Third Point Reinsurance Ltd.
Form 10-Q
November 06, 2018
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

OR

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

For the transition period from to

Commission File Number 001-35039

THIRD POINT REINSURANCE LTD.
(Exact name of registrant as specified in its charter)

Bermuda	98-1039994
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Point House
3 Waterloo Lane
Pembroke HM 08, Bermuda
+1 441 542-3300
(Address, including Zip Code and Telephone Number, including Area Code of Registrant’s Principal Executive Office)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x No ¨

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ¨ No x

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

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

As of November 2, 2018, there were 94,169,725 common shares of the registrant’s common shares issued and outstanding, including 2,029,442 restricted shares.

Third Point Reinsurance Ltd.
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PART I - Financial Information
ITEM 1. Financial Statements
THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
As of September 30, 2018 and December 31, 2017
(expressed in thousands of U.S. dollars, except per share and share amounts)

	September 30, 2018	December 31, 2017
Assets		
Investment in related party investment fund, at fair value (cost - $1,629,850; 2017 - N/A) (1)	$ 1,627,924	$ —
Equity securities, trading, at fair value (cost - N/A; 2017 - $1,868,735)	—	2,283,050
Debt securities, trading, at fair value (cost - $258,430; 2017 - $711,322)	244,876	675,158
Other investments, at fair value	196	37,731
Total investments in securities	1,872,996	2,995,939
Cash and cash equivalents	49,786	8,197
Restricted cash and cash equivalents	581,134	541,136
Subscription receivable from related party investment fund	30,000	—
Due from brokers	12,853	305,093
Derivative assets, at fair value	—	73,372
Interest and dividends receivable	1,975	3,774
Reinsurance balances receivable	577,382	476,008
Deferred acquisition costs, net	231,286	258,793
Unearned premiums ceded	16,772	1,049
Loss and loss adjustment expenses recoverable	1,576	1,113
Other assets	13,082	7,320
Total assets	$ 3,388,842	$ 4,671,794
Liabilities		
Accounts payable and accrued expenses	$ 9,200	$ 34,632
Reinsurance balances payable	71,070	41,614
Deposit liabilities	146,961	129,133
Unearned premium reserves	693,333	649,518
Loss and loss adjustment expense reserves	822,180	720,570
Securities sold, not yet purchased, at fair value	—	394,278
Securities sold under an agreement to repurchase	—	29,618
Due to brokers	16	770,205
Derivative liabilities, at fair value	—	14,503
Participation agreement with related party investment fund	23,149	—
Interest and dividends payable	1,157	4,275
Senior notes payable, net of deferred costs	113,866	113,733
Total liabilities	1,880,932	2,902,079
Commitments and contingent liabilities		
Redeemable noncontrolling interests in related party	—	108,219
Shareholders' equity		
Preference shares (par value $0.10; authorized, 30,000,000; none issued)	—	—
Common shares (Issued: 2018 - 94,169,725; 2017 - 107,227,347; Outstanding: 2018 - 94,169,725; 2017 - 103,282,427)	9,417	10,723
Treasury shares (2018 - 0; 2017 - 3,944,920)	—	(48,253)
Additional paid-in capital	924,153	1,099,599
Retained earnings	574,340	594,020

Shareholders’ equity attributable to Third Point Re common shareholders	1,507,910	1,656,089
Noncontrolling interests in related party	—	5,407
Total shareholders’ equity	1,507,910	1,661,496
Total liabilities, noncontrolling interests and shareholders’ equity	$ 3,388,842	$ 4,671,794

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

(1) Effective August 31, 2018, Third Point Reinsurance Ltd., Third Point Reinsurance Company Ltd. (“Third Point Re BDA”) and Third Point Reinsurance (USA) Ltd. (“Third Point Re USA”), and together with Third Point Re BDA, the (“TPRE Limited Partners”), entered into a Limited Partnership Agreement (“LPA”) to invest in Third Point Enhanced LP (“TP Fund”), a related party investment fund. As a result, substantially all assets and related liabilities were transferred from the Company’s separate accounts to TP Fund and the TPRE Limited Partners received limited partnership interests in TP Fund in exchange. The TPRE Limited Partners no longer directly hold their invested assets and liabilities but instead, hold an investment in TP Fund. See Notes 4 and 11 for additional information regarding the LPA and TP Fund.

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THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (UNAUDITED)
For the three and nine months ended September 30, 2018 and 2017
(expressed in thousands of U.S. dollars, except per share and share amounts)

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenues				
Gross premiums written	$30,064	$ 174,539	$458,189	$ 477,457
Gross premiums ceded	—	—	(18,125)	(2,550)
Net premiums written	30,064	174,539	440,064	474,907
Change in net unearned premium reserves	97,929	(68,564)	(28,092)	(57,365)
Net premiums earned	127,993	105,975	411,972	417,542
Net investment loss from investment in related party investment fund (1)	(1,926)	—	(1,926)	—
Net investment income before management and performance fees to related parties	3,641	119,516	57,148	427,982
Management and performance fees to related parties	(5,305)	(30,548)	(29,845)	(103,179)
Net investment income (loss)	(3,590)	88,968	25,377	324,803
Total revenues	124,403	194,943	437,349	742,345
Expenses				
Loss and loss adjustment expenses incurred, net	88,706	77,275	265,326	270,549
Acquisition costs, net	40,841	33,974	149,830	157,067
General and administrative expenses	9,511	13,218	28,688	38,804
Other (income) expense	(1,362)	3,846	6,616	8,852
Interest expense	2,074	2,074	6,154	6,151
Foreign exchange (gains) losses	(1,979)	5,437	(4,215)	10,233
Total expenses	137,791	135,824	452,399	491,656
Income (loss) before income tax (expense) benefit	(13,388)	59,119	(15,050)	250,689
Income tax (expense) benefit	111	(3,475)	(4,407)	(14,080)
Net income (loss)	(13,277)	55,644	(19,457)	236,609
Net income attributable to noncontrolling interests in related party	(4)	(959)	(223)	(3,160)
Net income (loss) available to Third Point Re common shareholders	$(13,281)	$ 54,685	$(19,680)	$ 233,449
Earnings (loss) per share available to Third Point Re common shareholders				
Basic earnings (loss) per share available to Third Point Re common shareholders	$(0.14)	$ 0.54	$(0.20)	$ 2.27
Diluted earnings (loss) per share available to Third Point Re common shareholders	$(0.14)	$ 0.52	$(0.20)	$ 2.22
Weighted average number of common shares used in the determination of earnings (loss) per share				
Basic	95,671,385	101,391,145	98,768,442	102,553,346
Diluted	95,671,385	104,679,574	98,768,442	105,040,251

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

(1) See Notes 4 and 11 for additional information regarding the LPA and related management and performance fees. As a result of the LPA, the management and performance fees are presented within net investment income from investment in related party investment fund from the effective date of the LPA. Management and performance fees

incurred prior to the effective date of the LPA are reflected in management and performance fees to related parties.

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THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
For the three and nine months ended September 30, 2018 and 2017
(expressed in thousands of U.S. dollars)

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Common shares				
Balance, beginning of period	$9,963	$ 10,733	$ 10,723	$ 10,650
Issuance of common shares, net	—	5	67	88
Common shares repurchased and retired	(546)	—	(1,373)	—
Balance, end of period	9,417	10,738	9,417	10,738
Treasury shares				
Balance, beginning of period	—	(48,253)	(48,253)	(7,389)
Repurchase of common shares	—	—	—	(40,864)
Retirement of treasury shares	—	—	48,253	—
Balance, end of period	—	(48,253)	—	(48,253)
Additional paid-in capital				
Balance, beginning of period	994,170	1,098,857	1,099,599	1,094,568
Issuance of common shares, net	(1)	501	(142)	1,416
Share compensation expense	2,398	640	4,956	4,014
Common shares repurchased and retired	(72,414)	—	(180,260)	—
Balance, end of period	924,153	1,099,998	924,153	1,099,998
Retained earnings				
Balance, beginning of period	587,621	494,986	594,020	316,222
Net income (loss)	(13,277)	55,644	(19,457)	236,609
Net income attributable to noncontrolling interests in related party	(4)	(959)	(223)	(3,160)
Balance, end of period	574,340	549,671	574,340	549,671
Shareholders' equity attributable to Third Point Re common shareholders	1,507,910	1,612,154	1,507,910	1,612,154
Noncontrolling interests in related party	—	5,241	—	5,241
Total shareholders' equity	$1,507,910	$ 1,617,395	$1,507,910	$ 1,617,395

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

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THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
For the nine months ended September 30, 2018 and 2017
(expressed in thousands of U.S. dollars)

	2018	2017
Operating activities		
Net income (loss)	$(19,457)	$236,609
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Share compensation expense	4,956	4,014
Net interest (income) expense on deposit liabilities	(1,609)	1,472
Net realized and unrealized gain on investments and derivatives	(32,373)	(383,681)
Net unrealized loss on investment in related party investment fund (1)	1,926	—
Net foreign exchange (gains) losses	(4,215)	10,233
Amortization of premium and accretion of discount, net	2,674	(452)
Changes in assets and liabilities:		
Reinsurance balances receivable	(87,911)	(77,444)
Deferred acquisition costs, net	27,507	(1,473)
Unearned premiums ceded	(15,723)	(934)
Loss and loss adjustment expenses recoverable	(463)	(1,586)
Other assets	(5,757)	8,218
Interest and dividends receivable, net	(5,273)	769
Unearned premium reserves	43,815	58,299
Loss and loss adjustment expense reserves	107,325	78,931
Accounts payable and accrued expenses	(22,761)	14,173
Reinsurance balances payable	29,624	11,462
Performance fee payable to related party	—	73,210
Net cash provided by operating activities	22,285	31,820
Investing activities		
Contributions to related party investment fund, including subscription receivable (1)	(88,658)	—
Purchases of investments	(3,235,659)	(2,238,167)
Proceeds from sales and maturities of investments	3,222,239	2,536,688
Purchases of investments to cover short sales	(853,798)	(440,242)
Proceeds from short sales of investments	800,508	735,132
Change in due to/from brokers, net	471,352	(400,566)
Decrease in securities sold under an agreement to repurchase	(29,618)	—
Net cash provided by investing activities	286,366	192,845
Financing activities		
Proceeds from issuance of Third Point Re common shares, net of costs	—	1,504
Taxes paid on withholding shares	(74)	—
Purchases of Third Point Re common shares under share repurchase program	(133,380)	(40,864)
Increase in deposit liabilities, net	4,340	6,380
Change in total noncontrolling interests in related party, net	(97,950)	(16,780)
Net cash used in financing activities	(227,064)	(49,760)
Net increase in cash, cash equivalents and restricted cash	81,587	174,905
Cash, cash equivalents and restricted cash at beginning of period	549,333	308,891
Cash, cash equivalents and restricted cash at end of period	$630,920	$483,796
Supplementary information		
Interest paid in cash	$25,391	$17,551
Income taxes paid in cash	7,026	5,996
Non-cash transfer of net investment assets to the related party investment fund (1)	$1,571,191	$—

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

(1) Effective August 31, 2018, Third Point Re entered into a LPA to invest in TP Fund, a related party investment fund. See Note 4 for additional information regarding the non-cash transfer of net investment assets.

Third Point Reinsurance Ltd.
Notes to the Condensed Consolidated Financial Statements (UNAUDITED)
(Expressed in United States Dollars)

1. Organization

Third Point Reinsurance Ltd. (together with its consolidated subsidiaries, “Third Point Re” or the “Company”) was incorporated under the laws of Bermuda on October 6, 2011. Through its reinsurance subsidiaries, the Company is a provider of global specialty property and casualty reinsurance products. The Company operates through two licensed reinsurance subsidiaries, Third Point Reinsurance Company Ltd. (“Third Point Re BDA”), a Bermuda reinsurance company that commenced operations in January 2012, and Third Point Reinsurance (USA) Ltd. (“Third Point Re USA”).

Third Point Re USA is a Bermuda reinsurance company that was incorporated on November 21, 2014 and commenced operations in February 2015. Third Point Re USA made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity. Third Point Re USA prices and underwrites U.S. domiciled reinsurance business from an office in the United States. Third Point Re USA is a wholly owned subsidiary of Third Point Re (USA) Holdings, Inc. (“TPRUSA”), an intermediate holding company based in the U.S., which is a wholly owned subsidiary of Third Point Re (UK) Holdings Ltd. (“Third Point Re UK”), an intermediate holding company based in the United Kingdom. Third Point Re UK is a wholly owned subsidiary of Third Point Re.

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

These unaudited condensed consolidated financial statements include the results of the Company and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 in Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In addition, the year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP. This Quarterly Report should be read in conjunction with the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (the “2017 10-K”), as filed with the U.S. Securities and Exchange Commission on March 1, 2018.

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

The results for the nine months ended September 30, 2018 are not necessarily indicative of the results expected for the full calendar year.

Tabular amounts are in U.S. Dollars in thousands, except share amounts, unless otherwise noted.

2. Significant accounting policies

There have been no material changes to the Company’s significant accounting policies as described in its 2017 10-K, except a newly-implemented accounting policy, as noted below.

Transfer of Financial Assets

The Company accounts for transfers of financial assets as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Company’s continuing involvement with the assets transferred. Gains and losses stemming from transfers reported as sales, if any, would be included as realized gains (losses) within net investment income in the accompanying condensed consolidated statements of income.

In instances where a transfer of financial assets does not qualify for sale accounting, the accounting guidance requires that the transaction be accounted for as a collateralized borrowing. Accordingly, the related assets remain on the Company’s condensed consolidated balance sheets and continue to be reported and accounted for as if the transfer had not occurred. Cash proceeds from these transfers are reported as liabilities, with attributable interest expense recognized over the life of the related transactions.

Prior year changes in the presentation of condensed consolidated financial statements

The Company had previously included unearned premium ceded and loss and loss adjustment expenses recoverable in other assets in the condensed consolidated balance sheets and changes in these balances in the condensed consolidated statements of cash flows. These balances have grown and are now disclosed as separate line items in the condensed consolidated balance sheets and changes in these balances in the condensed consolidated statements of cash flows.

Recently issued accounting standards

Issued and effective as of September 30, 2018

In January 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). ASU 2016-01 is intended to provide users of financial statements with more useful information on the recognition, measurement, presentation and disclosure of financial instruments. The new standard affects all entities that hold financial assets or owe financial liabilities. ASU 2016-01 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. This new accounting standard did not have a material impact on the Company’s condensed consolidated financial statements since all of the Company’s investments are measured at fair market value as the Company's investments are classified as “trading securities” and therefore the change in unrealized gains (losses) are included in the consolidated statement of income (loss).

In August 2016, the FASB issued Accounting Standards Update 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15). ASU 2016-15 is intended to reduce diversity in practice and addresses eight specific issues in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. To date, the Company has not entered into any of the eight types of transactions addressed in ASU 2016-15. As a result, the adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18). ASU 2016-18 clarifies guidance on the classification and presentation of restricted cash in the statement of cash flows. Specifically, the Company should include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and cash equivalents. An entity with a material balance of amounts generally described as restricted cash and cash equivalents must disclose information about the nature of the restrictions. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and interim periods therein. As a result of the adoption of ASU 2016-18, the Company retrospectively classified its restricted cash and cash equivalents within the condensed consolidated statement of cash flows and has included additional disclosures in accordance with ASU 2016-18 in its condensed consolidated financial statements. Prior to adoption, changes in restricted cash had been presented within cash flow from investing activities. Consequently, the condensed consolidated statement of cash flows for the nine months ended September 30, 2017 includes adjustments to increase net cash used in investing activities by $178.4 million.

In May 2017, the FASB issued Accounting Standards Update 2017-09, Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting (ASU 2017-09). ASU 2017-09 is intended to reduce diversity in practice and subsequent to its adoption, an entity will not apply modification accounting as a result of changes to terms and conditions of a share-based payment award if certain conditions are met. The amendments in ASU 2017-09 are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. This new accounting standard did not have a material impact on the Company’s condensed consolidated financial statements.

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Issued but not yet effective as of September 30, 2018

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases (Topic 842): Section A - Leases, Section B - Conforming Amendments Related to Leases and Section C - Background Information and Basis for Conclusions (ASU 2016-02). ASU 2016-02 intends to improve financial reporting related to leasing transactions. The new standard affects all entities that lease assets such as real estate, airplanes and manufacturing equipment. ASU 2016-02 will require entities that lease assets, referred to as “lessees”, to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. ASU 2016-02 is effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company’s condensed consolidated financial statements as a result of the limited number of leases the Company currently has in place.

In July 2018, the FASB issued Accounting Standards Update 2018-10, Codification Improvements to Topic 842, Leases (ASU 2018-10) and Accounting Standards Update 2018-11, Leases (Topic 842): Targeted improvements (ASU 2018-11). These updates make improvements to clarify or to correct unintended application of guidance in ASC 842. Those items generally are not expected to have a significant effect on the Company. ASU 2018-10 and ASU 2018-11 will be effective when the Company adopts ASU 2016-02 in 2019.

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

In March 2017, the FASB issued Accounting Standards Update 2017-08, Premium Amortization on Purchased Callable Debt Securities (ASU 2017-08). ASU 2017-08 is intended to enhance the accounting for the amortization of premiums for purchased callable debt securities. The amendments are effective for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of this guidance on the Company’s condensed consolidated financial statements.

In July 2017, the FASB issued Accounting Standards Update 2017-11, (Part I) Accounting for Certain Financial Instruments With Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests With a Scope Exception (ASU 2017-11). ASU 2017-11 is intended to reduce the complexity associated with accounting for certain financial instruments with characteristics of liabilities and equity. Specifically, a down round feature would no longer cause a freestanding equity-linked financial instrument (or an embedded conversion option) to be accounted for as a derivative liability at fair value with changes in fair value recognized in current earnings. In addition, ASU 2017-11 re-characterizes the indefinite deferral of certain provisions of Topic 480 to a scope exception. The recharacterization has no accounting effect. The amendments are effective for interim and annual periods beginning after December 15, 2018. The Company does not currently have financial instruments with down round features, therefore, the Company does not expect any impact to the Company’s condensed consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13). ASU 2018-13 is intended to improve the effectiveness of fair value measurement disclosure requirements. The amendments are effective for interim and annual periods beginning after December 15, 2019. The Company is currently evaluating the impact of this guidance on the Company’s condensed consolidated financial statements.

3. Cash, cash equivalents, restricted cash and restricted investments

The following table provides a summary of cash and cash equivalents, restricted cash and restricted investments as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Cash and cash equivalents	$ 49,786	$ 8,197
Restricted cash securing letter of credit facilities (1)	180,524	250,487
Restricted cash securing reinsurance contracts (2)	400,610	290,649
Total cash, cash equivalents and restricted cash (3)	630,920	549,333
Restricted investments securing reinsurance contracts (2)	244,876	326,429
Total cash, cash equivalents, restricted cash and restricted investments	$ 875,796	$ 875,762

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

(2) Restricted cash and restricted investments securing other reinsurance contracts pertain to trust accounts securing the Company's contractual obligations under certain reinsurance contracts that the Company will not be released from until all underlying risks have expired or have been settled. Restricted investments include certain investments in debt securities including U.S. Treasury securities and sovereign debt. The time period for which the Company expects these trust accounts to be in place varies from contract to contract, but can last several years.

(3) Cash, cash equivalents and restricted cash as reported in the Company's condensed consolidated statements of cash flows.

4. Investments

On July 31, 2018, Third Point Re, Third Point Re BDA and Third Point Re USA entered into the Amended and Restated Exempted Limited Partnership Agreement ("LPA") of Third Point Enhanced LP ("TP Fund") with Third Point Advisors LLC ("TP GP") and others, effective August 31, 2018. In accordance with the LPA, TP GP serves as the general partner of TP Fund. TP GP is beneficially owned by Daniel S. Loeb, a founder of the Company, and certain members of his family. Pursuant to an Investment Management Agreement between Third Point LLC and TP Fund dated July 31, 2018 (the "TP Fund IMA"), Third Point LLC is the investment manager for TP Fund (the "Investment Manager"). In addition, on July 31, 2018, Third Point Re BDA and Third Point Re USA, together the "TPRE Limited Partners", and TP Fund executed a Subscription Agreement pursuant to which the TPRE Limited Partners transferred certain net investment assets and related liabilities (collectively referred to as the "LP Transaction") from their separate accounts to TP Fund, and TP Fund issued limited partner interests to the TPRE Limited Partners proportionate to and based on the net asset value transferred by each such entity on the applicable transfer date. Certain collateral assets consisting of debt securities and restricted cash were not transferred to TP Fund but are also managed by Third Point LLC under a separate investment management agreement. Substantially all of the net investment assets were transferred as of September 4, 2018. The Amended and Restated Joint Venture and Investment Management Agreement dated June 22, 2016 between Third Point Re, Third Point Re BDA, Third Point LLC and TP GP and the Amended and Restated Joint Venture and Investment Management Agreement dated June 22, 2016 between Third Point Re USA, Third Point Re (USA) Holdings Inc., Third Point LLC and TP GP (the "JV Agreements") will be terminated on the date that all net investment assets have been transferred to TP Fund under the Subscription Agreement. The TP Fund investment strategy, as implemented by Third Point LLC, is intended to achieve superior risk-adjusted returns by deploying capital in both long and short investments with favorable risk/reward characteristics across select asset classes, sectors and geographies. Third Point LLC identifies investment opportunities via a bottom-up, value-oriented approach to single security analysis supplemented by a top-down view of portfolio and risk management. Third Point LLC seeks dislocations in certain areas of the capital markets or in the pricing of particular securities and supplements single security analysis with an approach to portfolio construction that includes sizing each investment based on upside/downside calculations, all with a view towards appropriately positioning and managing overall exposures.

On August 30, 2018, Third Point Re BDA and Third Point Re USA entered into a Participation Agreement ("Participation Agreement") with TP Fund pursuant to which Third Point Re BDA and Third Point Re USA granted to TP Fund all of the rights, benefits, liabilities, duties and obligations of all net investment assets that had not yet been transferred to TP Fund pursuant to the Subscription Agreement as of the effective date. For the net investment assets that were not transferred on September 4, 2018, the TPRE Limited Partners received limited partnership interests in TP Fund in exchange for transferring the rights, benefits, liabilities, duties and obligations for those net investment assets to TP Fund under the Participation Agreement. Third Point Re BDA and Third Point Re USA are obligated to transfer any remaining net investment assets to TP Fund and a liability corresponding to the estimated fair value of net investment assets not transferred at September 30, 2018 has been recorded in the Company's condensed consolidated balance sheet. For the period from September 4, 2018 to September 30, 2018, $2.7 million of net investment loss in the Company's separate accounts was subject to the Participation Agreement and as a result, is included in net investment loss from investment in related party investment fund in the Company's condensed consolidated statements of income. As of September 30, 2018, the Company had $23.1 million of net investment assets that had not been transferred to TP Fund, primarily consisting of cash and balances due from brokers.

On July 31, 2018, Third Point Re BDA and Third Point Re USA entered into an investment management agreement with Third Point LLC (the "Collateral Assets IMA"), effective August 31, 2018, pursuant to which Third Point LLC serves as investment manager of certain collateral assets that will not be transferred to TP Fund. The Collateral Assets IMA will continue in effect for so long as either Third Point Re BDA or Third Point Re USA remains a limited partner of TP Fund. The collateral assets are presented in the condensed consolidated balance sheets within debt securities and restricted cash and are considered as part of total net investments managed by Third Point LLC.

Prior to transferring the financial assets and liabilities from the joint ventures to the TP Fund, the Company directly owned the investments held in its separate accounts that were managed by Third Point LLC. In addition, the joint ventures created through the JV Agreements were consolidated and the Company presented all of the underlying assets and liabilities held in the Company's name on the Company's condensed consolidated balance sheets and relevant footnote disclosures.

As a result of the changes described above, the Company's investment in TP Fund has been presented on the condensed consolidated balance sheets as an investment in a related party investment fund. The transfer of the net investment assets was accounted for as a sale in accordance with the Company's accounting policy for transfers of financial assets. Third Point Re BDA and Third Point Re USA received limited partnership interests in TP Fund corresponding to the fair value of the net investment assets transferred. The Company does not have continuing involvement with the transferred assets. There were no net gains or losses resulting from the transfer of net investment assets. For the three months ended September 30, 2018, $1.6 billion of net investment assets was transferred from the Company's separate investment accounts to TP Fund in exchange for limited partnership interests of the same amount, resulting in no gains or losses.

The following is a summary of the net investments managed by Third Point LLC as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Assets		
Total investments in securities, including investment in related party investment fund	$ 1,872,800	$ 2,995,097
Cash and cash equivalents	10,387	8
Restricted cash and cash equivalents	581,134	541,136
Due from brokers	12,853	305,093
Derivative assets, at fair value	—	73,372
Interest and dividends receivable	1,975	3,774
Total assets	2,479,149	3,918,480
Liabilities and noncontrolling interests in related party		
Accounts payable and accrued expenses	740	5,137
Securities sold, not yet purchased	—	394,278
Securities sold under an agreement to repurchase	—	29,618
Due to brokers	16	770,205
Derivative liabilities, at fair value	—	14,503
Participation agreement with related party investment fund	23,149	—
Interest and dividends payable	131	1,218
Total noncontrolling interests in related party (1)	—	113,626
Total liabilities and noncontrolling interests in related party	24,036	1,328,585
Total net investments managed by Third Point LLC	$ 2,455,113	$ 2,589,895

(1) See Note 19 for additional information.

5. Fair value measurements

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

- Level 1 – Quoted prices available in active markets/exchanges for identical investments as of the reporting date.
- Level 2 – Observable inputs to the valuation methodology other than unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 inputs include, but are not limited to, prices quoted for similar assets or liabilities in active markets/exchanges, prices quoted for identical or similar assets or liabilities in markets that are not active and fair values determined through the use of models or other valuation methodologies.
- Level 3 – Pricing inputs unobservable for the investment and include activities where there is little, if any, market activity for the investment. The inputs applied in the determination of fair value require significant management judgment and estimation.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. For example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.

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

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

Debt securities

U.S. Treasury securities and sovereign debt securities are primarily priced by obtaining broker dealer quotes and other market information including actual trade volumes, when available. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data. As the significant inputs used to price these securities are observable, the fair values of these investments are classified as Level 2.

Investments in funds valued at NAV

The Company values its investments in limited partnerships, including its investment in related party investment fund, at fair value. The Company has elected the practical expedient for fair value for these investments which is estimated based on the Company's share of the net asset value ("NAV") of the limited partnerships, as provided by the independent fund administrator. The NAV represents the Company's proportionate interest in the members' equity of the limited partnerships. The resulting net gains or net losses are reflected in the condensed consolidated statements of income (loss). These investments are included in investment in funds valued at NAV and excluded from the presentation of investments categorized by the level of the fair value hierarchy.

In order to assess the reasonableness of the NAVs, the Company performs a number of monitoring procedures on a monthly, quarterly and annual basis, to assess the quality of the information provided by the Investment Manager and fund administrator underlying the preparation of the NAV. These procedures include, but are not limited to, regular review and discussion of the fund's performance with the investment manager. However, the Company often does not have access to financial information relating to the underlying securities held within the TP Fund. Therefore, management is often unable to corroborate the fair values placed on the securities underlying the asset valuations provided by the Investment Manager or fund administrator.

Embedded derivatives

The Company has derivatives embedded in non-derivative host contracts that are required to be separated from the host contracts and accounted for at fair value with changes in fair value of the embedded derivative reported in other expenses. The Company's embedded derivatives relate to interest crediting features in certain reinsurance and deposit contracts that vary based on the returns on the Company's investments managed by Third Point LLC. The Company determines the fair value of the embedded derivatives using models developed by the Company. As the significant inputs used to price embedded derivatives are unobservable, these are classified as level 3.

The following table presents the Company's investments, categorized by the level of the fair value hierarchy as of September 30, 2018:

	September 30, 2018			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
U.S. Treasury securities	$—	$201,319	$ —	$201,319
Sovereign debt	—	43,557	—	43,557
Total debt securities	$—	$244,876	$ —	244,876
Investments in funds valued at NAV				1,628,120
Total assets				$1,872,996
Liabilities				
Derivative liabilities (embedded)	$—	$—	$ 110	$110
Total liabilities	$—	$—	$ 110	$110

Prior to the change in the investment account structure described above, the Company held other types of asset classes.

The following summarizes the Company's key valuation methodologies for securities also held and separately presented on the Company's consolidated balance sheets as of December 31, 2017:

As the Company's investment manager under the prior investment structure, Third Point LLC had a formal valuation policy that set forth the pricing methodology for investments to be used in determining the fair value of each security in the Company's portfolio. The valuation policy was updated and approved at least on an annual basis by Third Point LLC's valuation committee (the "Committee"). The Committee met monthly and was comprised of officers and employees who were senior business management personnel of Third Point LLC. The Committee's role was to review and verify the propriety and consistency of the valuation methodology to determine the fair value of investments. The Committee also reviewed any due diligence performed and approved any changes to current or potential external pricing vendors.

Equity securities

Securities listed on a national securities exchange or quoted on NASDAQ were valued at their last sales price as of the last business day of the period. Listed securities with no reported sales on such date and over-the-counter ("OTC") securities were valued at their last closing bid price if held long by the Company, and last closing ask price if held short by the Company. As of December 31, 2017, securities valued at $234.4 million, representing 7.6% of investments in securities and derivative assets, and $2.1 million, representing 0.5% of securities sold, not yet purchased and derivative liabilities, were valued based on broker quotes.

As of December 31, 2017, the Company had $83.4 million of investments fair valued by Third Point LLC, representing approximately 2.7% of total investments in securities and derivative assets. As a result of the inherent uncertainty of valuation for private securities, the estimated fair value may differ materially from the value that would have been used had a ready market existed for these investments. The actual value at which these securities could be sold or settled with a willing buyer or seller may differ from the Company's estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

Debt securities

The key inputs for corporate, government and sovereign bond valuation were coupon frequency, coupon rate and underlying bond spreads. The key inputs for asset-backed securities ("ABS") were yield, probability of default, loss severity and prepayment.

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Other investments

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

Free standing derivatives

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

Key inputs for OTC valuations varied based on the type of underlying security on which the contract was written:

- The key inputs for most OTC option contracts included notional, strike price, maturity, payout structure, current foreign exchange forward and spot rates, current market price of the underlying security and volatility of the underlying security.
- The key inputs for most forward contracts included notional, maturity, forward rate, spot rate, various interest rate curves and discount factor.
- The key inputs for swap valuation varied based on the type of underlying security on which the contract was written. Generally, the key inputs for most swap contracts included notional, swap period, fixed rate, credit or interest rate curves, current market or spot price of the underlying security and the volatility of the underlying security.

The following table presents the Company’s investments, categorized by the level of the fair value hierarchy as of December 31, 2017:

	December 31, 2017			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Equity securities	$2,200,379	$ 20,751	$ —	$2,221,130
Private common equity securities	—	—	4,794	4,794
Private preferred equity securities	—	—	57,126	57,126
Total equities	2,200,379	20,751	61,920	2,283,050
Asset-backed securities	—	198,191	27,308	225,499
Bank debt	—	14,550	—	14,550
Corporate bonds	—	67,218	9,868	77,086
U.S. Treasury securities	—	249,994	—	249,994
Sovereign debt	—	102,569	—	102,569
Other debt securities	—	4,747	713	5,460
Total debt securities	—	637,269	37,889	675,158
Options	1,973	2,978	—	4,951
Rights and warrants	—	168	435	603
Real estate	—	—	6,831	6,831
Trade claims	—	7,496	—	7,496
Total other investments	1,973	10,642	7,266	19,881
Derivative assets (free standing)	—	73,372	—	73,372
	$2,202,352	$ 742,034	$ 107,075	3,051,461
Investments in funds valued at NAV				17,850
Total assets				$3,069,311
Liabilities				
Equity securities	$364,215	$ —	$ —	$364,215
Corporate bonds	—	21,699	—	21,699
Options	2,668	5,696	—	8,364
Total securities sold, not yet purchased	366,883	27,395	—	394,278
Derivative liabilities (free standing)	—	12,418	2,085	14,503
Derivative liabilities (embedded)	—	—	171	171
Total liabilities	$366,883	$ 39,813	$ 2,256	$408,952

During the nine months ended September 30, 2018, the Company made $nil (December 31, 2017 - $nil) of reclassifications of assets or liabilities between Levels 1 and 2.

The total change in unrealized gains (losses) on equity and debt securities held at the three months ended September 30, 2018 were $nil and $(1.6) million, respectively (2017 - $47.7 million and $(6.9) million, respectively).

The total change in unrealized gains (losses) on equity and debt securities held at the nine months ended September 30, 2018 were $nil and $(6.9) million, respectively (2017 - $214.5 million and $(88.2) million, respectively).

The following table presents the reconciliation of all investments measured at fair value using Level 3 inputs for the three and nine months ended September 30, 2018 and 2017:

	July 1, 2018	Transfers in to (out of) Level 3	Purchases	Sales [1]	Realized and Unrealized Gains (Losses) [2]	September 30, 2018
Assets						
Private common equity securities	$4,362	$ —	$ 533	$(4,714)	$ (181)	$ —
Private preferred equity securities	56,769	—	37,774	(93,666)	(877)	—
Asset-backed securities	28,139	—	7,348	(35,515)	28	—
Corporate bonds	9,968	—	869	(10,976)	139	—
Rights and warrants	424	—	97	(712)	191	—
Real estate	7,351	—	—	(6,664)	(687)	—
Derivative assets (free standing)	6,886	—	—	(7,646)	760	—
Total assets	$113,899	$ —	$ 46,621	$(159,893)	$ (627)	$ —
Liabilities						
Derivative liabilities (free standing)	$(1,839)	$ —	$ —	$1,823	$ 16	$ —
Derivative liabilities (embedded)	(164)	—	—	—	54	(110)
Total liabilities	$(2,003)	$ —	$ —	$1,823	$ 70	$ (110)

	January 1, 2018	Transfers in to (out of) Level 3	Purchases	Sales [1]	Realized and Unrealized Gains (Losses) [2]	September 30, 2018
Assets						
Private common equity securities	$4,794	$ —	$ 567	$(4,726)	$ (635)	$ —
Private preferred equity securities	57,126	—	38,376	(91,065)	(4,437)	—
Asset-backed securities	27,308	—	35,905	(60,906)	(2,307)	—
Corporate bonds	9,868	—	1,372	(11,763)	523	—
Other debt securities	713	—	—	(913)	200	—
Rights and warrants	435	—	753	(1,380)	192	—
Real estate	6,831	—	—	(6,817)	(14)	—
Total assets	$107,075	$ —	$ 76,973	$(177,570)	$ (6,478)	$ —
Liabilities						
Derivative liabilities (free standing)	$(2,085)	$ —	$ —	$1,797	$ 288	$ —
Derivative liabilities (embedded)	(171)	—	—	—	61	(110)
Total liabilities	$(2,256)	$ —	$ —	$1,797	$ 349	$ (110)

	July 1, 2017	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains (Losses) (2)	September 30, 2017
Assets						
Private common equity securities	$4,775	$—	$ —	$—	$ (1)	$ 4,774
Private preferred equity securities	50,759	—	2,095	(1,607)	1,439	52,686
Asset-backed securities	35,711	(8,759)	23,320	(24,581)	(3,899)	21,792
Bank debt	10,246	—	—	—	475	10,721
Corporate bonds	9,095	(236)	1,183	(198)	(159)	9,685
Other debt securities	3,312	—	5,120	(3,307)	2,143	7,268
Rights and warrants	—	2	—	—	—	2
Real estate	—	—	2,357	—	398	2,755
Total assets	$113,898	$(8,993)	$ 34,075	$(29,693)	$ 396	$ 109,683
Liabilities						
Derivative liabilities (free standing)	$(1,367)	$—	$ —	$—	$ (798)	$ (2,165)
Derivative liabilities (embedded)	(180)	—	—	—	—	(180)
Total liabilities	$(1,547)	$—	$ —	$—	$ (798)	$ (2,345)

	January 1, 2017	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains (Losses) (2)	September 30, 2017
Assets						
Private common equity securities	$4,799	$—	$ —	$—	$ (25)	$ 4,774
Private preferred equity securities	48,834	—	3,034	(2,102)	2,920	52,686
Asset-backed securities	17,628	16,437	57,346	(56,947)	(12,672)	21,792
Bank debt	8,350	—	4	(310)	2,677	10,721
Corporate bonds	9,255	(262)	1,211	(719)	200	9,685
Other debt securities	—	—	5,120	—	2,148	7,268
Rights and warrants	—	2	—	—	—	2
Real estate	—	—	2,357	—	398	2,755
Total assets	$88,866	$16,177	$ 69,072	$(60,078)	$ (4,354)	$ 109,683
Liabilities						
Derivative liabilities (free standing)	$(1,326)	$—	$ —	$(38)	$ (801)	$ (2,165)
Derivative liabilities (embedded)	(92)	—	—	—	(88)	(180)
Total liabilities	$(1,418)	$—	$ —	$(38)	$ (889)	$ (2,345)

(1) Sales of investments measured at fair value using Level 3 inputs include the impact of the LP Transaction as described in Note 4.

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

Total change in unrealized gains (losses) on fair value of assets using significant unobservable inputs (Level 3) held at the three and nine months ended September 30, 2018 were $nil and $nil, respectively (2017 - $0.1 million and $(3.2) million, respectively).

For assets and liabilities that were transferred into Level 3 during the period, gains (losses) are presented as if the assets or liabilities had been transferred into Level 3 at the beginning of the period; similarly, for assets and liabilities that were transferred out of Level 3 during the period, gains (losses) are presented as if the assets or liabilities had been transferred out of Level 3 at the beginning of the period.

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Prior to the change in the Company's investment account structure, the Company used the following significant unobservable inputs in determining the fair value of the Level 3 investments held by the Company as of December 31, 2017. Level 3 investments not presented in the table below were insignificant or do not have any unobservable inputs to disclose, as they were valued primarily using dealer quotes or at cost.

December 31, 2017

Assets	Fair value	Valuation technique	Unobservable input	Range	
Private equity investments	$37,507	Market approach	Volatility	35.0% - 65.0%	
			Time to exit	0.5 - 1.8 years	
			Multiple	7.8 - 24.4x	
Real estate	6,831	Discounted cash flow	Discount rate	9.5	%
			Capitalization rate	6.5% - 10.0%	
Other debt securities	713	Discounted cash flow	Capitalization rate	10.0	%
Rights and warrants	433	Discounted cash flow	Discount rate	13.5	%
			Time to exit	5.0 years	
		Market approach	Multiple	3.8 - 4.6x	

Private equity investments

The Company measured the fair value of these investments using a market approach which typically utilizes guideline comparable company trading multiples and/or a discounted cash flow analysis. Under the guideline comparable company multiples approach, the Company determines comparable public companies based on industry, size, developmental stage, strategy, etc., and then calculates a trading multiple for each comparable company. The trading multiple may then be discounted for various considerations as appropriate. The concluded multiple is then applied to the subject company to calculate the value of the subject company. The discounted cash flow model involves using the financial information of the portfolio companies to develop revenue and income projections for the subject company for future years based on information on growth rates relative to the company's development stage. The enterprise value of the subject company is calculated by discounting the projected cash flows and the terminal value to net present value. The fair value of the company's debt was reduced from the enterprise value to determine the equity value.

Real estate and other debt securities

The values of the investments were based upon available information concerning the market for real estate property investments and the underlying assets of the other debt investments. The valuation methods included, but were not limited to, the following: (1) forecasts of future net cash flows based on the Investment Manager's analysis of future earnings from the investment plus anticipated net proceeds from the sale, disposition or resolution of the investment; (2) discounted earnings multiples applied to stabilized income or adjusted earnings from the investment; (3) recent sales of comparable investments.

Rights and warrants

The values of the investments were based on the valuation techniques discussed in private equity investments above as they relate to the same underlying securities.

For the nine months ended September 30, 2018 and 2017, there were no changes in the valuation techniques as they relate to the above.

6. Securities sold under an agreement to repurchase

Prior to the change in the Company's investment account structure described in Note 4, the Company had entered into repurchase and reverse repurchase agreements with financial institutions in which the financial institution agreed to resell or repurchase securities and the Company agreed to repurchase or resell such securities at a mutually agreed price upon maturity. These agreements were generally collateralized by corporate or government bonds or asset-backed securities. As the Company held only repurchase agreements as of December 31, 2017, these positions were not impacted by counterparty netting agreements. Interest payable and receivable related to these transactions were included

in interest payable and receivable in the condensed consolidated balance sheets. Generally, repurchase and reverse repurchase agreements matured within 30 to 90 days. The Company may lend securities for securities lending transactions or pledged securities and/or cash for securities borrowed transactions. The value of any securities loaned was reflected in investments in securities. Any collateral received was reflected in due to brokers in the condensed consolidated balance sheets as of December 31, 2017.

As a result of the investment account structure change, there were no repurchase and reverse repurchase agreements directly held by the Company as of September 30, 2018. The following table presents the contractual maturity of the repurchase agreements by class of collateral pledged as of December 31, 2017:

December 31, 2017	Overnights and continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
Repurchase agreements					
Asset-backed securities	$ —	$10,774	$18,844	$ —	$29,618

7. Due from/to brokers

Prior to the change in the Company's investment account structure described in Note 4, the Company held substantially all of its investments through prime brokers pursuant to agreements between the Company and each prime broker. As of September 30, 2018, a net balance of $12.8 million was not transferred to TP Fund and as a result, remains on the Company's condensed consolidated balance sheet and is subject to the Participation Agreement as described in Note 4.

The brokerage arrangements differed from broker to broker, but generally cash and investments in securities were available as collateral against investments in securities sold, not yet purchased and derivative positions, if required. As of September 30, 2018 and December 31, 2017, the Company's due from/to brokers were comprised of the following:

	September 30, 2018	December 31, 2017
Due from brokers		
Cash held at brokers	$ 8,316	$ 295,467
Receivable from unsettled trades (1)	4,537	9,626
	$ 12,853	$ 305,093
Due to brokers		
Borrowing from prime brokers	$ 16	$ 759,267
Payable from unsettled trades	—	10,938
	$ 16	$ 770,205

(1) Receivables relating to securities sold by the Company were recorded as receivable from unsettled trades in due from brokers in the Company's condensed consolidated balance sheets.

Due from/to brokers included cash balances maintained with the Company's prime brokers, receivables and payables from unsettled trades and proceeds from securities sold, not yet purchased. In addition, due from/to brokers included cash collateral received and posted from OTC and repurchase agreement counterparties. As of December 31, 2017, the Company's borrowing from prime brokers included a total non-U.S. currency balance of $70.1 million.

Prior to the investment account structure change, the Company used prime brokerage borrowing arrangements to provide collateral for its letter of credit facilities and to fund trust accounts securing certain reinsurance contracts. As of December 31, 2017, the Company had $867.6 million of restricted cash and investments securing letter of credit facilities and certain reinsurance contracts. Margin debt balances were collateralized by cash held by the broker and certain of the Company's securities. Margin interest was paid either at the daily broker call rate or based on London Inter-bank Offered Rate. Amounts were borrowed through committed facilities with terms of up to 90 days, secured by assets of the Company held by the prime broker, and incurred interest based on the Company's negotiated rates. This interest expense was reflected in net investment income (loss) in the condensed consolidated statements of income (loss).

8. Derivatives

Prior to the change in the Company's investment account structure described in Note 4, the Company entered into derivative contracts. The following tables identify the listing currency, fair value and notional amounts of derivative instruments included in the condensed consolidated balance sheets as of September 30, 2018 and December 31, 2017, categorized by primary underlying risk. Balances are presented on a gross basis.

	As of September 30, 2018		
	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Liabilities by Primary Underlying Risk			
Embedded derivative liabilities in reinsurance contracts (3)	USD	$ 110	$ 20,000
Total Derivative Liabilities (embedded)		$ 110	$ 20,000

	As of December 31, 2017		
	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Assets by Primary Underlying Risk			
Credit			
Credit Default Swaps - Protection Purchased	USD	$ 8,205	$ 50,593
Total Return Swaps - Long Contracts	EGP	25,245	25,245
Equity Price			
Contracts for Differences - Long Contracts	BRL/CHF/EUR/USD	17,298	163,868
Contracts for Differences - Short Contracts	DKK/NOK/SEK/USD	4,384	31,992
Total Return Swaps - Long Contracts	BRL/USD	15,936	96,388
Total Return Swaps - Short Contracts	USD	1	—
Interest Rates			
Interest Rate Swaptions	JPY	539	64,950
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	HKD /JPY	1,764	511,937
Total Derivative Assets		$ 73,372	$ 944,973

	Listing currency (1)	Fair Value	Notional Amounts (2)
Derivative Liabilities by Primary Underlying Risk			
Credit			
Credit Default Swaps - Protection Purchased	USD	$ 1,250	$ 19,418
Credit Default Swaps - Protection Sold	USD	2,085	2,351
Equity Price			
Contracts for Differences - Long Contracts	BRL/EUR/USD	2,200	93,200
Contracts for Differences - Short Contracts	DKK/EUR/USD	776	8,483
Total Return Swaps - Long Contracts	BRL/USD	73	50,858
Total Return Swaps - Short Contracts	USD	1,885	52,657
Interest Rates			
Interest Rate Swaptions	JPY	70	64,482
Foreign Currency Exchange Rates			
Foreign Currency Forward Contracts	BRL/CHF/CNH/EUR/HKD/SAR	6,164	573,498
Total Derivative Liabilities (free standing)		$ 14,503	$ 864,947

Embedded derivative liabilities in reinsurance contracts (3)	USD	$171	$20,000
Total Derivative Liabilities (embedded)		$171	$20,000

(1) BRL = Brazilian Real, CHF = Swiss Franc, CNH = Chinese Yuan, DKK = Danish Krone, EGP = Egyptian Pound, EUR = Euro, HKD = Hong Kong Dollar, JPY = Japanese Yen, NOK = Norwegian Krone, SAR = Saudi Arabian Riyal, SEK = Swedish Krona, USD = US Dollar.

(2) The absolute notional exposure represents the Company’s derivative activity as of September 30, 2018 and December 31, 2017, which is representative of the volume of derivatives held during the period.

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

The following table sets forth, by major risk type, the Company's realized and unrealized gains (losses) relating to derivatives for the three and nine months ended September 30, 2018 and 2017. Realized and unrealized gains (losses) for the three and nine months ended September 30, 2018 include activity in the separate accounts up to the date of change in the investment structure described in Note 4. Realized and unrealized gains (losses) related to free standing derivatives are included in net investment income (loss) in the condensed consolidated statements of income (loss). Realized and unrealized gains (losses) related to embedded derivatives are included in other expenses in the condensed consolidated statements of income (loss).

	Three months ended			
	September 30, 2018		September 30, 2017	
Free standing Derivatives - Primary Underlying Risk	Realized Gain (Loss)	Unrealized Gain (Loss)*	Realized Gain (Loss)	Unrealized Gain (Loss)*
Credit				
Credit Default Swaps - Protection Purchased	$(2,439)	$ 2,943	$2,824	$ (4,059)
Credit Default Swaps - Protection Sold	(463)	452	(26)	(288)
Total Return Swaps - Long Contracts	1,667	(824)	—	1,506
Equity Price				
Contracts for Differences - Long Contracts	7,164	(5,914)	5,021	13,949
Contracts for Differences - Short Contracts	(1,141)	(1,533)	(511)	(1,219)
Total Return Swaps - Long Contracts	(768)	—	4,655	5,455
Total Return Swaps - Short Contracts	(956)	—	(2,732)	(4,519)
Interest Rates				
Interest Rate Swaps	—	—	(7)	—
Interest Rate Swaptions	(1,819)	1,629	—	(512)
Sovereign Futures - Short Contracts	(605)	644	(139)	1,284
Total Return Swaps - Long Contracts	(7,569)	3,277	—	—
Foreign Currency Exchange Rates				
Foreign Currency Forward Contracts	6,785	(6,038)	(1,863)	(609)
Foreign Currency Options - Purchased	567	(469)	(529)	3
Foreign Currency Options - Sold	(286)	292	1	(2)
	$137	$ (5,541)	$6,694	$ 10,989
Embedded Derivatives				
Embedded derivatives in reinsurance contracts	$—	$ 54	$—	$ —
Total Derivative Liabilities (embedded)	$—	$ 54	$—	$ —

Free standing Derivatives - Primary Underlying Risk	Nine months ended September 30, 2018 Realized Gain (Loss)	Unrealized Gain (Loss)*	September 30, 2017 Realized Gain (Loss)	Unrealized Gain (Loss)*
Credit				
Credit Default Swaps - Protection Purchased	$(3,557)	$921	$359	$(4,029)
Credit Default Swaps - Protection Sold	(333)	744	11	(347)
Total Return Swaps - Long Contracts	3,486	(2,000)	(29)	1,469
Equity Price				
Contracts for Differences - Long Contracts	32,471	(15,098)	51,946	20,636
Contracts for Differences - Short Contracts	4,569	(3,608)	(4,716)	1,726
Total Return Swaps - Long Contracts	16,791	(15,864)	8,517	14,002
Total Return Swaps - Short Contracts	(17,329)	1,883	(6,475)	(3,731)
Interest Rates				
Interest Rate Swaps	—	—	(3,104)	(1,740)
Interest Rate Swaptions	(1,819)	1,228	522	(2,854)
Sovereign Future Options - Long Contracts	403	—	—	—
Sovereign Future Options - Short Contracts	50	—	—	—
Sovereign Futures - Long Contracts	639	—	—	—
Sovereign Futures - Short Contracts	(1,166)	—	(8,795)	1,942
Total Return Swaps - Long Contracts	(7,569)	—	—	—
Foreign Currency Exchange Rates				
Foreign Currency Forward Contracts	(2,849)	4,403	(11,898)	(1,877)
Foreign Currency Future Options - Purchased	(108)	—	—	—
Foreign Currency Options - Purchased	5,138	—	(6,716)	1,165
Foreign Currency Options - Sold	(771)	—	2,185	(82)
	$28,046	$(27,391)	$21,807	$26,280
Embedded Derivatives				
Embedded derivatives in reinsurance contracts	$—	$61	$—	$(88)
Total Derivative Liabilities (embedded)	$—	$61	$—	$(88)

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

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

The Company obtained/provided collateral from/to various counterparties for OTC derivative and futures contracts in accordance with bilateral collateral agreements. During the period ended December 31, 2017, no termination events were triggered under the ISDA Master Agreements. As of December 31, 2017, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $3.6 million for which the Company posted collateral in the form of cash of $103.0 million in the normal course of business. Similarly, the Company held collateral in cash from certain counterparties as of December 31, 2017. If the credit-risk-related contingent features underlying these instruments had been triggered as of December 31, 2017 and the Company had to settle these instruments immediately, no additional amounts would be required to be posted that would exceed the settlement amounts of open derivative contracts or in the case of cross margining relationships, the assets in the Company’s prime brokerage accounts were sufficient to offset the derivative liabilities.

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

The Company had pledged cash collateral to counterparties to support the current value of amounts due to the counterparties based on the value of the underlying security. As of December 31, 2017, the gross and net amounts of derivative instruments and repurchase agreements that were subject to enforceable master netting arrangements or similar agreements were as follows:

		Amounts not Offset in the Condensed Consolidated Balance Sheet		
December 31, 2017 Derivative Contracts	Gross Amount (1)	Financial Instruments	Cash Collateral Received	Net Amount
Financial assets, derivative assets and collateral received				
Counterparty 1	$167	$ 167	$ —	$—
Counterparty 2	1,343	706	—	637
Counterparty 3	37,313	2,705	—	34,608
Counterparty 4	2,683	2,683	—	—
Counterparty 5	14,798	6,647	—	8,151
Counterparty 6	5,338	9	2,122	3,207
Counterparty 7	1,377	—	1,100	277
Counterparty 8	12,628	2,963	—	9,665
Counterparty 9	703	703	—	—
	$76,350	$ 16,583	$ 3,222	$56,545

		Amounts not Offset in the Condensed Consolidated Balance Sheet		
December 31, 2017 Derivative Contracts	Gross Amount (2)	Financial Instruments	Cash Collateral Pledged	Net Amount
Financial liabilities, derivative liabilities and collateral pledged				
Counterparty 1	$1,340	$ 167	$ 1,173	$—
Counterparty 2	706	706	—	—
Counterparty 3	2,705	2,705	—	—
Counterparty 4	3,812	2,683	1,129	—
Counterparty 5	6,647	6,647	—	—
Counterparty 6	9	9	—	—
Counterparty 8	2,963	2,963	—	—
Counterparty 9	1,181	703	478	—
Counterparty 15	836	—	732	104
	$20,199	$ 16,583	$ 3,512	$104
Securities sold under an agreement to repurchase				
Counterparty 4	$29,618	$ 29,618	$ —	$—
	$29,618	$ 29,618	$ —	$—

(1) The gross amounts of assets presented in the condensed consolidated balance sheets presented above includes the fair value of derivative contract assets as well as gross OTC option contract assets of $3.0 million included in other investments in the condensed consolidated balance sheets.

(2) The gross amounts of liabilities presented in the condensed consolidated balance sheets presented above includes the fair value of derivative contract liabilities as well as gross OTC option contract liabilities of $5.7 million included in securities sold, not yet purchased in the condensed consolidated balance sheets.

9. Loss and loss adjustment expense reserves

As of September 30, 2018 and December 31, 2017, loss and loss adjustment expense reserves in the condensed consolidated balance sheets was comprised of the following:

	September 30, 2018	December 31, 2017
Case loss and loss adjustment expense reserves	$ 120,714	$ 115,622
Incurred but not reported loss and loss adjustment expense reserves	701,005	604,260
Deferred gains on retroactive reinsurance contracts	461	688
	$ 822,180	$ 720,570

The following table represents the activity in the loss and loss adjustment expense reserves for the nine months ended September 30, 2018 and 2017:

	September 30, 2018	September 30, 2017
Gross reserves for loss and loss adjustment expenses, beginning of period	$ 720,570	$ 605,129
Less: loss and loss adjustment expenses recoverable, beginning of period	(1,113)	(1)
Net reserves for loss and loss adjustment expenses, beginning of period	719,457	605,128
Increase (decrease) in net loss and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	254,265	295,379
Prior years (1)	11,061	(24,830)
Total incurred loss and loss adjustment expenses	265,326	270,549
Net loss and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(58,652)	(47,655)
Prior years	(103,572)	(145,550)
Total net paid losses	(162,224)	(193,205)
Foreign currency translation	(5,715)	15,310
Net reserves for loss and loss adjustment expenses, end of period	816,844	697,782
Plus: loss and loss adjustment expenses recoverable, end of period	1,576	1,587
Plus: deferred charges on retroactive reinsurance contracts	3,760	—
Gross reserves for loss and loss adjustment expenses, end of period	$ 822,180	$ 699,369

(1) In the period ended June 30, 2018, the Company started including the amortization of deferred gains on retroactive reinsurance contracts in prior year loss development. This line item was previously presented separately in the loss reserves roll forward presented above. The prior year presentation has been adjusted to conform to the current year presentation.

Changes in the Company’s loss and loss adjustment expense reserves result from re-estimating loss reserves and from changes in premium earnings estimates. Furthermore, many of the Company’s contracts have sliding scale or profit commissions whereby loss reserve development can be offset by changes in acquisition costs that vary inversely with loss experience. In some instances, the Company can have loss reserve development on contracts where there is no sliding scale or profit commission or where the loss ratio falls outside of the loss ratio range to which the sliding scale or profit commission applies.

The $11.1 million net increase in prior years’ reserves for the nine months ended September 30, 2018 includes a $18.2 million increase in loss reserves resulting from increases in premium earnings estimates on certain contracts, partially offset by $7.1 million of net favorable reserve development related to decreases in loss reserve estimates. The net increase in loss reserves as well as the impact of any offsetting changes in acquisition costs as a result of sliding scale or profit commissions is explained as follows:

- The $18.2 million net increase in loss and loss adjustment expenses incurred resulting from increases in premium earnings estimates was accompanied by a $6.1 million increase in acquisition costs, for a total of $24.3 million increase in loss and loss adjustment expenses incurred and acquisition costs. The increase in loss and loss adjustment expenses incurred and acquisition costs was due to an increase in prior period earned premium of $25.6 million. The increase in prior period earned premium was the result of changes in ultimate premium and earning pattern estimates. The net impact was a $1.3 million improvement in the net underwriting results for the nine months ended September 30, 2018.
- The $7.1 million of net favorable prior years' reserve development for the nine months ended September 30, 2018 was accompanied by net increases of $2.3 million in acquisition costs, resulting in a $4.8 million improvement in the net underwriting results, primarily due to:
- $12.7 million of net favorable underwriting loss development relating to workers' compensation contracts, multi-line contracts and credit and financial lines contracts. The favorable development was the result of better than expected loss experience and was partially offset by
- $7.4 million of net adverse underwriting loss development primarily relating to our Florida homeowners' quota share reinsurance contracts. This development is a result of higher than anticipated water damage claims and an increase in the practice of assignment of benefits whereby homeowners assign their rights for filing and settling claims to attorneys and public adjusters. This practice has led to increases in the frequency of claims reported as well as the severity of losses and loss adjustment expenses.
- In total, the change in net underwriting loss for prior periods due to loss reserve development and adjustments to premium earnings estimates resulted in a $6.1 million improvement in the net underwriting results for the nine months ended September 30, 2018.

As of September 30, 2018, the Company had an unamortized deferred charge of $3.8 million (December 31, 2017 - $nil) relating to retroactive reinsurance contracts. Deferred charge on retroactive contracts are recorded in other assets on the Company's condensed consolidated balance sheet.

The $24.8 million net decrease in prior years' reserves, which includes $1.4 million for the amortization of deferred gains, for the nine months ended September 30, 2017 includes $31.7 million of net favorable reserve development related to decreases in loss reserve estimates, partially offset by $6.9 million of additional loss reserves resulting from increases in premium earnings estimates on certain contracts. The net decrease in loss reserves as well as the impact of any offsetting changes in acquisition costs as a result of sliding scale or profit commissions is explained as follows:

- The $31.7 million of net favorable prior years' reserve development for the nine months ended September 30, 2017 was primarily a result of having favorable loss development on certain retroactive reinsurance contracts. These retroactive reinsurance contracts had profit commission terms such that the favorable reserve development associated with these contracts was offset by similar increases in acquisition costs. The total net increases in acquisition costs associated with the prior year loss development for the nine months ended September 30, 2017 was $31.7 million, resulting in minimal impact in the net underwriting loss.
- The $6.9 million increase in loss and loss adjustment expenses incurred related to the increase in premium earnings estimates on certain contracts was accompanied by minimal increases in acquisition costs. The related increase in earned premium related to the increase in premium earnings estimates was $8.1 million, resulting in a $1.2 million improvement in the net underwriting results for the nine months ended September 30, 2017.
- In total, the change in net underwriting loss for prior periods due to loss reserve development and adjustments to premium earnings estimates resulted in a $1.2 million improvement in the net underwriting results for the nine months ended September 30, 2017.

10. Reinsurance premiums ceded

From time to time, the Company purchases retrocessional coverage for one or more of the following reasons: to manage its overall exposure, to reduce its net liability on individual risks, to obtain additional underwriting capacity and to

balance its underwriting portfolio. Additionally, retrocession can be used as a mechanism to share the risks and rewards of business written and therefore can be used as a tool to align the Company's interests with those of its counterparties. In the nine months ended September 30, 2018, the Company entered into a quota share contract that provides coverage for recovery of a portion of its mortgage assumed reinsurance contracts. Premiums ceded for the three and nine months ended September 30, 2018 were $nil and $18.1 million, respectively (2017 - $nil and $2.6 million, respectively). Loss and loss adjustment expenses recoverable from the retrocessionaire are recorded as assets. Retrocession contracts do not relieve the Company from its obligations to the insureds. Failure of retrocessionaires to honor their obligations could result in losses to the Company. As of September 30, 2018, the Company had loss and loss adjustment expenses recoverable of $1.6 million (December 31, 2017 - $1.1 million). The Company generally obtains retrocessional coverage from companies rated "A-" or better by A.M. Best Company, Inc. unless the retrocessionaire's obligations are collateralized.

11. Management and performance fees

Prior to the change in the Company's investment account structure described in Note 4, Third Point Re, Third Point Re BDA, TPRUSA and Third Point Re USA were parties to the JV Agreements with Third Point LLC and TP GP under which Third Point LLC managed certain jointly held assets. Effective August 31, 2018, Third Point Re, Third Point Re BDA and Third Point Re USA entered into a LPA with TP GP, pursuant to which Third Point Re BDA and Third Point Re USA invested in the TP Fund.

Management fees

Pursuant to both the JV Agreements and the LPA, Third Point LLC is entitled to receive monthly management fees. Prior to the change in the Company's investment account structure, management fees were calculated based on 1.5% of the net investments managed by Third Point LLC. As a result of the LPA effective August 31, 2018, management fees are charged at the TP Fund level and are calculated based on 1.5% of the investment in TP Fund and multiplied by an exposure multiplier computed by dividing the average daily investment exposure leverage of the TP Fund by the average daily investment exposure leverage of the Third Point Offshore Master Fund L.P. ("Offshore Master Fund"). Third Point LLC also serves as the investment manager for the Offshore Master Fund.

Performance fees

Pursuant to both the JV Agreements and the LPA, TP GP receives a performance fee allocation. Prior to the change in the Company's investment account structure, the performance fee allocation was equal to 20% of the net investment income of the applicable company's share of the net investment assets managed by Third Point LLC. As a result of the LPA effective August 31, 2018, the performance fee allocation is equal to 20% of the Company's investment income in the related party investment fund.

Prior to the change in the investment account structure, the performance fee accrued on net investment income was included in liabilities as a performance fee payable to related party during the period, unless funds were redeemed from the TPRE Limited Partners' accounts, in which case, the proportionate share of performance fee associated with the redemption amount was earned and allocated to TP GP's capital account and recorded as an increase in noncontrolling interests in related party. At the end of each year, the remaining portion of the performance fee payable that had not been included in noncontrolling interests in related party was earned and then allocated to TP GP's capital account.

As a result of the LPA effective August 31, 2018, the performance fee is included as part of "Investment in related party investment fund" on the Company's condensed consolidated balance sheet since the fees are charged at the TP Fund level.

The performance fee is subject to a loss carryforward provision pursuant to which TP GP is required to maintain a loss recovery account, which represents the sum of all prior period net loss amounts, not offset by prior year net profit amounts, and that is allocated to future profit amounts until the loss recovery account has returned to a positive balance. Until such time, no performance fees are payable.

For the three and nine months ended September 30, 2018, management and performance fees to related parties in the condensed consolidated statements of income (loss) include activity in the separate accounts up to the date of change

in the investment account structure. As a result of the LPA effective August 31, 2018, management and performance fees for the three and nine months ended September 30, 2018 are presented within net investment income from investment in related party investment fund in the condensed consolidated statements of income.

The total management and performance fees to related parties, including our share of fees paid in connection with our investment in TP Fund, for the three and nine months ended September 30, 2018 were as follows:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Management fees - Third Point LLC	$6,387	$ 9,507	$25,797	$ 26,751
Performance fees - Third Point Advisors LLC	(1,082)	21,041	4,048	76,428
Management and performance fees to related parties as reported in the Company's condensed consolidated statement of income	5,305	30,548	29,845	103,179
Management and performance fees included in net investment income from investment in related party investment fund	2,352	—	2,352	—
Total management and performance fees to related parties	$7,657	$ 30,548	$32,197	$ 103,179

As of December 31, 2017, $94.0 million related to performance fees earned by TP GP were included in noncontrolling interests in related party. See Note 19 for additional information. As of September 4, 2018, the date when substantially all of the Company's investments were transferred to TP Fund, $3.4 million of performance fees payable to TP GP were also transferred to TP Fund.

12. Deposit accounted contracts

The following table represents activity for the deposit contracts for the nine months ended September 30, 2018 and year ended December 31, 2017:

	September 30, 2018	December 31, 2017
Balance, beginning of period	$ 129,133	$ 104,905
Consideration received	9,057	22,658
Consideration receivable	14,781	2,080
Net investment expense (income) allocation	(1,609)	2,800
Payments	(4,718)	(3,545)
Foreign currency translation	317	235
Balance, end of period	$ 146,961	$ 129,133

13. Senior Notes payable and letter of credit facilities

Senior Notes payable

As of September 30, 2018, TPRUSA had outstanding debt obligations consisting of an aggregate principal amount of $115.0 million of senior unsecured notes (the "Notes") due February 13, 2025. The Notes bear interest at 7.0% and interest is payable semi-annually on February 13 and August 13 of each year. The Notes are fully and unconditionally guaranteed by Third Point Re, and, in certain circumstances specified in the indenture governing the Notes, certain existing or future subsidiaries of the Company may be required to guarantee the Notes. As of September 30, 2018, the Company had capitalized $1.1 million of costs associated with the Notes, which are presented as a direct deduction from the principal amount of the Notes on the condensed consolidated balance sheets. As of September 30, 2018, the Notes had an estimated fair value of $115.0 million (December 31, 2017 - $116.7 million). The fair value measurements were based on observable inputs and therefore were considered to be Level 2. The Company was in compliance with all debt covenants as of and for the periods ended September 30, 2018 and December 31, 2017.

Letters of credit

As of September 30, 2018, the Company had entered into the following letter of credit facilities:

	Letters of Credit		Collateral
	Committed Capacity	Issued	Cash and Cash Equivalents
Unsecured syndicated credit facility (1)	$200,000	$138,087	n/a
Secured letters of credit facilities	425,000	124,543	180,524
	$625,000	$262,630	$ 180,524

(1) On July 31, 2018, Third Point Re, Third Point Re BDA and Third Point Re USA entered into an Unsecured Revolving Credit and Letter of Credit Facility Agreement (the “Credit Agreement”) with SunTrust Bank, SunTrust Robinson Humphrey, Inc., RBC Capital Markets and ING Capital. The Credit Agreement provides for the issuance of up to $200.0 million of letters of credit to support obligations in connection with the reinsurance business of Third Point Re BDA and Third Point Re USA. The Credit Agreement is fully and unconditionally guaranteed by Third Point Reinsurance Ltd.

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

14. Net investment income (loss)

Net investment income (loss) for the three and nine months ended September 30, 2018 and 2017 consisted of the following:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net investment income (loss) by type				
Net realized gains on investments and investment derivatives	$315,181	$ 25,993	$445,682	$ 183,939
Net change in unrealized gains (losses) on investments and investment derivatives	(317,849)	75,016	(413,370)	199,830
Net gains (losses) on foreign currencies	(3,144)	7,572	(5,761)	5,419
Dividend and interest income	13,757	17,355	51,474	57,062
Dividends paid on securities sold, not yet purchased	(1,038)	(1,537)	(5,259)	(3,205)
Other expenses	(3,266)	(4,883)	(15,618)	(15,063)
Management and performance fees to related parties	(5,305)	(30,548)	(29,845)	(103,179)
Net investment loss from investment in related party investment fund (1)	(1,926)	—	(1,926)	—
Net investment income (loss)	$(3,590)	$ 88,968	$25,377	$ 324,803

(1) Effective August 31, 2018, Third Point Re, Third Point RE BDA and Third Point Re USA entered into a LPA to invest in TP Fund. As a result, the management and performance fees are presented within net investment income from investment in related party investment fund from the effective date of the transition. See Notes 4 and 11 for additional information regarding the LPA and related management and performance fees.

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The following table provides an additional breakdown of our net investment income (loss) by asset and liability type for the three and nine months ended September 30, 2018 and 2017:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net investment income (loss) by asset type				
Equity securities	$30,317	$ 81,778	$70,873	$ 343,605
Private common equity securities	(175)	(65)	(628)	(26)
Private preferred equity securities	(806)	1,439	(2,680)	3,066
Total equities	29,336	83,152	67,565	346,645
Asset-backed securities	1,178	6,532	20,660	11,665
Bank debt	2,005	1,277	5,326	7,491
Corporate bonds	455	999	(2,958)	6,707
Municipal bonds	3,742	—	9,990	—
U.S. Treasury securities	494	806	335	3,171
Sovereign debt	(2,136)	9,835	(6,538)	21,683
Other debt securities	(63)	2,417	406	2,417
Total debt securities	5,675	21,866	27,221	53,134
Options	(8,908)	(9,343)	(15,527)	(26,409)
Rights and warrants	191	(16)	238	22
Real estate	(687)	398	(186)	398
Trade claims	(293)	(716)	(580)	(497)
Total other investments	(9,697)	(9,677)	(16,055)	(26,486)
Net investment income (loss) in funds valued at NAV, excluding Third Point Enhanced LP	(95)	2,216	(721)	8,939
Total net investment income from invested assets	25,219	97,557	78,010	382,232
Net investment income (loss) by liability type				
Equity securities	(21,481)	(6,144)	(32,407)	(13,611)
Sovereign debt	—	—	—	2
Corporate bonds	(483)	350	(2,452)	(1,819)
Options	8,790	4,593	21,697	8,175
Total net investment loss from securities sold, not yet purchased	(13,174)	(1,201)	(13,162)	(7,253)
Other investment income (losses) and other expenses not presented above				
Other investment expenses	1,949	(1,477)	924	(400)
Net investment income (loss) on derivative contracts	(5,404)	17,683	655	48,087
Net investment income (loss) on cash, including foreign exchange gain (loss)	(6,021)	5,738	(15,366)	(255)
Net investment income (losses) on securities purchased under an agreement to sell and securities sold under an agreement to repurchase	3	—	(238)	(39)
Withholding taxes reclassified to income tax expense	1,069	1,216	6,325	5,610
Total other investment income (losses) and other expenses	(8,404)	23,160	(7,700)	53,003
Management and performance fees to related parties	(5,305)	(30,548)	(29,845)	(103,179)
Net investment loss from investment in related party investment fund (1)	(1,926)	—	(1,926)	—
Net investment income (loss)	$(3,590)	$ 88,968	$25,377	$ 324,803

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(1) Effective August 31, 2018, Third Point Re, Third Point RE BDA and Third Point Re USA entered into a LPA to invest in TP Fund. As a result, the management and performance fees are presented within net investment income from investment in related party investment fund from the effective date of the transition. See Note 4 and Note 11 for additional information regarding the LPA and related management and performance fees.

As a result of the Company's holding in TP Fund and its contribution to the Company's overall financial results, the Company includes the following summarized income statement of the TP Fund for the three and nine months ended September 30, 2018 and summarized balance sheet as of September 30, 2018.

This summarized income statement of TP Fund reflects the main components of total investment income and expenses of TP Fund. This summarized income statement is not a breakdown of the Company's proportional investment income in TP Fund as presented in the Company's condensed consolidated statement of income.

TP Fund summarized income statement	Three and nine months ended September 30, 2018
Investment loss	
Net realized loss from securities, derivative contracts and foreign currency translations	$ (4,113)
Net change in unrealized gain on securities, derivative contracts and foreign currency translations	3,654
Net income from currencies	2,606
Dividend and interest income	3,818
Total investment income	5,965
Expenses	
Management fees	(2,834)
Other expenses	(5,685)
Total expenses	(8,519)
Net loss	$ (2,554)

The following table is a summarized balance sheet of TP Fund as of September 30, 2018 and reflects the underlying assets and liabilities of TP Fund. This summarized balance sheet is not a breakdown of the Company's proportional interests in the underlying assets and liabilities of TP Fund.

TP Fund summarized balance sheet	September 30, 2018
Assets	
Total investments in securities	$ 2,962,324
Cash and cash equivalents	30,001
Due from brokers	199,675
Derivative assets, at fair value	13,689
Interest and dividends receivable	3,472
Other assets	370
Total assets	3,209,531
Liabilities	
Accounts payable and accrued expenses	5,284
Securities sold, not yet purchased, at fair value	355,600
Due to brokers	945,603
Derivative liabilities, at fair value	13,375
Interest and dividends payable	2,476
Subscriptions received in advance	30,000
Total liabilities	1,352,338
Total partners' capital	$ 1,857,193

15. Other expenses

Other expenses for the three and nine months ended September 30, 2018 and 2017 consisted of the following:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Investment expense (income) on deposit liabilities	$(4,058)	$ 1,160	$(1,609)	$ 1,472
Investment expense and change in fair value of embedded derivatives in reinsurance contracts	2,696	2,686	8,225	7,380
	$(1,362)	$ 3,846	$6,616	$ 8,852

16. Income taxes

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

The Company has an operating subsidiary incorporated in Bermuda, Third Point Re USA, which made an election to pay tax in the United States of America under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended. Our non-U.S. subsidiaries would become subject to U.S. federal income tax only to the extent that they derive income from activity that is deemed to be the conduct of a trade or business within the United States. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (3) creating the base erosion anti-abuse tax (BEAT), a new minimum tax; and (4) creating a new limitation on deductible interest expense. Although the Company believes that it has accounted for the most significant tax effects of the Tax Act, there may be further changes that could impact the Company's calculations of certain deferred tax amounts.

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

Prior to the change in the Company's investment account structure described in Note 4, the Company was subject to withholding taxes on income sourced in the United States and in other countries, subject to each countries' specific tax regulations. Income subject to withholding taxes includes, but is not limited to, dividends, capital gains and interest on certain investments. In addition, the Company had recorded uncertain tax positions related to certain investment transactions in certain foreign jurisdictions. As of September 30, 2018, the Company has accrued $1.9 million (December 31, 2017 - $1.9 million).

For the three and nine months ended September 30, 2018 and 2017, the Company recorded income tax expense, as follows:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Income tax expense (benefit) related to U.S. and U.K. subsidiaries (1)	$(1,180)	$ 2,219	$(1,968)	$ 8,246
Change in uncertain tax positions (2)	—	40	50	224
Withholding taxes on certain investment transactions (2)	1,069	1,216	6,325	5,610
	$(111)	$ 3,475	$4,407	$ 14,080

(1) As of September 30, 2018, the Company has recorded $0.9 million of net deferred tax assets, which are included in other assets in the condensed consolidated balance sheets. As of September 30, 2018 the net deferred tax asset was primarily the result of operating losses in the Company's U.S. subsidiaries. The Company believes that it is more likely than not that the tax benefit will be realized.

(2) Represents activity prior to the change in the Company's investment account structure on August 31, 2018 as described in Note 4.

17. Share capital

The following tables present a summary of the common shares issued and outstanding and shares repurchased held as treasury shares as of and for the nine months ended September 30, 2018 and 2017:

Common shares	2018	2017
Common shares issued, beginning of period	107,227,347	106,501,299
Options exercised	—	150,802
Restricted shares granted, net of forfeitures	50,644	36,418
Performance restricted shares granted, net of forfeitures and shares withheld	260,436	694,886
Retirement of treasury shares and shares repurchased (1)	(13,730,258)	—
Warrants exercised, net (2)	361,556	—
Common shares issued, end of period	94,169,725	107,383,405
Treasury shares, end of period	—	(3,944,920)
Common shares outstanding, end of period	94,169,725	103,438,485

(1) Prior to December 31, 2017, common shares repurchased by the Company were not canceled and were classified as treasury shares. Effective January 1, 2018, all treasury shares were retired and future shares repurchased will be retired.

(2) During the nine months ended September 30, 2018, 1,156,184 warrants were exercised. As a result of the warrant holder electing net settlement, 794,628 of those common shares were withheld by the Company and were subsequently retired, resulting in a net issuance of 361,556 common shares.

Authorized and issued

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

Share repurchases

On February 28, 2018, the Company's Board of Directors authorized the repurchase of an additional $148.3 million of common shares, which together with the shares remaining under the previously announced share repurchase program, would allow the Company to repurchase up to $200.0 million more of the Company's outstanding common shares in the aggregate. Under the common share repurchase program, the Company may repurchase shares from time to time in privately negotiated transactions or in open-market purchases in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended.

During the three months ended September 30, 2018, the Company repurchased 5,461,065 of its common shares in the open market for $73.0 million at a weighted average cost, including commissions, of $13.36 per share. Common shares repurchased by the Company during the period were retired.
During the nine months ended September 30, 2018, the Company repurchased 9,785,338 of its common shares in the open market for $133.4 million at a weighted average cost, including commissions, of $13.63 per share. Common shares repurchased by the Company during the period were retired. In the three months ended March 31, 2018, the Company also retired all shares previously held in treasury.
As of September 30, 2018, the Company was authorized to repurchase up to an aggregate of $66.6 million of additional common shares under its share repurchase program.

18. Share-based compensation

The following table provides the total share-based compensation expense included in general and administrative expenses during the three and nine months ended September 30, 2018 and 2017:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Management and director options	$ 60	$ 94	$ 215	$ 553
Restricted shares with service condition	166	196	445	474
Restricted shares with service and performance condition	2,172	350	4,296	2,987
	$ 2,398	$ 640	$ 4,956	$ 4,014

As of September 30, 2018, the Company had $10.5 million (December 31, 2017 - $5.8 million) of unamortized share compensation expense, which is expected to be amortized over a weighted average period of 1.6 years (December 31, 2017 - 1.5 years).

Management and director options

The management and director options activity for the nine months ended September 30, 2018 and year ended December 31, 2017 were as follows:

	Number of options	Weighted average exercise price
Balance as of January 1, 2017	9,596,993	$ 13.64
Forfeited	(558,138)	18.00
Exercised	(150,802)	10.00
Balance as of January 1, 2018	8,888,053	13.43
Forfeited	—	—
Exercised	—	—
Balance as of September 30, 2018	8,888,053	$ 13.43

As of September 30, 2018, the weighted average remaining contractual term for options outstanding and exercisable was 3.4 years and 3.4 years, respectively (December 31, 2017 - 4.2 years and 4.1 years, respectively).

The following table summarizes information about the Company’s management and director share options outstanding as of September 30, 2018:

	Options outstanding			Options exercisable	
Range of exercise prices	Number of options	Weighted average exercise price	Remaining contractual life	Number of options	Weighted average exercise price
$10.00 - $10.89	5,123,531	$ 10.04	3.3 years	5,123,531	$ 10.04
$15.05 - $16.89	1,917,145	15.93	3.5 years	1,875,285	15.95
$20.00 - $25.05	1,847,377	20.26	3.5 years	1,819,471	20.22
	8,888,053	$ 13.43	3.4 years	8,818,287	$ 13.40

Restricted shares with service condition

Restricted share award activity for the nine months ended September 30, 2018 and year ended December 31, 2017 was as follows:

	Number of non-vested restricted shares	Weighted average grant date fair value
Balance as of January 1, 2017	301,043	$ 11.12
Granted	36,418	12.15
Forfeited	(71,429)	14.00
Vested	(247,823)	10.36
Balance as of January 1, 2018	18,209	12.15
Granted	50,644	13.45
Vested	(32,756)	12.83
Balance as of September 30, 2018	36,097	$ 13.35

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

Restricted shares with service and performance condition

Restricted share award activity for the restricted shares with a service and performance condition for the nine months ended September 30, 2018 and year ended December 31, 2017 were as follows:

	Number of non-vested restricted shares	Number of non-vested restricted shares probable of vesting	Weighted average grant date fair value of shares probable of vesting
Balance as of January 1, 2017	1,381,740	577,486	$ 12.91
Granted	935,825	623,882	12.66
Forfeited	(325,568)	(45,617)	12.57
Vested	(136,618)	(136,618)	14.60
Change in estimated restricted shares considered probable of vesting	n/a	(131,930)	12.17
Balance as of January 1, 2018	1,855,379	887,203	12.60
Granted	554,456	369,633	14.02
Forfeited	(288,700)	—	14.00
Vested	(115,757)	(115,757)	14.00
Change in estimated restricted shares considered probable of vesting	n/a	285,182	13.34
Balance as of September 30, 2018	2,005,378	1,426,261	$ 12.81

19. Noncontrolling interests in related party

Noncontrolling interests in related party represents the portion of equity in consolidated subsidiaries not attributable, directly or indirectly, to the Company. Prior to the change in the Company’s investment account structure described in Note 4, the joint ventures created through the JV Agreements (Note 11) had been considered variable interest entities and had been consolidated in accordance with ASC 810, Consolidation (ASC 810). Since the Company was deemed to be the primary beneficiary, the Company had consolidated the joint ventures and recorded TP GP’s minority interests as redeemable noncontrolling interests in related party and noncontrolling interests in related party in the condensed consolidated balance sheets.

A portion of the noncontrolling interest in investment affiliates was subject to contractual withdrawal rights of TP GP, whereas TP GP, at its sole discretion, could withdraw the capital over the minimum capital required to be maintained in its capital accounts. This excess capital was therefore recorded on the Company’s condensed consolidated balance sheets as redeemable noncontrolling interest in related party whereas the required minimum capital was recorded as noncontrolling interests in related party within shareholders’ equity on the Company’s condensed consolidated balance sheets since it does not have withdrawal rights.

The following table is a reconciliation of the beginning and ending carrying amounts of redeemable noncontrolling interests in related party, noncontrolling interests in related party and total noncontrolling interests in related party for the nine months ended September 30, 2018 and 2017:

	Redeemable noncontrolling interests in related party		Noncontrolling interests in related party		Total noncontrolling interests in related party	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Balance, beginning of period	$108,219	$ —	$5,407	$ 35,674	$113,626	$ 35,674
Changes in capital account allocation (1)	(108,219)	16,813	(5,407)	(30,433)	(113,626)	(13,620)
Balance, end of period	$—	$ 16,813	$—	$ 5,241	$—	$ 22,054

(1) Changes in capital account allocation include TP GP's redemption in conjunction with the change in the investment account structure. See Note 4 for additional information.

In addition, the following table is a reconciliation of beginning and ending carrying amount of total noncontrolling interests in related party resulting from the consolidation of the Company's joint venture in Third Point Re BDA and Third Point Re USA for the nine months ended September 30, 2018 and 2017:

	Third Point Re BDA		Third Point Re USA		Total	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Balance, beginning of period	$97,619	$ 30,358	$16,007	$ 5,316	$113,626	$ 35,674
Net income attributable to total noncontrolling interests in related party	141	2,503	82	657	223	3,160
Contributions (1)	564	2,865	80	354	644	3,219
Redemptions (2)	(98,324)	(17,999)	(16,169)	(2,000)	(114,493)	(19,999)
Balance, end of period	$—	$ 17,727	$—	$ 4,327	$—	$ 22,054

(1) Contributions include performance fees earned during the period. See Note 11 for additional information.

(2) Redemptions include TP GP's redemption in conjunction with the change in the investment account structure. See Note 4 for additional information.

Non-consolidated variable interest entities

Third Point Enhanced LP

TP Fund meets the definition of a variable interest entity principally because of the existence of disproportionate rights in the partnership compared to the obligations to absorb the expected losses and right to receive the expected residual returns of TP Fund's results. The Company and TP GP hold interests of approximately 87.8% and 12.0%, respectively, of the net asset value of TP Fund. As a result, both entities hold significant financial interests in TP Fund. However, TP GP controls all of investment decision making authority and the Company does not have the power to direct the activities which most significantly impact the economic performance of TP Fund. As a result, the Company is not considered the primary beneficiary and does not consolidate TP Fund.

Realized gains or losses upon any redemptions of investments are calculated using the weighted average method and the Company records contributions and withdrawals related to its investment in the TP Fund on the transaction date.

As of September 30, 2018, the Company had no unfunded commitments related to TP Fund and the Company's maximum exposure to loss corresponds to the value of its investments in TP Fund.

Under the LPA, the TPRE Limited Partners will have the right to withdraw funds weekly from TP Fund to pay claims and expenses as needed, to meet capital adequacy requirements and to satisfy financing obligations. The TPRE Limited Partners may also withdraw their investment upon the occurrence of certain events specified in the LPA and may withdraw their investment in full on December 31, 2021 and each successive three-year anniversary of such date.

Non-consolidated variable interest entities under previous investment account structure

Prior to the change in the Company's investment account structure, the Company invested directly in several limited partnerships and other investment vehicles. Some of these entities were affiliated with TP Fund's investment manager, Third Point LLC. The activities of these variable interest entities were generally limited to holding investments and the Company's involvement in these entities was passive in nature. The Company did not have the power to direct the activities which most significantly impacted the variable interest entities economic performance and therefore, the Company was not the primary beneficiary of these variable interest entities. The Company elected the practical expedient for estimating fair value for these investments and reported the investments based on the reported NAV with changes in fair value recognized within the condensed consolidated statements of income (loss). The following summarizes all of the Company's investment in variable interest entities that were not consolidated prior to the change in the investment account structure:

TP Lux Holdco LP

Prior to the change in the Company's investment account structure, the Company was a limited partner in TP Lux Holdco LP (the "Cayman HoldCo"), which was an affiliate of the Investment Manager. The Cayman HoldCo was formed as a limited partnership under the laws of the Cayman Islands and invests and held debt and equity interests in TP Lux HoldCo S.a.r.l, a Luxembourg private limited liability company (the "LuxCo") established under the laws of the Grand-Duchy of Luxembourg, which was also an affiliate of the Investment Manager. LuxCo's principal objective was to act as a collective investment vehicle to purchase Euro debt and equity investments. The Company invested in the Cayman HoldCo alongside other investment funds managed by the Investment Manager.

During the period from January 1, 2018 to September 4, 2018, the date when the Company's investment in TP Lux Holdco was transferred to TP Fund, the Company had net distributions of $0.6 million and for the nine months ended September 30, 2017 net distributions of $39.6 million, to the Cayman HoldCo.

As a result of the change in the investment account structure, the Company's investment of $0.3 million in the limited partnership was transferred to the TP Fund. The estimated fair value of the investment in the limited partnership as of December 31, 2017 was $0.6 million, representing a 15.6% interest.

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

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

No capital distributions or calls were made during the period from January 1, 2018 to September 4, 2018, the date when the Company's investment in the Hellenic Fund was transferred to TP Fund (2017 - $1.3 million net distributions).

As a result of the change in the investment account structure, the Company's investment of $4.9 million in the limited partnership was transferred to the TP Fund. The estimated fair value of the investment in the limited partnership as of December 31, 2017 was $4.9 million, representing a 2.9% interest.

TP DR Holdings LLC

Prior to the change in the Company's investment account structure, the Company held an equity and debt investment in TP DR Holdings LLC ("TP DR"), which was an affiliate of the Investment Manager. In December 2016, TP DR was formed as a limited liability company under the laws of the Cayman Islands to invest and own 100% equity interest in DCA Holdings Six Ltd. and its wholly owned subsidiary group. TP DR's principal objective was to own, develop and manage properties in the Dominican Republic. The Company invested in TP DR alongside other investment funds managed by the Investment Manager and third-party investors.

During the period from January 1, 2018 to September 4, 2018, the date when the Company's investment in TP DR was transferred to TP Fund, the Company contributed cash of $3.0 million (2017 - $1.4 million) to TP DR.

As a result of the change in the investment account structure, the Company's investment of $16.8 million in the limited partnership was transferred to the TP Fund. As of December 31, 2017, the estimated fair value of the investment was $12.7 million, corresponding to $3.7 million of equity, representing a 7.0% interest, and $9.0 million of debt, representing a 13.1% interest.

Cloudbreak II Cayman Ltd and TP Trading II LLC

Prior to the change in the Company's investment account structure, the Company directly held an equity interest in Cloudbreak II Cayman Ltd, Cloudbreak II US LLC (collectively, the "Cloudbreak entities") and TP Trading II LLC which are affiliates of the Investment Manager. The Company invested in the Cloudbreak entities and TP Trading II LLC alongside other investment funds managed by the Investment Manager. These entities' were invested in a structure whose primary purpose was to purchase consumer loans for securitization and warrants from a marketplace lending platform.

As a result of the change in the investment account structure, $3.4 million of the Company's asset-backed security investments were transferred to the TP Fund. As of December 31, 2017, the Cloudbreak entities held $4.6 million of the Company's asset-backed security investments, which were included in investments in securities in the condensed consolidated balance sheet. The Company's pro rata interest in the underlying investments was registered in the name of Cloudbreak II US LLC and the related income and expense were reflected in the condensed consolidated balance sheets and the condensed consolidated statements of income (loss).

As a result of the change in the investment account structure, the Company's equity investment of $4.4 million in TP Trading II LLC was transferred to the TP Fund. As of December 31, 2017, the estimated fair value of the investment was $6.0 million, representing a 9.3% interest.

Ventures Entities

Prior to the change in the Company's investment account structure, the Company held equity interests in Venture Three Holdings LLC, Venture Four Holdings LLC, Venture Five Holdings LLC and Venture Six Holdings LLC (collectively, the "Ventures entities"), which were affiliates of the Investment Manager. The Company invested in the Ventures entities alongside other investment funds managed by the Investment Manager. The primary purpose of these entities was to make investments in direct commercial real estate, real estate debt and a publicly traded telecommunications company.

As a result of the change in the investment account structure $20.8 million of the Company's real estate and other debt investments were transferred to the TP Fund. As of December 31, 2017, the Ventures entities held $7.5 million of the Company's investments, which were included in investments in securities in the condensed consolidated balance sheets. The Company recorded changes in the fair value of this investment in the condensed consolidated statements of income (loss).

Cloudbreak Aggregator LP

Prior to the change in the Company's investment account structure, the Company held equity interests in Cloudbreak Aggregator LP, which was an affiliate of the Investment Manager. The Company invested in the Cloudbreak Aggregator LP alongside other investment funds managed by the Investment Manager. The primary purpose of this entity was to invest in Far Point LLC, the sponsor of Far Point Acquisition Corporation "FPAC". FPAC is a NYSE listed special acquisition corporation.

As a result of the change in the investment account structure, the Company's equity investment of $4.5 million in the Cloudbreak Aggregator LP was transferred to the TP Fund. As of December 31, 2017 the Company did not hold an equity interest in the Cloudbreak Aggregator LP.

20. Earnings (loss) per share available to Third Point Re common shareholders
The following sets forth the computation of basic and diluted earnings (loss) per share available to Third Point Re common shareholders for the three and nine months ended September 30, 2018 and 2017:

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Weighted-average number of common shares outstanding:	($ in thousands, except share and per share amounts)			
Basic number of common shares outstanding	95,671,385			