STERIS CORP
Form 4
September 21, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
MCGINLEY MARK D

(Last) (First) (Middle)

5960 HEISLEY ROAD

(Street)

MENTOR, OH 44060

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
STERIS CORP [STE]

3. Date of Earliest Transaction (Month/Day/Year)
09/20/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)

Sr. VP, Gen Counsel, and Sec.

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Shares, No Par Value	09/20/2007		P		1,000	A	$ 26.92	9,120 (1)	D	
Common Shares, No Par Value								1,440	I	See Footnote Below. (2)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MCGINLEY MARK D 5960 HEISLEY ROAD MENTOR, OH 44060			Sr. VP, Gen Counsel, and Sec.	

Signatures

Dennis P. Patton, Authorized Representative under Power of Attorney	09/21/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 8,000 of these Common Shares are restricted. The restrictions on these Common Shares lapse as follows: 4,000 on September 7, 2009 and 4,000 on July 27, 2010.

(2) Represents 1,485.6176 units of the STERIS Fund of the STERIS Corporation 401(k) Plan which equals 1,440 Common Share Equivalents as of September 20, 2007.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ;font-size:8pt;">)

—

(371,635
)
Proceeds from short sales of investments
—

—

488,601

—

488,601

Change in due to/from brokers, net
—

—

137,054

—

137,054

Decrease in securities purchased under an agreement to sell
—

—

29,852

—

29,852

Change in restricted cash and cash equivalents
—

—

(187,121

Explanation of Responses:

)

—

(187,121
)
Contributed capital to subsidiaries
(158,000
)

(266,975
)

(25
)

425,000

—

Contributed capital from parent and/or subsidiaries
—

158,000

267,000

(425,000
)

—

Net cash (used in) provided by investing activities
(158,000
)

(108,975
)

16,560

—

(250,415

)
Financing activities

Proceeds from issuance of common shares, net of costs
4,334

—

—

—

4,334

Proceeds from issuance of senior notes payable
—

113,220

—

—

113,220

Increase in deposit liabilities
—

—

6,975

—

6,975

Non-controlling interest in investment affiliate, net
—

—

(24,137
)

—

(24,137
)
Non-controlling interest in Catastrophe Fund
—

—

(59,705
)

—

(59,705
)
Non-controlling interest in Catastrophe Fund Manager
—

—

292

—

292

Dividend received by (paid to) parent

158,000

—

(158,000
)

—

—

Net cash provided by (used in) financing activities
162,334

113,220

(234,575
)

—

40,979

Net (decrease) increase in cash and cash equivalents
2,377

28

(20,320
)

—

(17,915
)
Cash and cash equivalents at beginning of period
140

—

28,594

—

28,734

Cash and cash equivalents at end of period
$
2,517

$
28

$
8,274

$
—

$
10,819

47

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine months ended September 30, 2014
(expressed in thousands of U.S. dollars)

	Third Point Reinsurance Ltd.	TPRUSA	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities					
Income including non-controlling interests	$65,074	$—	$ 74,664	$(69,224)	$70,514
Adjustments to reconcile income including non-controlling interests to net cash provided by (used in) operating activities					
Equity in earnings of subsidiaries	(69,224)	—	—	69,224	—
Share compensation expense	583	—	6,396	—	6,979
Interest expense on deposit liabilities	—	—	3,687	—	3,687
Net unrealized loss on investments and derivatives	—	—	68,107	—	68,107
Net realized gain on investments and derivatives	—	—	(184,133)	—	(184,133)
Amortization of premium and accretion of discount, net	—	—	1,031	—	1,031
Changes in assets and liabilities:					
Reinsurance balances receivable	—	—	(65,718)	—	(65,718)
Deferred acquisition costs, net	—	—	(33,180)	—	(33,180)
Unearned premiums ceded	—	—	(91)	—	(91)
Loss and loss adjustment expenses recoverable	—	—	7,865	—	7,865
Other assets	(118)	—	(185)	—	(303)
Interest and dividends receivable, net	—	—	(2,576)	—	(2,576)
Unearned premium reserves	—	—	98,479	—	98,479
Loss and loss adjustment expense reserves	—	—	52,982	—	52,982
Accounts payable and accrued expenses	1,140	—	(3,075)	—	(1,935)
Reinsurance balances payable	—	—	12,133	—	12,133
Performance fees payable to related party	—	—	21,837	—	21,837
Amounts due from (to) affiliates	(5,856)	—	5,856	—	—
Net cash (used in) provided by operating activities	(8,401)	—	64,079	—	55,678
Investing activities					
Purchases of investments	—	—	(2,150,821)	—	(2,150,821)
Proceeds from sales of investments	—	—	1,998,673	—	1,998,673
Purchases of investments to cover short sales	—	—	(141,468)	—	(141,468)
Proceeds from short sales of investments	—	—	150,098	—	150,098
Change in due to/from brokers, net	—	—	177,516	—	177,516
Increase in securities purchased under agreement to sell	—	—	18,250	—	18,250
Change in restricted cash and cash equivalents	—	—	(68,389)	—	(68,389)
Net cash (used in) provided by investing activities	—	—	(16,141)	—	(16,141)
Financing activities					
	599	—	—	—	599

Proceeds from issuance of common shares, net of costs					
Increase in deposit liabilities	—	—	5,782	—	5,782
Non-controlling interest in investment affiliate, net	—	—	(51,001)	—	(51,001)
Non-controlling interest in Catastrophe Fund	—	—	6,151	—	6,151
Dividend received by (paid to) parent	8,000	—	(8,000)	—	—
Net cash provided by (used in) financing activities	8,599	—	(47,068)	—	(38,469)
Net increase in cash and cash equivalents	198	—	870	—	1,068
Cash and cash equivalents at beginning of period	294	—	31,331	—	31,625
Cash and cash equivalents at end of period	$492	$—	$ 32,201	$—	$32,693

See Note 2 for explanation of certain changes made in the presentation of the Company's condensed consolidated statements of cash flows for the nine months ended September 30, 2014 to conform to the 2015 presentation.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations
The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with our unaudited condensed consolidated interim financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q.
The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in “Risk Factors”and ”Special Note Regarding Forward-Looking Statements”. Our actual results may differ materially from those contained in or implied by any forward looking statements.
Special Note Regarding Forward-Looking Statements
Certain statements in this Quarterly Report on Form 10-Q may constitute “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding our industry, business strategy, plans, goals and expectations concerning our market position, international expansion, future operations, margins, profitability, future efficiencies, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words “may,” “believes,” “intends,” “seeks,” “anticipates,” “plans,” “estimates,” “expects,” “should,” “assumes,” “continues,” “could the negative of these or similar terms and phrases are intended to identify forward-looking statements in this Quarterly Report on Form 10-Q.
Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Although we believe the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance that these expectations will prove to have been correct. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. Actual events, results and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, the following:

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

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

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

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

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

Overview

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

We manage our business on the basis of two operating segments: Property and Casualty Reinsurance and Catastrophe Risk Management. We also have a corporate function that includes our investment income on capital, certain general and administrative expenses related to corporate activities, interest expense and income tax expense.

Property and Casualty Reinsurance

We provide reinsurance products to insurance and reinsurance companies, government entities, and other risk bearing vehicles. Contracts can be written on an excess of loss basis or quota share basis, although the majority of contracts written to date have been on a quota share basis. In addition, we write contracts on both a prospective basis and a retroactive basis. Prospective reinsurance contracts cover losses incurred as a result of future insurable events.

Retroactive reinsurance contracts cover the potential for changes in estimates of loss and loss adjustment expense reserves related to loss events that have occurred in the past. Retroactive reinsurance contracts can be an attractive type of contract for us as they can generate an underwriting profit should the ultimate loss and loss adjustment expenses settle for less than the initial estimate of reserves and the premiums received at the inception of the contract generate insurance float. The product lines that we currently underwrite for this operating segment are: property, casualty and specialty. We assume a minimal amount of catastrophe risk within the property and casualty segment. We anticipate that our property catastrophe exposures will consistently remain extremely low when compared to many other reinsurers with whom we compete.

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

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

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

Catastrophe Risk Management

In contrast to many reinsurers with whom we compete, we have elected to limit our underwriting of property catastrophe exposures. On June 15, 2012, Third Point Reinsurance Opportunities Fund Ltd. (the “Catastrophe Fund”), Third Point Reinsurance Investment Management Ltd. (the “Catastrophe Fund Manager”), and Third Point Re Cat Ltd. (the “Catastrophe Reinsurer”) were incorporated in Bermuda. The Catastrophe Fund Manager, a Bermuda exempted company, is the investment manager of the Catastrophe Fund. In December 2014, we announced that we would no longer accept investments in the Catastrophe Fund, that no new business would be written in the Catastrophe Reinsurer and that we would be redeeming all existing investments in the Catastrophe Fund.

As of September 30, 2015, the Catastrophe Fund had a net asset value of $0.7 million (December 31, 2014 - $119.7 million), and our investment in the Catastrophe Fund was $0.4 million (December 31, 2014 - $59.5 million). There are no additional guarantees by us and no recourse to us beyond this investment. During the nine months ended September 30, 2015, the Catastrophe Fund distributed $118.7 million (Third Point Re’s share - $59.0 million) resulting in a distribution from non-controlling interests for the Catastrophe Fund of $59.7 million for the nine months ended September 30, 2015.

Investment Management

Our investment strategy is implemented by our investment manager, Third Point LLC, under long-term investment management contracts. We directly own the investments that are held in two separate accounts and managed by Third Point LLC on substantially the same basis as Third Point LLC’s main hedge funds.

Limited Operating History and Comparability of Results

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

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

Non-GAAP Financial Measures

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

Key Performance Indicators

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

The table below shows the key performance indicators for our consolidated business for the three and nine months ended September 30, 2015 and 2014:

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Key underwriting metrics for Property and Casualty Reinsurance segment:	(In thousands, except for per share data and ratios)			
Net underwriting loss (1)	$(5,835)	$(1,761)	$(19,082)	$(9,010)
Combined ratio (1)	102.8 %	101.7 %	104.1 %	103.6 %
Key investment return metrics:				
Net investment income (loss)	$(193,156)	$1,552	$(89,627)	$92,072
Net investment return on investments managed by Third Point LLC	(8.7)%	(0.04)%	(4.3)%	5.5 %
Key shareholders' value creation metrics:				
Book value per share (2) (3)	$12.81	$14.04	$12.81	$14.04
Diluted book value per share (2) (3)	$12.45	$13.55	$12.45	$13.55
Growth in diluted book value per share (2)	(11.8)%	(0.3)%	(8.1)%	4.3 %
Return on beginning shareholders' equity (2)	(12.8)%	(0.4)%	(8.9)%	4.7 %

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

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

(3) Prior year comparative represents amounts as of December 31, 2014.

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Net Underwriting Loss for Property and Casualty Reinsurance Segment

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

Combined Ratio for Property and Casualty Reinsurance Segment

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

Net Investment Income (Loss)

Net investment income (loss) is an important measure that affects overall profitability. Net investment income (loss) is affected by the performance of Third Point LLC as our exclusive investment manager and the amount of investable cash, or float, generated by our reinsurance operations. Pursuant to our investment management agreements, Third Point LLC is required to manage our investment portfolio on substantially the same basis as its main hedge funds, subject to certain conditions set forth in our investment guidelines. These conditions include limitations on investing in private securities, a limitation on portfolio leverage, and a limitation on portfolio concentration in individual securities. Our investment management agreements allow us to withdraw cash from our investment account with Third Point LLC at any time with three days’ notice to pay claims and with five days’ notice to pay expenses.

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

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Net investment income (loss) for the three and nine months ended September 30, 2015 and 2014 was comprised of the following:

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	($ in thousands)			
Net investment income (loss) on float	$(51,988)	(137)	$(23,623)	$13,458
Net investment income (loss) on capital	(141,971)	807	(67,057)	77,670
Net investment income (loss) on investments managed by Third Point LLC	(193,959)	670	(90,680)	91,128
Investment income on cash held by the Catastrophe Reinsurer and Catastrophe Fund	2	27	29	84
Net gain on catastrophe bond held by Catastrophe Reinsurer	—	75	10	80
Net gain on investment in Kiskadee Fund	801	—	984	—
Net gain on reinsurance contract derivatives written by the Catastrophe Reinsurer	—	780	30	780
Net investment income (loss)	$(193,156)	$1,552	$(89,627)	$92,072

Net Investment Return on Investments Managed by Third Point LLC

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

Book Value Per Share and Diluted Book Value Per Share

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

For the three months ended September 30, 2015, book value per share decreased by $1.86 per share, or 12.7%, to $12.81 per share from $14.67 per share as of June 30, 2015. For the three months ended September 30, 2015, diluted book value per share decreased by $1.67 per share, or 11.8%, to $12.45 per share from $14.12 per share as of June 30, 2015.

For the nine months ended September 30, 2015, book value per share decreased by $1.23 per share, or 8.8%, to $12.81 per share from $14.04 per share as of December 31, 2014. For the nine months ended September 30, 2015, diluted book value per share decreased by $1.10 per share, or 8.1%, to $12.45 per share from $13.55 per share as of December 31, 2014.

The decrease in basic and diluted book value per share for the three and nine months ended September 30, 2015 was primarily due to the net loss generated in the periods. The decrease in book value per share was higher than the decrease in diluted book value per share due to the dilution from warrants, options and restricted shares.

The following table sets forth the computation of basic and diluted book value per share as of September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Basic and diluted book value per share numerator:	(In thousands, except share and per share amounts)	
Total shareholders' equity	$1,351,191	$1,552,048
Less: non-controlling interests	(15,922)	(100,135)
Shareholders' equity attributable to shareholders	1,335,269	1,451,913
Effect of dilutive warrants issued to Founders and an advisor	46,512	46,512
Effect of dilutive share options issued to directors and employees	58,070	61,705
Diluted book value per share numerator:	$1,439,851	$1,560,130
Basic and diluted book value per share denominator:		
Issued and outstanding shares	104,217,321	103,397,542
Effect of dilutive warrants issued to Founders and an advisor	4,651,163	4,651,163
Effect of dilutive share options issued to directors and employees	5,788,391	6,151,903
Effect of dilutive restricted shares issued to directors and employees (1)	954,829	922,610
Diluted book value per share denominator:	115,611,704	115,123,218
Basic book value per share	$12.81	$14.04
Diluted book value per share	$12.45	$13.55

(1) As of September 30, 2015, the effect of dilutive restricted shares issued to directors and employees was comprised of 340,467 of restricted shares with a service condition only and 614,362 restricted shares with a service and performance condition that were considered probable of vesting.

Return on Beginning Shareholders' Equity

Return on beginning shareholders' equity as presented is a non-GAAP financial measure. Return on beginning shareholders' equity is calculated by dividing net income (loss) by the beginning shareholders' equity attributable to shareholders. We believe this metric is used by investors to supplement measures of our profitability.

Return on beginning shareholders' equity for the three and nine months ended September 30, 2015 and 2014 was calculated as follows:

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	($ in thousands)			
Net income (loss)	$(195,715)	$(5,997)	$(129,583)	$65,074
Shareholders' equity attributable to shareholders - beginning of period	$1,526,004	$1,467,229	$1,451,913	$1,391,661
Return on beginning shareholders' equity	(12.8)%	(0.4)%	(8.9)%	4.7%

Revenues

We derive our revenues from two principal sources:

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

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Premiums from our property and casualty reinsurance business assumed are directly related to the number, type and pricing of contracts we write. Premiums are earned over the contract period based on the exposure period of the underlying contracts of the ceding company.
Income from our investments is primarily comprised of interest income, dividends, and net realized and unrealized gains on investment securities included in our investment portfolio.
Expenses
Our expenses consist primarily of the following:

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

Loss and loss adjustment expenses are a function of the amount and type of reinsurance contracts we write and loss experience of the underlying coverage. Loss and loss adjustment expenses are based on an actuarial analysis of the estimated losses, including losses incurred during the period and changes in estimates from prior periods. Depending on the nature of the contract, loss and loss adjustment expenses may be paid over a number of years.
Acquisition costs consist primarily of brokerage fees, ceding commissions, premium taxes and other direct expenses that relate to our writing reinsurance contracts and are presented net of commissions ceded under reinsurance contracts. We amortize deferred acquisition costs in the same proportion that the premiums are earned.
Investment-related expenses primarily consist of management fees we pay to our investment manager, Third Point LLC, and certain of our Founders, and performance fees we pay to Third Point Advisors LLC. A 2% management fee calculated on assets under management is paid monthly to Third Point LLC and certain of our Founders, and a performance fee equal to 20% of the net investment income is paid annually to Third Point Advisors LLC. We include these expenses in net investment income (loss) in our condensed consolidated statements of income (loss). The performance fee is subject to a loss carryforward provision pursuant to which Third Point Advisors LLC is required to maintain a Loss Recovery Account which represents the sum of all prior period net loss amounts, not offset by prior year net profit amounts, and which is allocated to future profit amounts until the Loss Recovery Account has returned to a positive balance. Until such time, no performance fees are payable under the Investment Agreements.
General and administrative expenses consist primarily of salaries, benefits and related payroll costs, including costs associated with our incentive compensation plan, share compensation expense, legal and accounting fees, travel and client entertainment, fees relating to our letter of credit facilities, information technology, occupancy and other general operating expenses.
Interest expense consists of interest expense incurred on TPRUSA's $115.0 million senior unsecured notes (the "Notes") issued in February 2015. The Notes bear interest at 7.0% and interest is payable semi-annually on February 13 and August 13 of each year. Also included in interest expense is the amortization of costs incurred in issuing the Notes. These costs are amortized over the term of the debt and are included in interest expense.
Income taxes consist primarily of taxes incurred in the U.S. as a result of our U.S. operations and withholding taxes and uncertain tax positions on certain investment transactions in the U.S. and in certain foreign jurisdictions.
Critical Accounting Policies and Estimates
For a summary of our significant accounting and reporting policies, please refer to Note 2, "Significant accounting policies", included in our 2014 Form 10-K.

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

Premium Revenue Recognition Including Evaluation of Risk Transfer

For each contract that we write, we estimate the ultimate premium for the entire contract period and record this estimate at the inception of the contract, to the extent the amount of written premium is estimable. For contracts where the full written premium is not estimable at inception, we record written premium for the portion of the contract period for which the amount is estimable. These estimates are based primarily on information in the underlying contracts as well as information provided by our clients and/or brokers.

Changes in premium estimates are expected and may result in adjustments in any reporting period. These estimates change over time as additional information regarding the underlying business volume is obtained. Along with uncertainty regarding the underlying business volume, our contracts also contain a number of contractual features that can significantly impact the amount of premium that we ultimately recognize. These include commutation provisions, multi-year contracts with cancellation provisions and provisions to return premium at the expiration of the contract in certain circumstances. In certain contracts, these provisions can be exercised by the client, in some cases provisions can be exercised by us and in other cases by mutual consent. In addition, we write a small number of large contracts and the majority of our property and casualty reinsurance segment premiums written to date has been quota share business. As a result, we may be subject to greater volatility around our premium estimates compared to other property and casualty companies. We continuously monitor the premium estimates for each of our contracts considering the cash premiums received, reported premiums, discussions with our clients regarding their premium projections as well as evaluating the potential impact of contractual features. Any subsequent adjustments arising on such estimates are recorded in the period in which they are determined.

Changes in premium estimates may not result in a direct impact to net income (loss) or shareholders’ equity since changes in premium estimates do not necessarily impact the amount of net premiums earned at the time of the premium estimate change and would generally be offset by proportional changes in acquisition costs and net loss and loss adjustment expenses.

During the three months ended September 30, 2015, we recorded $11.4 million of decreases in premium estimates on prior years’ contracts (2014 - $8.8 million). The changes in estimates for the three months ended September 30, 2015 were primarily due to one contract where the client reported writing less business than initially expected. During the nine months ended September 30, 2015, we recorded $41.8 million of increases in premium estimates on prior years’ contracts, (2014 - $(5.9) million). The increase in premium estimates for the nine months ended September 30, 2015 was primarily due to one client writing significantly more business than initially expected and one contract that was canceled on a runoff basis resulting in additional estimated premium, partially offset by decreases in premium estimates as a result of several clients writing less business than initially expected. There was an insignificant impact on net income (loss) of these changes in premium estimates for the three and nine months ended September 30, 2015 and 2014. Changes in premium estimates generally result in a smaller impact on net premiums earned as the changes in premium estimates are generally known before the premiums on the contract are fully earned.

Determining whether or not a reinsurance contract meets the condition for risk transfer requires judgment. The determination of risk transfer is critical to recognizing premiums written and is based, in part, on the use of actuarial pricing models and assumptions and evaluating contractual features that could impact the determination of whether a contract meets risk transfer. If we determine that a reinsurance contract does not transfer sufficient risk, we use deposit accounting. See Note 10 to our condensed consolidated financial statements for additional information on deposit contracts entered into to date.

Loss and Loss Adjustment Expense Reserves

Our loss and loss adjustment expense reserves include case reserves, reserves for losses incurred but not yet reported ("IBNR reserves") and deferred gains on retroactive reinsurance contracts. Case reserves are established for losses that have been reported, but not yet paid, based on loss reports from brokers and ceding companies. IBNR reserves represent the estimated loss and loss adjustment expenses that have been incurred by insureds and reinsureds but not yet reported to the insurer or reinsurer, including unknown future developments on loss and loss adjustment expenses that are known to us. IBNR reserves are established by management based on actuarially determined estimates of ultimate loss and loss adjustment expenses. Deferred gains are the underwriting profit related to retroactive exposures in reinsurance contracts at inception and are deferred and recognized over the estimated future payout of the loss and loss adjustment expenses reserves. Any underwriting loss at inception related to retroactive exposures in a reinsurance contract is recognized immediately.

Inherent in the estimate of ultimate loss and loss adjustment expenses are expected trends in claim severity and frequency and other factors that may vary significantly as claims are settled. Accordingly, ultimate loss and loss adjustment expenses may differ materially from the amounts recorded in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are recorded in the condensed consolidated statements of income (loss) in the period in which they become known.

We perform an actuarial projection of our reserves quarterly and have a third-party actuarial review performed annually. All reserves are estimated on an individual contract basis; there is no aggregation of contracts for projection of ultimate loss or reserves.

We initially reserve every individual contract to the expected loss and loss expense ratio in the pricing analysis.

As loss information is received from the cedents, we incorporate other actuarial methods into our projection of ultimate losses and, hence, reserves. In our pricing analysis, we typically use a significant amount of information unique to the individual client and, when necessary, supplement the analysis with industry data. Industry data primarily takes the form of paid and incurred development patterns from statutory financial statements and statistical agencies. For our actuarial reserve projections, the relevant information we receive from our clients include premium estimates, paid loss and loss adjustment expenses and case reserves. We review the data for reasonableness and research any anomalies. On each contract, we compare the expected paid and incurred amounts at each quarter-end with actual amounts reported. We also compare premiums received with projected premium receipts at each quarter end.

There is a time lag between when a covered loss event occurs and when it is actually reported to our cedents. The actuarial methods that we use to estimate losses have been designed to address this lag in loss reporting. There is also a time lag between when clients pay claims, establish case reserves and re-estimate their reserves, and notifying us of the payments and/or new or revised case reserves. This reporting lag is typically 60 to 90 days after the end of a reporting period, but can be longer in some cases. We use techniques that adjust for this reporting lag. While it would be unusual to have lags that extend beyond 90 days, our actuarial techniques are designed to adjust for such a circumstance.

The principal actuarial methods (and associated key assumptions) we use to perform our quarterly loss reserve analysis may include one or more of the following methods:

A Priori Loss Ratio Method

To estimate ultimate losses under the a priori loss ratio method, we multiply earned premiums by an expected loss ratio. The expected loss ratio is selected as part of the pricing and utilizes individual client data, supplemented by industry data where necessary. This method is often useful when there is limited historical data due to few losses being incurred.

Paid Loss Development Method

This method estimates ultimate losses by calculating past paid loss development factors and applying them to exposure periods with further expected paid loss development. The paid loss development method assumes that losses are paid

Explanation of Responses:

at a rate consistent with the historical rate of payment. It provides an objective test of reported loss projections because paid losses contain no reserve estimates. For some lines of business, claim payments are made slowly and it may take many years for claims to be fully reported and settled.

Incurred Loss Development Method

This method estimates ultimate losses by using past incurred loss development factors and applying them to exposure periods with further expected incurred loss development. Since incurred losses include payments and case reserves, changes in both of these amounts are incorporated in this method. This approach provides a larger volume of data to estimate ultimate losses than paid loss methods. Thus, incurred loss patterns may be less varied than paid loss patterns, especially for coverages that have historically been paid out over a long period of time but for which claims are incurred relatively early and case loss reserve estimates are established.

Bornhuetter-Ferguson Paid and Incurred Loss Methods

These methods are a weighted average of the a priori loss ratio and the relevant development factor method. The weighting between the two methods depends on the maturity of the business. This means that for the more recent years a greater weight is placed on the a priori loss ratio, while for the more mature years a greater weight is placed on the development factor methods. These methods avoid some of the distortions that could result from a large development factor being applied to a small base of paid or incurred losses to calculate ultimate losses. This method will react slowly if actual paid or incurred loss experience develops differently than historical paid or incurred loss experience because of major changes in rate levels, retentions or deductibles, the forms and conditions of coverage, the types of risks covered or a variety of other factors.

IBNR to Outstanding Ratio Method

This method is used in selected cases typically for very mature years that still have open claims. This method assumes that the estimated future loss development is indicated by the current level of case reserves.

Key to the projection of ultimate loss is the amount of credibility or weight assigned to each actuarial method. Each method has advantages and disadvantages, and those can change depending on numerous factors including the reliability of the underlying data. For most actuaries, the selection and weighting of the projection methods is a highly subjective process. In order to achieve a desirable amount of consistency from study to study and between contracts, we have implemented a weighting scheme that incorporates numerous “rules” for the weighting of actuarial methods. These rules attempt to effectively codify the judgmental process used for selecting weights for the various methods. There can be circumstances where the rules would be modified for a specific reinsurance contract; examples would include a large market event or new information on historical years that may cause us to increase our a priori loss ratio.

As part of our quarterly reserving process, loss-sensitive contingent expenses (e.g., profit commissions, sliding-scale ceding commissions, etc.) are calculated on an individual contract basis. These expense calculations are based on the updated ultimate loss estimates derived from our quarterly reserving process.

Our reserving methodologies use a loss reserving model that calculates a point estimate for our ultimate losses. Although we believe that our assumptions and methodologies are reasonable, the ultimate payments may vary, potentially materially, from the estimates that we have made.

Sensitivity Analysis

The table below shows the impact from reasonably likely changes to the actuarial assumptions used to estimate our gross loss and loss adjustments expense reserves on the following: loss and loss adjustment expense reserves, net; acquisition costs, net; net underwriting loss and shareholders’ equity as of and for the nine months ended September 30, 2015. Since many contracts that we write have sliding scale commissions, profit commissions, loss corridors or other loss mitigating features that adjust with or offset the loss and loss adjustment expenses incurred, we consider these contractual features to be important in understanding the sensitivity of our results to changes in loss ratio assumptions.

The following table illustrates the aggregate impact of a ten percent increase and decrease applied to the subject ultimate loss and loss adjustment expenses, net for each in-force contract in the property and casualty reinsurance segment. In cases where a loss corridor applies, a 10% increase (or decrease) in our estimate of the subject ultimate loss and loss adjustment expenses, net, may not translate to an increase (or decrease) in the assumed loss and loss adjustment expenses, net. In cases where a sliding scale ceding commission or profit commission applies, a 10% increase (or decrease) in our estimate of the subject loss and loss adjustment expenses, net, does translate to an increase (or decrease) in the assumed loss and loss adjustment expenses, but that increase (or decrease) may be offset by a decrease (or increase) in the acquisition costs, net.

As a result of the contractual features mentioned above, many of our reinsurance contracts provide for a fixed or restricted margin. Consequently, our upside potential on these contracts is limited. In these cases, the relative impact of the adverse development scenario is greater than the impact of the favorable development scenario.

These increases and decreases are only applied to contracts which currently have material reserves outstanding (where material is defined as more than 10% of assumed ultimate loss and loss adjustment expenses incurred, net). Assumed ultimate losses and loss adjustment expenses incurred, net represents the sum we would be obligated to pay for fully developed claims (i.e., paid losses plus outstanding reported losses and IBNR losses). The impact to shareholder's equity does not consider the cash flow, and thus, investment income considerations associated with an increase or decrease in subject ultimate loss and loss adjustment expenses, net.

	10% increase in ultimate loss and loss adjustment expenses, net		10% decrease in ultimate loss and loss adjustment expenses, net	
	($ in thousands)			
Impact on:				
Loss and loss adjustment expense reserves, net	$51,220		$(64,692	)
Acquisition costs, net	(16,357	)	38,578	
Increase (decrease) in net underwriting loss	34,863		(26,114	)
Total shareholders' equity	$1,351,191		$1,351,191	
Increase (decrease) in shareholders' equity	(2.6	)%	1.9	%

Fair value measurements

Our investments are managed by Third Point LLC and are carried at fair value. Our investment manager, Third Point LLC, has a formal valuation policy that sets forth the pricing methodology for investments to be used in determining the fair value of each security in our portfolio. The valuation policy is updated and approved at least on an annual basis by Third Point LLC's valuation committee (the "Committee"), which is comprised of officers and employees who are senior business management personnel of Third Point LLC. The Committee meets on a monthly basis. The Committee's role is to review and verify the propriety and consistency of the valuation methodology to determine the fair value of investments. The Committee also reviews any due diligence performed and approves any changes to current or potential external pricing vendors.

Securities and commodities listed on a national securities or commodities exchange or quoted on NASDAQ are valued at their last sales price as of the last business day of the period. Listed securities with no reported sales on such date and over-the-counter ("OTC") securities are valued at their last closing bid price if held long by us, and last closing ask price if held short by us.

Private securities are those not registered for public sale and are carried at an estimated fair value at the end of the period, as determined by Third Point LLC. Valuation techniques, used by Third Point LLC, may include market approach, last transaction analysis, liquidation analysis and/or using discounted cash flow models where the significant inputs could include but are not limited to additional rounds of equity financing, financial metrics such as revenue multiples or price-earnings ratio, discount rates and other factors. In addition, we or Third Point LLC may employ third party valuation firms to conduct separate valuations of such private securities. The third party valuation firms provide us or Third Point LLC with a written report documenting their recommended valuation as of the determination date for the

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specified investments. Due to the inherent uncertainty of valuation for private securities, the estimated fair value may differ materially from the values that would have been used had a ready market existed for these investments. The actual value at which these securities could be sold or settled with a willing buyer or seller may differ from our estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

Our derivatives are recorded at fair value. Third Point LLC values exchange-traded derivative contracts at their last sales price on the exchange where it is primarily traded. OTC derivatives, which include swap, option, swaption, forward, future and contract for differences, are valued by industry recognized pricing vendors when available; otherwise, fair values are obtained from broker quotes that are based on pricing models that consider the time value of money, volatility, and the current market and contractual prices of the underlying financial instruments.

Our holdings in asset-backed securities are private-label issued, non-investment grade securities, and none of these securities were guaranteed by government sponsored entities. These investments are valued using broker quotes or a recognized third-party pricing vendor. See “Quantitative and Qualitative Disclosures About Market Risk”.

We also have derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value with changes in fair value of the embedded derivative reported in net income (loss). Our embedded derivatives relate to interest crediting features in certain reinsurance and deposit contracts that vary based on the returns on our investments managed by Third Point LLC. We determine the value of the embedded derivatives using models developed internally, which approximates fair value.

We value our investments in affiliated investment funds at fair value, which is an amount equal to the sum of the capital account in the limited partnership generally determined from financial information provided by the investment manager of the investment funds. The resulting net gains or net losses are reflected in the condensed consolidated statements of income (loss).

The fair values of investments are estimated using prices obtained from third-party pricing services, when available. However, situations may arise where we believe that the fair value provided by the third-party pricing service does not represent current market conditions. In those situations, Third Point LLC may use dealer quotes to value the investments. For securities that we are unable to obtain fair values from a pricing service or broker, fair values are estimated using information obtained from Third Point LLC.

We perform several processes to ascertain the reasonableness of the valuation of all of our investments comprising our investment portfolio. These processes include (i) obtaining and reviewing weekly and monthly investment portfolio reports from Third Point LLC, (ii) obtaining and reviewing monthly NAV and investment return reports received directly from our third-party fund administrator, which are compared to the reports noted in (i), and (iii) monthly update discussions with Third Point LLC regarding the investment portfolio, including, their process for reviewing and validating pricing obtained from outside service providers.

For the nine months ended September 30, 2015 and 2014, there were no changes in the valuation techniques as it relates to the above.

See Note 4 to our condensed consolidated financial statements for additional information on the framework for measuring fair value established by U.S. GAAP disclosure requirements.

Business Outlook

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

While management believes pricing remains adequate for the types of business on which we focus, there is significant underwriting capacity currently available. As a result, market conditions are challenging, having deteriorated slightly during the year, and we believe they could deteriorate further in the near term. The segment with the greatest pricing pressure is property catastrophe reinsurance due to an influx of capacity from collateralized reinsurance and other insurance-linked securities vehicles and the absence of significant catastrophe events during 2013, 2014 and through the third quarter of 2015. As a result of challenging market conditions and competition with other collateralized reinsurance and insurance-linked securities vehicles, we announced in December 2014 that we would no longer accept investments in the Catastrophe Fund, that no new business would be written in the Catastrophe Reinsurer and that we would be redeeming all existing investments in the Catastrophe Fund. As of September 30, 2015, the Catastrophe Fund had a net asset value of $0.7 million (December 31, 2014 - $119.7 million), and our investment in the Catastrophe Fund was $0.4 million (December 31, 2014 - $59.5 million). There are no additional guarantees by us and no recourse to us beyond this investment.

In non-catastrophe lines of business, we focus on segments and clients where we believe we benefit from relatively more attractive pricing opportunities due to the strength of our relationships, the tailored nature of our reinsurance solutions or an acute need for reinsurance capital as a result of a client's growth or historically poor performance. Most of our senior management team have spent decades within the reinsurance market and have strong relationships with intermediaries and reinsurance buyers from which we are receiving a strong flow of submissions in the lines and types of reinsurance we target. Although we are typically presented by brokers with proposed structures on syndicated deals, we often seek to customize the proposed solution for the client while improving our risk and return profile and establishing our position as the lead reinsurer in the transaction. We also look for non-syndicated opportunities where a highly customized solution is needed. These solutions may take the form of aggregate stop loss covers, loss portfolio transfers or adverse development reserve covers where clients seek capital relief and enhanced investment returns on the assets that back their loss and unearned premium reserves. We continue to see strong submission flow in this space.

In recent months, there has been significant merger and acquisition activity in the insurance and reinsurance markets which we believe will have a modest, net negative impact on us. The primary negative impact from consolidation is the merging of primary insurance and reinsurance companies which reduces the number of potential reinsurance buyers and increases their size, allowing them to retain proportionally more insurance risk. We believe the negative impact will be partially offset by the benefits to us of recent consolidation among reinsurance companies, which has reduced the number of our competitors in a market where reinsurance buyers and brokers usually prefer to syndicate their placement and want counterparty choices. Another benefit of the recent merger and acquisition activity is that we are now one of only a few reinsurance companies that are not affiliated with a primary insurance company. We are seeing an increased flow of business from reinsurance buyers that we believe do not want to be reinsured by their competitors.

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

Consolidated Results of Operations—Three and nine months ended September 30, 2015 and 2014:

The following table sets forth the key items discussed in the consolidated results of operations section, and the period over period change, for the three and nine months ended September 30, 2015 and 2014:

	Three months ended			Nine months ended		
	September 30, 2015	September 30, 2014	Increase (decrease)	September 30, 2015	September 30, 2014	Increase (decrease)
	($ in thousands)					
Net underwriting loss (1)	$(5,835)	$(1,761)	$(4,074)	$(19,082)	$(9,010)	$(10,072)
Net investment income (loss)	(193,156)	1,552	(194,708)	(89,627)	92,072	(181,699)
Net investment return on investments managed by Third Point LLC	(8.7)%	(0.04)%	(8.7)%	(4.3)%	5.5%	(9.8)%
General and administrative expenses (2)	(3,918)	(3,920)	(2)	(16,653)	(10,518)	6,135
Interest expense	(2,074)	—	2,074	(5,162)	—	5,162
Income tax (expense) benefit	7,781	(1,542)	9,323	5,768	(3,917)	9,685
Net income (loss)	$(195,715)	$(5,997)	$(189,718)	$(129,583)	$65,074	$(194,657)

(1) Property and Casualty Reinsurance segment only.

(2) Corporate function only.

The change in net income (loss) for the three and nine months ended September 30, 2015 compared to the prior year periods was primarily due to the following:

- The increase in net underwriting loss includes developments on prior years' contracts resulting in an increase in the net underwriting loss of $1.4 million and $4.5 million for the three and nine months ended September 30, 2015, respectively. In addition, we recorded $3.1 million of current year losses in the nine months ended September 30, 2015 as a result of windstorms and other storm activity.
- The decrease in net investment income for the three and nine months ended September 30, 2015 was a result of lower investment returns, primarily driven by unrealized losses in our long equity portfolio and higher average investments managed by Third Point LLC, including the proceeds from issuance of senior notes.
- The increase in general and administrative expenses related to corporate activities for the nine months ended September 30, 2015 compared to the prior year period was primarily due to greater payroll and related expenses as a result of separation costs, increased share compensation expense and increased legal and other professional advisor expenses.
- In February 2015, TPRUSA issued $115.0 million of senior notes bearing 7.0% interest. As a result, our consolidated results of operations for the current year periods include interest expense.
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As a result of the net loss for the three and nine months ended September 30, 2015 generated by our U.S. subsidiaries, we recorded an income tax benefit in both periods.

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Segment Results—Three and nine months ended September 30, 2015 and 2014.

The determination of our reportable segments is based on the manner in which management monitors the performance of our operations. For the periods presented, our business comprises two operating segments - Property and Casualty Reinsurance and Catastrophe Risk Management. We have also identified a corporate function that includes investment results, certain general and administrative expenses related to corporate activities, interest expense and income tax expense.

Property and Casualty Reinsurance

The following table sets forth net underwriting results and ratios, and the period over period change for the Property and Casualty Reinsurance segment for the three and nine months ended September 30, 2015 and 2014:

	Three months ended			Nine months ended		
	September 30, 2015	September 30, 2014	Increase (decrease)	September 30, 2015	September 30, 2014	Increase (decrease)
	($ in thousands)					
Gross premiums written	$205,729	$124,931	$80,798	$603,303	$347,495	$255,808
Net premiums earned	208,951	101,487	107,464	468,450	251,276	217,174
Loss and loss adjustment expenses incurred, net	158,387	60,121	98,266	316,186	150,789	165,397
Acquisition costs, net	50,527	37,571	12,956	152,665	92,477	60,188
General and administrative expenses	5,872	5,556	316	18,681	17,020	1,661
Net underwriting loss	(5,835)	(1,761)	(4,074)	(19,082)	(9,010)	(10,072)
Net investment income (loss) on float	(51,988)	(137)	(51,851)	(23,623)	13,458	(37,081)
Other expenses	(670)	(2,982)	(2,312)	(5,686)	(4,789)	897
Segment loss	$(58,493)	$(4,880)	$(53,613)	$(48,391)	$(341)	$(48,050)
Underwriting ratios (1):						
Loss ratio	75.8%	59.2%	16.6%	67.5%	60.0%	7.5%
Acquisition cost ratio	24.2%	37.0%	(12.8)%	32.6%	36.8%	(4.2)%
Composite ratio	100.0%	96.2%	3.8%	100.1%	96.8%	3.3%
General and administrative expense ratio	2.8%	5.5%	(2.7)%	4.0%	6.8%	(2.8)%
Combined ratio	102.8%	101.7%	1.1%	104.1%	103.6%	0.5%

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

Gross Premiums Written

Despite challenging market conditions, we have grown our underwriting portfolio due to the strength of our relationships with reinsurance brokers and reinsurance buyers and our ability to offer customized solutions, particularly in the area of adverse development covers. Additionally, we have seen new opportunities as a result of our expansion in the U.S. through the formation of Third Point Re USA earlier this year.

We write a small number of large contracts so individual renewals or new business can have a significant impact on premiums recognized in a period. In addition, our reinsurance contracts are subject to significant judgment in the amount of premiums that we expect to recognize. Changes in premium estimates are recorded in the period they are determined. We also offer customized solutions to our clients, including adverse development covers, on which we will not have a regular renewal opportunity. Furthermore, we record gross premiums written and earned for adverse development covers, which are considered retroactive reinsurance contracts, at the inception of the contract. As a result of these factors, we may experience volatility in the amount of gross premiums written and net premiums earned and period to period comparisons may not be meaningful. The results of our Property and Casualty Reinsurance segment now includes the results of Third Point Re USA, which may further impact comparability of results.

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The following table provides a breakdown of our property and casualty reinsurance segment's gross premiums written by line of business for the three and nine months ended September 30, 2015 and 2014:

	Three months ended September 30, 2015			September 30, 2014			Nine months ended September 30, 2015			September 30, 2014		
	($ in thousands)						($ in thousands)					
Property	$21,863	10.6	%	$(2,810)	(2.2	)%	$70,854	11.7	%	$78,577	22.6	%
Casualty	161,980	78.8	%	128,469	102.8	%	320,990	53.2	%	244,235	70.3	%
Specialty	21,886	10.6	%	(728)	(0.6	)%	211,459	35.1	%	24,683	7.1	%
	$205,729	100.0	%	$124,931	100.0	%	$603,303	100.0	%	$347,495	100.0	%

The increase in gross premiums written of $80.8 million, or 64.7% for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 was driven by:

Factors resulting in increases:

- We wrote $143.4 million of new business for the three months ended September 30, 2015, consisting of $120.2 million of new casualty business and $23.2 million of new property business. The new business written was primarily due to one new adverse development cover of $91.6 million and $51.8 million of new business written by Third Point Re USA, where we have seen new opportunities as a result of our U.S. presence.
- We recognized $18.1 million of premiums in the three months ended September 30, 2015 that did not have comparable premiums in the prior year period primarily due to one contract that was canceled and re-written.
- Changes in renewal premiums during the three months ended September 30, 2015 resulted in a net increase in premiums of $15.5 million primarily due to changes in participations and underlying premium volume on contracts that renewed in the quarter. Premiums can change on renewals of contracts because of a number of factors, including: changes in our line size or participation, changes in the underlying premium volume and pricing trends of the client's program as well as other contractual terms and conditions.

Factors resulting in decreases:

- In the three months ended September 30, 2014, we recognized $93.6 million of premiums that did not have comparable premiums in the current year period primarily due to one contract that was canceled and re-written and one contract that was written on a multi-year basis in the prior year period.
- Decreases in premium estimates relating to prior years' contracts were $11.4 million and $8.8 million for the three months ended September 30, 2015 and 2014, respectively. The decreases in premium estimates for the three months ended September 30, 2015 were primarily due to one client that reported writing significantly less business than initially expected.

The increase in gross premiums written of $255.8 million, or 73.6% for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 was driven by:

Factors resulting in increases:

- We wrote $216.5 million of new business for the nine months ended September 30, 2015, consisting of $166.3 million of new casualty business, $26.7 million of new property business and $23.5 million of new specialty business. A total of $101.5 million of our new business in the nine months ended September 30, 2015 was written by Third Point Re USA. The remaining new business written by Third Point Re was primarily due to one new adverse development cover.
- We recognized $135.5 million of premiums in the nine months ended September 30, 2015 that did not have comparable premiums in the prior year period, partially offset by one contract that was partially commuted in the current year period.

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- Changes in premium estimates relating to prior years' contracts were $41.8 million and $(5.9) million for the nine months ended September 30, 2015 and 2014, respectively. The changes in premium estimates for the nine months ended September 30, 2015 were due to several contracts where clients reported writing more business than initially expected and one contract that was canceled on a runoff basis resulting in additional estimated premium.
- Changes in renewal premiums during the nine months ended September 30, 2015 resulted in a net increase in premium of $10.2 million primarily due to changes in participations and underlying premium volume on contracts that renewed in the period. Premiums can change on renewals of contracts for a number of factors, including: changes in our line size or participation, changes in the underlying premium volume and pricing trends of the client's program as well as other contractual terms and conditions.

Factors resulting in decreases:

- We recognized $98.7 million of premiums in the nine months ended September 30, 2014 that did not have comparable premiums in the current year period primarily due to one contract that was canceled and re-written and one contract that was written on a multi-year basis in the prior year period.
- We recognized $55.4 million of premium in the nine months ended September 30, 2014 related to contracts that we made a decision not to renew in 2015 due to changes in pricing and/or terms and conditions.

Net Premiums Earned

The three and nine months ended September 30, 2015 reflects net premiums earned on a larger in-force underwriting portfolio, including new business written, compared to the three and nine months ended September 30, 2014. In addition, net premiums earned for the three and nine months ended September 30, 2015 includes $91.6 million and $108.1 million, respectively, related to retroactive exposures in reinsurance contracts. There was an insignificant amount of retroactive premium in the comparable 2014 periods.

Net Loss and Loss Adjustment Expenses

The reinsurance contracts we write have a wide range of initial loss ratio estimates. As a result, our net loss and loss expense ratio can vary significantly from period to period depending on the mix of business. For example, property quota share contracts have a lower initial loss ratio compared to other casualty and specialty lines of business. In general, our contracts have similar expected composite ratios (combined ratio before general and administrative expenses); therefore, contracts with higher initial loss ratio estimates have lower acquisition cost ratios and contracts with lower initial loss ratios have higher acquisition cost ratios. Retroactive reinsurance contracts have a higher initial loss ratio since the premiums are generally based on the net loss and loss adjustment reserves and include minimal acquisition related and other expenses. In addition, we record the gross premiums written and earned and the net losses as incurred for retroactive exposures in reinsurance contracts at the inception of the contract, which can also impact the mix of premium written by line of business and amount of premiums earned in a particular period.

For the three months ended September 30, 2015 and 2014, we recorded $1.8 million, or 0.9 percentage points, and $0.2 million, or 0.2 percentage points, of net favorable prior years' reserve development, respectively.

The net $1.8 million of favorable prior years' reserve development for the three months ended September 30, 2015 was accompanied by net increases of $3.2 million in acquisition costs, resulting in a net increase of $1.4 million in net underwriting loss, or 0.7 percentage points. The net increase in net underwriting loss was a result of having favorable loss reserve development on certain contracts that was either fully or partially offset by increases in sliding scale or profit commissions whereas certain other contracts with adverse loss development did not have offsetting decreases in acquisition costs to the same degree. The adverse development for the three months ended September 30, 2015 was primarily a result of deterioration in attritional loss experience on certain workers' compensation and auto contracts that did not result in offsetting changes in acquisition costs.

The favorable prior years' reserve development for the three months ended September 30, 2014 related primarily to favorable loss experience on certain property and auto contracts.

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For the nine months ended September 30, 2015, we incurred $3.1 million, or 0.7 percentage points, of net loss expense as a result of windstorms and other weather activity that took place in the state of Texas in the second quarter of 2015.
For the nine months ended September 30, 2015, we recorded $8.8 million, or 1.9 percentage points, of net favorable prior years' reserve development compared to $0.9 million, or 0.4 percentage points, of net adverse prior years' reserve development for the nine months ended September 30, 2014.
The net $8.8 million of favorable prior years' reserve development for the nine months ended September 30, 2015 was accompanied by net increases of $13.3 million in acquisition costs, resulting in a net increase of $4.5 million in net underwriting loss, or 1.0 percentage point. The $4.5 million net increase in net underwriting loss was a result of having favorable loss reserve development on certain contracts that was either fully or partially offset by increases in sliding scale or profit commissions whereas certain other contracts with adverse loss development did not have offsetting decreases in acquisition costs to the same degree resulting in the net favorable development being more than offset by acquisition costs in the current period. The adverse development for the nine months ended September 30, 2015 was primarily a result of deterioration in attritional loss experience on certain workers' compensation, auto and property contracts that did not result in offsetting changes in acquisition costs.
The $0.9 million of net adverse loss development for the nine months ended September 30, 2014 primarily related to one crop contract.
Net Investment Income (Loss)
Net investment income (loss) allocated to the Property and Casualty Reinsurance segment consists of net investment income on float. The decrease in net investment income (loss) on float for the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014 was primarily due to lower investment returns compared to the prior year periods and an increase in the total amount of float generated by our reinsurance operations. See the discussion of net investment income (loss) under "Corporate Function" below for explanations of the investment returns on investments managed by Third Point LLC and total net investment income (loss) for the periods presented.
General and Administrative Expenses
The increase in general and administrative expenses for the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014 was primarily due to increased headcount and related employee costs, increased share compensation expense, and increased credit facility fees due to higher usage of our letter of credit facilities. Although general and administrative expenses increased compared to the prior year period, the general and administrative expense ratio decreased due to proportionately higher net premiums earned during the current year period.
Other Expenses
The decrease in other expenses for the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014 was primarily due to decreases in fair values of embedded derivatives related to our deposit liability contracts as a result of lower investment returns. This decrease in the fair values of embedded derivatives was partially offset by an increased number of reinsurance contracts written in 2014 and 2015 that have fixed interest crediting features.
Catastrophe Risk Management
In December 2014, we announced that we would no longer accept investments in the Catastrophe Fund, that no new business would be written in the Catastrophe Reinsurer and that we would be redeeming all existing investments in the Catastrophe Fund.
As of September 30, 2015, the Catastrophe Fund had a net asset value of $0.7 million (December 31, 2014 - $119.7 million), and our investment in the Catastrophe Fund was $0.4 million (December 31, 2014 - $59.5 million). There are no additional guarantees by us and no recourse to us beyond this investment. During the nine months ended September 30, 2015, the Catastrophe Fund distributed $118.7 million (Third Point Re's share - $59.0 million) resulting

in a distribution from non-controlling interests for the Catastrophe Fund of $59.7 million for the nine months ended September 30, 2015.

Corporate Function

The following table sets forth net income (loss) and the period over period change for the Corporate Function for the three and nine months ended September 30, 2015 and 2014:

	Three months ended			Nine months ended		
	September 30, 2015	September 30, 2014	Increase (decrease)	September 30, 2015	September 30, 2014	Increase (decrease)
	($ in thousands)					
Net investment income (loss) on capital	$(141,169)	$ 807	$(141,976)	$(66,073)	$ 77,670	$(143,743)
General and administrative expenses	(3,918)	(3,920)	(2)	(16,653)	(10,518)	6,135
Interest expense	(2,074)	—	2,074	(5,162)	—	5,162
Foreign exchange gains	746	—	746	800	—	800
Income tax (expense) benefit	7,781	(1,542)	9,323	5,768	(3,917)	9,685
Segment (income) loss attributable to non-controlling interests	1,581	(92)	1,673	507	(1,586)	2,093
Segment income (loss)	$(137,053)	$ (4,747)	$(132,306)	$(80,813)	$ 61,649	$(142,462)

Investment Results

The primary driver of our net investment income (loss) is the returns generated by our investment portfolio managed by our investment manager, Third Point LLC. The following is a summary of the net investment return on investments managed by Third Point LLC by investment strategy for the three and nine months ended September 30, 2015 and 2014:

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Long/short equities	(8.2)%	0.3%	(8.9)%	2.0%
Asset-backed securities	0.4%	0.5%	5.8%	2.8%
Corporate and sovereign credit (1)	(1.0)%	(0.8)%	(1.5)%	1.1%
Macro and other	0.1%	—%	0.3%	(0.4)%
	(8.7)%	(0.04)%	(4.3)%	5.5%
S&P 500	(6.4)%	1.1%	(5.3)%	8.3%

(1) Effective January 1, 2015, we modified the presentation of our net investment return by investment strategy to include sovereign credit into the corporate and sovereign credit strategy from the macro and other strategy. We believe this classification better represents our portfolio. We have reclassified the 2014 returns in the table above to correspond to the current year's presentation.

The net investment results for the three and nine months ended September 30, 2015 were attributable to losses in our long equity portfolio, which was partially offset by strong performance in equity shorts, structured credit and sovereign credit. During the third quarter, the equity portfolio posted negative returns in most sectors amidst a broader market decline. Specifically, several large positions in the healthcare sector detracted meaningfully. Many long investments suffered losses while the short portfolio generated positive returns. While overall net exposure reduced by approximately 33% during the quarter, our investment manager, Third Point LLC, maintained high conviction in the portfolio's largest positions, adding to several of them on market weakness. Within credit, a large sovereign debt position added to returns for the quarter. However, the credit portfolio was down for the period due to losses in the corporate credit book. The structured credit portfolio was the strongest contributor to performance during the period, largely driven by gains in resecuritized real estate mortgage investment conduits (Re-Remics). Refer to "ITEM 3. Quantitative and Qualitative Disclosures about Market Risks" for a list of risks and factors that could adversely impact our investments results.

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

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

General and Administrative Expenses

General and administrative expenses allocated to our corporate function include allocations of payroll and related costs for certain executives and non-underwriting staff that spend a portion of their time on corporate activities. We also allocate a portion of overhead and other related costs based on a related headcount analysis. The increase for the nine months ended September 30, 2015 compared to the prior year period was primarily due to separation costs, increased share compensation expense and increased legal and other professional advisor expenses.

Interest Expense

In February 2015, TPRUSA issued $115.0 million of senior notes bearing 7.0% interest. As a result, our consolidated results of operations include interest expense of $2.1 million and $5.2 million for the three and nine months ended September 30, 2015, respectively, compared to $nil for both the three and nine months ended September 30, 2014.

Income Taxes

The income tax expense or benefit is primarily driven by the taxable income or loss generated by our U.S.-based subsidiaries as well as withholding taxes and uncertain tax provisions on our investment portfolio and to a lesser extent, taxes paid in relation to our U.K. based subsidiaries.

Our effective tax rate is primarily driven by the portion of taxable income or loss generated by our U.S.-based subsidiaries relative to the income or loss generated by our Bermuda-based operations, which are not subject to corporate income tax. Premiums earned by our U.S. and Bermuda-based subsidiaries generally do not bear a proportionate relationship to their respective pre-tax income for a variety of reasons, including the significant impact on pre-tax income of the different mixes of business underwritten by the particular subsidiary, the presence or absence of underwriting income or loss attributable to such business, and the investment results experienced by the particular subsidiary.

For the three and nine months ended September 30, 2015 and 2014, we recorded income tax expense (benefit), as follows:

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	($ in thousands)			
Income tax expense (benefit) - U.S. subsidiaries (1)	$(9,209)	$—	$(8,521)	$—
Income tax expense - U.K. subsidiaries	3	3	9	21
Uncertain tax positions	35	300	(615)	1,700
Withholding taxes on certain investment transactions	1,390	1,239	3,359	2,196
	$(7,781)	$1,542	$(5,768)	$3,917

(1) We have accrued $8.5 million of net deferred tax assets as of September 30, 2015, which is included in other assets in the condensed consolidated balance sheets. As of September 30, 2015, the net deferred tax asset was

primarily the result of investment losses in our U.S. subsidiaries. We believe that it is more likely than not that the tax benefit will be realized.

During the first quarter of 2015, we completed the capitalization of our U.S. entities and commenced U.S. underwriting operations. Third Point Re USA made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity. As a result, we will be subject to U.S. income tax on income generated by Third Point Re USA and TPRUSA.

During the nine months ended September 30, 2015, we recorded a decrease in uncertain tax positions primarily related to the settlement of certain positions in foreign securities resulting in lower gains.

Liquidity and Capital Resources

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

General

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

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

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

As of September 30, 2015, Third Point Re could pay dividends to Third Point Reinsurance Ltd. of approximately $166.0 million (December 31, 2014 - $326.1 million). Third Point Re USA is also restricted by the amount of capital and surplus that is available for the payment of dividends and must maintain a minimum surplus of $250.0 million as per the Net Worth Maintenance Agreement. As a result, Third Point Re USA could pay dividends ultimately to Third Point Reinsurance Ltd. of approximately $5.5 million as of September 30, 2015. On February 26, 2015, Third Point Re declared and paid a dividend of $158.0 million to Third Point Reinsurance Ltd. These funds were ultimately used, together with the net proceeds from the issuance of the Notes, to capitalize Third Point Re USA.

Liquidity and Cash Flows

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

Cash flows from operations may differ substantially from net income and may be volatile from period to period depending on the underwriting opportunities available to us and other factors. Due to the nature of our underwriting portfolio, claim payments can be unpredictable and may need to be made within relatively short periods of time.

Claim payments can also be required several months or years after premiums are collected.

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Operating, investing and financing cash flows for the nine months ended September 30, 2015 and 2014 were as follows:

	2015	2014
	($ in thousands)	
Net cash provided by operating activities	$191,521	$55,678
Net cash used in investing activities	(250,415)	(16,141)
Net cash provided by (used in) financing activities	40,979	(38,469)
Net increase (decrease) in cash and cash equivalents	(17,915)	1,068
Cash and cash equivalents at beginning of period	28,734	31,625
Cash and cash equivalents at end of period	$10,819	$32,693

Cash flows from operating activities generally represent net premiums collected less loss and loss adjustment expenses, acquisition costs and general and administrative expenses paid. As our underwriting activities have continued to increase we have generated increasing cash flows from operating activities as the collection of premiums has exceeded the payment of loss and loss adjustment expenses and general and administrative expenses. Excess cash generated from our operating activities is then invested by Third Point LLC, which is reflected in the cash used in investing activities.

For the nine months ended September 30, 2015 and 2014, we contributed $236.0 million and $65.0 million, respectively, to our separate accounts managed by Third Point LLC from float generated from our reinsurance operations. These amounts do not necessarily correspond to the net cash provided by operating activities as presented in the condensed consolidated statements of cash flows prepared in accordance with U.S. GAAP.

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

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

The cash flows from financing activities for the nine months ended September 30, 2015 consisted primarily of the proceeds from issuance of Notes, partially offset by distributions of non-controlling interests from the investment affiliate and Catastrophe Fund. The cash flows from financing activities for the nine months ended September 30, 2014 consisted primarily of distributions of non-controlling interests from the investment affiliate.

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

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

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of our reinsurance subsidiaries to pay dividends to their respective parent companies, including for purposes of servicing TPRUSA’s debt obligations.

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

Cash and Restricted Cash and Cash Equivalents

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

Restricted cash and cash equivalents consist of trust accounts securing obligations under certain reinsurance contracts and cash held with banks securing letters of credit issued under credit facilities. Restricted cash and cash equivalents increased by $187.1 million, or 44.8%, to $604.4 million as of September 30, 2015 from $417.3 million as of December 31, 2014. The increase in restricted cash was primarily due to reinsurance contracts written in the nine months ended September 30, 2015 where our obligations are secured by trust accounts. We do not expect the increase in restricted cash to affect our liquidity position and restricted cash can fluctuate period-to-period.

Letter of Credit Facilities

As of September 30, 2015, we had entered into the following letter of credit facilities:

	Facility	Utilized	Collateral	Renewal Date
September 30, 2015	($ in thousands)			
BNP Paribas	$50,000	$9,073	$9,073	April 2, 2016
Citibank	250,000	186,873	186,873	January 23, 2016
J.P. Morgan	50,000	37,551	37,926	August 22, 2016
Lloyds Bank	150,000	26,316	26,316	December 31, 2016 and 2018
	$500,000	$259,813	$260,188	

As of September 30, 2015, $259.8 million (December 31, 2014 - $218.5 million) of letters of credit, representing 52.0% of the total available facilities, had been drawn upon (December 31, 2014 - 54.6% (based on total available facilities of $400.0 million)).

Under the facilities, we provide collateral that may consist of equity securities, repurchase agreements, restricted cash, and cash and cash equivalents. As of September 30, 2015, total cash and cash equivalents with a fair value of $260.2 million (December 31, 2014 - $219.0 million) was pledged as security against the letters of credit issued. These amounts are included in restricted cash and cash equivalents in the condensed consolidated balance sheets. Each of the facilities contain customary events of default and restrictive covenants, including but not limited to, limitations on liens on collateral, transactions with affiliates, mergers and sales of assets, as well as solvency and maintenance of certain minimum pledged equity requirements, A.M. Best Company rating of “A-“ or higher. Each restricts issuance of any debt without the consent of the letter of credit provider. Additionally, if an event of default exists, as defined in the letter of credit facilities, we will be prohibited from paying dividends. We were in compliance with all of the covenants as of September 30, 2015.

Financial Condition

Shareholders’ equity

As of September 30, 2015, total shareholders’ equity was $1,351.2 million, compared to $1,552.0 million as of December 31, 2014. The decrease was primarily due to a net loss of $129.6 million and net distributions of non-controlling interests of $83.6 million, partially offset by issuance of common shares and share compensation expense

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totaling $12.8 million in the current year period. The net distributions of non-controlling interests included $24.1 million related to our investment in our joint ventures. In addition, the Catastrophe Fund distributed $118.7 million (Third Point Re’s share - $59.0 million) of capital resulting in a distribution of non-controlling interests for the Catastrophe Fund of $59.7 million for the nine months ended September 30, 2015.

Investments

As of September 30, 2015, total cash and net investments managed by Third Point LLC was $2,092.6 million, compared to $1,802.2 million as of December 31, 2014. The increase was primarily due to the proceeds from our debt issuance and float of $236.0 million generated by our reinsurance operations, partially offset by our net investment loss for the nine months ended September 30, 2015.

Contractual Obligations

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

The indenture governing the Notes contains customary events of default, and limits our ability to merge or consolidate or to transfer or sell all or substantially all of our assets and TPRUSA’s ability to create liens on the voting securities or profit participating equity interests of Third Point Re USA, its wholly-owned insurance subsidiary. In certain circumstances specified in the indenture governing the Notes, certain of our existing or future subsidiaries may be required to guarantee the Notes. Interest on the Notes is subject to adjustment from time to time in the event of a downgrade or subsequent upgrade of the rating assigned to the Notes or in connection with certain changes in the ratio of consolidated total long-term indebtedness to capitalization (each as defined in the indenture governing the Notes). As of September 30, 2015, we were in compliance with all of the covenants under the indenture governing the Notes, and, during the nine months then ended, no event requiring an increase in the interest rate applicable to the Notes occurred.

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

Off-Balance Sheet Commitments and Arrangements

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

As of September 30, 2015, we had an unfunded capital commitment of $3.5 million related to our investment in the Hellenic Fund (see Note 17 to our condensed consolidated financial statements for additional information).

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

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Equity Price Risk

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

As of September 30, 2015, our investment portfolio included long and short equity securities, along with certain equity-based derivative instruments, the carrying values of which are primarily based on quoted market prices. Generally, market prices of common equity securities are subject to fluctuation, which could cause the amount to be realized upon the closing of the position to differ significantly from their current reported value. This risk is partly mitigated by the presence of both long and short equity securities in our investment portfolio. As of September 30, 2015, a 10% decline in the value of all equity and equity-linked derivatives would result in a loss of $110.0 million, or 5.3% in the fair value of our total net investments managed by Third Point LLC.

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

Foreign Currency Risk

Reinsurance Contracts

We have foreign currency exposure related to non-U.S. dollar denominated reinsurance contracts. Of our gross premiums written from inception, $201.8 million, or 11.6%, were written in currencies other than the U.S. dollar. For these contracts, non-U.S. dollar assets generally offset liabilities in the same non-U.S. dollar currencies resulting in minimal net exposure. As of September 30, 2015, loss and loss adjustment expense reserves included $95.1 million (December 31, 2014 - $6.1 million) in foreign currencies.

Investments

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

We are exposed to foreign currency risk through cash, forwards, options and investments in securities denominated in foreign currencies. Foreign currency exchange rate risk is the potential for adverse changes in the U.S. dollar value of investments (long and short) and foreign currency derivative instruments, which we employ from both a speculative and risk management perspective, due to a change in the exchange rate of the foreign currency in which cash and financial instruments are denominated. As of September 30, 2015, our total net short exposure to foreign denominated securities represented 3.4% (December 31, 2014 - 3.4%) of our investment portfolio including cash and cash equivalents, of $72.8 million (December 31, 2014 - $61.0 million).

The following tables summarize the net impact that a 10% increase and decrease in the value of the U.S. dollar against select foreign currencies would have had on the value of our investment portfolio as of September 30, 2015 and December 31, 2014:

September 30, 2015	10% increase in U.S. dollar		10% decrease in U.S. dollar	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
	($ in thousands)			
Euro	$(118)	(0.01)%	$118	0.01%
Japanese Yen	156	0.01%	(156)	(0.01)%
British Pound	(430)	(0.02)%	430	0.02%
Other	7,766	0.37%	(7,766)	(0.37)%
Total	$7,374	0.35%	$(7,374)	(0.35)%

December 31, 2014	10% increase in U.S. dollar		10% decrease in U.S. dollar	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
	($ in thousands)			
Euro	$2,418	0.13%	$(2,418)	(0.13)%
Japanese Yen	322	0.02%	(322)	(0.02)%
British Pound	25	—%	(25)	—%
Other	3,335	0.18%	(3,335)	(0.18)%
Total	$6,100	0.33%	$(6,100)	(0.33)%

Interest Rate Risk

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

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

The following table summarizes the impact that a 100 basis point increase or decrease in interest rates would have on the value of our investment portfolio as of September 30, 2015 and December 31, 2014:

September 30, 2015	100 basis point increase in interest rates		100 basis point decrease in interest rates	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
	($ in thousands)			
Corporate and Sovereign Debt Instruments	$322	—%	$769	—%
Asset Backed Securities[(1)]	(13,882)	(0.7)%	15,181	0.7%
Net exposure to interest rate risk	$(13,560)	(0.7)%	$15,950	0.7%

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Explanation of Responses:

December 31, 2014	100 basis point increase in interest rates		100 basis point decrease in interest rates	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
	($ in thousands)			
Corporate and Sovereign Debt Instruments	$(10,486)	(0.6)%	$11,836	0.6%
Asset Backed Securities[(1)]	(10,521)	(0.6)%	12,485	0.7%
Net exposure to interest rate risk	$(21,007)	(1.2)%	$24,321	1.3%

(1) Includes instruments for which durations are available on September 30, 2015 and December 31, 2014. Includes a convexity adjustment if convexity is available. Not included are mortgage hedges which would reduce the impact of interest rate changes.

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

Commodity Price Risk

In managing our investment portfolio, Third Point LLC periodically monitors and actively trades to take advantage of, and/or seeks to minimize any losses from, fluctuations in commodity prices. As our investment manager, Third Point LLC may choose to opportunistically make a long or short investment in a commodity or in a security directly impacted by the price of a commodity as a response to market developments. From time to time, we invest in commodities or commodities exposures in the form of derivative contracts from both a speculative and risk management perspective. Generally, market prices of commodities are subject to fluctuation.

As of September 30, 2015, our investment portfolio included de minimis exposure to changes in commodity prices through ownership of physical commodities and commodity-linked securities.

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

Credit Risk

Reinsurance Contracts

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

We also have credit risk exposure in several reinsurance contracts with companies that write credit risk insurance. We have written $93.7 million of credit and financial lines premium since inception, which consists primarily of exposure to mortgage insurance credit risks.

Investments

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

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

Explanation of Responses:

As of September 30, 2015 and December 31, 2014, the largest concentration of our asset-backed securities ("ABS") holdings were as follows:

	September 30, 2015			December 31, 2014		
	($ in thousands)					
Re-REMIC (1)	$226,047	44.0	%	$131,568,000	32.9	%
Subprime RMBS	162,738	31.7	%	198,046,000	49.5	%
Collateralized debt obligations	54,358	10.6	%	9,397,000	2.3	%
Other (2)	70,076	13.7	%	61,223,000	15.3	%
	$513,219	100.0	%	$400,234,000	100.0	%

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

As of September 30, 2015, all of our ABS holdings were private-label issued, non-investment grade securities, and none of these securities were guaranteed by government sponsored entities. As a result of its investment in these types of ABS, our investment portfolio is exposed to the credit risk of underlying borrowers, which may not be able to make timely payments on loans or which may default on their loans. All of these classes of ABS are sensitive to changes in interest rates and any resulting change in the rate at which borrowers sell their properties (in the case of mortgage-backed securities), refinance, or otherwise pre-pay their loans. As an investor in these classes of ABS, we may be exposed to the credit risk of underlying borrowers not being able to make timely payments on loans or the likelihood of borrowers defaulting on their loans. In addition, we may be exposed to significant market and liquidity risks.

Liquidity Risk

Certain of our investments may become illiquid. Disruptions in the credit markets may materially affect the liquidity of certain investments, including ABS which represent 25.0% (December 31, 2014 - 21.9%) of total cash and investments as of September 30, 2015. If we require significant amounts of cash on short notice in excess of normal cash requirements, which could include the payment of claims expenses or to satisfy a requirement of A.M. Best, in a period of market illiquidity, the investments may be difficult to sell in a timely manner and may have to be disposed of for less than what may otherwise have been possible under normal conditions. As of September 30, 2015, we had $1,249.6 million (December 31, 2014 - $1,163.5 million) of unrestricted, liquid investment assets, defined as unrestricted cash and securities with quoted prices available in active markets/exchanges.

Political Risk

Investments

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

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

Reinsurance Contracts

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

Recent Accounting Pronouncements

Refer to Note 2 to our condensed consolidated financial statements for the nine months ended September 30, 2015 included in Item 1 of this Quarterly Report on Form 10-Q for details of recently issued accounting standards.

ITEM 4. Controls and Procedures
Evaluation of Disclosure Controls and Procedures
Management, with the participation of our Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of September 30, 2015. Based upon this evaluation, our Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2015.
Changes in Internal Control over Financial Reporting
There have been no material changes to our internal control over financial reporting in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - Other Information
ITEM 1. Legal Proceedings
We anticipate that, similar to the rest of the reinsurance industry, we will be subject to litigation and arbitration from time to time in the ordinary course of business.
If we are subject to disputes in the ordinary course of our business we anticipate engaging in discussions with the parties to the applicable contract to seek to resolve the matter. If such discussions are unsuccessful, we anticipate invoking the dispute resolution provisions of the relevant contract, which typically provide for the parties to submit to arbitration or litigation, as applicable, to resolve the dispute.
ITEM 1A. Risk Factors
There have been no material changes to the risk factors previously disclosed in our Form 10-K filed with the Securities and Exchange Commission on February 27, 2015.

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

a) Not applicable
b) Not applicable
c) Not applicable

ITEM 3. Defaults Upon Senior Securities
None.
ITEM 4. Mine Safety Disclosures
Not applicable.
ITEM 5. Other Information
Not applicable.

ITEM 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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

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SIGNATURES

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

Third Point Reinsurance Ltd.

Date: November 4, 2015

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

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

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