-agency residential	55	7	-	62	-
Foreign government securities	520,431	19,038	(7,996)	531,473	-
Foreign corporate securities	1,034,840	25,601	(10,576)	1,049,865	374
Total fixed maturity securities	\$5,974,256	\$ 111,542	\$ (46,437)	\$6,039,361	\$ 1,069

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(Dollars in thousands)	At December 31, 2016				OTTI in AOCI (a)
	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value	
Fixed maturity securities					
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$ 693,005	\$ 2,509	\$ (4,434)	\$ 691,080	\$ -
Obligations of U.S. states and political subdivisions	723,938	18,016	(11,970)	729,984	-
Corporate securities	2,119,324	50,665	(15,786)	2,154,203	4,868
Asset-backed securities	136,826	330	(129)	137,027	-
Mortgage-backed securities					
Commercial	75,435	510	(452)	75,493	-
Agency residential	721,772	2,365	(8,993)	715,144	-
Non-agency residential	76	12	-	88	-
Foreign government securities	495,572	22,088	(10,383)	507,277	-
Foreign corporate securities	944,546	30,015	(14,361)	960,200	175
Total fixed maturity securities	\$ 5,910,494	\$ 126,510	\$ (66,508)	\$ 5,970,496	\$ 5,043

(a) Represents the amount of OTTI recognized in AOCI. Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.

The amortized cost and market value of fixed maturity securities are shown in the following tables by contractual maturity. Mortgage-backed securities are generally more likely to be prepaid than other fixed maturity securities. As the stated maturity of such securities may not be indicative of actual maturities, the totals for mortgage-backed and asset-backed securities are shown separately.

(Dollars in thousands)	At September 30, 2017		At December 31, 2016	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale				
Due in one year or less	\$ 403,948	\$ 405,602	\$ 394,401	\$ 392,824
Due after one year through five years	2,918,422	2,931,495	2,925,786	2,955,325
Due after five years through ten years	1,024,154	1,045,455	879,762	894,166
Due after ten years	731,788	766,105	776,436	800,429
Asset-backed securities	153,400	153,789	136,826	137,027
Mortgage-backed securities				
Commercial	59,311	59,023	75,435	75,493
Agency residential	683,178	677,830	721,772	715,144
Non-agency residential	55	62	76	88
Total fixed maturity securities	\$ 5,974,256	\$ 6,039,361	\$ 5,910,494	\$ 5,970,496

The changes in net unrealized appreciation (depreciation) for the Company's investments are derived from the following sources for the periods as indicated:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Increase (decrease) during the period between the market value and cost of investments carried at market value, and deferred taxes thereon:				

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Fixed maturity securities	\$ (3,197)	\$ 4,047	\$ 9,077	\$ 127,736
Fixed maturity securities, other-than-temporary impairment	(158)	(2,444)	(3,974)	4,199
Other invested assets	1,595	-	2,860	-
Change in unrealized appreciation (depreciation), pre-tax	(1,760)	1,603	7,963	131,935
Deferred tax benefit (expense)	561	(1,418)	(4,178)	(44,709)
Deferred tax benefit (expense), other-than-temporary impairment	55	856	1,391	(1,469)
Change in unrealized appreciation (depreciation), net of deferred taxes, included in stockholder's equity	\$ (1,144)	\$ 1,041	\$ 5,176	\$ 85,757

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The Company frequently reviews all of its fixed maturity, available for sale securities for declines in market value and focuses its attention on securities whose fair value has fallen below 80% of their amortized cost at the time of review. The Company then assesses whether the decline in value is temporary or other-than-temporary. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security's value caused by a change in the market, interest rate or foreign exchange environment does not constitute an other-than-temporary impairment, but rather a temporary decline in market value. Temporary declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company determines that the decline is other-than-temporary and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the carrying value of the investment is written down to fair value. The fair value adjustment that is credit or foreign exchange related is recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's consolidated balance sheets. The Company's assessments are based on the issuers current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

Retrospective adjustments are employed to recalculate the values of asset-backed securities. All of the Company's asset-backed and mortgage-backed securities have a pass-through structure. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if the new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Conditional prepayment rates, computed with life to date factor histories and weighted average maturities, are used in the calculation of projected prepayments for pass-through security types.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the periods indicated:

	Duration of Unrealized Loss at September 30, 2017 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$239,038	\$ (2,191)	\$ 37,447	\$ (1,029)	\$ 276,485	\$ (3,220)
Obligations of U.S. states and political subdivisions	89,509	(2,104)	67,956	(2,640)	157,465	(4,744)
Corporate securities	415,341	(6,124)	155,808	(5,841)	571,149	(11,965)
Asset-backed securities	30,657	(55)	1,912	(7)	32,569	(62)
Mortgage-backed securities						
Commercial	31,221	(487)	3,803	(135)	35,024	(622)
Agency residential	417,521	(4,374)	115,934	(2,878)	533,455	(7,252)
Non-agency residential	-	-	-	-	-	-

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Foreign government securities	199,311	(4,486)	56,732	(3,510)	256,043	(7,996)
Foreign corporate securities	254,015	(4,069)	89,121	(6,507)	343,136	(10,576)
Total fixed maturity securities	\$1,676,613	\$ (23,890)	\$ 528,713	\$ (22,547)	\$ 2,205,326	\$ (46,437)

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(Dollars in thousands)	Duration of Unrealized Loss at September 30, 2017 By Maturity					
	Less than 12 months		Greater than 12 months		Total	Gross Unrealized
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	
Fixed maturity securities						
Due in one year or less	\$127,207	\$ (514)	\$ 16,129	\$ (1,148)	\$143,336	\$ (1,662)
Due in one year through five years	741,570	(10,638)	246,865	(12,047)	988,435	(22,685)
Due in five years through ten years	220,432	(5,290)	76,295	(3,682)	296,727	(8,972)
Due after ten years	108,005	(2,532)	67,775	(2,650)	175,780	(5,182)
Asset-backed securities	30,657	(55)	1,912	(7)	32,569	(62)
Mortgage-backed securities	448,742	(4,861)	119,737	(3,013)	568,479	(7,874)
Total fixed maturity securities	\$1,676,613	\$ (23,890)	\$ 528,713	\$ (22,547)	\$2,205,326	\$ (46,437)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at September 30, 2017 were \$2,205,326 thousand and \$46,437 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at September 30, 2017, (the U.S. Government) did not exceed 4.6% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The \$23,890 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of domestic and foreign corporate securities, agency residential mortgage-backed securities and foreign government securities. Of these unrealized losses, \$20,072 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The \$22,547 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to domestic and foreign corporate securities, as well as foreign government securities. Of these unrealized losses, \$20,240 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. There was no gross unrealized depreciation for mortgage-backed securities related to sub-prime and alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The Company, given the size of its investment portfolio and capital position, does not have the intent to sell these securities; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis. In addition, all securities currently in an unrealized loss position are current with respect to principal and interest payments.

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The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the periods indicated:

(Dollars in thousands)	Duration of Unrealized Loss at December 31, 2016 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$469,571	\$ (4,434)	\$ -	\$ -	\$469,571	\$ (4,434)
Obligations of U.S. states and political subdivisions	221,088	(11,486)	564	(484)	221,652	(11,970)
Corporate securities	431,757	(10,121)	118,172	(5,665)	549,929	(15,786)
Asset-backed securities	35,065	(122)	5,745	(7)	40,810	(129)
Mortgage-backed securities						
Commercial	27,230	(391)	3,060	(61)	30,290	(452)
Agency residential	487,000	(6,320)	90,740	(2,673)	577,740	(8,993)
Non-agency residential	-	-	-	-	-	-
Foreign government securities	218,171	(2,713)	61,542	(7,670)	279,713	(10,383)
Foreign corporate securities	264,939	(4,950)	75,489	(9,411)	340,428	(14,361)
Total fixed maturity securities	\$2,154,821	\$ (40,537)	\$ 355,312	\$ (25,971)	\$2,510,133	\$ (66,508)

(Dollars in thousands)	Duration of Unrealized Loss at December 31, 2016 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	\$111,926	\$ (322)	\$ 21,691	\$ (3,625)	\$ 133,617	\$ (3,947)
Due in one year through five years	1,015,066	(10,567)	190,960	(16,511)	1,206,026	(27,078)
Due in five years through ten years	243,082	(10,369)	41,371	(2,961)	284,453	(13,330)
Due after ten years	235,452	(12,446)	1,745	(133)	237,197	(12,579)
Asset-backed securities	35,065	(122)	5,745	(7)	40,810	(129)
Mortgage-backed securities	514,230	(6,711)	93,800	(2,734)	608,030	(9,445)
Total fixed maturity securities	\$2,154,821	\$ (40,537)	\$ 355,312	\$ (25,971)	\$2,510,133	\$ (66,508)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2016 were \$2,510,133 thousand and \$66,508 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2016, did not exceed 1.0% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The \$40,537 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of obligations of U.S. states and political subdivisions, domestic and foreign corporate

securities, agency residential mortgage-backed securities and foreign government securities. Of these unrealized losses, \$36,646 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The \$25,971 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to domestic and foreign corporate securities, foreign government securities and agency residential mortgage-backed securities. Of these unrealized losses \$22,882 thousand is attributable to net unrealized foreign exchange losses, as the U.S. dollar has strengthened against other currencies. There was no gross unrealized depreciation for mortgage-backed securities related to sub-prime and alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

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The components of net investment income are presented in the tables below for the periods indicated:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Fixed maturities	\$ 48,335	\$ 44,810	\$ 144,916	\$ 134,931
Equity securities	6,267	7,870	19,385	25,752
Short-term investments and cash	648	296	1,628	851
Other invested assets				
Limited partnerships	11,878	6,020	20,632	17,698
Dividends from preferred shares of affiliate	7,758	7,758	23,274	23,274
Other	1,484	522	4,232	339
Gross investment income before adjustments	76,370	67,276	214,067	202,845
Funds held interest income (expense)	1,098	1,090	4,015	4,718
Interest income from Parent	1,075	1,075	3,225	3,225
Gross investment income	78,543	69,441	221,307	210,788
Investment expenses	(5,126)	(4,871)	(15,141)	(13,901)
Net investment income	\$ 73,417	\$ 64,570	\$ 206,166	\$ 196,887

(Some amounts may not reconcile due to rounding.)

The Company records results from limited partnership investments on the equity method of accounting with changes in value reported through net investment income. Due to the timing of receiving financial information from these partnerships, the results are generally reported on a one month or quarter lag. If the Company determines there has been a significant decline in value of a limited partnership during this lag period, a loss will be recorded in the period in which the Company identifies the decline.

The Company had contractual commitments to invest up to an additional \$348,144 thousand in limited partnerships at September 30, 2017. These commitments will be funded when called in accordance with the partnership agreements, which have investment periods that expire, unless extended, through 2023.

The Company's other invested assets at September 30, 2017 and December 31, 2016 included \$54,718 thousand and \$57,126 thousand, respectively, related to a private placement liquidity sweep facility. The primary purpose of the facility is to enhance the Company's return on its short-term investments and cash positions. The facility invests in high quality, short-duration securities and permits daily liquidity.

Other invested assets, at fair value, as of September 30, 2017 and December 31, 2016, were comprised of preferred shares held in Preferred Holdings, an affiliated company.

The components of net realized capital gains (losses) are presented in the table below for the periods indicated:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Fixed maturity securities, market value:				
Other-than-temporary impairments	\$(1,473)	\$(836)	\$(4,179)	\$(25,242)
Gains (losses) from sales	3,842	4,338	16,814	(10,273)
Fixed maturity securities, fair value:				
Gain (losses) from sales	-	(1)	-	(1,855)
Gains (losses) from fair value adjustments	-	42	-	1,381
Equity securities, fair value:				

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Gains (losses) from sales	(1,479)	5,452	3,465	(10,134)
Gains (losses) from fair value adjustments	29,645	16,063	82,006	34,725
Other invested assets	85	-	84	-
Other invested assets, fair value:				
Gains (losses) from fair value adjustments	197,869	(47,090)	155,775	(47,846)
Gain (loss) on sale of subsidiary	-	(28,032)	-	(28,032)
Short-term investment gains (losses)	-	1	1	1
Total net realized capital gains (losses)	\$ 228,489	\$(50,063)	\$253,966	\$(87,275)

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The Company recorded as net realized capital gains (losses) in the consolidated statements of operations and comprehensive income (loss) both fair value re-measurements and write-downs in the value of securities deemed to be impaired on an other-than-temporary basis as displayed in the table above. The Company had no other-than-temporary impaired securities where the impairment had both a credit and non-credit component.

The proceeds and split between gross gains and losses, from sales of fixed maturity and equity securities, are presented in the table below for the periods indicated:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Proceeds from sales of fixed maturity securities	\$410,636	\$136,767	\$1,063,126	\$435,242
Gross gains from sales	7,931	6,257	23,674	13,875
Gross losses from sales	(4,089)	(1,920)	(6,860)	(26,003)
Proceeds from sales of equity securities	\$52,754	\$109,914	\$302,407	\$531,894
Gross gains from sales	2,199	6,874	13,774	13,509
Gross losses from sales	(3,678)	(1,422)	(10,309)	(23,643)

5. RESERVES FOR LOSSES AND LAE

Activity in the reserve for losses and LAE is summarized for the periods indicated:

(Dollars in thousands)	Nine Months Ended		Twelve Months Ended	
	September 30,		At December 31,	
	2017		2016	
Gross reserves at beginning of period	\$ 8,331,288		\$ 7,940,720	
Less reinsurance recoverables	(4,199,791)	(3,875,073)
Net reserves at beginning of period	4,131,497		4,065,647	
Incurred related to:				
Current year	1,918,055		1,441,962	
Prior years	453		(91,682)
Total incurred losses and LAE	1,918,508		1,350,280	
Paid related to:				
Current year	441,480		400,489	
Prior years	547,176		892,207	
Total paid losses and LAE	988,656		1,292,696	
Foreign exchange/translation adjustment	19,084		8,266	
Net reserves at end of period	5,080,433		4,131,497	
Plus reinsurance recoverables	4,888,715		4,199,791	
Gross reserves at end of period	\$ 9,969,148		\$ 8,331,288	

Current year incurred losses were \$1,918,055 thousand for the nine months ended September 30, 2017 compared to \$1,441,962 thousand for the full year 2016. The increase in current year incurred losses was primarily due to \$1,039,295 thousand of catastrophe losses incurred in the nine months ended September 30, 2017, mainly related to Hurricane Irma, Hurricane Maria, Hurricane Harvey and the Mexico City earthquake. The \$688,924 thousand increase in reinsurance recoverables from December 31, 2016 is primarily due to recoverables from these catastrophe

losses.

Incurred prior years' reserves increased by \$453 thousand and decreased by \$91,682 thousand for the nine months ended September 30, 2017 and the year ended December 31, 2016, respectively. The decrease for the year ended December 31, 2016 was attributable to favorable development in the reinsurance segments of \$187,909 thousand related primarily to property and short-tail business in the U.S., property business in Canada, Latin America, Middle East and Africa, as well as favorable development on prior year catastrophe

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losses, partially offset by \$45,668 thousand of adverse development on A&E reserves. Part of the favorable development in the reinsurance segment related to the 2015 loss from the explosion at the Chinese port of Tianjin. In 2015, this loss was originally estimated to be \$21,566 thousands. At December 31, 2016, this loss was projected to be \$6,261 thousands resulting in \$15,305 thousands of favorable development in 2016. The net favorable development in the reinsurance segments was partially offset by \$96,227 thousand of unfavorable development in the insurance segment primarily related to run-off construction liability and umbrella program business.

6. FAIR VALUE

GAAP guidance regarding fair value measurements address how companies should measure fair value when they are required to use fair value measures for recognition or disclosure purposes under GAAP and provides a common definition of fair value to be used throughout GAAP. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. In addition, it establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement, with Level 1 being the highest priority and Level 3 being the lowest priority.

The levels in the hierarchy are defined as follows:

Level 1: Inputs to the valuation methodology are observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in an active market;

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's fixed maturity and equity securities are primarily managed by third party investment asset managers. The investment asset managers obtain prices from nationally recognized pricing services. These services seek to utilize market data and observations in their evaluation process. They use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment and interest rate scenarios for securities that have prepayment features.

In limited instances where prices are not provided by pricing services or in rare instances when a manager may not agree with the pricing service, price quotes on a non-binding basis are obtained from investment brokers. The investment asset managers do not make any changes to prices received from either the pricing services or the investment brokers. In addition, the investment asset managers have procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. In addition, the Company continually performs analytical reviews of price changes and tests the prices on a random basis to an independent pricing source. No material variances were noted during these price validation procedures. In limited situations, where financial markets are inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. Due to the unavailability of prices for forty-eight private placement securities, the investment manager's valuation committee valued the forty-eight securities at \$105,199 thousand at September 30, 2017. Due to the unavailability of prices for forty-two private placement securities, the investment manager's valuation committee valued the forty-two securities at \$86,536 thousand at December 31, 2016.

The Company internally manages a public equity portfolio which had a fair value at September 30, 2017 and December 31, 2016 of \$218,533 thousand and \$133,755 thousand, respectively, and all prices were obtained from publically published sources.

Equity securities denominated in U.S. currency with quoted prices in active markets for identical assets are categorized as level 1 since the quoted prices are directly observable. Equity securities traded on foreign exchanges are categorized as level 2 due to the added input of a foreign exchange conversion rate to determine fair or market value. The Company uses foreign currency exchange rates published by nationally recognized sources.

All categories of fixed maturity securities listed in the tables below are generally categorized as level 2, since a particular security may not have traded but the pricing services are able to use valuation models with observable market inputs such as interest rate yield curves and prices for similar fixed maturity securities in terms of issuer, maturity and seniority. For foreign government securities and foreign corporate securities, the fair values provided by the third party pricing services in local currencies, and where applicable, are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

The fixed maturities with fair values categorized as level 3 result when prices are not available from the nationally recognized pricing services. The asset managers will then obtain non-binding price quotes for the securities from brokers. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The prices received from brokers are reviewed for reasonableness by the third party asset managers and the Company. If the broker quotes are for foreign denominated securities, the quotes are converted to U.S. dollars using currency exchange rates from nationally recognized sources. In limited circumstances when broker prices are not available for private placements, the Company will value the securities using comparable market information.

The composition and valuation inputs for the presented fixed maturities categories are as follows:

U.S. Treasury securities and obligations of U.S. government agencies and corporations are primarily comprised of U.S. Treasury bonds and the fair value is based on observable market inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields;

Obligations of U.S. states and political subdivisions are comprised of state and municipal bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;

Corporate securities are primarily comprised of U.S. corporate and public utility bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;

Asset-backed and mortgage-backed securities fair values are based on observable inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields and cash flow models using observable inputs such as prepayment speeds, collateral performance and default spreads;

Foreign government securities are comprised of global non-U.S. sovereign bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source;

Foreign corporate securities are comprised of global non-U.S. corporate bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars

using an exchange rate from a nationally recognized source.

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Other invested assets, at fair value, was categorized as Level 3 at September 30, 2017 and December 31, 2016, since it represented a privately placed convertible preferred stock issued by an affiliate. The stock was received in exchange for shares of the Company's parent. The fair value of the preferred stock at September 30, 2017 and December 31, 2016 was determined using a pricing model.

The following table presents the fair value measurement levels for all assets, which the Company has recorded at fair value (fair and market value) as of the period indicated:

(Dollars in thousands)	September 30, 2017	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	\$ 655,886	\$-	\$655,886	\$ -
Obligations of U.S. States and political subdivisions	671,842	-	671,842	-
Corporate securities	2,239,591	-	2,137,522	102,069
Asset-backed securities	153,789	-	153,789	-
Mortgage-backed securities				
Commercial	59,023	-	59,023	-
Agency residential	677,830	-	677,830	-
Non-agency residential	62	-	62	-
Foreign government securities	531,473	-	531,473	-
Foreign corporate securities	1,049,865	-	1,046,734	3,131
Total fixed maturities, market value	6,039,361	-	5,934,161	105,200
Equity securities, fair value	998,071	951,679	46,392	-
Other invested assets, fair value	1,922,402	-	-	1,922,402

There were no transfers between Level 1 and Level 2 for the nine months ended September 30, 2017.

The following table presents the fair value measurement levels for all assets, which the Company has recorded at fair value (fair and market value) as of the period indicated:

(Dollars in thousands)	December 31, 2016	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations				
	\$ 691,080	\$-	\$691,080	\$ -
Obligations of U.S. States and political subdivisions				
	729,984	-	729,984	-
Corporate securities				
	2,154,203	-	2,089,006	65,197
Asset-backed securities				
	137,027	-	137,027	-
Mortgage-backed securities				
Commercial				
	75,493	-	75,493	-
Agency residential				
	715,144	-	715,144	-
Non-agency residential				
	88	-	88	-
Foreign government securities				
	507,277	-	507,277	-
Foreign corporate securities				
	960,200	-	957,662	2,538
Total fixed maturities, market value				
	5,970,496	-	5,902,761	67,735
Equity securities, fair value				
	887,800	827,237	60,563	-
Other invested assets, fair value				
	1,766,626	-	-	1,766,626

In addition \$70,657 thousand and \$18,801 thousand of investments within other invested assets on the consolidated balance sheets as of September 30, 2017 and December 31, 2016, respectively, are not included within the fair value hierarchy tables as the assets are valued using the NAV practical expedient guidance within ASU 2015-07.

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs by asset type, for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	Corporate Securities	Foreign Corporate	Total	Corporate Securities	Foreign Corporate	Total
Beginning balance	\$ 86,140	\$ 3,151	\$ 89,291	\$ 65,197	\$ 2,538	\$ 67,735
Total gains or (losses) (realized/unrealized)						
Included in earnings	283	210	493	1,208	314	1,522
Included in other comprehensive income (loss)	18	(230)	(212)	161	(230)	(69)
Purchases, issuances and settlements	15,628	-	15,628	35,503	509	36,012
Transfers in and/or (out) of Level 3	-	-	-	-	-	-
Ending balance	\$ 102,069	\$ 3,131	\$ 105,200	\$ 102,069	\$ 3,131	\$ 105,200

The amount of total gains or losses for
the period included
in earnings (or changes in net assets)
attributable to the
change in unrealized gains or losses
relating to assets
still held at the reporting date

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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(Some amounts may not reconcile due
to rounding.)

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(Dollars in thousands)	Three Months Ended September 30, 2016				Nine Months Ended September 30, 2016			
	Corporate Securities	CMBS	Foreign Corporate	Total	Corporate Securities	CMBS	Foreign Corporate	Total
Beginning balance	\$ 32,410	\$ -	\$ 2,021	\$ 34,431	\$ 3,933	\$ -	\$ 1,593	\$ 5,526
Total gains or (losses) (realized/unrealized)								
Included in earnings	(12)	-	27	15	(22)	-	(970)	(992)
Included in other comprehensive income (loss)	(48)	(34)	(1,285)	(1,367)	(81)	(34)	140	25
Purchases, issuances and settlements	25,877	(40)	2,231	28,068	54,397	(40)	2,231	56,588
Transfers in and/or (out) of Level 3	(1,932)	3,553	-	1,621	(1,932)	3,553	-	1,621
Ending balance	\$ 56,295	\$ 3,479	\$ 2,994	\$ 62,768	\$ 56,295	\$ 3,479	\$ 2,994	\$ 62,768

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (997)	\$ (997)
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(Some amounts may not reconcile due to rounding.)

The net transfers to/(from) level 3, fair value measurements using significant unobservable inputs were \$0 thousand and \$1,621 thousand of investments for the nine months ended September 30, 2017 and 2016, respectively. The \$1,621 thousand of investments for the nine months ended September 30, 2016 related to the net impact of securities no longer priced by a recognized pricing service.

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs by other invested assets, for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Other invested assets, fair value:				
Beginning balance	\$ 1,724,532	\$ 1,772,458	\$ 1,766,626	\$ 1,773,214
Total gains or (losses) (realized/unrealized)				
Included in earnings	197,870	(47,090)	155,776	(47,846)
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	-	-	-	-
Transfers in and/or (out) of Level 3	-	-	-	-
Ending balance	\$ 1,922,402	\$ 1,725,367	\$ 1,922,402	\$ 1,725,367

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized

gains or losses relating to assets still held at the reporting date \$- \$- \$- \$-

(Some amounts may not reconcile due to rounding.)

7. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company's rights and obligations under insurance and reinsurance agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. The Company considers the statuses of these proceedings when determining its reserves for unpaid loss and loss adjustment expenses.

Aside from litigation and arbitrations related to these insurance and reinsurance agreements, the Company is not a party to any other material litigation or arbitration.

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The Company has entered into separate annuity agreements with The Prudential Insurance of America ("The Prudential") and an additional unaffiliated life insurance company in which the Company has either purchased annuity contracts or become the assignee of annuity proceeds that are meant to settle claim payment obligations in the future. In both instances, the Company would become contingently liable if either The Prudential or the unaffiliated life insurance company were unable to make payments related to the respective annuity contact.

The table below presents the estimated cost to replace all such annuities for which the Company was contingently liable for the periods indicated:

	At September 30, 2017	At December 31, 2016
(Dollars in thousands)		
The Prudential	\$ 144,331	\$ 146,507
Unaffiliated life insurance company	33,769	33,860

8. COMPREHENSIVE INCOME (LOSS)

The following table presents the components of comprehensive income (loss) in the consolidated statements of operations and comprehensive income (loss) for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized appreciation (depreciation) ("URA(D)") on securities - temporary	\$ 852	\$ (219)	\$ 633	\$ 24,656	\$ (8,279)	\$ 16,377
URA(D) on securities - OTTI	(158)	55	(103)	(3,974)	1,391	(2,583)
Reclassification of net realized losses (gains) included in net income (loss)	(2,454)	780	(1,674)	(12,719)	4,101	(8,618)
Foreign currency translation adjustments	52,740	(18,459)	34,281	66,492	(23,272)	43,220
Benefit plan actuarial net gain (loss)	-	-	-	-	-	-
Reclassification of amortization of net gain (loss) included in net income (loss)	2,107	(738)	1,369	8,273	(2,896)	5,377
Total other comprehensive income (loss)	\$ 53,088	\$ (18,581)	\$ 34,507	\$ 82,729	\$ (28,955)	\$ 53,774

(Some amounts may not reconcile due to rounding)

(Dollars in thousands)	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax