PLATINUM UNDERWRITERS HOLDINGS LTD
Form 10-K
February 11, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10K

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

For the fiscal year ended December 31, 2014
or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ___________

Commission File Number 001-31341
Platinum Underwriters Holdings, Ltd.
(Exact name of registrant as specified in its charter)

Bermuda	98-0416483
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Waterloo House
100 Pitts Bay Road
Pembroke HM 08, Bermuda
(Address of principal executive offices, including postal code)
Registrant's telephone number, including area code: (441) 295-7195
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
The aggregate market value of common shares held by non-affiliates of the registrant as of June 30, 2014, the last business day of our most recently completed second fiscal quarter, was $1,673,028,121 based on the closing sale price of $64.85 per common share on the New York Stock Exchange on that date. For purposes of this computation only, all executive officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates.
The registrant had 24,845,418 common shares, par value $0.01 per share, outstanding as of January 30, 2015.

PLATINUM UNDERWRITERS HOLDINGS, LTD.

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Note On Forward-Looking Statements

This Annual Report on Form 10-K for the year ended December 31, 2014 (this "Form 10-K") of Platinum Underwriters Holdings, Ltd. contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements are based on our current plans or expectations that are inherently subject to significant business, economic and competitive uncertainties and contingencies. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of us. In particular, statements using words such as "may", "should", "estimate", "expect", "anticipate", "intend", "believe", "predict", "potential", or words of similar import generally involve forward-looking statements.

The inclusion of forward-looking statements in this Form 10-K should not be considered as a representation by us or any other person that our current plans or expectations will be achieved. Numerous factors could cause our actual results to differ materially from those in forward-looking statements, including the following:

- the occurrence of severe catastrophic events;
- the effectiveness of our loss limitation methods and pricing models;
- the adequacy of our ceding companies' ability to assess the risks they underwrite;
- the adequacy of our estimated liability for unpaid losses and loss adjustment expenses;
- the effects of emerging claim and coverage issues on our business;
- our ability to maintain our A.M. Best Company, Inc. ("A.M. Best") and Standard & Poor's Ratings Services ("S&P") financial strength ratings;
- our ability to raise capital on acceptable terms if necessary;
- our exposure to credit loss from counterparties in the normal course of business;
- the availability and cost of collateral arrangements in order to provide reinsurance;
- the effect on our business of the cyclicality of the property and casualty reinsurance business;
- the effect on our business of the highly competitive nature of the property and casualty reinsurance industry, including the effect of new entrants to the industry;
- losses that we could face from terrorism, political unrest and war;
- our dependence on the business provided to us by reinsurance brokers and our exposure to credit risk associated with our brokers during the premium and loss settlement process;
- the availability of retrocessional reinsurance on acceptable terms;
- foreign currency exchange rate fluctuations;

- our ability to maintain and enhance effective operating procedures and internal controls over financial reporting;
- our need to make many estimates and judgments in the preparation of our financial statements;
- the limitations placed on our financial and operational flexibility by the representations, warranties and covenants in our debt and credit facilities;
- our ability to retain key executives and attract and retain additional qualified personnel in the future;
- the effect of technology breaches or failures on our business;
- the performance of our investment portfolio;
- the effects of changes in market interest rates on our investment portfolio;
- the concentration of our investment portfolio in any particular industry, asset class or geographic region;
- the risk that the proposed merger with RenaissanceRe Holdings Ltd. is not completed and the effect thereof on our business, financial results, ratings and share price;
- the effect of a delay in the completion of the proposed merger with RenaissanceRe Holdings Ltd. on our share price and operating results;
- the effect the expenses related to the proposed merger with RenaissanceRe Holdings Ltd. may have on our operating results;
- the effect of business uncertainties and contractual restrictions while the proposed merger with RenaissanceRe Holdings Ltd. is pending;
- the potential loss of management personnel or other key employees as a result of the proposed merger with RenaissanceRe Holdings Ltd.;
- the impact to our shareholders of reduced ownership and voting interests after the proposed merger with RenaissanceRe Holdings Ltd.;
- the impact of several "investigations of the merger" against Platinum Underwriters Holdings, Ltd. on the completion of the proposed merger with RenaissanceRe Holdings Ltd.;
- the effects that the imposition of U.S. corporate income tax would have on Platinum Underwriters Holdings, Ltd. and its non-U.S. subsidiaries;
- the risk that U.S. persons who hold our shares will be subject to adverse U.S. federal income tax consequences under certain circumstances;
- the risk that U.S. persons who dispose of our shares may be subject to U.S. federal income taxation at the rates applicable to dividends on all or a portion of their gains, if any;
- the risk that holders of 10% or more of our shares may be subject to U.S. income taxation under the "controlled foreign corporation" rules;
- the effect of changes in U.S. federal income tax law on an investment in our shares;

- the possibility that we may become subject to taxes in Bermuda;
- the effect of income, premium or other taxes on Platinum Underwriters Holdings, Ltd. or its subsidiaries by other jurisdictions;
- the effect on our business of potential changes in the regulatory system under which we operate;
- the impact of regulatory regimes and changes to accounting rules on our financial results, irrespective of business operations;
- the uncertain impact on our business of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010;
- the non-compliance with laws, regulations and taxation on transactions with international counter-parties;
- the dependence of the cash flows of Platinum Underwriters Holdings, Ltd. on dividends, interest and other permissible payments from its subsidiaries to meet its obligations, and the fact that these dividends and other payments are often limited in amount by applicable law;
- the risk that our shareholders may have greater difficulty in protecting their interests than would shareholders of a U.S. corporation; and
- limitations on the ownership, transfer and voting rights of our common shares.

As a consequence, our future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of us. The foregoing factors, which are discussed in more detail in Item 1A, "Risk Factors", in this Form 10-K, should not be construed as exhaustive. Additionally, forward-looking statements speak only as of the date they are made, and we undertake no obligation to revise or update forward-looking statements to reflect new information or circumstances after the date hereof or to reflect the occurrence of future events.

PART I

Item 1. Business

General Overview

Platinum Underwriters Holdings, Ltd. ("Platinum Holdings") is a holding company domiciled in Bermuda. Through our reinsurance subsidiaries we provide property and marine, casualty and finite risk reinsurance coverages, through reinsurance brokers, to a diverse clientele of insurers and select reinsurers on a worldwide basis.

Platinum Holdings and its consolidated subsidiaries (collectively, the "Company") include Platinum Holdings, Platinum Underwriters Bermuda, Ltd. ("Platinum Bermuda"), Platinum Underwriters Reinsurance, Inc. ("Platinum US"), Platinum Regency Holdings ("Platinum Regency"), Platinum Underwriters Finance, Inc. ("Platinum Finance") and Platinum Administrative Services, Inc. ("PASI"). The terms "we", "us", and "our" refer to the Company, unless the context otherwise indicates.

We operate through two licensed reinsurance subsidiaries, Platinum Bermuda, a Bermuda reinsurance company, and Platinum US, a U.S. reinsurance company. Platinum Regency is an intermediate holding company based in Ireland and a wholly owned subsidiary of Platinum Holdings. Platinum Finance is an intermediate holding company based in the U.S. and a wholly owned subsidiary of Platinum Regency. Platinum Bermuda is a wholly owned subsidiary of Platinum Holdings and Platinum US is a wholly owned subsidiary of Platinum Finance. PASI is a wholly owned subsidiary of Platinum Finance that provides administrative support services to the Company.

As of December 31, 2014 and 2013, our capital resources of $2.0 billion consisted of $1.7 billion of common shareholders' equity and $250.0 million of debt obligations. Investable assets, consisting of investments, cash and cash equivalents, accrued investment income and net balances due to and from brokers, were $3.3 billion and $3.5 billion as of December 31, 2014 and 2013, respectively. Our net premiums written were $492.1 million, $567.1 million and $565.0 million for the years ended December 31, 2014, 2013 and 2012, respectively. Our net income was $164.8 million, $223.3 million and $327.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Return on equity was 10.2%, 12.9% and 20.2% for the years ended December 31, 2014, 2013 and 2012, respectively. Book value per share grew to $69.97 as of December 31, 2014, an increase of 12.7% from $62.07 as of December 31, 2013.

Return on equity and book value per share are non-GAAP measures as defined by Regulation G. See Item 6, "Selected Financial Data" in this Form 10-K for a reconciliation of these measures.

Merger Agreement

On November 23, 2014, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with RenaissanceRe Holdings Ltd., a Bermuda exempted company ("RenaissanceRe"), and Port Holdings Ltd., a Bermuda exempted company and wholly owned subsidiary of RenaissanceRe (the "Acquisition Sub"). Subject to the terms and conditions of the Merger Agreement, Acquisition Sub will be merged with and into the Company (the "Merger"), with the Company continuing as the surviving company and as a wholly owned subsidiary of RenaissanceRe.

Pursuant to the terms of the Merger Agreement, upon the closing of the Merger, shareholders of the Company will be entitled to receive, in exchange for each share of common stock they hold at the effective time of the Merger, either stock or cash consideration with a value equal to the sum of (i) an amount of cash equal to $66.00, (ii) 0.6504 common shares of RenaissanceRe, par value $1.00 per share, or (iii) 0.2960 RenaissanceRe common shares and an amount of cash equal to $35.96, in each case less any applicable withholding taxes and without interest, plus cash in lieu of any fractional RenaissanceRe common shares such shareholder would otherwise be entitled to receive. The Merger is expected to close on March 2, 2015, subject to the receipt of shareholder approval and other customary closing conditions. There can be no assurance that all such closing conditions will be satisfied by March 2, 2015 or at any time thereafter and thus there is no assurance that the Merger will occur.

In addition, on February 10, 2015, Platinum Holdings' board of directors declared, subject to certain conditions, a special dividend of $10.00 per common share in connection with its pending Merger with RenaissanceRe. The special dividend is payable prior to the effective time of the Merger on the closing date of the Merger to shareholders of record at the close of business on the last business day prior to the closing date. The special dividend is conditioned on the Merger having been approved by the shareholders of the Company at a special meeting of its shareholders on February 27, 2015 (or any adjournment or postponement thereof).

See Part III, Item 11. "Executive Compensation" in this Form 10-K for additional information on the terms of the Merger Agreement.

The following discussion of our strategy and business does not give effect to the consummation of the Merger.

Our Strategy

We seek to achieve attractive long-term returns for our shareholders, through disciplined risk management and market leadership in selected classes of property and marine, casualty and finite risk reinsurance, through the following strategy:

Operate as a multi-class reinsurer. We seek to offer a broad range of reinsurance coverage to our ceding companies. We believe that this approach enables us to more effectively serve our clients, diversify our risk and leverage our capital.

Focus on profitability, not market share. Our management team pursues a strategy that emphasizes profitability rather than market share. Key elements of this strategy are prudent risk selection, appropriate pricing and adjustment of our business mix to respond to changing market conditions.

Exercise disciplined underwriting and risk management. We exercise underwriting and risk management discipline by: (i) maintaining a diverse spread of risk in our book of business across product lines and geographic zones, (ii) emphasizing excess-of-loss contracts over proportional contracts, (iii) managing our aggregate catastrophe exposure through the application of sophisticated property catastrophe modeling tools and (iv) monitoring our accumulating exposures on non-property catastrophe exposed coverages.

Operate from a position of financial strength. Our capital is unencumbered by any potential adverse development of unpaid losses for business written prior to January 1, 2002. Our investment strategy focuses on security and stability in our investment portfolio by maintaining a portfolio that consists of diversified, high quality, predominantly investment grade fixed maturity securities.

We believe this strategy allows us to maintain our strong financial position and to be opportunistic when market conditions are most attractive.

Operating Segments

We have organized our worldwide reinsurance business into three operating segments: Property and Marine, Casualty and Finite Risk. We generally write reinsurance in each of our operating segments on either an excess-of-loss basis or a proportional basis (which is also referred to as pro rata or quota share).

In the case of excess-of-loss reinsurance, we assume all or a specified portion of the ceding company's risks in excess of a specified claim amount, referred to as the ceding company's retention or our attachment point. We manage our underwriting risk from excess-of-loss contracts by charging reinsurance premiums at specific retention levels based upon our own underwriting assumptions. Because ceding companies typically retain a larger loss exposure under excess-of-loss contracts, we believe that they typically have a strong incentive to underwrite risks and adjust losses in a prudent manner.

In the case of proportional reinsurance, we assume a predetermined portion of the ceding company's risks under the covered primary insurance contract or contracts. The frequency of claims under a proportional contract is usually greater than under an excess-of-loss contract, since we share proportionally in all losses. Premiums for proportional reinsurance are typically a predetermined portion of the premiums the ceding company receives from its insureds.

Substantially all of the reinsurance that we underwrite is on a treaty basis, which covers a type or category of insurance policies issued by the ceding company. In limited and opportunistic circumstances, we underwrite facultative reinsurance, where we assume all or a part of a specific insurance policy or policies.

The following table sets forth our net premiums written for the years ended December 31, 2014, 2013 and 2012 by operating segment and by type of reinsurance ($ in thousands):

Net Premiums Written by Operating Segment and Type of Reinsurance

	Years Ended December 31,					
	2014		2013		2012	
	Net Premiums Written	Percentage of Net Premiums Written	Net Premiums Written	Percentage of Net Premiums Written	Net Premiums Written	Percentage of Net Premiums Written
Property and Marine						
Excess-of-Loss	$148,825	30 %	$173,849	31 %	$209,919	37 %
Proportional	59,042	12 %	55,658	10 %	46,263	8 %
Subtotal Property and Marine	207,867	42 %	229,507	41 %	256,182	45 %
Casualty						
Excess-of-Loss	206,036	42 %	223,170	39 %	231,379	41 %
Proportional	53,773	11 %	72,498	13 %	55,733	10 %
Subtotal Casualty	259,809	53 %	295,668	52 %	287,112	51 %
Finite Risk						
Excess-of-Loss	(7)	0 %	-	0 %	-	0 %
Proportional	24,399	5 %	41,946	7 %	21,706	4 %
Subtotal Finite Risk	24,392	5 %	41,946	7 %	21,706	4 %
Combined Segments						
Excess-of-Loss	354,854	72 %	397,019	70 %	441,298	78 %
Proportional	137,214	28 %	170,102	30 %	123,702	22 %
Total	$492,068	100 %	$567,121	100 %	$565,000	100 %

The following table sets forth our net premiums written for the years ended December 31, 2014, 2013 and 2012 by operating segment and by geographic location of the ceding company ($ in thousands):
Net Premiums Written by Operating Segment and Geographic Location of the Ceding Company

	Years Ended December 31,								
	2014			2013			2012		
	Net Premiums Written	Percentage of Net Premiums Written		Net Premiums Written	Percentage of Net Premiums Written		Net Premiums Written	Percentage of Net Premiums Written	
Property and Marine									
United States	$129,893	26	%	$137,890	25	%	$161,838	28	%
International	77,974	16	%	91,617	16	%	94,344	17	%
Subtotal Property and Marine	207,867	42	%	229,507	41	%	256,182	45	%
Casualty									
United States	232,458	47	%	264,274	46	%	258,218	46	%
International	27,351	6	%	31,394	6	%	28,894	5	%
Subtotal Casualty	259,809	53	%	295,668	52	%	287,112	51	%
Finite Risk									
United States	24,392	5	%	41,946	7	%	21,706	4	%
International	-	0	%	-	0	%	-	0	%
Subtotal Finite Risk	24,392	5	%	41,946	7	%	21,706	4	%
Combined Segments									
United States	386,743	78	%	444,110	78	%	441,762	78	%
International	105,325	22	%	123,011	22	%	123,238	22	%
Total	$492,068	100	%	$567,121	100	%	$565,000	100	%

Additional financial information about our operating segments is set forth in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", in this Form 10-K.

Property and Marine

Property reinsurance protects a ceding company against financial loss arising out of damage to property or loss of its use caused by an insured peril. Property catastrophe reinsurance protects a ceding company against losses arising out of multiple claims for a single event while property per-risk reinsurance protects a ceding company against loss arising out of a single claim for a single event. The Property and Marine segment includes property and marine reinsurance coverages that are written in the United States and international markets and includes property reinsurance, crop reinsurance and marine and aviation reinsurance. The Property and Marine segment includes property catastrophe and marine excess-of-loss reinsurance contracts, along with property and marine per-risk excess-of-loss and proportional reinsurance contracts. We may from time to time write a limited amount of property facultative reinsurance. We employ underwriters and actuaries with expertise in each of the following areas:

Property. We provide reinsurance coverage for damage to property and crops. Our catastrophe excess-of-loss reinsurance contracts provide defined limits of liability, permitting us to quantify our aggregate maximum loss exposure for various catastrophic events. Quantification of loss exposure is fundamental to our ability to manage our loss exposure through geographical zone limits, program limits and peril limits.

Marine. We provide reinsurance coverage for marine, offshore energy and aerospace insurance programs. Coverages reinsured include hull damage, protection and indemnity, cargo damage, satellite damage, aviation hull, aviation liability and general marine liability.

Casualty

Casualty reinsurance protects a ceding company against financial loss arising out of the obligation to others for loss or damage to persons or property.

We generally seek to write casualty reinsurance contracts covering established books of insurance products where we believe that past experience provides a reasonable basis to price the reinsurance adequately. We underwrite new exposures selectively and perform a comprehensive evaluation of the risk and ceding company being reinsured. We employ underwriters and actuaries who have expertise in a number of areas including:

General and Product Liability. We provide reinsurance of various third-party liability coverages to both small and large insureds in both commercial and personal lines predominantly on an excess-of-loss basis. This business includes coverage of commercial, farmowners and homeowners policies as well as third-party liability coverages such as product liability.

Professional Liability. We write reinsurance contracts covering professional liability programs, including directors and officers, employment practices, and errors and omissions for professionals such as accountants, lawyers, medical professionals, architects and engineers. The underlying insurance products for these lines of business are generally written on a claims made basis, which requires notification of claims related to the liabilities insured under the policy to be submitted to the insurer during a specified coverage period.

Umbrella Liability. We provide reinsurance of umbrella policies, which are excess insurance policies that provide coverage, typically for general liability or automobile liability, when claims, individually or in the aggregate, exceed the limit of the original policy underlying the excess policy.

Workers' Compensation. We reinsure workers' compensation on a catastrophic basis as well as on a per-claimant basis. We may provide full statutory coverage or coverage that is subject to specific carve-outs. Our exposure to workers' compensation would generally arise from a single occurrence, such as a factory explosion, or earthquake which involves claims from more than one employer.

Accident and Health. We provide accident and health reinsurance, most often covering employer self-insured or fully insured health plans, on a quota share and excess-of-loss basis. We also write reinsurance of student health insurance, sports disability, travel accident, Medicare and Medicare supplement and other forms of accident and health insurance.

Casualty Clash. We provide casualty clash reinsurance, which covers losses arising from a single event insured under more than one policy or where there are multiple claimants under one policy. This type of reinsurance is analogous to property catastrophe reinsurance, but written for casualty lines of business.

Automobile Liability. We provide automobile liability reinsurance, which relates to the risks associated with the insured's vehicle and third-party coverage for the insured's liability to other parties for injuries, for damage to the insured's property due to the use of the insured vehicle and coverage for uninsured motorists and medical payments.

Financial Lines. Financial lines reinsurance includes surety, trade credit and political risk. We provide surety reinsurance to companies that cover risks associated with commercial and contract surety bonds issued to third parties to guarantee the performance of an obligation by the principal under the bond. Commercial bonds guarantee compliance with obligations arising out of regulatory or statutory requirements. Contract bonds guarantee the performance of contractual obligations between two parties and include payment and performance bonds. Trade credit insurance is purchased by companies to ensure that invoices for goods and services provided to their customers are paid on time. We provide trade credit reinsurance for financial losses sustained through the failure of an insured's customers to pay for goods or services supplied to them. Political risk reinsurance covers the impairment of assets as a result of expropriation, political violence, currency inconvertibility, and the failure by sovereign countries to honor their obligations. The locations of political risks that we reinsure include Asia, Central and Eastern Europe, Latin America, Africa and the Middle East. We also write reinsurance of other types of credit or financial guaranty insurance from time to time.

Finite Risk

Finite risk reinsurance includes principally structured reinsurance contracts with ceding companies whose needs may not be met efficiently through traditional reinsurance products. Reinsurance contracts classified as finite risk are typically structured to include significant loss limitation or loss mitigation features. In exchange for contractual features that limit our risk, reinsurance contracts that we include in our Finite Risk segment typically provide the potential for significant profit commission to the ceding company. The classes of risks underwritten through our finite risk contracts are generally consistent with the classes covered by our traditional products. The finite risk reinsurance contracts that we underwrite generally provide prospective protection, meaning coverage is provided for losses that are incurred after inception of the contract, as contrasted with retrospective coverage, which covers losses that are incurred prior to inception of the contract. Additionally, finite risk reinsurance contracts are often written on a funds held basis. The three main categories of finite risk contracts are quota share, multi-year excess-of-loss and whole account aggregate stop loss:

Finite quota share. Under finite quota share reinsurance contracts, the reinsurer agrees to indemnify a ceding company for a percentage of its losses up to an aggregate maximum or cap in return for a percentage of the ceding company's premium, less a ceding commission. The expected benefit to the ceding company provided by finite quota share reinsurance is increased underwriting capacity of the ceding company and a sharing of premiums and losses with the reinsurer. These reinsurance contracts often provide broad protection and may cover multiple classes of a ceding company's business. Unlike traditional quota share reinsurance agreements, these contracts often provide for profit commissions that explicitly take into account investment income for purposes of calculating the reinsurer's profit on business ceded.

Multi-year excess-of-loss. This type of contract often carries an up-front premium plus additional premiums which are dependent on the magnitude of losses claimed by the ceding company under the contract. The expected benefit to the ceding company of multi-year excess-of-loss reinsurance is that the ceding company has the ability to negotiate specific terms and conditions that remain applicable over multiple years of coverage. These reinsurance contracts may cover multiple classes of a ceding company's business and typically provide the benefit of reducing the impact of large or catastrophic losses on a ceding company's underwriting results. The multiple year term and premium structure of multi-year excess-of-loss reinsurance contracts are not typically found in traditional reinsurance contracts.

Whole account aggregate stop loss. Aggregate stop loss reinsurance contracts provide broad protection against a wide range of contingencies that are difficult to address with traditional reinsurance, including inadequate pricing by a ceding company or higher frequency of claims than the ceding company expected. The reinsurer on a whole account aggregate stop loss contract agrees to indemnify a ceding company for aggregate losses in excess of a deductible specified in the contract. These contracts can be offered on a single or multi-year basis, and may provide catastrophic and attritional loss protection. The benefit of whole account aggregate stop loss contracts to ceding companies is that such contracts provide the broadest possible protection of a ceding company's underwriting results which is not generally available in the traditional reinsurance market.

Marketing

We market our reinsurance products worldwide primarily through non-exclusive relationships with leading reinsurance brokers, as we believe that the use of reinsurance brokers enables us to operate on a more cost-effective basis and to maintain the flexibility to enter and exit reinsurance lines in a quick and efficient manner. We also believe that brokers are particularly useful in assisting with placements of excess-of-loss reinsurance programs. In addition to their role as intermediaries in placing risk, brokers perform data collection, contract preparation and other administrative tasks. We believe that by doing business largely through reinsurance brokers we are able to avoid the expense and regulatory complications of a worldwide network of offices and thereby minimize fixed costs associated with marketing activities.

The Company writes business through direct relationships with reinsurance brokers. Based on in-force premiums written as of December 31, 2014, the brokers we derived the largest portion of our business (with the approximate percentage of business derived from each of such brokers and its affiliates) were Aon Benfield for 28%, Marsh & McLennan Companies for 25%, Willis Group Holdings for 16% and Jardine Lloyd Thompson Group plc for 13%. The loss of business relationships with any of these brokers could have a material adverse effect on our business.

Underwriting and Risk Management

Overview

Our approach to underwriting and risk management emphasizes discipline and profitability rather than premium volume or market share. We seek to limit our overall exposure to risk by limiting the amount of reinsurance we write by geographic zone, peril and type of program or contract. Our risk management practices include evaluating the quality of the ceding company in connection with our review of a program proposal and using contract terms, diversification criteria, probability analysis and analysis of comparable historical loss experience. We estimate the impact of catastrophic events using information from ceding companies, reinsurance contract information, expected loss ratios, our historical loss ratios, industry loss data and catastrophe modeling software to evaluate our exposure to losses from individual contracts and in the aggregate.

Ceding Company Selection and Underwriting Evaluation

Before entering into a reinsurance contract, we consider the quality of the ceding company, including the experience and reputation of its management, its capital, its risk management and underwriting strategy and practices and its claims settlement practices and procedures. In addition, we seek to obtain information on the nature of the perils to be covered and, in the case of natural or man-made catastrophe exposures, aggregate information as to the location or locations of the risks covered under the reinsurance contract. We request information on the ceding company's loss history for the perils proposed to be covered, together with relevant underwriting considerations, which would impact our exposures. If the program meets all these initial underwriting criteria, we then evaluate the proposal's risk/reward profile to assess the adequacy of the proposed pricing and its potential impact on our overall return on capital.

Loss Limits

Reinsurance contracts generally contain limits that restrict the amount that we may be required to pay in the event of a loss. These limits may apply on a per risk, per occurrence, or aggregate basis. Contracts with per risk limits include a limit on our liability for each underlying insured for each occurrence. If multiple underlying insureds are affected by a single event, our total limit of liability, without any other mitigating contractual terms, would be the sum of the per risk limits for all the underlying insureds affected by the event up to the occurrence or aggregate limits. Per occurrence limits restrict our liability to a certain amount for each event, regardless of the number of underlying insureds involved. If multiple events occur in a single reinsurance policy period, our total limit of liability, without any other mitigating contractual terms, would be the sum of the occurrence limits for all events within the policy term. Aggregate limits provide us with a maximum amount for which we are liable, in total, for all underlying risks and all occurrences combined within the coverage period.

Our contracts typically contain a per risk limit or an occurrence limit and may contain both. Some of our contracts contain an aggregate limit. Property and marine reinsurance contracts with natural catastrophe exposure generally contain occurrence limits. In addition, our high layer property and marine reinsurance contracts generally contain aggregate limits. Casualty reinsurance contracts generally contain either a per risk or an occurrence limit. Casualty clash contracts generally contain an aggregate limit. Few of our other casualty contracts contain an aggregate limit.

Loss Modeling and Monitoring

For catastrophe coverages exposed to natural perils, we measure our exposure to aggregate catastrophic claims using catastrophe models that analyze the effect of wind speed and earthquakes on the exposed property values within our portfolio. We seek to limit the amount of capital that we expect to lose from a severe catastrophic event; however, there can be no assurance that we will successfully limit actual losses from such a catastrophic event.

We use sophisticated modeling techniques to measure and estimate loss exposure under both simulated and actual loss scenarios. We also use these models to assess the impact of both single and multiple events. We evaluate the commercial catastrophe exposure models that form the basis for our own proprietary pricing models. These computer-based loss modeling systems primarily utilize direct exposure information obtained from our clients and data compiled by A.M. Best to assess each client's potential for catastrophe losses. We believe that loss modeling is an important part of the underwriting process for catastrophe exposure pricing.

We maintain a database of our exposure in each geographic zone and estimate our probable maximum loss for each zone and for each peril (e.g. earthquakes and hurricanes) to which that zone is subject based on catastrophe models and underwriting assessments. We also use catastrophe loss modeling to review exposures from events that cross country borders, such as wind events that may affect the Caribbean and Florida or the United Kingdom and continental Europe. Our largest exposures are in the United States for hurricane and earthquake, in Japan for earthquake, and in Europe for flood and wind.

In respect of our property catastrophe exposure, we seek to limit our estimated probable maximum loss to a specific level for severe catastrophic events. We currently expect to limit the probable maximum pre-tax loss to no more than 22.5% of total capital for a severe catastrophic event in any geographic zone that could be expected to occur once in every 250 years, although we may change this threshold at any time. The estimated probable maximum loss for a catastrophic event in any geographic zone arising from a 1-in-250 year event relates to United States earthquake and was approximately $205.0 million, or 10.3% of total capital, and $220.0 million, or 11.0% of total capital, as of January 1, 2015 and 2014, respectively.

We also monitor our exposures to accumulating risks for natural perils impacting workers compensation coverage and man-made perils that affect coverage such as umbrella liability, directors' and officers' liability, surety, trade credit and terrorism.

Diversification

We seek to maintain a diversified book of business by writing business across product lines.

We write a diversified book of property and marine business and seek to further diversify our property catastrophe exposure across geographic zones and type of peril around the world in order to manage the concentration of risk. We attempt to limit our coverage for risks located in a particular zone to a predetermined level. Currently, our largest property catastrophe exposures in the United States are in Florida and the northeast for hurricane and in California and along the New Madrid fault zone for earthquake. Internationally our largest property catastrophe exposures are in Japan for earthquake and in Europe for flood and wind.

We seek to diversify our casualty exposure by writing casualty business throughout the United States and internationally. In addition, we seek to diversify our casualty exposure by writing casualty reinsurance across a broad range of product lines.

Retrocessional Reinsurance and Derivative Instruments

We buy retrocessional reinsurance, which is insurance for our own account, to reduce liability on individual risks, protect against catastrophic losses and obtain additional underwriting capacity. Our decisions with respect to purchasing retrocessional coverage take into account both the potential coverage and market conditions such as pricing, terms, conditions and availability of such coverage, with the aim of securing cost-effective protection. We may purchase industry loss warranty reinsurance, which provides retrocessional coverage when insurance industry losses for a defined event exceed a certain level. We expect that the type and level of retrocessional coverage we purchase will vary over time, reflecting our view of the changing dynamics of both the underlying exposure and the reinsurance markets. There can be no assurance that retrocessional coverage will be available on terms we find acceptable.

Retrocessional agreements do not relieve us from our obligations to the insurers and reinsurers from whom we assume business. The failure of retrocessionaires to honor their obligations would result in losses to us. Consequently, we consider the financial strength of retrocessionaires when determining whether to purchase retrocessional coverage from them. We generally obtain retrocessional coverage from companies rated "A-" or better by A.M. Best unless the retrocessionaire's obligations are collateralized. We routinely monitor the financial performance and rating status of any material retrocessionaires.

We may also use derivative instruments to reduce our exposure to catastrophe losses as an alternative to traditional retrocession. We either trade derivatives on recognized exchanges or require collateral to enhance the financial security of the derivative counterparty. We may also use derivative instruments to reduce our exposure to other types of underwriting exposures, such as on our crop portfolio.

Claims Administration

Our claims personnel administer claims arising from our reinsurance contracts, including validating and monitoring claims, posting case reserves and approving payments. Authority for establishing reserves and payment of claims is based upon the level and experience of claims personnel.

Our claims personnel, or consultants engaged by us, conduct periodic audits of specific claims and the overall claims procedures of our ceding companies at their offices. We rely on our ability to effectively monitor the claims handling and claims reserving practices of ceding companies in order to help establish the reinsurance premium for reinsurance contracts and to estimate our liability for unpaid losses and loss adjustment expenses. Moreover, prior to accepting or renewing certain risks, our underwriters may request that our claims personnel conduct pre-underwriting claims audits of ceding companies.

Unpaid Losses and Loss Adjustment Expenses

Unpaid losses and loss adjustment expenses ("LAE") are estimates of future amounts required to pay losses and LAE for claims under our assumed reinsurance contracts that have occurred at or before the balance sheet date. Unpaid losses and LAE are estimated based upon information received from ceding companies regarding our liability for unpaid losses and LAE, adjusted for our estimates of losses and LAE for which ceding company reports have not been received, our historical experience for unreported claims and industry experience for unreported claims. Unpaid losses and LAE include the cost of claims that were reported, but not yet paid, and estimates of the cost of claims incurred but not yet reported ("IBNR"). In addition, we estimate our unallocated loss adjustment expense ("ULAE") reserves based on our administrative costs of managing claims.

Unpaid losses and LAE on our consolidated balance sheets represent our best estimates, at a given point in time, of our liability to pay losses and LAE for events that have occurred on or before the balance sheet date. We do not establish liabilities for unpaid losses and LAE until the occurrence of an event that may give rise to a loss.

Estimates of losses and LAE are established after extensive consultation with individual underwriters, actuarial review of loss development patterns and comparison with industry and our own loss information. These estimates are based on predictions of future developments and trends, including predictions of claim severity and frequency. Consequently, estimates of ultimate losses and LAE, and our unpaid liability for losses and LAE, may differ materially from our initial estimates. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates – Unpaid Losses and LAE", in this Form 10-K.

Reconciliation of Claims Reserves

The following table sets forth the changes in our liability for unpaid losses and LAE for the years ended December 31, 2014, 2013 and 2012 ($ in thousands):

	2014	2013	2012
Net unpaid losses and LAE as of January 1,	$1,670,171	$1,957,685	$2,385,659
Net incurred losses and LAE related to:			
Current year	311,491	328,136	395,661
Prior years	(128,090)	(160,690)	(212,001)
Net incurred losses and LAE	183,401	167,446	183,660
Net paid losses and LAE related to:			
Current year	75,511	58,958	95,808
Prior years	326,673	386,408	524,423
Net paid losses and LAE	402,184	445,366	620,231
Net effects of foreign currency exchange rate changes	(18,500)	(9,594)	8,597
Net unpaid losses and LAE as of December 31,	1,432,888	1,670,171	1,957,685
Reinsurance recoverable on unpaid losses and LAE	2,810	1,194	3,597
Gross unpaid losses and LAE as of December 31,	$1,435,698	$1,671,365	$1,961,282

We report changes in estimates of prior years' unpaid losses and LAE, referred to as net favorable or unfavorable loss development, in our consolidated statements of operations in the period in which we make the change.

The following table sets forth the components of net incurred losses and LAE related to prior years for the years ended December 31, 2014, 2013 and 2012 ($ in thousands):

	2014	2013	2012
Net favorable loss development	$(127,633)	$(183,293)	$(235,543)
Increase (decrease) in losses attributable to changes in premium estimates	(457)	22,603	23,542
Net incurred losses and LAE - prior years	$(128,090)	$(160,690)	$(212,001)

Net favorable loss development was primarily attributable to a level of cumulative losses reported by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios. Prior years' incurred losses and LAE included losses associated with changes in premium estimates and the patterns of their earnings. The effect on net income from the increase or decrease in losses attributable to changes in premium estimates, after considering corresponding changes in premium estimates and acquisition expenses, was not significant.

The following table sets forth the net favorable loss development by operating segment for the years ended December 31, 2014, 2013 and 2012 ($ in thousands):

	2014	2013	2012
Property and Marine	$(27,382)	$(71,269)	$(45,664)
Casualty	(97,795)	(103,165)	(182,014)
Finite Risk	(2,456)	(8,859)	(7,865)
Net favorable loss development	$(127,633)	$(183,293)	$(235,543)

The Property and Marine segment net favorable loss development included net favorable loss development related to major catastrophe events of $14.1 million, $41.1 million and $12.7 million for the years ended December 31, 2014, 2013 and 2012, respectively. For the years ended December 31, 2014, 2013 and 2012, the net favorable loss development related to major catastrophe events resulted primarily from events that occurred during 2010 through 2013. Property and marine net favorable loss development, excluding major catastrophes, for the years ended December 31, 2014, 2013 and 2012 was primarily attributable to the property per risk and catastrophe excess-of-loss (non-major events) classes.

The Casualty segment net favorable loss development included $82.8 million, $98.2 million and $165.8 million attributable to the long-tailed casualty classes for years ended December 31, 2014, 2013 and 2012, respectively. The majority of the long-tailed casualty net favorable loss development for the years ended December 31, 2014 and 2013 was attributable to the 2011 and prior underwriting years of the claims made, umbrella and international casualty classes. The majority of the long-tailed casualty net favorable loss development for the year ended December 31, 2012 was attributable to the 2009 and prior underwriting years of the claims made, umbrella, casualty occurrence and international casualty classes.

The Finite Risk segment net favorable loss development was offset by additional profit commissions of $1.9 million, $7.1 million and $8.1 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The net favorable loss development for the years ended December 31, 2014, 2013 and 2012 was primarily attributable to a level of cumulative losses reported by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios and reduce estimated ultimate losses.

Loss Reserve Development

The table below shows the loss reserve development from December 31, 2004 through December 31, 2014.

The top line of the table shows the liability for unpaid losses and LAE, net of unpaid retrocessional reinsurance recoverable, at the balance sheet date for each of the indicated years. This represents our estimate of our gross and net liability for losses and LAE arising in the current year and all prior years that are unpaid at the balance sheet date, including our estimate of IBNR.

We re-estimate the liability to reflect additional information regarding claims incurred prior to the end of each succeeding year. Changes in our estimate of our liability for unpaid losses and LAE recorded at the end of the prior year are reflected in the consolidated statement of operations of the year during which the liabilities are re-estimated and result in a redundancy or deficiency of our unpaid losses and LAE. A cumulative redundancy or deficiency reflects the cumulative difference between the original estimate of our liability for unpaid losses and LAE and the current re-estimated liability.

The table also shows the cumulative amounts paid as of successive years with respect to that liability. Unpaid losses and LAE denominated in foreign currencies are restated at the foreign exchange rates in effect as of December 31, 2014 and the resulting cumulative foreign exchange effect is shown as an adjustment to the cumulative redundancy.

At the bottom of the table is a reconciliation of the gross reserve for claims and claim expenses to the net reserve for claims and claim expenses, the gross re-estimated liability to the net re-estimated liability for claims and claim expenses, and the cumulative redundancy on gross reserves.

The table does not present accident year or underwriting year development data nor does it include any corresponding adjustments that may accompany loss redundancies or deficiencies such as premium or commission adjustments.

Conditions and trends that have affected the development of liabilities in the past may not necessarily exist in the future. Therefore, it would not be appropriate to extrapolate future deficiencies or redundancies based on the following table.

Development of Loss and LAE Reserves
($ in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011
Net unpaid losses and LAE as of December 31,	$1,379,227	$2,268,655	$2,326,227	$2,342,185	$2,452,045	$2,335,008	$2,208,466	$2,385,65
Net unpaid losses and LAE re-estimated as of:								
One year later	1,306,708	2,215,635	2,235,849	2,182,249	2,351,083	2,177,178	2,108,308	2,173,65
Two years later	1,277,627	2,149,153	2,129,932	2,076,330	2,217,451	2,075,876	1,915,000	2,045,40
Three years later	1,254,213	2,072,604	2,032,074	1,931,064	2,124,700	1,895,039	1,831,634	1,942,54
Four years later	1,210,091	1,999,484	1,924,117	1,848,172	1,972,937	1,836,005	1,759,422	
Five years later	1,170,602	1,934,784	1,868,036	1,739,881	1,934,738	1,775,309		
Six years later	1,131,404	1,900,762	1,803,652	1,706,956	1,894,474			
Seven years later	1,112,460	1,858,502	1,784,579	1,676,558				
Eight years later	1,090,007	1,850,103	1,763,779					
Nine years later	1,092,033	1,838,310						
Ten years later	1,088,833							
Net cumulative redundancy	290,394	430,345	562,448	665,627	557,572	559,699	449,044	443,113
Adjustment for foreign currency exchange	(3,571)	14,932	(3,783)	(15,163)	4,835	(6,856)	(1,180)	(14,100
Cumulative redundancy excluding foreign currency exchange	286,823	445,277	558,665	650,464	562,406	552,842	447,864	429,013
Net cumulative paid losses and LAE as of:								
One year later	388,700	624,006	577,739	433,961	539,514	497,968	477,758	524,423
Two years later	557,226	1,065,607	873,487	725,689	877,863	778,838	733,112	844,596
Three years later	696,809	1,285,151	1,096,071	952,980	1,112,639	959,568	910,210	1,071,31
Four years later	799,763	1,440,075	1,265,463	1,102,726	1,257,328	1,102,636	1,059,738	
Five years later	869,188	1,550,747	1,364,615	1,197,478	1,372,534	1,217,491		
Six years later	912,442	1,612,831	1,426,978	1,280,461	1,455,631			
Seven years later	944,286	1,647,319	1,487,092	1,335,605				
Eight years later	956,971	1,684,065	1,525,602					
Nine years later	971,848	1,703,120						
Ten years later	983,112							
Gross liability-end of year	1,380,955	2,323,990	2,368,482	2,361,038	2,463,506	2,349,336	2,217,378	2,389,61
Reinsurance recoverable on unpaid losses and LAE	1,728	55,335	42,255	18,853	11,461	14,328	8,912	3,955

Net liability-end of year	$1,379,227	$2,268,655	$2,326,227	$2,342,185	$2,452,045	$2,335,008	$2,208,466	$2,385,65
Gross liability-re-estimated	$1,092,028	$1,900,866	$1,819,588	$1,695,614	$1,909,215	$1,794,465	$1,773,427	$1,950,3
Gross cumulative redundancy	$288,927	$423,124	$548,894	$665,423	$554,291	$554,871	$443,951	$439,255

Investments

Investable assets, consisting of investments, cash and cash equivalents, accrued investment income and net balances due to and from brokers, were $3.3 billion and $3.5 billion as of December 31, 2014 and 2013, respectively. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition", in this Form 10-K for additional discussion and disclosures on our investments and cash and cash equivalents.

The primary objective of our investment strategy is to generate investment income by maintaining a portfolio that consists primarily of diversified, high quality, predominantly investment grade fixed maturity securities. We may invest in below investment grade fixed maturity securities, common and preferred stocks, alternative investments and securities denominated in currencies other than the U.S. dollar. In addition, we may use financial futures and options and foreign currency exchange contracts as part of a hedging strategy. From time to time, we may make investments of a strategic or opportunistic nature. We evaluate the expected rate of return of various investment classes over the current risk-free rate of return when determining investment allocations. We also manage the duration of our investment portfolio while considering the duration of our reinsurance and other contractual liabilities.

Our investment guidelines contain limits on the portion of our investment portfolio that may be invested in various investment classes and in the securities of any single issue or issuer, with the exception of U.S. Government securities or securities explicitly guaranteed by the U.S. Government. We review our investment guidelines periodically and from time to time may adjust our guidelines.

Our investments are subject to market risks. The principal risks that influence the fair value of our investment portfolio are interest rate risk, credit risk, liquidity risk and foreign currency exchange rate risk. See Item 7A, "Quantitative and Qualitative Disclosures about Market Risk", in this Form 10-K.

The investment valuation process requires significant judgment and involves analyzing factors specific to each security. When determining the fair value of a security we generally obtain prices from several sources and establish a hierarchy based on the reliability of information. The determination of whether unrealized losses represent temporary changes in fair value or were the result of other-than-temporary impairments also involves significant judgment. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates - Valuation of Investments", in this Form 10-K.

The following table summarizes the fair value and net unrealized gains or losses of our investments and cash and cash equivalents as of December 31, 2014 and 2013 ($ in thousands):

	2014		2013	
	Fair Value	Net Unrealized Gain (Loss)	Fair Value	Net Unrealized Gain (Loss)
Fixed maturity available-for-sale securities:				
U.S. Government	$49,485	$ 99	$4,765	$ 204
U.S. Government agencies	89,327	1,794	51,122	(725)
Municipal bonds	1,206,349	89,677	1,269,247	48,378
Non-U.S. governments	25,082	84	40,514	541
Corporate bonds	210,089	5,879	227,235	3,140
Commercial mortgage-backed securities	58,880	3,133	77,491	4,850
Residential mortgage-backed securities	124,397	1,922	169,965	266
Asset-backed securities	18,876	2,699	17,531	1,328
Total fixed maturity available-for-sale securities	1,782,485	105,287	1,857,870	57,982
Fixed maturity trading securities:				
Non-U.S. governments	90,569	n/a	103,395	n/a
Total fixed maturity trading securities	90,569	n/a	103,395	n/a
Short-term investments:				
Trading	-	n/a	66,679	n/a
Total short-term investments	-	n/a	66,679	n/a

Total investments	1,873,054	105,287	2,027,944	57,982
Cash and cash equivalents	1,434,984	-	1,464,418	-
Total investments and cash and cash equivalents	$3,308,038	$ 105,287	$3,492,362	$ 57,982

As of December 31, 2014, our cash and cash equivalents were primarily invested in U.S. government treasury bills or non-U.S. government securities. The remainder of our cash and cash equivalents were held in diversified money market funds or held at financial institutions and included demand and time deposits totaling $98.1 million as of December 31, 2014 and totaling $120.7 million as of December 31, 2013.

Investable assets, consisting of investments, cash and cash equivalents, accrued investment income and net balances due to and from brokers, were $3.3 billion and $3.5 billion as of December 31, 2014 and 2013, respectively, and both had a weighted average credit rating of Aa2, primarily measured by Moody's Investors Service ("Moody's"). If a particular security did not have a Moody's rating, then a rating from S&P was generally converted to a Moody's equivalent rating.

The following table summarizes the fair values of our fixed maturity securities and short-term investments by credit quality as of December 31, 2014 and 2013 ($ in thousands):

	2014		2013	
Credit Quality	Fair Value	% of Total	Fair Value	% of Total
Aaa	$537,338	28.7 %	$628,265	31.0 %
Aa	860,705	45.9 %	806,282	39.8 %
A	259,862	13.9 %	359,803	17.7 %
Baa	180,079	9.6 %	200,437	9.9 %
Below investment grade	35,070	1.9 %	33,157	1.6 %
Total	$1,873,054	100.0%	$2,027,944	100.0%

As of December 31, 2014, there were approximately $13.2 million and $4.6 million of municipal bonds for which ratings of "Aa" and "A", respectively, included the benefit of guarantees from third-party insurers that would otherwise be rated as "A" and "Baa", respectively, without the existence of such guarantees.

We consider the estimated duration of our reinsurance and other contractual liabilities when establishing the target duration of our investment portfolio. Our investable assets had a weighted average duration of 2.5 years and 2.6 years as of December 31, 2014 and 2013, respectively.

Competition

The property and casualty reinsurance industry is highly competitive. Some of our competitors are large financial institutions that have reinsurance operations, while others are specialty reinsurance companies. Hedge funds, investment banks, pension funds and other capital markets participants continue to show interest in entering the reinsurance market, through the formation of new risk-bearing entities, the financing of such new entities, or otherwise.

Many of our competitors have greater financial, marketing and management resources than we do. We compete with reinsurers worldwide on the basis of many factors, including premium charges and other terms and conditions offered, services provided, ratings assigned by independent rating agencies, speed of claims payment, perceived financial strength and experience and reputation of the reinsurer in the line of reinsurance to be underwritten.

Our principal competitors vary by type of business. Bermuda-based reinsurers are significant competitors on property catastrophe business. Lloyd's of London syndicates are significant competitors on marine business. On international business, large European reinsurers are significant competitors. U.S.-based broker market reinsurers are significant competitors on U.S. casualty business. Our competitors include Allied World Assurance Company Holdings, AG, Arch Capital Group Ltd., Argo Group International Holdings, Ltd., Aspen Insurance Holdings Limited, Axis Capital Holdings Limited, Endurance Specialty Holdings Ltd., Everest Re Group, Ltd., Greenlight Capital Re, Ltd., Maiden Holdings, Ltd., Montpelier Re Holdings Ltd., Munich Re Group, PartnerRe Ltd., RenaissanceRe, Swiss Re Ltd., Third Point Reinsurance Ltd., Transatlantic Reinsurance Company, Validus Holdings, Ltd. and XL Group plc.

Competition has increased in recent years from non-traditional entrants into our industry, such as hedge funds and private equity firms, the proliferation of third-party capital utilization by our competitors, the growth of markets for catastrophic and specialty risks, and the continuing competition to serve customers and capitalize on potential opportunities in the market. These developments have increasingly become part of the competitive landscape, particularly in the U.S. property catastrophe market. Over time, these initiatives could significantly affect supply, pricing and competition in our industry and partially displace our traditional reinsurance products.

Government-backed entities also represent competition for the coverages that we provide directly, or for the business of our customers, reducing the potential amount of third party private protection our clients might need or desire.

Financial Strength Ratings

Insurer financial strength ratings are current opinions of rating agencies of the financial strength of an insurance organization with respect to its ability to meet obligations under its insurance policies and contracts. Financial strength ratings are used by ceding companies and reinsurance intermediaries to aid in assessing the financial strength and quality of reinsurers, and thus are an important factor in evaluating and establishing their competitive positions. A.M. Best and S&P are generally considered to be significant rating agencies for the evaluation of insurance and reinsurance companies. A.M. Best and S&P ratings are based on a quantitative and qualitative evaluation of performance with respect to capitalization, operating results, business position, financial flexibility, liquidity and enterprise risk management.

As of December 31, 2014, we had a financial strength rating of "A" (Excellent) from A.M. Best that, primarily due to the Merger, was under review with developing implications for each of our reinsurance subsidiaries. This rating is the third highest of sixteen rating levels. According to A.M. Best, a rating of "A" indicates A.M. Best's opinion that a company has an excellent ability to meet its ongoing obligations to policyholders. As of December 31, 2014, we had a financial strength rating of "A-" (Strong) from S&P that, primarily due to the Merger, was on credit watch with positive implications for each of our reinsurance subsidiaries. This rating is the seventh highest of twenty-two levels. According to S&P, a rating of "A-" indicates S&P's opinion that an insurer has strong capacity to meet financial commitments, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than companies in higher-rated categories. These ratings are subject to periodic review by A.M. Best and S&P and may be revised downward or revoked at the sole discretion of A.M. Best or S&P. A.M. Best and S&P may increase their scrutiny of rated companies, revise their rating standards or take other action that could lead to changes in our ratings. If A.M. Best or S&P revise their rating standards associated with our current rating, our rating may be downgraded or we may need to raise additional capital to maintain our rating. Financial strength ratings are not directed toward the protection of investors in Platinum Holdings or its subsidiaries or affiliates.

Employees

As of December 31, 2014, we employed 123 people.

Regulation

The business of reinsurance is regulated in most countries and all states in the United States, although the degree and type of regulation varies significantly from one jurisdiction to another. Reinsurers are generally subject to less regulation than primary insurers. Reinsurers licensed in Bermuda and the United States are regulated and must comply with financial supervision standards comparable to those governing primary insurers. Platinum Bermuda is domiciled in Bermuda and Platinum US is domiciled in Maryland.

Although principally regulated by the regulatory authorities of their respective jurisdictions, our reinsurance subsidiaries may also be subject to regulation in the jurisdictions of their ceding companies. Regulators in many jurisdictions, most notably for us in the United States and the European Union, are proposing and implementing wide-ranging regulatory reforms and are far from a final and harmonized set of regulations.

Bermuda has recently introduced regulation with respect to insurance groups. These regulations primarily relate to group reporting, group solvency and supervision (including enhanced capital requirements) and group governance.

Bermuda Regulation

Platinum Bermuda and Platinum Holdings are incorporated in Bermuda. The Insurance Act 1978 of Bermuda and related regulations (the "Insurance Act") provide that no person may carry on any insurance business in or from within Bermuda unless registered as an insurer under the Insurance Act by the Bermuda Monetary Authority (the "Authority") which is responsible for the day-to-day supervision of insurers. The Insurance Act also grants the Authority power to supervise, investigate and intervene in the affairs of insurance companies. Under the Insurance Act, insurance business includes reinsurance business. Platinum Bermuda is registered as a Class 4 general business insurer in Bermuda and is regulated as such under the Insurance Act.

An insurer's registration may be canceled by the Authority on grounds specified in the Insurance Act, including failure of the insurer to comply with its obligations under the Insurance Act or if, in the opinion of the Authority, the insurer has not been carrying on business in accordance with sound insurance principles. The Insurance Act also imposes solvency and liquidity standards and auditing and reporting requirements on Bermuda insurance companies. Certain significant aspects of the Bermuda insurance regulatory framework are set forth below.

Code of Conduct. Platinum Bermuda is required to comply with the Insurance Code of Conduct of the Authority ("Code of Conduct"), which establishes duties and standards insurers must comply with to ensure sound corporate governance, risk management and internal controls. The Authority takes failure to comply with the Code of Conduct into account in determining whether an insurer is conducting its business in a sound and prudent manner as prescribed by the Insurance Act and could result in the Authority exercising its powers of intervention (see "The Authority's Powers of Intervention and Obtaining Information" below). Compliance with the Code of Conduct is a factor in calculating the operational risk charge applicable in accordance with an insurer's Bermuda Solvency Capital Requirement ("BSCR") model.

Annual Financial Statements and Annual Statutory Financial Return. Platinum Bermuda is required to file financial statements prepared in accordance with generally accepted accounting principles ("GAAP financial statements") and statutory financial statements with the Authority on an annual basis. Platinum Bermuda is also required to file a statutory financial return with the Authority on an annual basis. The statutory financial return for a Class 4 general business insurer includes, among other matters, a general business solvency certificate, a minimum solvency margin calculation, particulars of ceded reinsurance balances, and an opinion of the loss reserve specialist.

Approved Independent Auditor and Approved Loss Reserve Specialist. Platinum Bermuda must appoint an independent auditor approved by the Authority to annually audit and report on Platinum Bermuda's GAAP financial statements, statutory financial statements and the statutory financial return. Platinum Bermuda is required to submit an opinion of its approved loss reserve specialist with its statutory financial return in respect of its loss and LAE provisions. The loss reserve specialist, who is normally a qualified actuary, must be approved by the Authority.

Annual Capital and Solvency Return, Capital Requirements and Eligible Capital Requirements. Platinum Bermuda is required to file a capital and solvency return with the Authority on an annual basis. The capital and solvency return includes, among other things, the insurer's BSCR model, commercial insurer's solvency self-assessment, a catastrophe risk return, a schedule of loss triangles or reconciliation of net loss reserves and a schedule of eligible capital.

Platinum Bermuda is required to maintain available statutory capital and surplus at least equal to its enhanced capital requirement ("ECR") which is calculated using the BSCR model. The BSCR model is a standardized risk-based capital model that provides a method for determining an insurer's capital requirements by taking into account eight categories of risk. The Authority has also established a target capital level equal to 120% of the ECR. Failure to maintain statutory capital and surplus at least equal to the target capital level could result in increased regulatory oversight by the Authority.

The eligible capital rules require Platinum Bermuda to allocate its capital into three defined tiers based upon qualifying criteria and stipulates the maximum and minimum amounts of eligible capital in each tier that may be used to satisfy its minimum solvency margin and its ECR.

Minimum Solvency Margin and Liquidity Ratio. Platinum Bermuda is required to maintain a minimum solvency margin, calculated based upon its statutory financial statements, equal to the greater of (A) $100 million, (B) 50% of net premiums written, (C) 15% of net aggregate losses and LAE provisions and other insurance reserves not including unearned premium reserves and (D) 25% of the ECR. Platinum Bermuda is also required to maintain a minimum liquidity ratio such that the value of its relevant assets should not be less than 75% of the amount of its relevant liabilities.

Principal Representative and Principal Office. Platinum Bermuda is required to maintain a principal office in Bermuda and to appoint and maintain a principal representative in Bermuda. The principal representative must notify the Authority if there is a likelihood of the insurer becoming insolvent or that a certain reportable event (as such term is defined under the Insurance Act) has occurred. If there has been a significant loss that is reasonably likely to cause the insurer to fail to comply with its ECR, the principal representative must also furnish the Authority with a capital and solvency return reflecting an ECR prepared using post-loss data.

Restrictions on Dividends and Distributions. Platinum Bermuda is prohibited from declaring or paying in any fiscal year dividends of more than 25% of its total statutory capital and surplus as shown on its previous fiscal year's statutory balance sheet unless it files an affidavit with the Authority stating that it will continue to meet its minimum solvency margin and minimum liquidity ratio. Platinum Bermuda must obtain the Authority's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous fiscal year's statutory financial statements.

The Insurance Act mandates certain actions and filings with the Authority if Platinum Bermuda fails to meet and maintain its ECR or minimum solvency margin. Platinum Bermuda is prohibited from declaring or paying a dividend if it is in breach of its ECR, minimum solvency margin or minimum liquidity ratio or if the declaration or payment of such dividend would cause such breach. If Platinum Bermuda fails to meet its minimum solvency margin or minimum liquidity ratio on the last day of any fiscal year, it is prohibited from declaring or paying any dividends during the next financial year without the approval of the Authority.

Group Supervision and Designated Insurer. The Authority is the group supervisor of the Company and has designated Platinum Bermuda as the designated insurer. As designated insurer, Platinum Bermuda is required to facilitate compliance by the Company with the insurance solvency and supervision rules (together, "Group Rules"). As group supervisor, the Authority performs a number of supervisory functions including: (i) coordinating the gathering and dissemination of information for other authorities; (ii) carrying out a supervisory review and assessment of the insurance group; (iii) carrying out an assessment of the insurance group's compliance with the rules on solvency, risk concentration, intra-group transactions and good governance procedures; (iv) planning and coordinating, through regular meetings with other authorities, supervisory activities in respect of the insurance group; (v) coordinating any enforcement action that may need to be taken against the insurance group or any of its members; and (vi) coordinating meetings of colleges of supervisors in order to facilitate the carrying out of these functions.

Certain significant aspects of the Group Rules are set forth below.

Responsibilities and Governance. The Group Rules require the board of directors of Platinum Holdings to establish and effectively implement corporate governance policies and procedures which must be periodically reviewed to ensure they continue to support the overall organizational strategy of the Company.

Annual Financial Statements, Annual Statutory Financial Return and Quarterly Financial Returns. The Company must file consolidated financial statements prepared under generally accepted accounting principles ("Group GAAP financial statements") and statutory financial statements with the Authority on an annual basis. The Company is also required to prepare an annual statutory financial return that includes, among other things, an insurance business solvency certificate, particulars of ceded reinsurance balances, a reconciliation from the Group GAAP financial statements to the statutory financial statements, and particulars of members of the Company. In addition, the Company must file quarterly financial returns comprised of the quarterly unaudited Group GAAP financial statements and particulars of certain intra-group transactions and risk concentrations.

Approved Independent Auditor and Approved Actuary. The Company must ensure an independent auditor is appointed and approved by the Authority who will annually audit and report on the Group GAAP financial statements. The Company must ensure that an approved actuary is appointed to provide an opinion in respect of its loss and loss expense provisions as reported in its statutory financial statements.

Annual Capital and Solvency Return, Capital and Solvency Requirements and Eligible Capital Requirements. The Company is required to file a capital and solvency return with the Authority on an annual basis. The capital and solvency return includes, among other things, the BSCR model, the solvency self-assessment, a catastrophe risk return, a schedule of eligible capital, and particulars of members of the Company.

The Company is required to maintain available statutory capital and surplus in an amount that is at least equal to its enhanced capital requirement ("Group ECR") calculated using the BSCR model. The Authority has adopted a phase-in approach whereby the Group ECR is set at 60% of the amount calculated using the BSCR model as of December 31, 2014, and will increase in 10% increments until it reaches 100% for the year ending December 31, 2018. The Authority has also established a target capital level equal to 120% of the Group ECR.

The Company is required to maintain a minimum solvency margin equal to the aggregate minimum solvency margin of each qualifying member of the group (the "Group MSM"). A member is a qualifying member of the insurance group if it is subject to solvency requirements in the jurisdiction in which it is registered.

The Group Rules require the Company to allocate its capital into three defined tiers based upon qualifying criteria and stipulates the maximum and minimum amounts of eligible capital in each tier that may be used to satisfy its Group MSM and its Group ECR.

Designated Insurer to Report Certain Events. If Platinum Bermuda, as the designated insurer, believes that the Company or any member of the Company may become insolvent or that certain reportable events (as such term is defined under the Group Rules) have occurred or may occur, it must notify the Authority. If there has been a significant loss that is reasonably likely to cause the insurance group to be unable to comply with its Group ECR, the designated insurer must furnish the Authority with a group capital and solvency return reflecting a Group ECR prepared using post-loss data, unaudited interim statutory financial statements, and a declaration of group solvency.

Other Restrictions on Dividends and Distributions. The Company and Platinum Bermuda must comply with the provisions of the Companies Act 1981 regulating the payment of dividends and making distributions from contributed surplus. A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than its liabilities.

Change of Controllers and Officers. The Authority maintains supervision over the controllers of all registered insurers in Bermuda. A controller includes: (i) the managing director of Platinum Bermuda or Platinum Holdings; (ii) the chief executive of Platinum Bermuda or Platinum Holdings; (iii) a 10%, 20%, 33% or 50% shareholder controller (as defined below) of Platinum Bermuda or Platinum Holdings; and (iv) any person in accordance with whose directions or instructions the directors of Platinum Bermuda or Platinum Holdings are accustomed to act.

Any person who becomes a 10%, 20%, 33% or 50% shareholder controller of Platinum Bermuda or Platinum Holdings shall, within 45 days, notify the Authority in writing that he has become such a controller. The definition of shareholder controller is set out in the Insurance Act but generally refers to: (i) a person who holds 10% or more of the shares carrying rights to vote at a shareholders' meeting of the registered insurer or its parent company; or (ii) a person who is entitled to exercise 10% or more of the voting power at any shareholders' meeting of such registered insurer or its parent company; or (iii) a person who is able to exercise significant influence over the management of the registered insurer or its parent company by virtue of its shareholding or its entitlement to exercise, or control the exercise of, the voting power at any shareholders' meeting.

Material Changes. Platinum Bermuda is required to notify the Authority of its intention to effect a material change within the meaning of the Insurance Act. For the purposes of the Insurance Act, the following changes are material: (i) the acquisition or transfer of insurance business being part of a scheme falling under section 25 of the Insurance Act or section 99 of the Companies Act; (ii) the amalgamation with or acquisition of another firm; (iii) engaging in unrelated business that is retail business; (iv) the acquisition of a controlling interest in an undertaking that is engaged in non-insurance business which offers services and products to persons who are not affiliates of the insurer; (v) outsourcing all or substantially all of the company's actuarial, risk management and internal audit functions; (vi) outsourcing all or a material part of an insurer's underwriting activity; (vii) the transfer other than by way of reinsurance of all or substantially all of a line of business; and (viii) the expansion into a material new line of business. Furthermore, Platinum Bermuda, as the designated insurer, shall be required to notify the Authority within 30 days if any member of the Company effects any material change as defined in clauses (ii) through (viii) above.

On December 10, 2014, the BMA notified RenaissanceRe's special Bermuda counsel in writing that it had no objection to RenaissanceRe's ownership of Platinum Holdings pursuant to the Merger.

The Authority's Powers of Intervention and Obtaining Information. The Authority may require a registered person or a designated insurer to provide such information or documentation as the Authority may reasonably require with respect to matters that are likely to be material to the performance of its supervisory functions under the Insurance Act. In addition, it may require such person's auditor, underwriter, accountant or any other person with relevant professional skill to prepare a report on any aspect pertaining thereto.

If the Authority deems it necessary to protect the interests of the policyholders or potential policyholders of an insurer or insurance group, it may investigate and report on the nature, conduct or state of the insurer's or the insurance group's business, or any aspect thereof, or the ownership or control of the insurer or insurance group. The Authority has the power to assist other regulatory authorities, including foreign insurance regulatory authorities, with their investigations involving insurance and reinsurance companies in Bermuda if it is satisfied that the assistance being requested is in connection with the discharge of regulatory responsibilities and that such cooperation is in the public interest.

Exempted Companies Restrictions. Platinum Bermuda and Platinum Holdings are registered as "exempted companies" and as such are exempt from certain Bermuda laws restricting the percentage of share capital that may be held by non-Bermudians. However, exempted companies may not, without the express authorization of the Bermuda legislature or under a license or consent granted by the Minister of Finance, participate in certain business transactions, including: (i) the acquisition or holding of land in Bermuda (except that held by way of lease or tenancy agreement which is required for their business and held for a term not exceeding 50 years, or which is used to provide accommodation or recreational facilities for their officers and employees and held with the consent of the Minister of Finance, for a term not exceeding 21 years); (ii) the taking of mortgages on land in Bermuda to secure an amount in excess of $50,000; (iii) the acquisition of any bonds or debentures secured by any land in Bermuda, other than certain types of Bermuda government securities or securities issued by Bermuda public authorities; or (iv) the carrying on of business of any kind in Bermuda, except in furtherance of business carried on outside Bermuda. Generally, it is not permitted without a special license granted by the Minister of Finance to insure Bermuda domestic risks or risks of persons of, in or based in Bermuda although the reinsurance of risks undertaken by any company incorporated in Bermuda and authorized to engage in insurance and reinsurance business is permitted.

Tax Exemptions. As well as having no restrictions on the degree of foreign ownership, Platinum Bermuda and Platinum Holdings are not currently subject to taxes on income or capital gains and they have received an assurance from the Bermuda Minister of Finance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to Platinum Holdings and Platinum Bermuda or any of their respective operations, shares, debentures or other obligations until March 31, 2035.

Exchange Controls. Although Platinum Bermuda and Platinum Holdings are organized, registered and domiciled in Bermuda, they are classified as non-residents of Bermuda for exchange control purposes by the Authority. Pursuant to their non-resident status, Platinum Holdings and Platinum Bermuda may hold any currency (other than Bermuda dollars) and convert that currency into any other currency (other than Bermuda dollars) without restriction. Platinum Holdings and Platinum Bermuda are permitted to hold Bermuda dollars to the extent necessary to pay their expenses in Bermuda.

U.S. Regulation

Platinum US is organized, licensed and domiciled in the State of Maryland as a property and casualty insurer, and is licensed, authorized or accredited to write reinsurance in all 50 states of the United States and the District of Columbia. Although Platinum US is regulated by state insurance regulators and applicable state insurance laws in each state where it is licensed, authorized or accredited, the principal insurance regulatory authority of Platinum US is the Maryland Insurance Administration.

The rates, forms, terms and conditions of our reinsurance agreements generally are not subject to regulation by any state insurance regulator in the United States. This contrasts with primary insurance where the policy forms and premium rates are generally regulated by state insurance regulators.

State insurance regulators have broad administrative powers with respect to various aspects of the reinsurance business, including licensing to transact business, admittance of assets, establishing reserve requirements and solvency standards, and regulating investments and dividends.

Annual Financial Statements. State insurance laws and regulations require Platinum US to file statutory basis financial statements with insurance regulators in each state where it is licensed, authorized or accredited to do business. The operations of Platinum US are subject to examination by those state insurance regulators at any time. Platinum US prepares and files statutory basis financial statements in accordance with accounting practices prescribed or permitted by these insurance regulators. State insurance regulators conduct periodic examinations of the books and records of insurance companies domiciled in their states as well as perform market conduct examinations of insurance companies doing business in their states. State insurance regulators generally conduct their various examinations at least once every three to five years. Examinations are generally carried out in cooperation with the insurance regulators of other states under guidelines promulgated by the National Association of Insurance Commissioners ("NAIC"). Platinum US' most recently completed financial examination by the Maryland Insurance Administration was as of December 31, 2008. There were no adjustments in the examination report to the statutory basis income or equity of Platinum US. The Maryland Insurance Administration recently commenced an examination of the statutory basis financial statements of Platinum US as of December 31, 2013.

Credit for Reinsurance Ceded. The ability of a primary insurer to take credit for the reinsurance purchased from reinsurance companies is a significant component of reinsurance regulation. Typically, a primary insurer will only enter into a reinsurance agreement if it can obtain credit against its reserves on its statutory basis financial statements for the reinsurance ceded to the reinsurer. With respect to U.S. domiciled reinsurers that reinsure U.S. insurers, credit is usually granted when the reinsurer is licensed or accredited in the state where the primary insurer is domiciled. States also generally permit primary insurers to take credit for reinsurance if the reinsurer: (i) is domiciled in a state with a credit for reinsurance law that is substantially similar to the credit for reinsurance law in the primary insurer's state of domicile; and (ii) meets certain financial requirements. Credit for reinsurance purchased from a reinsurer that does not meet the foregoing conditions is generally allowed to the extent that such reinsurer secures its obligations with qualified collateral.

Platinum Bermuda has provided, and may in the future provide, reinsurance to Platinum US in the normal course of business. Platinum Bermuda is not licensed, accredited or approved in any state in the United States and, consequently, Platinum Bermuda must collateralize its obligations to Platinum US in order for Platinum US to obtain credit against its reserves on its statutory basis financial statements.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), which became effective on July 21, 2011, provides that only the state in which a primary insurer is domiciled may regulate the financial statement credit for reinsurance taken by that primary insurer; other states are no longer able to require additional collateral from unauthorized reinsurers or otherwise impose their own credit for reinsurance laws on primary insurers that are only licensed in such other states.

In November 2011, the NAIC adopted amendments to its Credit for Reinsurance Model Law and Regulation (the "NAIC Credit for Reinsurance Model Law") to implement reinsurance collateral reform. Under the amended NAIC Credit for Reinsurance Model Law, collateral requirements may be reduced from 100% for reinsurers meeting certain criteria as to financial strength and reliability that are domiciled in jurisdictions that are found to have strong systems of domestic insurance regulation (each, a "Qualified Jurisdiction"). Once a state legislature enacts the amendments to the NAIC Credit for Reinsurance Model Law and the standards become operative in that state, such reinsurers will be eligible to apply for "certified reinsurer" status and reinsurers that become so certified will be permitted to post collateral at reduced levels in that state. The new collateral levels will apply on a prospective basis only. Although the NAIC has made the amended NAIC Credit for Reinsurance Model Law an accreditation standard, and the changes permitting reduced collateral are not mandatory, any state has the option of retaining a 100% collateralization requirement if it chooses to do so. In December 2014, the NAIC approved Bermuda as a Qualified Jurisdiction with respect to certain classes of insurers, including Class 4 insurers such as Platinum Bermuda. The recognition of Bermuda as a Qualified Jurisdiction should improve Platinum Bermuda's ability to be approved as a "certified reinsurer" in the respective states to which it applies for such status. Platinum Bermuda held the status of eligible reinsurer (equivalent to certified reinsurer) in Florida under predecessor statutes through December 31, 2014. A renewal application to continue the eligible reinsurer status in Florida is pending.

Capital and Solvency. The NAIC uses a risk-based capital ("RBC") model to monitor and regulate the solvency of licensed life, health, and property and casualty insurance and reinsurance companies. Maryland has adopted the NAIC's model law. The RBC calculation is used to measure an insurer's capital adequacy with respect to: the risk characteristics of the insurer's premiums written and unpaid losses and LAE, rate of growth and quality of assets, among other measures. Depending on the results of the RBC calculation, insurers may be subject to varying degrees of regulatory action depending upon the level of their capital inadequacy.

In September 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment ("ORSA") Model Act, which will require insurers to maintain a framework for identifying, assessing, monitoring, managing and reporting on the "material and relevant risks" associated with the insurer's (or insurance group's) current business plans. Under the ORSA Model Act, an insurer must undertake an internal risk management review no less often than annually (but also at any time when there are significant changes to the risk profile of the insurer or its insurance group) in accordance with the NAIC's ORSA Guidance Manual, and prepare a summary report ("ORSA Report") assessing the adequacy of the insurer's risk management and capital in light of its current and future business plans. The ORSA Report will be filed with a company's lead regulator and be available to other domiciliary regulators within the holding company system. The ORSA Model Act must be adopted by the individual states for the new requirements to apply, and specifically in Maryland for the changes to apply to Platinum US. It is not clear when Maryland or other states will adopt the ORSA Model Act; however, the NAIC is seeking to make the ORSA Model Act part of its accreditation standards for state solvency regulation, which will motivate states to adopt it.

Restrictions on Dividends and Distributions. Under Maryland insurance law, Platinum US must notify the Maryland Insurance Commissioner (the "Commissioner") within five business days after the declaration of any dividend or distribution, other than an extraordinary dividend or extraordinary distribution, and notify the Commissioner at least ten days prior to the payment or distribution thereof. The Commissioner has the right to prevent payment of such a dividend or such a distribution if the Commissioner determines, in the Commissioner's discretion, that after the payment thereof, the policyholders' surplus of Platinum US would be inadequate or could cause Platinum US to be in a hazardous financial condition. Platinum US must give at least 30 days prior notice to the Commissioner before paying an extraordinary dividend or making an extraordinary distribution from other than earned surplus. Extraordinary dividends and extraordinary distributions are dividends or distributions which, together with any other dividends and distributions paid during the immediately preceding twelve-month period, would exceed the lesser of:

(1) 10% of the insurer's statutory policyholders' surplus (as determined under statutory accounting principles) as of December 31 of the prior year; or

(2) the insurer's net investment income excluding realized capital gains (as determined under statutory accounting principles) for the twelve-month period ending on December 31 of the prior year and pro rata distributions of any class of the insurer's securities, plus any amounts of net investment income (subject to the foregoing exclusions) in the three calendar years prior to the preceding year which have not been distributed.

Insurance Holding Company Laws. Platinum Holdings and Platinum Regency as the indirect parent companies of Platinum US, and Platinum Finance as the direct parent company of Platinum US, are subject to the insurance holding company laws of Maryland. These laws generally require an authorized insurer that is a member of a holding company system to register with the Maryland Insurance Administration and to furnish annually financial and other information about the operations of companies within the holding company system. Generally, all transactions between Platinum US and another company in the holding company system, including sales, loans, reinsurance agreements and service agreements, must be fair and reasonable and, if material or of a specified category, require prior notice and approval or non-disapproval by the Commissioner.

The insurance laws of Maryland prohibit any person from acquiring control of Platinum US unless that person has filed a notification with specified information with the Commissioner and has obtained the Commissioner's prior approval. Under the Maryland statutes, acquiring 10% or more of the voting securities of an insurance company or its parent company is presumptively considered an acquisition of control of the insurance company, although such presumption may be rebutted. Accordingly, any person or entity that acquires, directly or indirectly, 10% or more of the voting securities of Platinum Holdings without the prior approval of the Commissioner will be in violation of this law and may be subject to injunctive action requiring the disposition or seizure of those securities by the Commissioner or prohibiting the voting of those securities and to other actions that may be taken by the Commissioner. On February 10, 2015, the Maryland Insurance Administration entered an order approving the proposed acquisition of Platinum US by RenaissanceRe.

In addition, many U.S. state insurance laws require prior notification to state insurance regulators of an acquisition of control of a non-domiciliary insurance company doing business in that state. While these pre-notification statutes do not authorize the state insurance regulators to disapprove the acquisition of control, they authorize regulatory action in the affected state if particular conditions exist, such as undue market concentration. In addition, any transactions that would constitute an acquisition of control of Platinum Holdings, Platinum Regency or Platinum Finance may require prior notification in those states that have adopted pre-acquisition notification laws. These laws may discourage potential acquisition proposals and may delay, deter or prevent an acquisition of control of Platinum Holdings (in particular through an unsolicited transaction), even if the shareholders of Platinum Holdings might consider such transaction to be desirable.

In December 2010, the NAIC adopted amendments to the Insurance Holding Company System Regulatory Model Act and Regulation (the "Amended Holding Company Model Act"). The Amended Holding Company Model Act introduces the concept of "enterprise risk" within an insurance holding company system. The Amended Holding Company Model Act imposes more extensive informational requirements on parents and other affiliates of licensed insurers or reinsurers with the purpose of protecting the licensed companies from enterprise risk, including requiring an annual enterprise risk report by the ultimate controlling person identifying the material risks within the insurance holding company system that could pose enterprise risk to the licensed companies. The Amended Holding Company Model Act must be adopted by the individual states for the new requirements to apply. Maryland adopted the Amended Holding Company Model Act effective January 1, 2014. Platinum Holdings' first enterprise risk report to the Maryland Insurance Administration will be due by July 1, 2015.

In December 2014, the NAIC adopted additional amendments to the Amended Holding Company Model Act for consideration by the various states that address the authority of an insurance commissioner to act as group-wide supervisor for an internationally active insurance group or to acknowledge another regulatory official to so act. These changes to the Amended Holding Company Model Act must be enacted by the individual states before they will become effective, and specifically in Maryland for the changes to apply to Platinum US. We cannot predict with any degree of certainty the additional capital requirements, compliance costs or other burdens these changes may impose on us and our reinsurance subsidiaries.

Federal Oversight. The U.S. federal government generally does not directly regulate the insurance industry except for certain areas of the market, such as insurance for crop, flood, nuclear and terrorism risks. However, the federal government has undertaken initiatives or considered legislation in several areas that may impact the reinsurance industry, including tort reform, corporate governance and the taxation of reinsurance companies. In addition, legislation has been introduced from time to time in recent years that, if enacted, could result in the federal government assuming a more direct role in the regulation of the reinsurance industry, including federal licensing in addition to, or in lieu of, state licensing and reinsurance for natural catastrophes. We are unable to predict whether any legislation will be enacted or any regulations will be adopted, or the effect these developments could have on our business, financial condition or results of operations.

The Dodd-Frank Act created the Federal Insurance Office (the "FIO") within the Department of Treasury headed by a Director appointed by the Treasury Secretary. Under the Dodd-Frank Act, the Treasury Secretary and U.S. Trade Representative are jointly authorized to enter into certain agreements with foreign governments relating to prudential supervision of the business of insurance or reinsurance. In implementing such agreements, the FIO has the authority to preempt state law if it is determined that the state law is inconsistent with the international agreement and treats a non-U.S. insurer or reinsurer less favorably than a U.S. insurer or reinsurer. The FIO's implementation authority over international agreements could potentially result in the preemption of contrary state law, and this authority might be used to affect reinsurance collateral requirements, to the potential benefit of Platinum Bermuda. It is unknown whether and when any such changes will occur.

The FIO is designed principally to exercise a monitoring and information gathering role, rather than a regulatory role. In that capacity, the FIO has been charged with providing reports to the U.S. Congress on (i) modernization of U.S. insurance regulation and possible federal involvement in supervision of insurance group holding companies (provided in December 2013), (ii) state regulators' ability to access reinsurance information (provided in November 2013), and (iii) the global reinsurance market (provided in December 2014). Such reports could ultimately lead to changes in the regulation of insurers and reinsurers in the United States, including insurance group holding companies.

Other Regulatory. Government involvement in the insurance and reinsurance markets, both in the United States and worldwide, continues to evolve. For example, in 2007, Florida enacted legislation that, among other things, increased the access of primary Florida insurers to the Florida Hurricane Catastrophe Fund ("FHCF"). The purpose of the FHCF is to maintain insurance capacity in Florida by providing below market rate reinsurance to insurers for a portion of their catastrophic hurricane losses. The legislation may have the effect of reducing the role of the private reinsurance market in Florida-based risks. The Florida legislation and any similar state or U.S. federal legislation could have a material adverse impact on our business, financial condition or results of operations.

Ireland Regulation

Platinum Regency is incorporated in Ireland. As a holding company, Platinum Regency is not subject to Irish insurance regulation. Irish law prohibits Platinum Regency from declaring a dividend to its shareholders unless it has "profits available for distribution". The determination of whether a company has profits available for distribution is based on its accumulated profits, not previously distributed or capitalized, less its accumulated realized losses, not previously used as a reduction from capital.

European Union Regulation

The European Union ("EU") is introducing a new regime for the regulation of the insurance and reinsurance sector known as "Solvency II". Solvency II is a risk-based regulatory regime which seeks to promote financial stability, enhance transparency and facilitate harmonization among insurance and reinsurance companies within the EU. Solvency II, along with the Omnibus II Directive (a directive intended to amend in part the existing solvency regime), has been the subject of a number of delays in its implementation. Solvency II is now due to be transposed into national law by EU Member States by March 31, 2015 and will apply to firms from January 1, 2016. The detail of the Solvency II project will be set out in "delegated acts" and binding technical standards which will be issued by the European Commission and will be legally binding. A draft delegated act, which sets out more detailed requirements for individual insurance undertakings as well as for groups based on the overarching provisions of Solvency II and which will make up the core of the single prudential rulebook for insurance and reinsurance undertakings in the EU, was published by the European Commission on October 10, 2014 (the "Draft Delegated Act"). The Draft Delegated Act remains subject to approval by the European Parliament and the European Council.

Solvency II employs a risk-based approach to setting capital requirements for insurers and reinsurers. One aspect of Solvency II concerns the treatment of reinsurance contracts obtained by EU insurers from reinsurers headquartered in a country outside the EU, including Bermuda and the United States, where our reinsurance subsidiaries are headquartered. The issue is whether such reinsurance can be taken into account by the EU insurers for capital purposes in the same way as reinsurance obtained from EU reinsurers, or whether the non-EU reinsurers must instead maintain certain minimum credit ratings or provide collateral to the EU insurers. The Solvency II directive proposes that where the non-EU jurisdiction is found to have a regulatory regime "equivalent" to that of Solvency II (in terms of policyholder and beneficiary protection with respect to reinsurance), reinsurance contracts with non-EU reinsurers shall be treated in the same way as reinsurance contracts with EU reinsurers.

The European Insurance and Occupational Pensions Authority ("EIOPA"), one of three European Supervisory Authorities, delivered an initial technical assessment of the equivalence of the supervisory regime of Bermuda to the European Commission in October 2011. This assessment has recently been updated pursuant to a request by the European Commission and, on December 19, 2014, EIOPA published a consultation paper presenting draft advice to the European Commission in which it supported key aspects of Bermuda's regulatory regime with certain caveats. There will now be a five week consultation period after which EIOPA expects to publish its final report, which will be submitted to EIOPA's Board of Supervisors before being sent to the European Commission. EIOPA's advice is expected to allow the European Commission to take informed decisions this year on whether solvency and prudential regimes in Bermuda (as well as Japan and Switzerland) are equivalent to Solvency II. At present, it is expected that Bermuda (along with Japan and Switzerland) will be Solvency II equivalent, but that the United States will not be. However, the European Commission is yet to confirm these positions. To the extent that non-EU countries are not deemed Solvency II equivalent with respect to reinsurance at the time the new solvency regime comes into force, transitional arrangements are expected under the Omnibus II Directive whereby, subject to satisfying certain criteria, non-equivalent regimes will be allowed an extended time period to implement a regime satisfying the Solvency II equivalence criteria.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, are available free of charge on our Internet website at www.platinumre.com as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission ("SEC"). We also post on our website the charters of our Audit, Compensation, Governance and Executive Committees, our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and any amendments or waivers thereto, and any other corporate governance materials required to be posted by SEC or New York Stock Exchange ("NYSE") regulations. These documents are also available in print to any shareholder requesting a copy from our corporate secretary at our principal executive offices. Information contained on the Platinum Holdings website is not part of this Form 10-K.

Item 1A. Risk Factors

Numerous factors could cause our actual results to differ materially from those in the forward-looking statements set forth in this Form 10-K and in other documents that we file with the SEC. Those factors include the following:

Risks Related to Our Business

The occurrence of severe catastrophic events could have a material adverse effect on our financial condition or results of operations.

We underwrite property and casualty reinsurance and have large aggregate exposures to natural and man-made disasters and, consequently, we expect that our loss experience generally will include infrequent events of great severity. The frequency and severity of catastrophe losses are inherently difficult to predict, therefore, the occurrence of losses from a severe catastrophe or series of catastrophes could have a material adverse effect on our ability to write new business and on our results of operations and financial condition, possibly to the extent of eliminating our shareholders' equity. Increases in the values and geographic concentrations of insured property and the effects of inflation have historically resulted in increased severity of industry losses in recent years and, although we seek to limit our overall exposure to risk by limiting the amount of reinsurance we write by geographic zone and type of peril, we expect that those factors will increase the severity of catastrophe losses in the future. Global climate change may increase the frequency and severity of losses from hurricanes, tornadoes, windstorms, hailstorms, freezes, floods and other weather-related disasters. In addition, larger than expected catastrophe losses may have an adverse impact on our financial condition, results of operations and reputation.

If the loss limitation methods and loss and pricing models we employ are not effective, our financial condition or results of operations could be materially adversely affected.

Our property and casualty reinsurance contracts cover unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, volcanic eruptions, fires, industrial explosions, freezes, riots, floods and other natural or man-made disasters. Underwriting requires significant judgment, involving assumptions about matters that are inherently difficult to predict and beyond our control, and for which historical experience and probability analysis may not provide sufficient guidance. Reinsurance contracts generally contain limits that restrict the amount that we may be required to pay in the event of a loss. Our contracts typically contain a per risk limit or an occurrence limit and may contain both. Some of our contracts contain an aggregate limit. Property and marine reinsurance contracts with natural catastrophe exposure generally contain occurrence limits. In addition, our high layer property and marine reinsurance contracts generally contain aggregate limits. Casualty reinsurance contracts generally contain either a per risk or an occurrence limit. Casualty clash contracts generally contain an aggregate limit. Few of our other casualty contracts contain an aggregate limit. We seek to manage our risk by limiting our estimated probable maximum loss from a catastrophic event in any geographic zone that could be expected to occur once in every 250 years to a specified percentage of total capital. One or more catastrophic or other events could result in claims that substantially exceed our expectations and could have a material adverse effect on our results of operations and financial condition, possibly to the extent of eliminating our shareholders' equity. Our loss limitation methods may also include the purchase of retrocessional reinsurance and other types of protection which may prove to be ineffective and have a material effect on our financial condition and results of operations.

We believe that the computer-based loss and pricing models we use to assess each ceding company's potential for catastrophe losses are an important part of the underwriting process for catastrophe exposure pricing. However, these models depend on the quality of the information obtained from our ceding companies and the independent data we obtain from third parties and may prove inadequate for determining the pricing for certain catastrophe exposures. Our models may not accurately predict changes in weather patterns related to climate change or the impact of these changes. If climate change or other factors cause more severe or frequent weather-related disasters than we anticipate, our losses may exceed our expectations, which could have a material adverse effect on our financial condition and results of operations. Our models include assumptions with respect to the frequency and severity of various sources of loss, including but not limited to damage vulnerability, location of fault lines, demand surge, liquefaction and tsunami. If such factors for actual events differ from our assumptions, our losses may exceed our expectations, which could have a material adverse effect on our financial condition and results of operations.

For our property and casualty reinsurance underwriting, we depend on the policies, procedures and expertise of ceding companies; these companies may fail to accurately assess the risks they underwrite, which may lead us to inaccurately assess the risks we assume.

Because we participate in property and casualty reinsurance markets, the success of our underwriting efforts depends, in part, upon the policies, procedures and expertise of the ceding companies making the original underwriting decisions. As is common among reinsurers, we do not separately evaluate each of the individual risks assumed under reinsurance treaties. We face the risk that these ceding companies may fail to accurately assess the risks that they assume initially, which, in turn, may lead us to inaccurately assess the risks we assume. If we fail to establish and receive appropriate premium rates or fail to contractually limit our exposure to such risks, we could face significant losses on these contracts.

If we are required to increase our liabilities for losses and LAE, our operating results may be adversely affected.

We establish liabilities for losses and LAE that we are or will be liable to pay for reinsured claims for events that have occurred on or before the balance sheet date. At any time, these liabilities may prove to be inadequate to cover our actual losses and LAE. To the extent these liabilities are determined to be insufficient to cover actual losses or LAE, we will have to increase these liabilities and incur a charge to our earnings, which could have a material adverse effect on our financial condition and results of operations. In accordance with laws, regulations and accounting principles generally accepted in the United States of America ("U.S. GAAP"), we do not establish liabilities until an event occurs which may give rise to a loss. Once such an event occurs, liabilities are established based upon estimates of the total losses incurred by the ceding companies and an estimate of the portion of such loss we have reinsured.

The liabilities established on our consolidated balance sheet do not represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of losses. We do not separately evaluate each of the individual insurance or reinsurance contracts assumed under our treaties and we are largely dependent on the original underwriting decisions made by ceding companies. All of our liability estimates are based on actuarial and statistical projections at a given time, facts and circumstances known at that time and estimates of trends in loss severity and other variable factors, including new concepts of liability and general economic conditions. Changes in these trends or other variable factors could result in claims in excess of the liabilities that we have established.

The effects of emerging claim and coverage issues on our business are uncertain.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. Various provisions of our contracts, such as limitations or exclusions from coverage or choice of forum, may be difficult to enforce in the manner we intend, due to, among other things, disputes relating to coverage and choice of legal forum. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until some time after we have issued reinsurance contracts that are affected by the changes. As a result, the full extent of liability under our reinsurance contracts may not be known for many years after a contract is issued. The effects of unforeseen developments or substantial government intervention could adversely impact our ability to achieve our goals. An example of this is the Patient Protection and Affordable Care Act of 2010. Examples of emerging coverage and claims issues include larger settlements and jury awards against professionals and corporate directors and officers covered by professional liability and directors' and officers' liability insurance and whether the substantial losses from hurricanes were the result of storm surge, which is sometimes covered by insurance, or flood, which generally is not covered.

A downgrade in our financial strength ratings could adversely affect our ability to write new business.

Financial strength ratings are used by ceding companies and reinsurance intermediaries to assess the financial strength and quality of reinsurers. In addition, a ceding company's own rating may be adversely affected by a downgrade in the rating of its reinsurer. Therefore, a downgrade of our financial strength rating may dissuade a ceding company from reinsuring with us and may influence a ceding company to reinsure with a competitor that has a higher rating.

As of December 31, 2014, we had a financial strength rating of "A" (Excellent) from A.M. Best that, primarily due to the Merger, was under review with developing implications for each of our reinsurance subsidiaries. This rating is the third highest of sixteen rating levels. According to A.M. Best, a rating of "A" indicates A.M. Best's opinion that a company has an excellent ability to meet its ongoing obligations to policyholders. As of December 31, 2014, we had a financial strength rating of "A-" (Strong) from S&P that, primarily due to the Merger, was on credit watch with positive implications for each of our reinsurance subsidiaries. This rating is the seventh highest of twenty-two levels. According to S&P, a rating of "A-" indicates S&P's opinion that an insurer has strong capacity to meet financial commitments, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than companies in higher-rated categories. These ratings are subject to periodic review by A.M. Best and S&P and may be revised downward or revoked at the sole discretion of A.M. Best or S&P. A.M. Best and S&P may increase their scrutiny of rated companies, revise their rating standards or take other action that could lead to changes in our ratings. If A.M. Best or S&P revise their rating standards associated with our current rating, our rating may be downgraded or we may need to raise additional capital to maintain our rating. Financial strength ratings are not directed toward the protection of investors in Platinum Holdings or its subsidiaries or affiliates.

Our reinsurance contracts commonly contain terms that would allow a ceding company to cancel the contract or require us to collateralize all or part of our obligations if our financial strength rating was downgraded below a certain rating level. Whether a client would exercise a cancellation right would depend on, among other factors, the reason for such downgrade, the extent of the downgrade, the prevailing market conditions and the pricing and availability of replacement reinsurance coverage. Any such cancellation or additional collateral requirements could have an adverse effect on our business.

Losses from operations may deplete our capital base and create a need to obtain additional capital that may not be readily available in the capital markets or may only be available on unfavorable terms.

Losses from operations, including severe catastrophic events, could cause a material decline in our shareholders' equity. We are dependent on our financial strength and ratings, as evaluated by independent rating agencies, to underwrite reinsurance. A material decline in our existing capital below a level necessary to maintain our ratings may require us to raise additional capital through private financings or the capital markets. Certain of our contracts provide that a cedant may cancel the contract if there is a decline in our equity below specified levels. To the extent that our existing capital is insufficient to fund our future operating requirements, we may need to raise additional funds through financings or limit our growth. Any equity or debt financing, if available at all, may be on terms that are unfavorable to us or our shareholders. Equity financings could result in dilution to our shareholders. We may issue securities that have rights, preferences and privileges that are senior to those of our outstanding securities. If we are not able to obtain adequate capital, our business, results of operations, financial condition and financial strength and credit ratings could be adversely affected.

We have exposure to credit loss from counterparties in the normal course of business.

Reinsurance premiums receivable and funds held by ceding companies are subject to credit risk. We have established standards for ceding companies and, in most cases, have a contractual right of offset thereby allowing us to settle claims net of any such reinsurance premiums receivable and funds held.

We may from time to time have credit exposure with respect to retrocessionaires, certain derivative counterparties and counterparties to reinsurance deposit assets. We consider the financial strength of our retrocessionaires when determining whether to purchase coverage from them. We generally obtain retrocessional coverage from companies rated "A-" or better by A.M. Best unless the retrocessionaire's obligations are collateralized. Our retrocessionaires and counterparties to our derivative contracts and reinsurance deposit assets may be affected by economic events which could adversely affect their ability to meet their obligations to us.

We may also collateralize our obligations under our various reinsurance contracts by delivering letters of credit to the ceding company, pledging assets for the benefit of the ceding company or permitting the ceding company to withhold funds that would otherwise be delivered to us under the reinsurance contract. We have entered into reinsurance contracts with several ceding companies that require us to provide varying levels of collateral for our obligations under certain circumstances, including when our obligations to these ceding companies exceed negotiated amounts. These amounts may vary depending on our rating from A.M. Best, S&P or other rating agencies and the level of statutory equity of our reinsurance subsidiaries. The amount of collateral we are required to provide typically represents a portion of the obligations we may owe the ceding company, often including estimates of unpaid losses made by the ceding company. Since we may be required to provide collateral based on the ceding company's estimate, we may be obligated to provide collateral that exceeds our estimates of the ultimate liability to the ceding company. It is also unclear what, if any, the impact would be in the event of the liquidation of a ceding company with which we have a collateral arrangement.

The availability and cost of security arrangements for reinsurance transactions may materially impact our ability to provide reinsurance.

Our reinsurance subsidiaries are frequently required to provide collateral to their ceding companies for unpaid liabilities in a form acceptable to applicable state insurance regulators. Typically, this type of collateral takes the form of letters of credit issued by a bank, the pledging of assets or trust accounts, or funds withheld by ceding companies. If our credit facilities are not sufficient or if our lenders fail to perform or if we are unable to renew our credit facilities or to arrange for other types of security on commercially acceptable terms, our reinsurance companies' ability to provide reinsurance to clients may be severely limited. For more details on our credit facilities, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity", in this Form 10-K.

The property and casualty reinsurance business is historically cyclical, and we expect to experience periods with excess underwriting capacity and unfavorable pricing.

Historically, property and casualty reinsurers have experienced significant fluctuations in operating results. Demand for reinsurance is influenced significantly by underwriting results of primary insurers and prevailing general economic and market conditions, all of which affect ceding companies' decisions as to the amount or portion of risk that they retain for their own accounts and consequently reinsurance premium rates. The supply of reinsurance is related to prevailing prices, the levels of insured losses and levels of industry surplus which, in turn, may fluctuate in response to changes in rates of return on investments being earned in the reinsurance industry and general economic and market conditions. As a result, the property and casualty reinsurance business historically has been cyclical, characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of capacity have permitted favorable pricing. We can expect to experience the effects of such cyclicality.

The cyclical trends in the industry and the industry's profitability can also be affected significantly by volatile and unpredictable developments, including what management believes to be a trend of courts to grant increasingly larger awards for certain damages, natural disasters (such as catastrophic hurricanes, windstorms, tornadoes, earthquakes and floods), acts of terrorism, fluctuations in interest rates, changes in the investment environment that affect market prices of and income and returns on investments and inflationary pressures that may tend to affect the size of losses experienced by primary insurers. Unfavorable market conditions may affect our ability to write reinsurance at rates that we consider appropriate relative to the risk assumed. Over the last several years, we have also seen a significant increase in overall reinsurance industry capacity resulting from strong financial results and the influx of new competitors. If we cannot write property and casualty reinsurance at appropriate rates, our business would be significantly and adversely affected.

Increased competition could adversely affect our profitability.

The property and casualty reinsurance industry is highly competitive. Some of our competitors are large financial institutions that have reinsurance operations, while others are specialty reinsurance companies. Hedge funds, investment banks, pension funds and other capital markets participants continue to show interest in entering the reinsurance market, through the formation of new risk-bearing entities, the financing of such new entities, or otherwise.

Many of our competitors have greater financial, marketing and management resources than we do. We compete with reinsurers worldwide on the basis of many factors, including premium charges and other terms and conditions offered, services provided, ratings assigned by independent rating agencies, speed of claims payment, claims experience, perceived financial strength and experience and reputation of the reinsurer in the line of reinsurance to be underwritten. We may not be successful in competing with others on any of these bases, and the intensity of competition in our industry may erode profitability and result in less favorable policy terms and conditions for insurance and reinsurance companies generally, including us.

Competition has increased in recent years from non-traditional entrants into our industry, such as hedge funds and private equity firms, the proliferation of third-party capital utilization by our competitors, the growth of markets for catastrophic and specialty risks, and the continuing competition to serve customers and capitalize on potential opportunities in the market. These developments have increasingly become part of the competitive landscape, particularly in the U.S. property catastrophe market. Over time, these initiatives could significantly affect supply, pricing and competition in our industry and partially displace our traditional reinsurance products.

Government-backed entities also represent competition for the coverages that we provide directly, or for the business of our customers, reducing the potential amount of third party private protection our clients might need or desire.

We could face losses from terrorism, political unrest and war.

We have exposure to losses resulting from acts of terrorism, political unrest and acts of war. It is difficult to predict the occurrence of these events or to estimate the amount of loss an occurrence will generate. Accordingly, it is possible that actual losses from such acts will exceed our probable maximum loss estimate and that these acts will have a material adverse effect on us.

We closely monitor the amount and types of coverage that we provide for terrorism risk under reinsurance treaties. If we think we can reasonably evaluate the risk of loss and charge an appropriate premium for such risk we will write some terrorism exposure on a stand-alone basis. We generally seek to exclude terrorism from non-terrorism treaties. If we cannot exclude terrorism, we will evaluate the risk of loss and attempt to charge an appropriate premium for such risk. Even in cases where we have deliberately sought to exclude coverage, we may not be able to completely eliminate our exposure to terrorist acts.

The Terrorism Risk Insurance Act of 2002 was amended and extended by the Terrorism Risk Insurance Extension Act of 2005 and amended and extended again by the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA"). TRIPRA expired on December 31, 2014 and was amended and renewed on January 12, 2015 for a six year period. TRIPRA provides a federal backstop to all U.S. based property and casualty insurers for insurance related losses resulting from any act of terrorism on U.S. soil or against certain U.S. air carriers, vessels or foreign missions. We benefit from TRIPRA as this protection generally inures to our benefit under our reinsurance treaties where terrorism is not excluded.

We are dependent on the business provided to us by reinsurance brokers and we may be exposed to liability for brokers' failure to make premium payments to us or claim payments to our clients.

We market substantially all of our reinsurance products through reinsurance brokers. The reinsurance brokerage industry generally, and our sources of business specifically, are concentrated. The loss of business relationships with any of our top brokers could have a material adverse effect on our business.

In accordance with industry practice, we frequently pay amounts in respect of claims under contracts to reinsurance brokers for payment to the ceding companies. In the event that a broker fails to make such a payment, we may remain liable to the ceding company for the payment. When ceding companies remit premiums to reinsurance brokers, such premiums may be deemed to have been paid to us and the ceding company may no longer be liable to us for those amounts whether or not we actually receive the funds. Consequently, we assume a degree of credit risk associated with our brokers during the premium and loss settlement process.

Retrocessional reinsurance protection may become unavailable to us on acceptable terms.
We may buy retrocessional reinsurance and use derivative instruments to reduce liability on individual risks, protect against catastrophic losses and obtain additional underwriting capacity. From time to time, market conditions may limit or prevent us from obtaining retrocessional reinsurance or it may be available only on terms that we find unacceptable. If we are unable or unwilling to obtain such protection on acceptable terms, our financial position and results of operations may be materially adversely affected, especially by catastrophic losses. Elimination of all or portions of our catastrophic loss protection could subject us to increased, and possibly material, exposure to losses or could cause us to underwrite less business.
Foreign currency exchange rate fluctuations may adversely affect our financial condition and results.
We routinely transact business in various currencies other than the U.S. dollar, our financial reporting currency. We may incur foreign currency exchange gains or losses as we ultimately settle claims required to be paid in foreign currencies. To the extent we do not seek to hedge our foreign currency risk or our hedges prove ineffective, the resulting impact of a movement in foreign currency exchange rate could materially adversely affect our financial condition and results of operations.
Our success will depend on our ability to maintain and enhance effective operating procedures and internal controls over financial reporting.
Our management does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons or by collusion of two or more people. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Our disclosure controls and procedures and our internal controls over financial reporting were designed to provide reasonable assurances that their objectives would be met.
The preparation of our financial statements requires us to make many estimates and judgments.
The preparation of consolidated financial statements requires us to make many estimates and judgments that affect the reported amounts of assets, liabilities (including reserves), shareholders' equity, revenues and expenses, and related disclosures of contingent liabilities. On an ongoing basis, we evaluate our estimates, including those related to premiums written and earned, our unpaid losses and LAE, investment valuations, income taxes and those estimates used in our risk transfer analysis for reinsurance transactions. We base our estimates on historical experience, where possible, and on various other assumptions that we believe to be reasonable under the circumstances, which form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our judgments and estimates may not reflect our actual results. We utilize actuarial models as well as historical insurance industry loss development patterns to establish our loss reserves. Over time, other common reserving methodologies have begun to be employed. Actual claims and claim expenses paid may deviate, perhaps materially, from the reserve estimates reflected in our financial statements. For more details on our estimates and judgments, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates", in this Form 10-K.
The covenants in our debt and credit facilities limit our financial and operational flexibility, which could have an adverse effect on our financial condition.
We have incurred indebtedness, and may incur additional indebtedness in the future. Our indebtedness primarily consists of publicly traded notes and credit facilities consisting of letter of credit and revolving credit facilities. For more details on our indebtedness, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Liquidity", in this Form 10-K.

Our credit facilities contain covenants that limit our ability, among other things, to borrow money, make particular types of investments or other restricted payments, sell assets, merge or consolidate. The credit facilities also require us to maintain specific financial ratios. If we fail to comply with these covenants or meet these financial ratios, the lenders under our credit facilities could declare a default and demand immediate repayment of all amounts owed to them, cancel their commitments to lend or issue letters of credit, or both, and require us to pledge additional or a different type of collateral.

We could be adversely affected by the loss of one or more key executives, by an inability to retain or replace qualified senior management or by an inability to renew the Bermuda work permits of any of our key executives or other key personnel.

Our success depends on our ability to retain the services of key executives and to attract and retain additional qualified personnel in the future. Under Bermuda law, non-Bermudians (other than spouses of Bermudians) may not engage in any gainful occupation in Bermuda without the specific permission of the appropriate governmental authority. None of our executive officers is a Bermudian, and all such officers employed in Bermuda, including our Chief Executive Officer, Chief Financial Officer and the Chief Executive Officer of Platinum Bermuda, are employed pursuant to work permits granted by Bermuda authorities. These permits expire at various times during the next several years. The loss of the services of our key executives or the inability to hire and retain other highly qualified personnel in the future, including as a result of our inability to renew the Bermudian work permits of such individuals, could adversely affect our business plans and strategies or cause us to lose clients.

Technology breaches or failures, including those resulting from a malicious cyber-attack on us or our business partners and service providers, could disrupt or otherwise negatively impact our business.

We rely on information technology systems to process, transmit, store and protect the electronic information, financial data and proprietary models that are critical to our business. Furthermore, a significant portion of the communications between our employees and our business, banking and investment partners depends on information technology and electronic information exchange. Like all companies, our information technology systems are vulnerable to data breaches, interruptions or failures due to events that may be beyond our control, including, but not limited to, natural disasters, theft, terrorist attacks, computer viruses, hackers and general technology failures.

We believe that we have established and implemented appropriate security measures, controls and procedures to safeguard our information technology systems and to prevent unauthorized access to such systems and any data processed or stored in such systems, and we periodically evaluate and test the adequacy of such systems, controls and procedures. In addition, we have established a business continuity plan which is designed to ensure that we are able to maintain all aspects of our key business processes functioning in the midst of and following certain disruptive events, including any disruptions to or breaches of our information technology systems. Our business continuity plan is routinely reviewed and evaluated for adequacy. Despite these safeguards, disruptions to and breaches of our information technology systems are possible and may negatively impact our business.

In addition, we could be subject to liability if external parties were able to penetrate our network security or otherwise misappropriate confidential information.

It is possible that insurance policies we have in place with third parties would not entirely protect us in the event that we experienced a breach, interruption or widespread failure of our information technology systems. Furthermore, we have not secured insurance coverage designed to specifically protect us from an economic loss resulting from such events.

Although we have not experienced any known or threatened cases involving unauthorized access to our information technology systems or unauthorized appropriation of the data contained within such systems, we have no assurance that such technology breaches will not occur in the future.

Risks Related to Our Investments

Our investment performance may adversely affect our results of operations, financial position and ability to conduct business.

Our operating results depend in part on the performance of our investment portfolio. Our investments are subject to market-wide risks and fluctuations. In addition, we are subject to risks inherent in particular securities or types of securities, such as the ability of issuers to repay their debt. Adverse developments in the financial markets, such as disruptions, uncertainty or volatility in the capital and credit markets, may result in realized and unrealized capital losses that could have a material adverse effect on our results of operations, financial position and ability to conduct business, and may also limit our access to capital required to operate our business. Severe disruptions in the public debt and equity markets, including, among other things, widening of credit spreads, lack of liquidity and bankruptcies, may result in significant realized and unrealized losses in our investment portfolio. Depending on market conditions, we could incur additional realized and unrealized losses on our investment portfolio in future periods, which could have a material adverse effect on our results of operations, financial condition and ability to conduct business.

Changes in market interest rates could have a material adverse effect on our investment portfolio, investment income and results of operations and financial condition.

Our principal invested assets are fixed maturity securities. Increasing market interest rates reduce the value of our fixed maturity securities, and we may realize a loss if we sell fixed maturity securities whose value has fallen below their amortized cost prior to maturity. Declining market interest rates can have the effect of reducing our investment income, as we invest proceeds from positive cash flows from operations and reinvest proceeds from maturing and called investments in new lower-yielding investments. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. We may use derivative instruments to reduce potential material adverse effects of interest rate changes on our investment portfolio. Any measures we take that are intended to manage the risks of operating in a changing interest rate environment may not effectively mitigate such interest rate sensitivity. Accordingly, changes in interest rates could have a material adverse effect on our investment portfolio, investment income and results of operations and financial condition.

Concentration in any particular industry, asset class or geographic region may adversely affect our investment portfolio.

Concentration of our investment portfolio in any particular industry, asset class or geographic region may have a material adverse effect on our investment portfolio, financial condition and results of operations. While we seek to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular industry, asset class or geographic region may have a greater adverse effect on our investment portfolio to the extent that the portfolio is concentrated rather than diversified at certain periods of time. Further, the ability to sell such investments may be limited if other market participants are seeking to sell similar investments at the same time.

Risks Related to the Merger

Failure to complete the Merger could negatively impact the price of Platinum Holdings' common shares, as well as its future business, financial results and ratings and could adversely impact the Company's abilities to realize the anticipated benefits of the Merger.

The Merger Agreement contains a number of conditions precedent that must be satisfied or waived prior to the completion of the Merger. There are no assurances that all of the conditions to the Merger will be so satisfied or waived. If the conditions to the Merger are not satisfied or waived, then Platinum Holdings may be unable to complete the Merger.

If the Merger is not completed, the ongoing business of Platinum Holdings and its subsidiaries may be adversely affected as follows:

- the attention of management of the Company will have been diverted to the Merger instead of being directed solely to its own operations and the pursuit of other opportunities that could have been beneficial to it;
- the manner in which brokers, insurers, cedents and other third parties perceive the Company may be negatively impacted, which in turn could affect its ability to compete for or write new business or obtain renewals in the marketplace;
- the loss of time and resources;
- the Company may be required, in certain circumstances, to pay a termination fee of $60.0 million, as provided in the Merger Agreement; and
- the ratings of Platinum Holdings or its reinsurance subsidiaries may be adversely affected, which could have an adverse effect on its business, financial condition and operating results.

Additionally, in approving the Merger Agreement, the board of directors of Platinum Holdings considered a number of factors and potential benefits, including, in the case of Platinum Holdings, the fact that the Merger consideration to be received by the Platinum Holdings' shareholders (including the special dividend) represented a premium of approximately 24% over the closing share price of Platinum Holdings common shares on November 21, 2014, the last trading day prior to the execution of the Merger Agreement, and a premium of approximately 14% over the all-time highest closing share price of Platinum Holdings common shares on July 15, 2014, in each case based on the closing share price of RenaissanceRe common shares on November 21, 2014. If the Merger is not completed, neither the Company nor its shareholders will realize these and other anticipated benefits of the Merger. Moreover, Platinum Holdings would also have nevertheless incurred substantial legal and accounting fees and costs and the loss of management time and resources.

The Merger is conditioned on, among other things, the approval by the Company's shareholders. The Company has scheduled a special meeting of shareholders to consider and vote upon the proposed acquisition and related matters on February 27, 2015.

A significant delay in consummating or a failure to consummate the Merger could have a material adverse effect on the Company's share price and operating results.

Because the Merger is subject to certain closing conditions, it is possible that the Merger may not be completed or may not be completed as quickly as expected. If the Merger is not completed, it could have a material adverse effect on the Company's share price. In addition, any significant delay in consummating the Merger could have a material adverse effect on the Company's operating results and adversely affect the Company's customer relationships and would likely lead to a significant diversion of management and employee attention and potential employee attrition.

Expenses related to the proposed Merger are significant and will adversely affect the Company's operating results.

The Company has incurred and expects to continue to incur significant expenses in connection with the proposed Merger, including legal and investment banking fees. The Company expects these costs to have an adverse effect on its operating results. If the Merger is not consummated under certain circumstances, the Company may be required to pay to RenaissanceRe a termination fee of approximately $60.0 million. The Company's financial position and results of operations would be adversely affected if it were required to pay the termination fee to RenaissanceRe.

Platinum Holdings and its subsidiaries will be subject to business uncertainties and contractual restrictions while the Merger is pending, which could adversely affect Platinum Holdings and its subsidiaries' business.
The Merger Agreement requires Platinum Holdings and its subsidiaries to act in the ordinary course of business and restricts Platinum Holdings and its subsidiaries, without the consent of RenaissanceRe, from taking certain specified actions until the proposed Merger occurs or the Merger Agreement terminates. These restrictions may prevent the Company from pursuing otherwise attractive business opportunities and making other changes to its business before completion of the Merger or, if the Merger is not completed, termination of the Merger Agreement.
Uncertainties associated with the Merger may cause a loss of management personnel and other key employees of the Company which could adversely affect its businesses.
Uncertainty about the effect of the Merger on the Company's employees and customers may have an adverse effect on its business. These uncertainties may impair the Company's ability to attract, retain and motivate key personnel until the Merger is completed and for a period of time thereafter, and could cause customers and others that deal with each party to seek to change the existing business relationships with the Company. Employee retention may be particularly challenging during the pendency of the Merger. If key employees depart or if customers and others that deal with the Company change in an adverse manner their existing business relationships with the Company, its business could be seriously harmed.
Platinum Holdings' shareholders will have reduced ownership and voting interests after the Merger and will exercise less influence over the management of RenaissanceRe than they currently exercise over the management of Platinum Holdings.
After the completion of the Merger, Platinum Holdings' shareholders will own in the aggregate a significantly smaller percentage of RenaissanceRe than they currently own of Platinum Holdings. Based on the number of outstanding RenaissanceRe common shares, securities convertible into RenaissanceRe common shares, Platinum Holdings common shares and securities convertible into Platinum Holdings common shares as of January 26, 2015 and assuming each Platinum Holdings shareholder and each holder of Platinum Holdings equity awards who has the right to make the election receives the standard election consideration, Platinum Holdings' shareholders are expected to own, in the aggregate, immediately following the completion of the Merger, approximately 16.2% of the outstanding RenaissanceRe common shares on a pro forma fully-diluted basis. In addition, no current directors of Platinum Holdings will join RenaissanceRe's board of directors. Consequently, Platinum Holdings' shareholders as a group will have less influence over the management and policies of RenaissanceRe than they currently exercise over the management and policies of Platinum Holdings.
Several "investigations of the Merger" have been announced by law firms in connection with the possible commencement of a lawsuit against Platinum Holdings challenging the Merger, and if any such lawsuit is filed, an adverse ruling may prevent the Merger from being completed.
On January 16, 2015, Platinum Holdings' board of directors received a letter from counsel to a purported shareholder of Platinum Holdings, alleging certain breaches of fiduciary duties by the board members in connection with the negotiation and approval of the Merger Agreement, demanding that Platinum Holdings' board of directors take certain actions and reserving the right to commence legal action against Platinum Holdings and its board of directors. In addition, several law firms have issued press releases announcing "investigations of the Merger" raising similar allegations and referencing similar potential litigation. Any such lawsuit would be expected to seek, among other things, injunctive relief to enjoin the defendants from completing the Merger on the agreed-upon terms.
One of the conditions to the closing of the Merger is that no order, injunction, decree or law shall be in effect that prohibits completion of the merger. Consequently, if any such lawsuit is commenced and a settlement or other resolution is not reached and the plaintiffs secure injunctive or other relief prohibiting or otherwise adversely affecting RenaissanceRe and Platinum Holdings' ability to complete the merger, then such injunctive or other relief may prevent the Merger from becoming effective within the expected timeframe or at all.
Risks Related to Taxation
The imposition of U.S. corporate income tax on Platinum Holdings and its non-U.S. subsidiaries could adversely affect our results of operations.
We believe that Platinum Holdings, Platinum Bermuda and Platinum Regency each operate in such a manner that none of these companies should be subject to U.S. corporate income tax because they are not engaged in a trade or business in the United States. Nevertheless, because definitive identification of activities that constitute being

engaged in a trade or business in the United States has not been established by the tax authorities, the U.S. Internal Revenue Service (the "IRS") may successfully assert that any of these companies is engaged in a trade or business in the United States, or, if applicable, engaged in a trade or business in the United States through a permanent establishment. If any of these companies were characterized as being so engaged, such company would be subject to U.S. tax at regular corporate rates on its income that is effectively connected ("ECI") with its U.S. trade or business, plus an additional 30% "branch profits" tax on its dividend equivalent amount (generally ECI with certain adjustments) deemed withdrawn from the United States. Any such tax could materially adversely affect our results of operations.

U.S. Persons who hold our shares will be subject to adverse U.S. federal income tax consequences if we are considered to be a passive foreign investment company for U.S. federal income tax purposes.

The term "U.S. Person" means: (i) an individual citizen or resident of the United States; (ii) a partnership or corporation, created or organized in or under the laws of the United States, or organized under the laws of any State thereof (including the District of Columbia); (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; (iv) a trust if either a court within the United States is able to exercise primary supervision over the administration of such trust and one or more U.S. Persons have the authority to control all substantial decisions of such trust, or the trust has a valid election in effect to be treated as a U.S. Person for U.S. federal income tax purposes; or (v) any other person or entity that is treated for U.S. federal income tax purposes as if it were one of the foregoing.

If Platinum Holdings is considered a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, a U.S. Person who owns directly or, in some cases, indirectly (e.g., through a non-U.S. partnership) any of our shares will be subject to adverse U.S. federal income tax consequences including subjecting the investor to a greater tax liability than might otherwise apply and subjecting the investor to tax on amounts in advance of when tax would otherwise be imposed. In addition, if we were considered a PFIC, upon the death of any U.S. individual owning shares, such individual's heirs or estate would not be entitled to a "step-up" in the basis of the shares that might otherwise be available under U.S. federal income tax laws. Although there is an exception for purposes of the PFIC rules for non-U.S. insurance companies predominantly engaged in the active conduct of an insurance business, there are currently no regulations regarding the application of the PFIC provisions to an insurance company and there is no other guidance to explain what constitutes the "active conduct of an insurance business for U.S. federal income tax purposes." New regulations or pronouncements interpreting or clarifying these rules may be forthcoming. We believe we should not be characterized as a PFIC; however, we cannot assure an investor that we will not be characterized as a PFIC for U.S. federal income tax purposes. If we are considered a PFIC, it could have material adverse tax consequences for an investor that is subject to U.S. federal income taxation.

Under certain circumstances, a U.S. person may be required to pay taxes on its pro rata share of the related person insurance income of Platinum Bermuda.

If (i) U.S. Persons are treated as owning 25% or more of our shares; (ii) the related person insurance income ("RPII") of Platinum Bermuda were to equal or exceed 20% of the gross insurance income of Platinum Bermuda in any taxable year; and (iii) direct or indirect insureds (and persons related to such insureds) own (or are treated as owning) 20% or more of the voting power or value of the shares of Platinum Bermuda, a U.S. Person who owns our shares directly, or indirectly through non-U.S. entities, on the last day of the taxable year would be required to include in its income for U.S. federal income tax purposes the shareholder's pro rata share of the RPII of Platinum Bermuda for the entire taxable year, determined as if such RPII were distributed proportionately to such U.S. Persons at that date regardless of whether such income is distributed. RPII generally represents premium and related investment income from the direct or indirect insurance or reinsurance of any direct or indirect U.S. holder of our shares or any person related to such holder. In addition, any RPII that is includible in the income of a U.S. tax-exempt organization generally will be treated as unrelated business taxable income. The amount of RPII earned by Platinum Bermuda will depend on a number of factors, including the geographic distribution of the business of Platinum Bermuda and the identity of persons directly or indirectly insured or reinsured by Platinum Bermuda. Some of the factors which determine the extent of RPII in any period may be beyond the control of Platinum Bermuda. Although we expect that either (i) the gross RPII of Platinum Bermuda will not exceed 20% of its gross insurance income for the taxable year or (ii) direct or indirect insureds (and persons related to those insureds) will not own directly or indirectly through entities 20% or more of the voting power or value of our shares for the foreseeable future, we cannot be certain that this will be the case because some of the factors which determine the extent of RPII may be beyond our control.

U.S. Persons who dispose of our shares may be subject to U.S. federal income taxation at the rates applicable to dividends on all or a portion of their gains, if any.

The RPII rules provide that if a U.S. Person disposes of shares in a non-U.S. insurance corporation in which U.S. Persons own 25% or more of the shares (even if the amount of gross RPII is less than 20% of the corporation's gross insurance income and the ownership of its shares by direct or indirect insureds and related persons is less than the 20% threshold), any gain from the disposition will generally be treated as a dividend to the extent of the shareholder's share of the corporation's undistributed earnings and profits that were accumulated during the period that the shareholder owned the shares (whether or not such earnings and profits are attributable to RPII). In addition, such a shareholder will be required to comply with certain reporting requirements, regardless of the amount of shares owned by the shareholder. These RPII rules should not apply to dispositions of our shares because Platinum Holdings will not be directly engaged in the insurance business. The RPII provisions, however, have never been interpreted by the courts or the U.S. Treasury Department in the form of final regulations. Regulations interpreting the RPII provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), exist only in proposed form. It is not certain whether these proposed regulations will be adopted in their present form or what changes or clarifications might ultimately be made thereto or whether any such changes, as well as any interpretation or application of the RPII rules by the IRS, the courts, or otherwise, might have retroactive effect.

Holders of 10% or more of our shares may be subject to U.S. income taxation under the "controlled foreign corporation" rules.

A U.S. Person that is a "10% U.S. Shareholder" of a non-U.S. corporation (defined as a U.S. Person who owns or is treated as owning at least 10% of the total combined voting power of all classes of stock entitled to vote of the non-U.S. corporation) that is a controlled foreign corporation ("CFC") for an uninterrupted period of 30 days or more during a taxable year, that owns shares in the CFC directly, or indirectly through non-U.S. entities, on the last day of the CFC's taxable year, must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's "subpart F income", even if the subpart F income is not distributed. "Subpart F income" of a non-U.S. insurance corporation typically includes foreign personal holding company income (such as interest, dividends and other types of passive income), as well as insurance and reinsurance income (including underwriting and investment income). A non-U.S. corporation is considered a CFC if "10% U.S. Shareholders" own (directly, indirectly through non-U.S. entities or by attribution by application of the constructive ownership rules of section 958(b) of the Code (i.e., "constructively")) more than 50% of the total combined voting power of all classes of stock of that foreign corporation, or the total value of all stock of that foreign corporation.

For purposes of taking into account insurance income, a CFC also includes a non-U.S. insurance company in which more than 25% of the total combined voting power of all classes of stock (or more than 25% of the total value of the stock) is owned directly, indirectly through non-U.S. entities or constructively by 10% U.S. Shareholders on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration for the reinsurance or the issuing of insurance or annuity contracts (other than certain insurance or reinsurance related to same country risks written by certain insurance companies not applicable here) exceeds 75% of the gross amount of all premiums or other consideration in respect of all risks.

We believe that because of the anticipated dispersion of our share ownership, and provisions in our organizational documents that limit voting power, no U.S. Person should be treated as owning (directly, indirectly through non-U.S. entities or constructively) 10% or more of the total voting power of all classes of our shares. However, the IRS could successfully challenge the effectiveness of these provisions in our organizational documents. Accordingly, no assurance can be given that a U.S. Person who owns our shares will not be characterized as a 10% U.S. Shareholder.

Changes in U.S. federal income tax law could materially adversely affect an investment in our shares.

Legislation was introduced in the U.S. Congress intended to eliminate certain perceived tax advantages of companies (including insurance companies) that have legal domiciles outside the United States but have certain U.S. connections. For example, legislation was introduced in Congress to limit the deductibility of reinsurance premiums paid by U.S. companies to non-U.S. affiliates. It is possible that this or similar legislation could be introduced in and enacted by the current Congress or future Congresses that could have a material adverse impact on us or our shareholders. In addition, existing interpretations of U.S. federal income tax law could change, also resulting in a material adverse impact on us or our shareholders.

We may become subject to taxes in Bermuda.

We have received a standard assurance from the Minister of Finance, under Bermuda's Exempted Undertakings Tax Protection Act 1966, as amended, that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to Platinum Holdings and Platinum Bermuda or any of their respective operations, shares, debentures or other obligations until March 31, 2035. Consequently, if our Bermuda tax exemption is not extended past March 31, 2035, we may be subject to certain Bermuda taxes after that date.

The imposition by other jurisdictions of income, premium or other taxes on Platinum Holdings or its subsidiaries could adversely affect our business.

We do not believe that Platinum Holdings and its subsidiaries are subject to income taxes in jurisdictions other than in the United States and Ireland. If jurisdictions other than the United States and Ireland impose income taxes on us, or change or impose new withholding, premium or other taxes upon us, it could materially adversely affect our business and results of operations.

Risks Related to Laws and Regulations

The regulatory system under which we operate and potential changes thereto could significantly and adversely affect our business.

The business of reinsurance is regulated in most countries, although the degree and type of regulation varies significantly from one jurisdiction to another. Reinsurers are generally subject to less direct regulation than primary insurers. Reinsurers licensed in Bermuda and the United States are regulated and must comply with financial supervision standards comparable to those governing primary insurers. For additional discussion of the regulatory requirements to which Platinum Holdings and its subsidiaries are subject, see Item 1 "Business – Regulation", in this Form 10-K. Any failure to comply with applicable laws could result in the imposition of significant restrictions on our ability to do business, and could also result in fines and other sanctions, any or all of which could materially adversely affect our financial condition and results of operations. In addition, these statutes and regulations may, in effect, restrict the ability of our subsidiaries to write new business or, as indicated below, restrict the ability of Platinum Holdings to pay dividends to its shareholders and of our subsidiaries to pay dividends to Platinum Holdings.

In recent years, the Bermuda and some U.S. state legislatures have considered or enacted laws that may alter or increase authority to regulate insurance companies and insurance holding companies. Moreover, the Bermuda and some U.S. state governments, the NAIC and state insurance regulators regularly re-examine existing laws and regulations and interpretations of existing laws and develop new laws. The new interpretations or laws may be more restrictive or may result in higher costs to us than current statutory requirements. In addition, the U.S. federal government has undertaken initiatives or considered legislation in several areas that may impact the reinsurance industry, including tort reform, corporate governance and the taxation of reinsurance companies. The Dodd-Frank Act, which became effective on July 21, 2011, has changed the regulation of reinsurance in the United States, as described below.

The EU is introducing a new regime for the regulation of the insurance and reinsurance sector known as "Solvency II". Solvency II has been the subject of a number of delays in its implementation. Solvency II is now due to be transposed into national law by EU Member States by March 31, 2015 and will apply to firms from January 1, 2016. The Solvency II directive proposes that reinsurance contracts obtained by EU insurers from reinsurers headquartered in a country outside the EU be treated in the same way as reinsurance contracts obtained from EU reinsurers, provided that the non-EU country is found to have a regulatory regime "equivalent" to that of Solvency II in terms of policyholder and beneficiary protection. Our reinsurance subsidiaries are headquartered in Bermuda and the United

States, which are non-EU countries. At present, it is expected that Bermuda will be Solvency II equivalent but that the United States may not be. However the European Commission is yet to confirm the position. If the regulatory regimes of Bermuda and the United States are assessed not to be equivalent to that of Solvency II and if our reinsurance subsidiaries fall below a certain minimum credit rating, EU insurers may be prevented from recognizing the reinsurance provided to them by our reinsurance subsidiaries for the purpose of meeting their capital requirements unless we provide collateral for our obligations to EU insurers. This could have a material adverse impact on our ability to conduct our business. To the extent that non-EU countries are not deemed Solvency II equivalent with respect to reinsurance at the time the new solvency regime comes into force, transitional arrangements are expected under the Omnibus II Directive whereby subject to satisfying certain criteria, non-equivalent regimes will be allowed an extended time period to implement a regime satisfying the Solvency II equivalence criteria.

The insurance and reinsurance regulatory framework has become subject to increased scrutiny in many jurisdictions, including the U.S. federal and various state jurisdictions. In the past, there have been congressional and other proposals in the United States regarding increased supervision and regulation of the insurance industry, including proposals to supervise and regulate reinsurers domiciled outside the United States. For example, if Platinum Bermuda were to become subject to any insurance laws and regulations of the United States or any U.S. state, which are generally more restrictive than those applicable to it in Bermuda, Platinum Bermuda might be required to post deposits or maintain minimum surplus levels and might be prohibited from engaging in lines of business or from writing specified types of policies or contracts. Complying with those laws could have a material adverse effect on our ability to conduct our business.

Regulatory regimes and changes to accounting rules may adversely impact financial results irrespective of business operations.

Accounting standards and regulatory changes may require modifications to our accounting policies, both prospectively and for prior periods and such changes could have an adverse impact on our financial results. Such changes, if ultimately adopted, could have a significant impact on our financial reporting, impacting key matters such as our loss reserving policies and premium and expense recognition. Required modification of our existing policies, either with respect to these issues or other issues in the future, could have an impact on our results of operations and financial condition, including changing the timing of the recognition of underwriting income, increasing the volatility of our reported earnings and changing our overall financial statement presentation.

The Dodd-Frank Act may adversely impact our business.

The Dodd-Frank Act became effective on July 21, 2011. In addition to introducing sweeping reform of the U.S. financial services industry, the Dodd-Frank Act has changed the regulation of reinsurance in the United States. The Dodd-Frank Act also created the FIO which is designed principally to exercise a monitoring and information gathering role.

The Dodd-Frank Act prohibits a state from denying credit for reinsurance if the state of domicile of the insurer purchasing the reinsurance recognizes credit for reinsurance. At present, it appears the changes specific to reinsurance in the Dodd-Frank Act will not have a material adverse effect on non-U.S. reinsurers such as Platinum Bermuda, however, there is still significant uncertainty as to how these and other provisions of the Dodd-Frank Act will be implemented in practice.

Non-compliance with laws, regulations and taxation regarding transactions with international counter-parties may adversely affect our business.

As we provide reinsurance on a worldwide basis, we are subject to an expanding legal, regulatory and tax environment intended to help detect and prevent anti-trust activity, terrorist financing, fraud, tax avoidance and other illicit activity. These requirements include regulations promulgated and administered by the U.S. Department of the Treasury's Office of Foreign Assets Control, The Foreign Corrupt Practices Act of 1977, the Iran Freedom and Counter-Proliferation Act of 2012 and the Foreign Account Tax Compliance Act. These and other programs prohibit or restrict dealings with certain countries, their governments and, in certain circumstances, their nationals and may require detailed reporting to various administrative parties. We have developed and implemented policies, procedures, systems and internal controls that are designed to comply with the various requirements. Non-compliance with any of these regulations could have a material adverse effect on our ability to conduct our business.

Platinum Holdings is a holding company and, consequently, its cash flow is dependent on dividends, interest and other permissible payments from its subsidiaries.

Platinum Holdings is a holding company that conducts no reinsurance operations of its own. All operations are conducted by its wholly owned reinsurance subsidiaries, Platinum Bermuda and Platinum US. As a holding company, Platinum Holdings' sources of cash flow consists primarily of dividends, interest and other permissible payments from its subsidiaries. The making of such payments is limited by applicable law, as set forth in Item 1, "Business - Regulation" in this Form 10-K. Platinum Holdings depends on such payments for general corporate purposes, for its capital management activities and payment of any dividends to its common shareholders. For more details on our cash flows, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition - Liquidity", in this Form 10-K.

A shareholder of our Company may have greater difficulty in protecting its interests than would a shareholder of a U.S. corporation.

The Companies Act differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. These differences include the manner in which directors must disclose transactions in which they have an interest, the rights of shareholders to bring class action and derivative lawsuits and the scope of indemnification available to directors and officers.

In addition, a substantial portion of our assets and certain of our officers and directors are or may be located in jurisdictions outside the United States. It may be difficult for investors to effect service of process within the United States on our directors and officers who reside outside the United States or to enforce against us or our directors and officers judgments of U.S. courts predicated upon civil liability provisions of the U.S. federal securities laws.

There are limitations on the ownership, transfer and voting rights of our common shares.

Platinum Holdings has entered into a Merger Agreement with RenaissanceRe, see Item 1, "Business – General Overview", in this Form 10-K for additional information on the Merger.

Under our Amended and Restated Bye-laws, our directors are required to decline to issue, repurchase, or register any transfer of shares if they determine in their sole discretion that such action may result in a person owning, directly or beneficially, and in some cases indirectly through non-U.S. entities or constructively, 10% or more of the voting power of all our issued shares. The directors also may refuse to issue, repurchase or register any transfer of shares if they determine in their sole discretion that such action may result in a non-de minimis adverse tax, legal or regulatory consequence.

In addition, our Amended and Restated Bye-laws generally provide that any person owning, directly or beneficially, and in some cases indirectly through non-U.S. entities or constructively, shares carrying 9.5% or more of the total voting rights attached to all of our outstanding shares, will have the voting rights attached to such shares reduced so that it may not exercise 9.5% or more of such total voting rights of the shares. Because of the attribution provisions of the Code and the rules of the SEC regarding determination of beneficial ownership, this requirement may have the effect of reducing the voting rights of a shareholder whether or not such shareholder directly holds 9.5% or more of our shares while other shareholders may have their voting rights increased. Further, the directors have the authority to require from any shareholder certain information for the purpose of determining whether that shareholder's voting rights are to be reduced. Failure to respond to such a notice, or submitting incomplete or inaccurate information, gives the directors discretion to disregard all votes attached to that shareholder's shares.

The Authority maintains supervision over the controllers of all registered insurers in Bermuda. Where the shares of the shareholder of a registered insurer, or the shares of its parent company, are traded on a recognized stock exchange, and such person becomes a 10%, 20%, 33% or 50% shareholder controller of the insurer, that person shall, within 45 days, notify the Authority in writing that he has become such a controller.

The Authority may file a notice of objection to any person who has become a controller of any description where it appears that such person is not, or is no longer, a fit and proper person to be a controller of the registered insurer. Before issuing a notice of objection, the Authority is required to serve upon the person concerned a preliminary written notice stating the Authority's intention to issue formal notice of objection. Upon receipt of the preliminary written notice, the person served may, within 28 days, file written representations with the Authority which shall be taken into account by the Authority in making their final determination. Any person who continues to be a controller of any description after having received a notice of objection shall be guilty of an offense and shall be liable on summary conviction to a fine of $25,000 (and a continuing fine of $500 per day for each day that the offense is continuing) or, if convicted on indictment, to a fine of $100,000 and/or 2 years in prison. On December 10, 2014, the BMA notified RenaissanceRe's special Bermuda counsel in writing that it had no objection to RenaissanceRe's ownership of Platinum Holdings pursuant to the Merger.

The insurance laws of Maryland, the domiciliary state of Platinum US, prohibit any person from acquiring control of us or of Platinum US unless that person has filed a notification with specified information with the Commissioner and has obtained the Commissioner's prior approval. Under the Maryland statutes, acquiring 10% or more of the voting securities of an insurance company or its parent company is presumptively considered an acquisition of control of the insurance company, although such presumption may be rebutted. Accordingly, any person or entity that acquires, directly or indirectly, 10% or more of the voting securities of Platinum Holdings without the prior approval of the Commissioner will be in violation of this law and may be subject to injunctive action requiring the disposition or seizure of those securities by the Commissioner or prohibiting the voting of those securities and to other actions determined by the Commissioner. On February 10, 2015, the Maryland Insurance Administration entered an order approving the proposed acquisition of Platinum US by RenaissanceRe.

In addition, many U.S. state insurance laws require prior notification to state insurance regulators of an acquisition of control of a non-domiciliary insurance company doing business in that state. While these pre-notification statutes do not authorize the state insurance regulators to disapprove the acquisition of control, they authorize regulatory action in the affected state if particular conditions exist, such as undue market concentration. In addition, any transactions that would constitute an acquisition of control of us or Platinum US may require prior notification in those states that have adopted pre-acquisition notification laws.

Consent under the Exchange Control Act 1972 of Bermuda (and its related regulations) has been obtained from the Authority for the issue and transfer of the common shares between non-residents of Bermuda for exchange control purposes, provided our shares remain listed on an appointed stock exchange, which includes the NYSE.

The foregoing provisions of our Amended and Restated Bye-laws and legal and regulatory restrictions will have the effect of rendering more difficult or discouraging unsolicited takeover bids from third parties or the removal of incumbent management.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Platinum Holdings and Platinum Bermuda lease office space in Pembroke, Bermuda, where our principal executive office is located. Platinum US and PASI lease office space in New York, New York. In addition, Platinum US leases office space in Chicago, Illinois and PASI leases office space in Stamford, Connecticut. We renew and enter into new leases in the ordinary course of business and anticipate no difficulty in extending our leases or obtaining comparable office facilities in suitable locations. We consider our facilities to be adequate for our current needs.

Item 3. Legal Proceedings

In the normal course of business, we may become involved in various claims and legal proceedings. We are not currently aware of any pending or threatened material litigation or arbitration other than in the ordinary course of our reinsurance business. Estimated losses related to claims arising in the normal course of our reinsurance business, including the anticipated outcome of any pending arbitration or litigation, are included in unpaid losses and LAE in our consolidated balance sheets.

On January 16, 2015, Platinum Holdings' board of directors received a letter from counsel to a purported shareholder of Platinum Holdings, alleging certain breaches of fiduciary duties by the board members in connection with the negotiation and approval of the Merger Agreement, demanding that Platinum Holdings' board of directors take certain actions and reserving the right to commence legal action against Platinum Holdings and its board of directors. In addition, several law firms have issued press releases announcing "investigations of the Merger" raising similar allegations and referencing similar potential litigation. Any such lawsuit would be expected to seek, among other things, injunctive relief to enjoin the defendants from completing the Merger on the agreed-upon terms.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market For Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

The Company's common shares are listed on the NYSE under the symbol "PTP".

On February 10, 2015, the last reported sale price for our common shares on the NYSE was $76.25 per share. The following table shows the high and low per share trading prices of our common shares during each quarter, as reported on the NYSE for the periods indicated:

	Price Range of Common Shares	
	High	Low
Year		
2014:		
Fourth Quarter	$75.50	$57.98
Third Quarter	$66.57	$58.35
Second Quarter	$66.43	$58.91
First Quarter	$61.05	$55.03
2013:		
Fourth Quarter	$63.60	$57.84
Third Quarter	$61.06	$56.63
Second Quarter	$59.50	$54.06
First Quarter	$56.34	$46.24

Number of Holders of Common Shares

As of January 30, 2015, there were approximately 43 holders of record of our common shares. This figure does not represent the actual number of beneficial owners of our common shares because shares are frequently held in "street name" by a broker, bank or other nominee for the benefit of beneficial owners who may vote the shares.

Dividends

During the years ended December 31, 2014 and 2013, we paid quarterly cash dividends of $0.08 per common share. The declaration and payment of common share dividends is at the discretion of the Board of Directors and depends upon our results of operations and cash flows, the financial positions and capital requirements of the Company and its subsidiaries, general business conditions, legal, tax and regulatory restrictions on the payment of dividends and other factors the Board of Directors deems relevant.

Pursuant to the terms of the Merger Agreement, Platinum Holdings is prohibited from declaring or paying any dividend or making other distributions on its share capital, other than (i) dividends or distributions paid by a wholly owned subsidiary to it or its subsidiaries, (ii) quarterly cash dividends in the ordinary course of business on Platinum Holdings' common shares with record and payment dates consistent with past practice, in an amount not to exceed $0.08 per common share per quarter and (iii) the special dividend contemplated by the Merger Agreement.

On February 10, 2015, Platinum Holdings' board of directors declared, subject to certain conditions, a quarterly dividend of $0.08 per common share. The quarterly dividend would be payable on March 31, 2015 to shareholders of record on March 2, 2015 and is conditioned on the Merger not having been consummated on or prior to March 31, 2015.

In addition, on February 10, 2015, Platinum Holdings' board of directors declared, subject to certain conditions, a special dividend of $10.00 per common share in connection with its pending Merger by RenaissanceRe. The special dividend would be payable prior to the effective time of the Merger on the closing date of the Merger to shareholders of record at the close of business on the last business day prior to the closing date. The special dividend is conditioned on the Merger having been approved by the shareholders of the Company at a special meeting of its shareholder on February 27, 2015 (or any adjournment or postponement thereof). The Merger is expected to occur on or after March 2, 2015, subject to the approval of shareholders of Platinum and the satisfaction of customary closing conditions. There can be no assurance that all closing such conditions will be satisfied by March 2, 2015 or at any time thereafter and thus there is no assurance that the merger will occur.

See Part III, Item 11. Executive Compensation, in this Form 10-K for additional information on the terms of the Merger Agreement.

The laws of the various jurisdictions in which Platinum Holdings and our subsidiaries are organized restrict the ability of Platinum Holdings to pay dividends to its shareholders and of our subsidiaries to pay dividends to Platinum Holdings. See Item 1, "Business – Regulation" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition - Liquidity", in this Form 10-K for additional information on dividend restrictions.

Purchases of Equity Securities by Us

Our Board of Directors has authorized the repurchase of our common shares through a share repurchase program. Since the program was established, our Board of Directors has approved increases in the repurchase program from time to time, most recently on April 22, 2014, to result in authority as of such date to repurchase up to a total of $250.0 million of our common shares. Pursuant to the terms of the Merger Agreement, the Company is prohibited from repurchasing its common shares without the prior written consent of RenaissanceRe. There were no purchases of our common shares during the three months ended December 31, 2014.

Performance Graph

The following performance graph compares cumulative total return on our common shares with the cumulative total return on the S&P 500 Composite Stock Price Index (the "S&P 500 Index") and the S&P 500 Property & Casualty Industry Insurance Group Stock Price Index (the "S&P 500 Property & Casualty Insurance Index"), for the period that commenced December 31, 2009 and ended on December 31, 2014. The performance graph shows the value as of December 31 of each calendar year of $100 invested on December 31, 2009 in our common shares, the S&P 500 Index, and the S&P 500 Property & Casualty Insurance Index as measured by the last sale price on the last trading day of each such period.

Total Return to Shareholders

Comparison of Cumulative Five Year Total Return

* Index value as of December 31, 2009 – $100.00

The foregoing performance graph shall not be deemed to be "soliciting material" or "filed" with the SEC or incorporated by reference in any previous or future document filed by the Company with the SEC under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates such performance graph by reference in any such document.

Item 6. Selected Financial Data

The following table sets forth certain of our selected financial data as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010. Our data as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 were derived from our consolidated financial statements beginning on page F-1 of this Form 10-K. Our data as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2011 and 2010 were derived from our audited consolidated financial statements not included in this Form 10-K. The selected financial data should be read in conjunction with our consolidated financial statements as of December 31, 2014 and 2013 and for each of the years in the three-year period ended December 31, 2014 beginning on page F-1 of this Form 10-K, and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 40 of this Form 10-K.

Five-Year Summary of Selected Financial Data
(in thousands, except per share amounts)

	As of and for the Years Ended December 31,				
	2014	2013	2012	2011	2010
Statement of Operations Data:					
Net premiums written	$492,068	$567,121	$565,000	$651,514	$760,589
Net premiums earned	506,636	553,413	566,496	689,452	779,994
Net investment income	69,421	72,046	99,947	125,863	134,385
Net realized gains on investments	2,762	23,920	88,754	3,934	107,791
Net impairment losses on investments	(840)	(2,033)	(3,031)	(22,370)	(36,610)
Net losses and LAE	183,401	167,446	183,660	805,437	467,420
Underwriting expenses	168,223	179,253	170,619	180,741	203,705
Net income (loss)	$164,768	$223,278	$327,228	$(224,064)	$215,498
Basic earnings (loss) per common share	$6.28	$7.46	$9.67	$(6.04)	$5.14
Diluted earnings (loss) per common share	6.21	7.35	9.60	(6.04)	4.78
Dividends declared per common share	$0.32	$0.32	$0.32	$0.32	$0.32
Balance Sheet Data:					
Total investments and cash and cash equivalents	$3,308,038	$3,492,362	$3,947,694	$4,170,044	$4,212,498
Premiums receivable	125,400	138,454	128,517	159,387	162,682
Total assets	3,687,089	3,923,885	4,333,303	4,551,611	4,614,313
Unpaid losses and LAE	1,435,698	1,671,365	1,961,282	2,389,614	2,217,378
Unearned premiums	111,348	126,300	113,960	121,164	154,975
Debt obligations	250,000	250,000	250,000	250,000	250,000
Shareholders' equity	$1,738,025	$1,746,707	$1,894,534	$1,690,859	$1,895,455
Common shares outstanding	24,841	28,143	32,722	35,526	37,758
Common shares outstanding - diluted	25,404	28,889	34,091	36,471	40,639
Book value per common share	$69.97	$62.07	$57.90	$47.59	$50.20
Fully converted book value per common share	$68.60	$60.64	$56.39	$46.88	$47.48
Return on equity	10.2 %	12.9 %	20.2 %	(12.1 %)	11.2 %

Reconciliation of Non-GAAP Financial Measures

In presenting the Company's results in the table above as well as in Item 1, "Business" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K, management has included financial measures that are not calculated under standards and rules that comprise U.S. GAAP. Such measures, including underwriting income or loss and related underwriting ratios, book value per common share and fully converted book value per common share, are referred to as non-GAAP measures. These non-GAAP measures may be defined or calculated differently by other companies. Management believes these measures allow for a more complete understanding of the underlying business. In addition, return on equity is used as a financial performance measure in determining compensation, as discussed in Item 11, "Executive Compensation" in this Form 10-K. These measures are used to monitor our results and should not be viewed as a substitute for those determined in accordance with U.S. GAAP. Reconciliations of such measures to the most comparable U.S. GAAP figures are included below or are included elsewhere within this Form 10-K in accordance with Regulation G.

Underwriting Income (Loss) and Ratios

The Company believes that underwriting income or loss and related underwriting ratios allow for a more complete understanding of the profitability of our reinsurance operations and operating segments. Underwriting income or loss consists of net premiums earned less net losses and LAE and net underwriting expenses. Net underwriting expenses include net acquisition expenses and operating costs related to underwriting. Underwriting income or loss excludes revenues and expenses related to net investment income, net realized gains or losses on investments, net impairment losses on investments, corporate expenses not allocated to underwriting operations, net foreign currency exchange gains or losses, interest expense and other income and expense.

Underwriting ratios are calculated for net losses and LAE, net acquisition expense and net underwriting expense. The ratios are calculated by dividing the related expense by net premiums earned. The combined ratio is the sum of the net losses and LAE, net acquisition expense and other underwriting expense ratios.

Segment underwriting income or loss is reconciled to the U.S. GAAP measure of income or loss before income taxes in Note 10 to the "Consolidated Financial Statements" in this Form 10-K.

Book Value and Fully Converted Book Value per Common Share

Book value per common share represents total shareholders' equity divided by the number of common shares outstanding. Management uses growth in book value per common share as an indicator of the value provided to common shareholders and believes that, over time, book value per common share is a key driver of share price. The most significant influences on our book value per common share are net income or loss, other comprehensive income or loss and share repurchase activities.

Fully converted book value per common share represents total shareholders' equity, adjusted for the assumed proceeds from the exercise of share options, divided by the number of common shares outstanding, adjusted for the assumed exercise or vesting of all outstanding share options and restricted share units.

The following summary sets forth the calculation of book value and fully converted book value per common share for the years ended December 31, 2014 and 2013 ($ and amounts in thousands, except per share amounts):

	2014	2013
Market price per share at period end	$73.42	$61.28
Shareholders' equity	$1,738,025	$1,746,707
Add: Proceeds from exercise of share options	4,601	4,994
Shareholders' equity - diluted	$1,742,626	$1,751,701
Basic common shares outstanding	24,841	28,143
Add: Common share options [(1)]	136	148
Add: Restricted share units	427	598
Diluted common shares outstanding	25,404	28,889
Book value per common share		
Book value per common share	$69.97	$62.07
Fully converted book value per common share	$68.60	$60.64

(1) Options with an exercise price below the market price per share at period end.

Return on Equity

Return on equity represents net income available to common shareholders divided by the beginning shareholders' equity for the year, adjusted for material capital transactions during the year. Management uses return on equity as a financial performance measure in determining incentive compensation as set forth in Item 11, "Executive Compensation" in this Form 10-K.

The following table sets forth the calculation of return on equity for the years ended December 31, 2014, 2013 and 2012, respectively ($ in thousands):

	2014	2013	2012
Net income	$164,768	$223,278	$327,228
Shareholders' equity, beginning of the year	1,746,707	1,894,534	1,690,859
Weighted average adjustments for material capital transactions:			
Share repurchases	(123,878)	(181,685)	(68,818)
Other	48	12,521	1,551
Adjusted shareholders' equity, beginning of the year	$1,622,877	$1,725,370	$1,623,592
Return on equity	10.2 %	12.9 %	20.2 %

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes thereto included in this Form 10-K. This Form 10-K contains forward-looking statements that involve risks and uncertainties. Please see the "Note on Forward-Looking Statements" on page 1 of this Form 10-K. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. Management has included certain schedules containing financial measures that are not calculated under standards and rules that comprise U.S. GAAP. See Item 6, "Selected Financial Data" in this Form 10-K for additional information.

Overview

As of December 31, 2014 and 2013, our capital resources of $2.0 billion consisted of $1.7 billion of common shareholders' equity and $250.0 million of debt obligations. Investable assets, consisting of investments, cash and cash equivalents, accrued investment income and net balances due to and from brokers, were $3.3 billion and $3.5 billion as of December 31, 2014 and 2013, respectively. Our net premiums written were $492.1 million, $567.1 million and $565.0 million for the years ended December 31, 2014, 2013 and 2012, respectively. Our net income was $164.8 million, $223.3 million and $327.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Return on equity was 10.2%, 12.9% and 20.2% for the years ended December 31, 2014, 2013 and 2012, respectively. Book value per share grew to $69.97 as of December 31, 2014, an increase of 12.7% from $62.07 as of December 31, 2013.

General Economic Conditions

Periods of moderate economic growth or recession tend not to adversely affect our operations. Periods of moderate inflation or deflation also tend not to adversely affect our operations. However, periods of severe inflation or deflation or prolonged periods of recession may adversely impact our results of operations or financial condition. Management considers the potential impact of economic trends in the estimation process for establishing unpaid losses and LAE and in determining our investment strategies.

Reinsurance Industry Conditions and Trends

Historically, property and casualty reinsurers have experienced significant fluctuations in operating results. Demand for reinsurance is influenced significantly by underwriting results of primary insurers and prevailing general economic and market conditions, all of which affect ceding companies' decisions as to the amount or portion of risk that they retain for their own accounts and consequently reinsurance premium rates. The supply of reinsurance is related to prevailing prices, the levels of insured losses and levels of industry surplus which, in turn, may fluctuate in response to changes in rates of return on investments being earned in the reinsurance industry and general economic and market conditions. As a result, the property and casualty reinsurance business historically has been cyclical, characterized by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of capacity have permitted favorable pricing.

The cyclical trends in the industry and the industry's profitability can also be affected significantly by volatile and unpredictable developments, including what management believes to be a trend of courts to grant increasingly larger awards for certain damages, natural disasters (such as catastrophic hurricanes, windstorms, tornadoes, earthquakes and floods), acts of terrorism, fluctuations in interest rates, changes in the investment environment that affect market prices of and income and returns on investments and inflationary pressures that may tend to affect the size of losses experienced by primary insurers. Unfavorable market conditions may affect our ability to write reinsurance at rates that we consider appropriate relative to the risk assumed. Over the last several years, we have also seen a significant increase in overall reinsurance industry capacity resulting from strong financial results and the influx of new competitors. These factors influence the total supply of underwriting capacity in the market which tends to drive the cyclical nature of the business.

Our property reinsurance business can be very volatile in periods when there are few catastrophic events or when catastrophes are frequent or severe and there are large losses. Our casualty reinsurance business is typically less volatile; however, there tends to be a greater time lag between the occurrence, reporting and payment of casualty reinsurance claims, requiring a longer-term perspective on the part of management for this aspect of our business.

In 2012, 2013 and 2014, the reinsurance industry financial results have reflected lower than average global natural and man-made catastrophes and continuing prior years' favorable development. In addition, losses and LAE on many lines of business continued to be lower than their long-term averages. These financial results have bolstered reinsurers' balance sheets. Additionally, new capital from non-traditional sources has grown significantly. Combining the additional supply with flat or reduced demand from buyers of reinsurance has resulted in substantial risk-adjusted rate reductions in some property catastrophe lines as at January 1, 2015 and smaller but still significant reductions in other property and marine and casualty lines of business.

Terms and conditions in certain classes of reinsurance have been relaxed in favor of the buyers of reinsurance. This may be expected to reduce the potential profitability of the business assumed by reinsurance companies. The alteration to and broadening of terms and conditions also potentially alters the behavior of ceding companies as they can write underlying business that may have been previously unprofitable.

Competition has increased in recent years from non-traditional entrants into our industry, such as hedge funds and private equity firms, the proliferation of third-party capital utilization by our competitors, the growth of markets for catastrophic and specialty risks, and the continuing competition to serve customers and capitalize on potential opportunities in the market. These developments have increasingly become part of the competitive landscape, particularly in the U.S. property catastrophe market. Over time, these initiatives could significantly affect supply, pricing and competition in our industry and partially displace our traditional reinsurance products.

Government-backed entities also represent competition for the coverages that we provide directly, or for the business of our customers, reducing the potential amount of third party private protection our clients might need or desire.

Current Outlook

The following discussion of our current outlook does not give effect to the consummation of the Merger.

As noted above, property and casualty reinsurance business is a cyclical business. Presently, we believe the business to be in a phase of the cycle characterized by excess underwriting capacity. Below average insured losses from major catastrophes and an influx of capacity during 2013 and 2014 had the effect of decreasing rates and weakening terms and conditions for reinsurance business written in the second half of 2014 and at January 1, 2015. In many lines of business, rates are approaching the minimum level we would expect in order for the business to provide appropriate returns. We may write less premium in 2015 if there is a continued decrease in pricing and weakening of terms and conditions. We may also purchase additional retrocessional protection to maintain an appropriate risk adjusted level of exposure.

In the Property and Marine segment, we believe that property catastrophe exposed reinsurance rates for peak zones and perils will remain under pressure for the balance of the year. We currently anticipate that the portfolio of business we write in our Property and Marine segment during 2015 will be less than our current in-force book of business as a result of a softening reinsurance market environment and the effect of the pending Merger. Our Property and Marine segment will continue to represent a large proportion of our overall book of business, which could result in significant volatility in our results of operations.

In the Casualty segment, we expect casualty insurance and reinsurance capacity to remain abundant for the rest of 2015. If this is the case, the potential for improvement in the risk adjusted total return we are able to achieve on this business will be limited. We believe the casualty market is presently such that reinsurance rate adequacy is expected to produce returns at or below our cost of capital. Under these conditions many treaties do not meet our pricing standards. Accordingly, we expect to write a smaller portfolio in our Casualty segment during 2015 as compared with our current in-force book of business.

In the Finite Risk segment, we expect only minor activity for 2015, reflecting a continued lack of demand for finite risk covers, and we will continue focusing our efforts on our other lines of business.

Our investment portfolio continues to be supported by investment returns from fixed income assets of high credit quality and moderate interest rate risk. In light of the pending Merger, we do not anticipate investing in riskier assets.

Absent a major event in the insurance or capital markets, we expect continued pressure on reinsurance rate adequacy. We will continue with our strategy of responding to changes in market conditions and of underwriting for profitability, not market share.

Based on our current reserve position, our net in-force portfolio of reinsurance business, our asset portfolio, and our underwriting prospects for the near term, we believe that we are strongly capitalized with a comfortable capital cushion above the rating agency targets for a company with our ratings. If the business performs as we anticipate, our capital cushion would grow over time. Under those conditions we would have the financial flexibility to expand our underwriting, hold riskier assets, or buy back shares. Our decision-making will be guided by the pricing we observe in the various markets.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that are inherently subjective in nature that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent liabilities. Actual results may differ materially from these estimates. The critical accounting estimates used in the preparation of our consolidated financial statements include premiums written and earned, unpaid losses and LAE, valuation of investments and income taxes. In addition, estimates are used in our risk transfer analysis for assumed and ceded reinsurance transactions.

Premiums Written and Earned

Overview

Assumed reinsurance premiums earned are recognized as revenues in the consolidated statements of operations, net of any ceded premiums for retrocessional coverage purchased. Both assumed and ceded premiums written are earned generally on a basis proportionate with the coverage period. On the consolidated balance sheets, unearned premiums represent premiums written not yet recognized as revenue and prepaid reinsurance premiums represent ceded premiums written not yet earned.

Due to the nature of reinsurance, ceding companies routinely report and remit premiums to us subsequent to the contract coverage period. Consequently, premiums written and receivable include amounts reported by the ceding companies, supplemented by our estimates of premiums that are written but not reported. The estimation of written premiums may be affected by early cancellation, election of contract provisions for cut-off and return of unearned premiums or other contract disruptions. The time lag involved in the process of reporting premiums is shorter than the lag in reporting losses. Premiums are generally reported to us in full within two years from the inception of the contract.

In addition to estimating premiums written, we estimate the earned portion of premiums written. The amounts we recorded on the consolidated balance sheets as estimated premiums receivable and unearned premiums are based on estimated written and earned premiums, respectively, and are subject to judgment and uncertainty. Any adjustments to written and earned premiums, and the related losses and acquisition expenses, are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. These adjustments could be material and could significantly impact earnings in the period they are recorded although the potential net impact of changes in premiums earned on our results of operations is reduced by the accrual of losses and acquisition expenses related to such premiums.

When estimating premiums written and earned, we segregate the business into classes by reinsurance subsidiary, by type of coverage and by type of contract (resulting in approximately 60 classes). Within each class, business is further segregated by the year in which the contract incepted (the "Underwriting Year"), starting with 2002, our first year of operations. Classes that are similar in both the nature of their business and estimation process may be grouped for purposes of estimating premiums. Estimates are made for each class or group of classes and Underwriting Year. Premiums are estimated based on ceding company estimates and our own judgment after considering factors such as: (1) the ceding company's historical premium versus projected premium, (2) the ceding company's history of providing accurate estimates, (3) anticipated changes in the marketplace and the ceding company's competitive position therein, (4) reported premiums to date and (5) the anticipated impact of proposed underwriting changes. Estimates of ultimate premium are made by our underwriters for each contract and Underwriting Year. Management aggregates these estimates by class and Underwriting Year and reviews them with our underwriters and actuaries and selects an ultimate premium estimate. Estimates of premiums written and earned are based on the selected ultimate premium estimate, the terms and conditions of the reinsurance contracts and the remaining exposure from the underlying policies. We evaluate the appropriateness of these estimates in light of the actual premium reported by the ceding companies, information obtained during audits and other information received from ceding companies.

Uncertainty of Estimates

The following table sets forth our estimated and reported premiums receivable and unearned premiums as of December 31, 2014 and 2013, respectively ($ in thousands):

	2014	2013
Estimated premiums receivable	$112,336	$117,937
Reported premiums receivable	13,064	20,517
Reinsurance premiums receivable	$125,400	$138,454
Unearned premiums	$111,348	$126,300

As of December 31, 2014, the selected estimates of premiums receivable were higher than the initial estimates made by our underwriters by $4.0 million or 3.2%, and unearned premiums were lower than the initial estimates made by our underwriters by $1.0 million or 0.9%. We believe that we reasonably could have made an increase of between $0 and $4.0 million for premiums receivable and a decrease of between $0 and $1.0 million for unearned premiums. As of December 31, 2013, the selected estimates of premiums receivable and unearned premiums were lower than the initial estimates made by our underwriters by $3.1 million or 2.2% and by $0.9 million or 0.7%, respectively. We believe that we reasonably could have made a decrease of between $0 and $3.1 million for premiums receivable and between $0 and $0.9 million for unearned premiums. Key factors that affect premium estimates of our underwriters and management include: (1) the competition in many classes of business that make it difficult for ceding companies to achieve their premium targets, and (2) the lack of a historical track record for some ceding companies writing new programs.

Certain of our reinsurance contracts include provisions that adjust premiums and/or reinstate reinsurance coverage limits based upon the loss experience under the contracts. We take these provisions into account when determining our estimates of premiums written and earned. Reinstatement premiums are the premiums charged for the restoration of the reinsurance limit of a reinsurance contract to its full amount, generally coinciding with the payment of losses by the reinsurer. These premiums relate to and are earned over the future coverage period and the remaining exposure from the underlying policies. Any unearned premiums existing at the time of the reinstatement are earned immediately in proportion to the contract loss limits utilized. Additional premiums are premiums that are triggered by losses and are earned immediately. Premiums written and earned include estimates of reinstatement premiums and additional premiums based on reinsurance contract provisions and loss experience and rely on the estimates of unpaid losses and LAE.

We may record an allowance for uncollectible premiums if we believe an allowance is appropriate in light of our historical experience, the general profile of our ceding companies and our ability to contractually offset premiums receivable against losses and LAE and commission amounts payable to the same parties.

During the years ended December 31, 2014, 2013 and 2012, we recorded net premiums written of $492.1 million, $567.1 million and $565.0 million. In those years, we recorded increases in prior year net premiums written of $2.5 million, $47.1 million and $44.8 million, respectively. Substantially all of the change in prior year net premiums written relates to the two most recent underwriting years and was primarily the result of updated premiums reported by our ceding companies. During the year ended December 31, 2014, we recorded a decrease in prior year net premiums earned of $1.2 million and, during the years ended December 31, 2013 and 2012, we recorded increases in prior year net premiums earned of $30.6 million and $30.4 million, respectively. The effect on net income from changes in estimates of prior years' net premiums earned, after considering corresponding changes in losses and acquisition expenses attributable to those changes in premiums, was not significant. We do not believe that the changes in prior years' premium estimates in 2014, 2013 and 2012 are indicative of prospective net premium adjustments in future years because conditions and trends that affected prior years' premium estimates may not exist in the future.

Unpaid Losses and LAE

Overview

Unpaid losses and LAE are estimates of future amounts required to pay losses and LAE for claims under our assumed reinsurance contracts that have occurred at or before the balance sheet date. Unpaid losses and LAE are estimated based upon information received from ceding companies regarding our liability for unpaid losses and LAE, supplemented by our estimates of losses and LAE for which ceding company reports have not been received, our historical experience for unreported claims and industry experience for unreported claims. Unpaid losses and LAE include estimates of the cost of claims that were reported, but not yet paid, and IBNR. In addition, we estimate our ULAE reserves based on our administrative costs of managing claims.

Our actuaries prepare estimates of our ultimate liability for unpaid losses and LAE based on various actuarial methods including the loss ratio method, the Bornhuetter-Ferguson method and the chain ladder method, each of which is discussed below. We believe that the quantitative actuarial methods used to estimate our liabilities are enhanced by management's professional judgment. We review the actuarial estimates of our liability and determine our best estimate of the liabilities to record as unpaid losses and LAE in our consolidated financial statements. We use the same processes and procedures for estimating unpaid losses and LAE for annual and interim periods.

We do not establish liabilities for unpaid losses and LAE until the occurrence of an event that may give rise to a loss. If an event has occurred that we believe will lead to significant losses to us but has not resulted in reported losses before the balance sheet date, we will generally estimate the impact of the event and consider it when estimating our liability for unpaid losses and LAE. When an event of significant magnitude occurs, such as a property catastrophe event that affects many of our ceding companies, we may establish liabilities specific to such an event. Estimated ultimate losses related to a catastrophe event may be based on our estimated exposure to an industry loss and may rely on the use of catastrophe modeling software.

We receive information from ceding companies regarding our liability for unpaid losses and LAE. This information varies but typically includes information regarding the ceding company's paid losses and case reserves and may include a ceding company's estimate of IBNR. We may increase or decrease case reserves based on receipt of additional information from the ceding companies. Adjustments that we make to reported case reserves are generally referred to as "additional case reserves."

Unpaid losses and LAE represent management's best estimate at a given point in time and are subject to the effects of trends in loss severity and frequency. Provisions for economic inflation and changes in the social and legal environment are also considered in the loss estimation process. These estimates are reviewed regularly and adjusted as loss experience develops or new information becomes available, such as rate changes in the policies underlying our reinsurance contracts or in the mix of business by reserving class. Any adjustments are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. It is possible that the ultimate liability may differ materially from such estimates.

As of December 31, 2014 and 2013, the liabilities recorded on our consolidated balance sheets for unpaid losses and LAE were $1.4 billion and $1.7 billion, respectively. These amounts exclude any amounts we may recover from our retrocessionaires under coverage we purchased for such losses. We record estimates of amounts we expect to recover from retrocessionaires as assets on the consolidated balance sheets. The following table sets forth our case reserves, additional case reserves and IBNR by segment as of December 31, 2014 and 2013 ($ in thousands):

	Property and Marine (1)	Casualty	Finite Risk	Total
December 31, 2014				
Case reserves	$163,435	$364,802	$28,592	$556,829
Additional case reserves	16,416	28,625	-	45,041
IBNR	76,670	714,723	42,435	833,828
Total unpaid losses and LAE	$256,521	$1,108,150	$71,027	$1,435,698
December 31, 2013				
Case reserves	$205,432	$392,767	$25,117	$623,316
Additional case reserves	36,808	23,306	-	60,114
IBNR	116,714	828,101	43,120	987,935
Total unpaid losses and LAE	$358,954	$1,244,174	$68,237	$1,671,365

(1) Includes $118.5 million and $223.6 million of reserves related to major catastrophes as of December 31, 2014 and 2013, respectively.

Since we rely on information regarding paid losses, case reserves and sometimes IBNR provided by ceding companies in estimating our ultimate liability for unpaid losses and LAE, we perform certain procedures in order to help determine the completeness and accuracy of such information. Periodically, management assesses the reporting activities of these ceding companies on the basis of qualitative and quantitative criteria. These procedures include conferring with ceding companies or brokers on claims matters. Our claims personnel, or consultants engaged by us, may also conduct periodic audits of our ceding companies to: (1) review and establish the validity of specific claims, (2) determine that case reserves established by the ceding company are reasonable, (3) determine there is consistency in claim reporting from period to period, and (4) assess the overall claims practices and procedures of the ceding company. We also monitor the claims handling and reserving practices of ceding companies in order to help establish the reinsurance premium for reinsurance contracts with such ceding companies.

Reserves - Excluding Major Catastrophes

Reserves, excluding major catastrophes, were $1.3 billion as of December 31, 2014, representing 92% of our unpaid losses and LAE. When estimating unpaid losses and LAE, we segregate the business into classes by reinsurance subsidiary, by type of coverage and by type of contract (resulting in approximately 60 classes). Within each class, the business is further segregated by Underwriting Year, starting with 2002, our first year of operations.

Our actuaries calculate multiple point estimates of our liability for losses and LAE using a variety of actuarial methods for many, but not all, of our classes for each Underwriting Year. We do not believe that these multiple point estimates are or should be considered a range. Our actuaries consider each class and determine the most appropriate point estimate for each Underwriting Year based on the characteristics of the particular class including: (1) loss development patterns derived from historical data, (2) the credibility of the selected loss development pattern, (3) the stability of the loss development patterns and (4) the observed loss development of other underwriting years for the same class. Our actuaries also consider other relevant factors, including: (1) historical ultimate loss ratios, (2) the presence of individual large losses and (3) known occurrences that have not yet resulted in reported losses.

We believe that a review of individual contract information improves the loss estimates for some classes of business. Our actuaries make their determinations of the most appropriate point estimate of loss for each class based on an evaluation of relevant information and do not ascribe any particular portion of the estimate to a particular factor or consideration. These estimates are aggregated for review by management and, after approval, are the basis for our liability for unpaid losses and LAE.

Initial Loss Estimates

Generally, estimates of ultimate losses that are not related to a specific event are initially determined based on the loss ratio method applied to each Underwriting Year and to each class of business. The selected ultimate losses are determined by multiplying the initial expected loss ratio by the earned premium. The initial expected loss ratios are key inputs that involve management judgment and are based on a variety of factors, including: (1) contract by contract expected loss ratios developed during our pricing process and (2) our historical loss ratios and combined ratios adjusted for rate change and trend. These judgments take into account management's view of past, current and future factors that may influence ultimate losses, including: (1) market conditions, (2) changes in the business underwritten, (3) changes in timing of the emergence of claims and (4) other factors that may influence ultimate loss ratios and losses.

Changes in Loss Estimates

The determination of when reported losses are sufficient and credible to warrant selection of an ultimate loss ratio different from initial expected loss ratio also requires judgment. We generally make adjustments for reported loss experience indicating unfavorable variances from initial expected loss ratios sooner than reported loss experience indicating favorable variances. This is because the reporting of losses in excess of expectations tends to have greater credibility than an absence or lower than expected level of reported losses. While we continue with this approach, in the fourth quarter of 2012 we began reflecting favorable variances in reported losses in our selection of ultimate loss ratios at an earlier point in the loss development pattern than we had in the past. For further discussion, see "Independent Actuarial Review" below.

Over time, as a greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are based on the Bornhuetter-Ferguson and the chain ladder techniques. The loss development pattern is a key input to these techniques. The Bornhuetter-Ferguson technique utilizes actual reported losses, a loss development pattern and the initial expected loss ratio to determine an estimate of ultimate losses. We believe this technique is most appropriate when there are few reported claims and a relatively less stable loss development pattern. The chain ladder technique utilizes actual reported losses and a loss development pattern to determine an estimate of ultimate losses that is independent of the initial expected ultimate loss ratio and earned premium. We believe this technique is most appropriate when there are a large number of reported losses with significant statistical credibility and a relatively stable loss development pattern.

While we commenced operations in 2002, the business we write is sufficiently similar to the historical reinsurance business of our predecessor, the former reinsurance segment of The St. Paul Companies, Inc., such that we review the historical loss experience of this business when we estimate our own loss development patterns. Loss development patterns can span more than a decade. Therefore, this data is a valuable supplement to our own and industry data.

Loss development patterns are determined utilizing actuarial analysis, including management's judgment, and are based on historical patterns of paid losses and reporting of case reserves to us, as well as industry loss development patterns. Information that may cause future loss development patterns to differ from historical loss development patterns is considered and reflected in our selected loss development patterns as appropriate. For property and health classes, these patterns indicate that a substantial portion of the ultimate losses are reported within two to three years after the contract is effective. Casualty loss development patterns can vary from three years to over twenty years depending on the type of business.

In property and marine classes, the loss development patterns are primarily based on our historical reported loss data. For all classes, historical data by effective date and business type is used to determine loss development patterns that reflect each year's reinsurance contract inception date distribution and the distribution of underlying business written on a losses occurring basis versus on a risk attaching basis. Loss development patterns are analyzed for various reinsurance sub-classes and an overall pattern for each Underwriting Year is determined by the mix of business within that Underwriting Year.

In casualty classes, the loss development patterns are primarily based on our historical reported loss data and that of our predecessor, and for the North American casualty classes they are supplemented by industry data from the Reinsurance Association of America ("RAA") and Insurance Services Offices, Inc. Due to the long loss development pattern in general liability, various sources are used to estimate the end of the loss development pattern referred to as the "tail". To estimate the tail, we supplement our historical data, and the data available from our predecessor, with industry data, generally from the RAA, and data received from external actuarial firms. Loss development patterns are analyzed for various reinsurance sub-classes and an overall pattern for each Underwriting Year is determined by the mix of business within that Underwriting Year.

We analyze historical loss development patterns and may adjust them for observed anomalies. For example, we observed that loss development patterns were much slower in Underwriting Years that were characterized by especially intense competition, known as the "soft market", particularly in the North American excess-of-loss claims made class. We believe this is due to multiple year policies written by ceding companies and the deterioration in underwriting standards during these periods. In determining our loss development patterns for certain classes, we may exclude certain historical data from the soft market years. However, one of the risks of excluding some of the data from those years is that we could be obscuring trends in loss development patterns. Our actuaries consider this when determining the credibility of indications that use these patterns. For certain reinsurance contracts, historical loss development patterns may be developed from ceding company data or other sources.

Reserves - Major Catastrophes

Generally, an event causing more than $1 billion of insured property losses to the insurance industry, as estimated by Property Claims Services or other sophisticated independent loss estimate providers, or $10 million of property and/or marine losses to the Company is considered and tracked as a major catastrophe. Net losses from major catastrophes consist of gross losses and LAE, net of any retrocessional recoveries and reinstatement premiums earned. Unpaid losses and LAE related to major catastrophes were $118.5 million, which represented 8% of our total unpaid losses and LAE, as of December 31, 2014.

Our underwriters will typically prepare an initial estimate of our ultimate losses for a major catastrophe event on a contract-by-contract basis. This estimate is typically based on the Company's portfolio modeling, discussions with brokers and ceding companies, market share analysis and a review of the Company's in-force contracts, as well as claims information and analysis, if any, received from brokers and ceding companies. Our actuaries and underwriters will also consider a variety of factors, including: (1) the credibility of ceding company estimates, (2) whether the ceding company estimates include IBNR and (3) whether the ceding company information is current. After reviewing loss estimates and other information with our underwriters, our actuaries make an estimate of ultimate loss.

As losses from major catastrophes mature, our actuaries generally consider losses reported to us relative to loss development patterns from prior major catastrophe events. Our estimate of ultimate liability for losses and LAE related to a major catastrophe event will generally be based on these development patterns after approximately twelve months following the event. However, since loss development patterns may be inconsistent between events, for very large major catastrophes, such as the 2010 and 2011 earthquakes in New Zealand, we will generally review information on a contract-by-contract basis for a longer period. Estimates of ultimate losses for a major catastrophe event are typically well established within 12 to 24 months following the event, although ultimate losses from an earthquake may take longer to emerge.

For additional information on major catastrophe events for which we have established specific reserves in 2014, 2013 and 2012 see the "Results of Operations" set forth below in this Form 10-K.

Uncertainty of Estimates

The ultimate liability for unpaid losses and LAE may vary materially from our current estimates for many reasons. Our estimates are inherently uncertain because they are affected by factors that are highly dependent on judgment. Significant factors that add uncertainty to our estimates of losses include: (1) our estimates are based on predictions of future developments and estimates of future trends in claim severity and frequency, (2) the reliance that we necessarily place on ceding companies for claims reporting, (3) the associated time lag in reporting losses, (4) the need to estimate an initial expected loss ratio before significant loss experience is reported, (5) the low frequency/high severity nature of some of our business and (6) the varying reserving practices among ceding companies.

Key Inputs in Our Loss Estimation Process

Our estimates are based on assumptions that historical loss development and trends are reasonably predictive of how losses will develop in the future when reported. New or updated information or loss data may impact our selection of ultimate loss ratios in subsequent periods. There are various elements of updated loss data and related information that may result in a materially different estimate of ultimate losses. The four most significant inputs to our loss estimation process are: (1) the initial expected loss ratio, (2) reported losses to date, (3) the loss development patterns and (4) earned premiums.

Initial Expected Loss Ratio

The initial expected loss ratios are key inputs to our loss estimation process and are derived from historical data and involve a high degree of judgment. The selection of the initial expected loss ratios also takes into account management's view of past, current and future factors that may influence expected ultimate losses. Because of the high degree of judgment required in establishing initial expected loss ratios, there is uncertainty in the resulting estimates.

Reported Losses to Date

The frequency and severity of reported losses relative to anticipated frequency and severity of losses is one of the most influential factors and is largely dependent on the loss experience of our ceding companies. Reported loss experience is a key input to our loss estimation process and, if loss experience reported in periods subsequent to estimating the ultimate losses are materially greater or less than anticipated, we may adjust the ultimate loss ratio accordingly. Adjustments to increase or decrease a prior year's ultimate loss ratio are generally referred to as unfavorable or favorable loss development.

Loss Development Patterns

The loss development patterns are also key inputs to our loss estimation process. Loss development patterns reflect the time lag between the occurrence and settlement of a loss. The time lag in reporting can be several years in some cases and may be attributed to a number of reasons, including the time it takes to investigate a claim, delays associated with the litigation process, and the deterioration, in connection with health related claims, in a claimant's physical condition many years after an accident occurs. As a predominantly broker market reinsurer for both excess-of-loss and proportional contracts, we are subject to potential additional time lags in the receipt of information as the primary insurer reports claims to the broker who in turn reports to us. As of December 31, 2014, we did not have any significant back-log related to our processing of assumed reinsurance information. All of the foregoing factors can impact the loss development patterns.

A key assumption of our estimates is that past loss development patterns are reasonably predictive of future loss development patterns. However, it may be difficult to identify differences in business reinsured from Underwriting Year to Underwriting Year and how such differences can affect loss development patterns. This difficulty adds to uncertainty in estimates that use these patterns.

In property classes, there can be additional uncertainty in loss estimation of large catastrophe events. With wind events, such as hurricanes, the damage assessment process may take more than a year. The cost of rebuilding may increase due to various factors including shortages for construction materials and labor. In the case of earthquakes, the damage assessment process may take several years to discover structural weaknesses not initially detected in buildings. The uncertainty inherent in loss estimation is particularly pronounced for casualty classes, such as umbrella liability, general and product liability, professional liability and automobile liability, where information, such as required medical treatment and costs for bodily injury claims, emerges over time. In the overall loss estimation process, provisions for economic inflation and changes in the social and legal environment are considered.

Earned Premiums

Changes in estimates of prior years' earned premiums can also affect prior years' ultimate losses. Our actuaries consider factors affecting all key inputs to actuarial techniques when determining the credibility of indications.

Independent Actuarial Review

We regularly engage internationally recognized independent actuarial firms to review our unpaid losses and LAE. Actuarial reviews were performed in 2006, 2009 and 2012 by independent actuarial firms. Each of these reviews provided a low and a high estimate of the Company's unpaid losses and LAE and indicated that the Company's loss reserves at the time of the review were within the low and high estimates indicated by the review. In 2012, the Company engaged the independent actuarial firm that had performed the 2006 review to perform an actuarial review of all reserving classes and engaged the independent actuarial firm that had performed the 2009 review to perform a separate review of certain North American casualty classes.

As part of the 2006, 2009 and 2012 reviews, the independent actuarial firms also provided shorter and longer loss development patterns by reserving class. Generally, the loss development patterns provided by the independent actuarial firms from the 2012 review were shorter than the patterns produced in the 2006 and 2009 reviews, indicating that losses were expected to be reported faster than previously estimated by the firms. The shorter patterns generally resulted in lower indicated loss ratios. The Company's actuarial staff applied these shorter loss development patterns from the 2012 review for certain of our classes to develop alternative indications of ultimate losses. During 2014, both firms provided updates of these patterns. We considered these alternative indications, along with the indications developed using loss development patterns determined by the Company's own actuaries, in the selection of ultimate loss ratios.

In the 2012 actuarial review, the Company's unpaid losses and LAE as of March 31, 2012 were at the high end of the range of reasonable estimates provided by the independent actuarial firm, mainly due to two factors: (1) the shorter loss development patterns used by the independent actuarial firm and (2) faster recognition of favorable reported loss experience by the independent actuarial firm in the selection of ultimate loss ratios. We incorporated these factors in developing alternative indications of ultimate losses, which, together with the favorable variance in reported losses, led to significant favorable development of our loss reserves for prior years.

We believe incorporating earlier recognition of favorable variances may result in more volatility in our reserve for unpaid losses and LAE than we have previously experienced.

Unpaid losses and LAE is an estimate that reflects many reasonable possible outcomes. In the following two sections, we discuss two types of uncertainty with respect to loss estimation. Under Variability of Outcomes, we discuss how estimates change over time as new information or loss data develops. Under Sensitivity of Estimates, we demonstrate that alternative reasonable estimates can be made with current information.

Variability of Outcomes

The liability for unpaid losses and LAE as of the balance sheet date represents management's best estimate of the ultimate liabilities as of that date. The actuarial techniques used by our actuaries in estimating our liabilities produces a central estimate of ultimate losses and LAE for each class and underwriting year. These techniques do not produce a range of reasonably possible outcomes. For some classes, the ultimate value of the liability for unpaid losses and LAE will not be known for decades. We expect that the ultimate value will differ from current estimates as losses are reported and paid and that difference could be material as reported losses reflect the actual emergence of factors that influence claim costs. We believe, however, that as a greater percentage of losses are reported, the likelihood of material changes to ultimate losses declines. Each quarter, we re-estimate ultimate losses and LAE and reflect updated information in those estimates.

During the years ended December 31, 2014, 2013 and 2012, we experienced net favorable loss development of $127.6 million, $183.3 million, and $235.5 million, respectively. The net favorable loss development was attributable primarily to a level of cumulative losses reported to us by our ceding companies that was lower than expected and that, in our judgment, resulted in sufficient credibility in the loss experience to change our previously selected loss ratios and reduce estimated ultimate losses, as discussed further in Item 1, "Business – Unpaid Losses and Loss Adjustment Expenses", in this Form 10-K.

During 2014, 2013, and 2012, approximately $126.2 million, $165.1 million and $151.9 million, respectively, of the net favorable loss development was attributable to lower reported loss experience than we expected. In addition, in the fourth quarter of 2012 we began reflecting favorable variances in reported losses in our selection of ultimate loss ratios at an earlier point in the loss development timeline than we had previously. This earlier recognition accounted for $57.6 million of the net favorable loss development for the year ended December 31, 2012. Conditions and trends that have affected development of reserves in the past may not necessarily occur in the future. The factors that may result in differences between our current estimates of loss liability and our ultimate loss liability are set forth above under "Uncertainty of Estimates" in this Form 10-K.

Sensitivity of Estimates

Initial expected loss ratios and loss development patterns are two key inputs to our loss estimation process. We exercise judgment in establishing key inputs at the beginning of an underwriting year and also as we modify the key inputs, as appropriate, throughout the loss development period. Changes in the initial expected loss ratio and the loss development patterns resulted in net favorable loss development of $1.4 million, $18.2 million and $26.0 million during the years ended December 31, 2014, 2013 and 2012, respectively.

We have selected the initial expected loss ratio and the loss development patterns for sensitivity analysis. Ultimate loss estimates for the North American casualty excess-of-loss classes of business, which generally have the longest loss development patterns, have a higher degree of uncertainty than other reserving classes. IBNR for these classes as of December 31, 2014 was $549.8 million, which was 66% of the total IBNR at that date. The estimates of unpaid losses and LAE related to North American casualty excess-of-loss classes of business have a higher degree of uncertainty and, consequently, reasonable alternatives to our selected initial expected loss ratios and loss development patterns could vary significantly.

For example, if we increased the initial expected loss ratio for these classes by 5 points from 69% to 74%, we would increase the IBNR for these classes by $38.8 million, which represents approximately 4% of unpaid losses and LAE for these classes as of December 31, 2014. If we increased the initial expected loss ratio for these classes by 10 points from 69% to 79%, we would increase the IBNR for these classes by $77.1 million, which represents approximately 9% of unpaid losses and LAE for these classes as of December 31, 2014.

As another example of key assumption sensitivity, if we shortened the estimated loss development patterns related to North American casualty excess-of-loss classes by 5%, we would decrease the IBNR for these classes by $85.1 million, which represents approximately 10% of unpaid losses and LAE for these classes as of December 31, 2014. If we shortened the estimated loss development patterns by 10%, we would decrease the IBNR for these classes by $147.3 million, which represents approximately 17% of unpaid losses and LAE for these classes as of December 31, 2014.

The sensitivity analysis illustrates how a reasonable alternative assumption could affect the current estimate of our ultimate loss liability. The sensitivity analysis is not intended to present a range of reasonable possible settlement values in the future. Over time, changes to the initial expected loss ratio and loss development patterns may vary by more than the sensitivity analysis above as new loss information and data emerges. Also, other inputs and judgments that impact unpaid losses and LAE may change. Actual settlement values could be materially different from the current estimates.

Valuation of Investments

As of December 31, 2014, our investments and cash and cash equivalents totaled $3.3 billion, consisting of $1.9 billion of fixed maturity securities and $1.4 billion of cash and cash equivalents.   Investments we own that we may not have the positive intent to hold until maturity are classified as available-for-sale and reported at fair value, with related net unrealized gains or losses excluded from net income or loss, and included in shareholders' equity as a component of accumulated other comprehensive income, net of deferred taxes. Investments we own and have the intent to sell prior to maturity, or securities for which we have elected the fair value option, are classified as trading securities. Trading securities are reported at fair value, with fair value adjustments included in net realized gains on investments and the related deferred income tax included in income tax expense or benefit in the consolidated statements of operations.

The valuation process for our financial assets and liabilities, comprised primarily of our investments, requires significant judgment and involves analyzing specific factors relating to each security. When determining the fair value of a security we generally obtain prices from several sources and establish a hierarchy based on the reliability of information. The determination of whether unrealized losses represent temporary changes in fair value or were the result of other than temporary impairments also involves judgment.

Fair Value

The accounting guidance related to fair value measurements addresses the recognition and disclosure of fair value measurements where those measurements are either required or permitted by the guidance. The fair values of our financial assets and liabilities addressed by this guidance are determined primarily through the use of observable inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from external independent sources. Unobservable inputs reflect management's assumptions about what market participants' assumptions would be in pricing the asset or liability based on the best information available. We classify our financial assets and liabilities in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement. This classification requires judgment in assessing the market and pricing methodologies for a particular security. The fair value hierarchy is comprised of the following three levels:

Level 1:	Valuations are based on unadjusted quoted prices in active markets for identical financial assets or liabilities;
Level 2:	Valuations are based on prices obtained from index providers, independent pricing vendors or broker-dealers using observable inputs for financial assets and liabilities; and
Level 3:	Valuations are based on unobservable inputs for assets and liabilities where there is little or no market activity. Unadjusted third party pricing sources or management's assumptions and internal valuation models may be used to determine the fair value of financial assets or liabilities

The fair value of our fixed maturity securities and short-term investments is based on prices primarily obtained from index providers, pricing vendors, or broker-dealers using observable inputs. Index providers utilize external sources and pricing models to value index-eligible securities across numerous sectors and asset classes. Pricing vendors collect, edit, maintain, evaluate and model data on a large number of securities utilizing primarily market data and observable inputs. Broker-dealers value securities through proprietary trading desks primarily based on observable inputs. As of December 31, 2014, approximately 51% of the fair value of our fixed maturity securities was valued using prices obtained from index providers and 49% using prices obtained from pricing vendors. As of December 31, 2014, there was one security valued using a price from a broker-dealer.

The number of prices we obtained per security varies based on the type of asset class and particular reporting period. Prices are generally obtained from multiple sources when a new security is purchased and a pricing source is assigned to the particular security. A hierarchy is maintained that prioritizes pricing sources based on availability and reliability of information, with preference generally given to prices provided by index providers and pricing vendors. Pricing sources may be assigned to a particular security based upon the provider's expertise. Generally, the initial pricing source selected is consistently used for each reporting period. We have not adjusted any prices that we have obtained from pricing sources. However, if we determine that a price appears unreasonable, we investigate and assess whether the price should be adjusted.

We receive pricing documentation that describes the methodologies used by various pricing sources. We validate the prices we obtain from third party pricing sources by performing price comparisons against multiple pricing sources, if available, periodically back-testing sales to the previously reported fair value, performing an in-depth review of specific securities when evaluating stale prices and large price movements, as well as performing other validation procedures. We also continuously monitor market data that relates to our investment portfolio and review pricing documentation that describes the methodologies used by various pricing sources.

Generally, pricing sources determine prices by maximizing the use of observable inputs to determine the fair value measurement. The inputs used by index providers may include, but are not limited to, benchmark yields, transactional data, broker-dealer quotes, security cash flows and structures, credit ratings, prepayment speeds, loss severities, credit risks and default rates. The inputs used by pricing vendors may include, but are not limited to, benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers and industry and economic events. The inputs used by broker-dealers may include, but are not limited to, trade data, bids or offers and other market data.

We believe that the estimated fair value of our investments is representative of the securities in our portfolio. However, our estimate of fair value of a particular security may differ materially from the amount that could be realized if the security was sold immediately. In addition, when financial markets experience a reduction in liquidity, we may obtain prices for a specific security that have a larger dispersion across price sources and our ability to conduct orderly investment transactions may be limited.

The fair value measurements of our investments classified as Level 3 were approximately 0.2% of our total investments as of December 31, 2014. Specifically, the fair value measurements of our sub-prime asset-backed securities classified as Level 3 used significant unobservable inputs that include prepayment rates, probability of default and loss severity in the event of default. The prices we obtained to determine these measurements were based upon unadjusted third party pricing sources.

For further discussion on fair values of investments see "Financial Condition – Liquidity – Sources of Liquidity" in this Form 10-K.

Other-Than-Temporary Impairments

We routinely review our available-for-sale investments to determine whether unrealized losses represent temporary changes in fair value or are the result of an other-than-temporary impairment ("OTTI"). The process of determining whether a security is other-than-temporarily impaired requires judgment and involves analyzing many factors. These factors include the overall financial condition of the issuer, the length of time and magnitude of an unrealized loss, specific credit events, changes in credit ratings, the collateral structure, the credit support that may be applicable, discussions with our investment managers and other public information.

In addition, we evaluate projected cash flows in order to determine if a credit impairment has occurred. The amount of the credit loss of an impaired debt security is the difference between the amortized cost and the greater of (i) the present value of expected future cash flows and (ii) the fair value of the security. We recognize the portion of OTTI related to a credit loss in net income or loss in the consolidated statements of operations and the portion of OTTI related to all other factors is recognized in accumulated other comprehensive income in the consolidated balance sheets.

We also consider our intent to sell available-for-sale securities and the likelihood that we will be required to sell these securities before an unrealized loss is recovered. Our intent to sell a security is based, in part, on adverse changes in the creditworthiness of a debt issuer, pricing and other market conditions and our anticipated net cash flows. If we determine that we intend to sell a security that is in an unrealized loss position, then the unrealized loss related to such a security, representing the difference between the security's amortized cost and its fair value, is recognized as a net impairment loss in the consolidated statements of operations at the time we determine our intent is to sell.

We believe that the gross unrealized losses in our fixed maturity available-for-sale securities portfolio of $3.7 million represent temporary declines in fair value. We believe that the unrealized losses are not necessarily predictive of ultimate performance and that the provisions we have made for net impairment losses are adequate. However, economic conditions may deteriorate more than expected and may adversely affect the expected cash flows of our securities, which in turn may lead to impairment losses being recorded in future periods. Conversely, economic conditions may improve more than expected and favorably increase the expected cash flows of our impaired securities, which would be earned through net investment income over the remaining life of the security.

For additional information on our investment portfolio including the credit quality and the net unrealized gain and loss of our investments as of December 31, 2014, see "Financial Condition – Liquidity – Sources of Liquidity" in this Form 10-K.

Income Taxes

We provide for income taxes for our operations in income tax paying jurisdictions. Our provision relies on estimates and interpretations of currently enacted tax laws. We recognize deferred tax assets and liabilities based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Such temporary differences are primarily due to tax basis discounts on unpaid losses and LAE and unearned premiums, deferred acquisition costs and investments. A valuation allowance against deferred tax assets is recorded if it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. Any adjustments to deferred income taxes are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. Any adjustments could be material and could significantly impact earnings in the period they are recorded.

Net deferred tax assets were $17.5 million and $25.1 million for the years ended December 31, 2014 and 2013, respectively. At each balance sheet date, we evaluate the recoverability of the net deferred tax assets, considering the timing of the reversal of deferred income and expense items as well as the likelihood that we will generate sufficient taxable income to realize the future tax benefits. We believe that it is more likely than not we will generate sufficient taxable income and realize the future tax benefits in order to recover the deferred assets and accordingly, no valuation allowance was established as of December 31, 2014 and 2013. See Note 7 to the "Consolidated Financial Statements" contained elsewhere in this Form 10-K for additional information on income taxes.

Risk Transfer Analysis for Reinsurance Transactions

Reinsurance accounting is followed for assumed and ceded transactions when risk transfer requirements have been satisfied. Reinsurance contracts that do not transfer sufficient insurance risk are accounted for as deposits.

All of our assumed and ceded contracts are reviewed by our underwriters. Contracts that trigger certain criteria are subjected to a more detailed risk transfer analysis by management. Our risk transfer analysis evaluates significant assumptions related to the amount and timing of expected cash flows, as well as the interpretation of underlying contract terms, and involves management's judgment, experience, and interpretations. See Notes 1 and 3 to the "Consolidated Financial Statements" contained elsewhere in this Form 10-K for additional information regarding our reinsurance deposit assets and liabilities.

Results of Operations

In discussing our Results of Operations, in addition to referring to certain non-GAAP financial measures as defined in Item 6, "Selected Financial Data", in this Form 10-K, we also refer to other financial measures such as net losses from major catastrophes and net favorable or unfavorable development.

Generally, an event causing more than $1 billion of property losses to the insurance industry or $10 million of property losses to the Company is considered and tracked as a major catastrophe. Net losses from major catastrophes consist of gross losses and LAE, net of any retrocessional recoveries and reinstatement premiums earned.

Net favorable or unfavorable development is the development of prior years' unpaid losses and LAE and the related impact of premiums and commissions. Net favorable or unfavorable loss development, the unpaid losses and LAE component of net favorable or unfavorable development, excludes the related impact of premiums and commissions.

Net income and diluted earnings per common share for the years ended December 31, 2014, 2013 and 2012 were as follows ($ and amounts in thousands, except diluted earnings per common share):

	2014	2013	2012
Underwriting income	$155,012	$206,714	$212,217
Net investment income	69,421	72,046	99,947
Net realized gains on investments	2,762	23,920	88,754
Net impairment losses on investments	(840)	(2,033)	(3,031)
Other revenues (expenses)	(44,353)	(42,642)	(45,663)
Income before income taxes	182,002	258,005	352,224
Income tax expense	(17,234)	(34,727)	(24,996)
Net income	$164,768	$223,278	$327,228
Weighted average shares outstanding - diluted	26,524	30,334	33,981
Diluted earnings per common share	$6.21	$7.35	$9.60

2014 versus 2013: The decrease in net income for the year ended December 31, 2014 as compared with the year ended December 31, 2013 was primarily due to decreases in underwriting income and net realized gains on investments, partially offset by a decrease in income tax expense. The decrease in diluted earnings per common share was due to the decrease in net income, partially offset by a decrease in the diluted weighted average shares outstanding. The decrease in the diluted weighted average shares outstanding related to share repurchases during the last twelve months.

2013 versus 2012: The decrease in net income and diluted earnings per common share for the year ended December 31, 2013 as compared with the year ended December 31, 2012 was primarily due to decreases in net investment income and net realized gains on investments.

Underwriting Results

2014 versus 2013: Net underwriting income was $155.0 million and $206.7 million for the years ended December 31, 2014 and 2013, respectively. The decrease in the net underwriting income was primarily due to a decrease in net favorable development, partially offset by a decrease in net losses from current year major catastrophes for the year ended December 31, 2014 as compared with the year ended December 31, 2013. We also had an increase in losses from the North American catastrophe excess-of-loss (non-major events) class and an underwriting loss in our North American crop class as compared with underwriting income in our North American crop class in the same period in 2013.

Net favorable development was $126.4 million and $173.2 million for the years ended December 31, 2014 and 2013, respectively.

Net losses from current year major catastrophes were $5.1 million and $26.1 million for the years ended December 31, 2014 and 2013, respectively.

2013 versus 2012: Net underwriting income was $206.7 million and $212.2 million for the years ended December 31, 2013 and 2012, respectively. The change in the net underwriting income reflected a decrease in net favorable development, offset by a decrease in net losses from current year major catastrophes and underwriting income in our North American crop class as compared with an underwriting loss in our North American crop class for the same period in 2012.

Net favorable development was $173.2 million and $234.0 million for the years ended December 31, 2013 and 2012, respectively.

Net losses from current year major catastrophes were $26.1 million and $68.9 million for the years ended December 31, 2013 and 2012, respectively.

The following discussion and analysis reviews our underwriting results by operating segment.

Property and Marine

The following table sets forth underwriting results, ratios and the change year over year for the Property and Marine segment for the years ended December 31, 2014, 2013 and 2012 ($ in thousands):

	2014	2013	Increase (decrease)	2012	Increase (decrease)
Gross premiums written	$220,461	$240,449	$(19,988)	$260,818	$(20,369)
Ceded premiums written	12,594	10,942	1,652	4,636	6,306
Net premiums written	207,867	229,507	(21,640)	256,182	(26,675)
Net premiums earned	211,640	222,010	(10,370)	253,604	(31,594)
Net losses and LAE	69,779	34,421	35,358	132,580	(98,159)
Net acquisition expenses	40,074	38,342	1,732	34,342	4,000
Other underwriting expenses	31,087	30,898	189	31,140	(242)
Property and Marine segment underwriting income	$70,700	$118,349	$(47,649)	$55,542	$62,807

Underwriting ratios: