

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

FORM 10-Q

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

For the quarterly period ended September 30, 2020
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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Shares, \$0.10 par value	TPRE	New York Stock Exchange

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

Indicate by 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 ☒ 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	☒	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 ☒

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

As of November 2, 2020, there were 95,529,485 common shares of the registrant's common shares issued and outstanding, including 2,883,259 restricted shares.

Third Point Reinsurance Ltd.

INDEX

	<u>Page</u>
PART I. FINANCIAL INFORMATION.....	<u>1</u>
Item 1. Financial Statements.....	<u>1</u>
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.....	<u>36</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	<u>61</u>
Item 4. Controls and Procedures.....	<u>67</u>
PART II. OTHER INFORMATION.....	<u>67</u>
Item 1. Legal Proceedings.....	<u>67</u>
Item 1A. Risk Factors.....	<u>67</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.....	<u>70</u>
Item 3. Defaults Upon Senior Securities.....	<u>70</u>
Item 4. Mine Safety Disclosures.....	<u>70</u>
Item 5. Other Information.....	<u>70</u>
Item 6. Exhibits.....	<u>72</u>

PART I - Financial Information

ITEM 1. Financial Statements

**THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
As of September 30, 2020 and December 31, 2019
(expressed in thousands of U.S. dollars, except per share and share amounts)**

	(Unaudited) September 30, 2020	(Audited) December 31, 2019
Assets		
Investment in related party investment fund, at fair value (cost - \$891,850; 2019 - \$891,850)	\$ 868,971	\$ 860,630
Debt securities, trading, at fair value (cost - \$176,521; 2019 - \$129,330)	186,260	125,071
Other investments, at fair value	4,000	4,000
Total investments	1,059,231	989,701
Cash and cash equivalents	513,783	639,415
Restricted cash and cash equivalents	1,101,693	1,014,543
Due from brokers	81,142	—
Interest and dividends receivable	1,835	2,178
Reinsurance balances receivable, net	572,672	596,120
Deferred acquisition costs, net	142,846	154,717
Unearned premiums ceded	27,463	16,945
Loss and loss adjustment expenses recoverable, net	13,626	5,520
Other assets	20,171	20,555
Total assets	\$ 3,534,462	\$ 3,439,694
Liabilities		
Accounts payable and accrued expenses	\$ 13,963	\$ 17,816
Reinsurance balances payable	120,469	81,941
Deposit liabilities	155,697	172,259
Unearned premium reserves	498,893	524,768
Loss and loss adjustment expense reserves	1,186,149	1,111,692
Securities sold, not yet purchased, at fair value	15,389	—
Interest and dividends payable	1,110	3,055
Senior notes payable, net of deferred costs	114,222	114,089
Total liabilities	2,105,892	2,025,620
Commitments and contingent liabilities		
Shareholders' equity		
Preference shares (par value \$0.10; authorized, 30,000,000; none issued)	—	—
Common shares (issued and outstanding: 95,314,893; 2019 - 94,225,498)	9,531	9,423
Additional paid-in capital	931,972	927,704
Retained earnings	486,068	476,947
Shareholders' equity attributable to Third Point Re common shareholders	1,427,571	1,414,074
Noncontrolling interests	999	—
Total shareholders' equity	1,428,570	1,414,074
Total liabilities, noncontrolling interests and shareholders' equity	\$ 3,534,462	\$ 3,439,694

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

THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (UNAUDITED)
For the three and nine months ended September 30, 2020 and 2019
(expressed in thousands of U.S. dollars, except per share and share amounts)

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenues				
Gross premiums written	\$ 60,779	\$ 95,388	\$ 422,481	\$ 497,616
Gross premiums ceded	185	(1,116)	(30,037)	(3,301)
Net premiums written	60,964	94,272	392,444	494,315
Change in net unearned premium reserves	80,748	108,976	36,393	7,435
Net premiums earned	141,712	203,248	428,837	501,750
Net investment income (loss) from investment in related party investment fund	110,552	(5,751)	8,341	207,597
Net realized and unrealized investment gains (losses)	6,965	(2,646)	54,554	2,700
Other net investment income	4,439	5,259	11,245	10,649
Net investment income (loss)	121,956	(3,138)	74,140	220,946
Total revenues	263,668	200,110	502,977	722,696
Expenses				
Loss and loss adjustment expenses incurred, net	110,487	85,703	287,379	263,105
Acquisition costs, net	54,817	118,271	147,741	233,775
General and administrative expenses	21,320	9,237	44,934	41,019
Other (income) expense	(283)	5,058	6,410	12,994
Interest expense	2,068	2,074	6,162	6,154
Foreign exchange (gains) losses	5,885	(4,921)	(3,129)	(6,663)
Total expenses	194,294	215,422	489,497	550,384
Income (loss) before income tax (expense) benefit	69,374	(15,312)	13,480	172,312
Income tax (expense) benefit	(652)	213	(4,380)	(1,431)
Net income (loss)	68,722	(15,099)	9,100	170,881
Net loss attributable to noncontrolling interests	21	—	21	—
Net income (loss) available to Third Point Re common shareholders	<u>\$ 68,743</u>	<u>\$ (15,099)</u>	<u>\$ 9,121</u>	<u>\$ 170,881</u>
Earnings (loss) per share available to Third Point Re common shareholders				
Basic earnings (loss) per share available to Third Point Re common shareholders	\$ 0.74	\$ (0.16)	\$ 0.10	\$ 1.86
Diluted earnings (loss) per share available to Third Point Re common shareholders	\$ 0.73	\$ (0.16)	\$ 0.10	\$ 1.84
Weighted average number of common shares used in the determination of earnings (loss) per share				
Basic	92,613,393	91,903,556	92,466,813	91,784,268
Diluted	92,969,646	91,903,556	92,877,674	92,709,421

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

THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
For the three and nine months ended September 30, 2020 and 2019
(expressed in thousands of U.S. dollars)

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Common shares				
Balance, beginning of period	\$ 9,492	\$ 9,399	\$ 9,423	\$ 9,364
Issuance of common shares, net	39	23	108	58
Balance, end of period	9,531	9,422	9,531	9,422
Additional paid-in capital				
Balance, beginning of period	930,487	924,191	927,704	918,882
Issuance of common shares, net	(40)	1,864	(410)	1,761
Share compensation expense	1,525	894	4,678	6,306
Balance, end of period	931,972	926,949	931,972	926,949
Retained earnings				
Balance, beginning of period	417,325	462,308	476,947	276,328
Net income (loss)	68,722	(15,099)	9,100	170,881
Net loss attributable to noncontrolling interests	21	—	21	—
Balance, end of period	486,068	447,209	486,068	447,209
Shareholders' equity attributable to Third Point Re common shareholders	1,427,571	1,383,580	1,427,571	1,383,580
Noncontrolling interests	999	—	999	—
Total shareholders' equity	<u>\$ 1,428,570</u>	<u>\$ 1,383,580</u>	<u>\$ 1,428,570</u>	<u>\$ 1,383,580</u>

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

THIRD POINT REINSURANCE LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
For the nine months ended September 30, 2020 and 2019
(expresses in thousands of U.S. dollars)

	2020	2019
Operating activities		
Net income	\$ 9,100	\$ 170,881
Adjustments to reconcile net income to net cash provided by operating activities:		
Share compensation expense	4,678	6,306
Net interest (income) expense on deposit liabilities	(95)	4,980
Net realized and unrealized gain on investments and derivatives	(56,799)	(2,177)
Net realized and unrealized gain on investment in related party investment fund	(8,341)	(207,597)
Net foreign exchange gains	(3,129)	(6,663)
Amortization of premium and accretion of discount, net	(1,986)	(231)
Changes in assets and liabilities:		
Reinsurance balances receivable	22,930	(50,711)
Deferred acquisition costs, net	11,871	36,874
Unearned premiums ceded	(10,518)	3,182
Loss and loss adjustment expenses recoverable	(8,106)	(2,239)
Other assets	660	2,827
Interest and dividends receivable, net	(1,602)	(3,645)
Unearned premium reserves	(25,875)	(10,617)
Loss and loss adjustment expense reserves	77,823	119,129
Accounts payable and accrued expenses	(3,853)	7,346
Reinsurance balances payable	38,523	29,052
Net cash provided by operating activities	<u>45,281</u>	<u>96,697</u>
Investing activities		
Proceeds from redemptions from related party investment fund	—	760,000
Contributions to related party investment fund	—	(87,000)
Change in participation agreement with related party investment fund	—	(2,297)
Purchases of investments	(444,111)	(330,963)
Proceeds from sales and maturities of investments	441,611	349,696
Purchases of investments to cover short sales	(129)	—
Proceeds from short sales of investments	15,721	—
Change in due to/from brokers, net	(81,142)	1,411
Net cash provided by (used in) investing activities	<u>(68,050)</u>	<u>690,847</u>
Financing activities		
Proceeds from issuance of Third Point Re common shares, net of costs	—	1,887
Taxes paid on withholding shares	(302)	(68)
Net proceeds (payments) on deposit liability contracts	(16,431)	6,924
Change in total noncontrolling interests, net	1,020	—
Net cash provided by (used in) financing activities	<u>(15,713)</u>	<u>8,743</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(38,482)	796,287
Cash, cash equivalents and restricted cash at beginning of period	1,653,958	713,337
Cash, cash equivalents and restricted cash at end of period	<u><u>\$ 1,615,476</u></u>	<u><u>\$ 1,509,624</u></u>
Supplementary information		
Interest paid in cash	\$ 8,235	\$ 8,050
Income taxes paid in cash	\$ 53	\$ 10

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

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 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 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.

In September 2020, the Company co-founded Arcadian Risk Capital Ltd (“Arcadian”), a managing general agent incorporated in Bermuda writing business on behalf of the Company. Arcadian commenced operations on October 1, 2020. Arcadian is considered a variable interest entity and the Company is the primary beneficiary. As a result, Arcadian is consolidated by the Company and all significant intercompany accounts and transactions have been eliminated.

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, 2019 (the “2019 Form 10-K”), as filed with the U.S. Securities and Exchange Commission on February 28, 2020.

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, 2020 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 2019 Form 10-K.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no impact on the previously reported total net investment income (loss), total revenues or net income (loss).

Recently issued accounting standards

Issued and effective as of September 30, 2020

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. ASU 2016-13 did not have a material impact on 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. ASU 2018-13 did not have a material impact on the Company’s condensed consolidated financial statements.

In October 2018, the FASB issued Accounting Standards Update 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* (“ASU 2018-17”). The amendments in ASU 2018-17 for determining whether a decision-making fee is a variable interest require reporting entities to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety. ASU 2018-17 is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. ASU 2018-17 did not impact the Company’s assessment of its variable interest entity.

Issued but not yet effective as of September 30, 2020

Other accounting pronouncements issued during the nine months ended September 30, 2020 were either not relevant to the Company or did not impact 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, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 513,783	\$ 639,415
Restricted cash securing letter of credit facilities (1)	275,189	254,176
Restricted cash securing reinsurance contracts (2)	826,504	760,367
Total cash, cash equivalents and restricted cash (3)	1,615,476	1,653,958
Restricted investments securing reinsurance contracts (2)	126,851	142,617
Total cash, cash equivalents, restricted cash and restricted investments	<u>\$ 1,742,327</u>	<u>\$ 1,796,575</u>

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

(2) Restricted cash and restricted investments securing 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 the underlying risks have expired or have been settled. Restricted investments include certain investments in debt securities including U.S. Treasury securities, sovereign debt, and

limited partnership interests in Third Point Enhanced LP (“TP Fund”). 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 consolidated statements of cash flows.

4. Investments

The following is a summary of the net investments managed by Third Point LLC as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Assets		
TP Fund	\$ 868,971	\$ 860,630
Debt securities	186,260	125,071
Total investments	1,055,231	985,701
Cash and cash equivalents	450,018	588,196
Restricted cash and cash equivalents	1,101,693	1,014,543
Due from brokers	81,142	—
Interest and dividends receivable	1,650	2,178
Other assets	—	18
Total assets	2,689,734	2,590,636
Liabilities		
Accounts payable and accrued expenses	1,245	509
Securities sold, not yet purchased	15,389	—
Interest and dividends payable	76	—
Total liabilities	16,710	509
Total net investments managed by Third Point LLC	\$ 2,673,024	\$ 2,590,127

Third Point Enhanced LP

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 (the “2018 LPA”) of TP Fund with Third Point Advisors (“TP GP”) and others, effective August 31, 2018.

On February 28, 2019, Third Point Re, Third Point Re BDA and Third Point Re USA entered into the Second Amended and Restated Exempted Limited Partnership Agreement (the “2019 LPA”) of TP Fund which amended and restated the 2018 LPA, effective January 1, 2019.

On August 6, 2020, Third Point Re, Third Point Re BDA and Third Point Re USA entered into the Third Amended and Restated Exempted Limited Partnership Agreement (“2020 LPA”) of TP Fund, which amended and restated the 2019 LPA, which will become effective at the closing of the merger with Sirius International Insurance Group, Ltd. (“Sirius”), except for the amendment to the calculation of the loss recovery account which becomes effective on December 31, 2020. The 2020 LPA updated the terms of the 2019 LPA to reflect adjustments to the loss carryforward terms for the year ended December 31, 2020. The performance of certain fixed income and other investments managed by Third Point LLC will now be considered when calculating the performance fee allocation and loss recovery account amounts under the terms of the 2019 LPA. Other material terms of the 2020 LPA will become effective upon closing of the merger.

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.

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. As of September 30, 2020, the Company and TP GP hold interests of approximately 85.9% and 14.1%, 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 the 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. As of September 30, 2020, 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 2019 LPA, the TPRE Limited Partners 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 2019 LPA and may withdraw their investment in full on December 31, 2021 and each successive three-year anniversary of such date.

Other investments

In addition to serving as the investment manager for TP Fund, Third Point LLC also serves as investment manager for the Company's collateral and other investment assets, which consist of cash, U.S. Treasuries, sovereign debt, structured and corporate credit fixed income securities.

In the nine months ended September 30, 2020, the Company expanded its fixed income portfolio by investing in structured credit and corporate credit securities such as corporate bonds and bank debt. The Company has also hedged part of the interest rate risk underlying these securities by purchasing short positions in long duration U.S. Treasuries which are included in securities sold, not yet purchased in the condensed consolidated balance sheets as of September 30, 2020.

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 – Inputs are based all or in part on significant unobservable inputs for the investment, and include situations 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.

The following tables present the Company's investments, categorized by the level of the fair value hierarchy as of September 30, 2020 and December 31, 2019:

	September 30, 2020			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Private common equity securities	\$ —	\$ —	\$ 1,000	\$ 1,000
Private preferred equity securities	—	—	3,000	3,000
Total equities	—	—	4,000	4,000
Asset-backed securities	—	29,245	—	29,245
Bank debt	—	718	—	718
Corporate bonds	—	56,798	—	56,798
U.S. Treasury securities	—	99,499	—	99,499
Total debt securities	—	186,260	—	186,260
	<u>\$ —</u>	<u>\$ 186,260</u>	<u>\$ 4,000</u>	<u>190,260</u>
Investments in funds valued at NAV				868,971
Total assets				<u>\$ 1,059,231</u>
Liabilities				
U.S. Treasury securities	\$ —	\$ 15,389	\$ —	\$ 15,389
Total securities sold, not yet purchased	—	15,389	—	15,389
Derivative liabilities (embedded)	—	—	4	4
Total liabilities	<u>\$ —</u>	<u>\$ 15,389</u>	<u>\$ 4</u>	<u>\$ 15,393</u>

December 31, 2019				
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Private common equity securities	\$ —	\$ —	\$ 1,000	\$ 1,000
Private preferred equity securities	—	—	3,000	3,000
Total equities	—	—	4,000	4,000
U.S. Treasury securities	—	101,186	—	101,186
Sovereign debt	—	23,885	—	23,885
Total debt securities	—	125,071	—	125,071
	<u>\$ —</u>	<u>\$ 125,071</u>	<u>\$ 4,000</u>	<u>129,071</u>
Investments in funds valued at NAV				860,630
Total assets				<u>\$ 989,701</u>
Liabilities				
Derivative liabilities (embedded)	\$ —	\$ —	\$ 31	\$ 31
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 31</u>	<u>\$ 31</u>

The total change in unrealized gains (losses) on equity and debt securities held at the three months ended September 30, 2020 were \$nil and \$0.7 million, respectively (2019 - \$nil and \$4.4 million, respectively). The total change in unrealized gains (losses) on equity and debt securities held at the nine months ended September 30, 2020 were \$nil and \$16.3 million, respectively (2019 - \$nil and \$6.8 million, respectively).

Private common and preferred equity securities

Private common and preferred equity securities are those not registered for public sale and are carried at an estimated fair value at the end of the period. Valuation techniques used may include market approach, last transaction analysis, liquidation analysis and/or using discounted cash flow models where the significant inputs could include but are not limited to additional rounds of equity financing, financial metrics such as revenue multiples or price-earnings ratio, discount rates and other factors. In addition, third party valuation firms may be employed to conduct investment valuations of such private securities. As the significant inputs used to price these securities are unobservable, these are classified as Level 3.

Debt securities

Debt securities are priced using broker dealer quotes or a recognized third-party pricing vendor. The key inputs for corporate, government and sovereign bonds valuation are coupon frequency, coupon rate and underlying bond spread. The key inputs for asset-backed securities (“ABS”) are yield, probability of default, loss severity and prepayment.

As of September 30, 2020, the Company’s ABS holdings primarily consisted of private-label issued, non-investment grade securities, and none of these securities were guaranteed by a government sponsored entity. All of these classes of ABS are sensitive to changes in interest rates and any resulting change in the rate at which borrowers sell their properties, refinance, or otherwise pre-pay their loans. As an investor in these classes of ABS, the Company may be exposed to the credit risk of underlying borrowers not being able to make timely payments on loans or the likelihood of borrowers defaulting on their loans. In addition, the Company may be exposed to significant market and liquidity risks.

As of September 30, 2020, \$nil of securities and \$nil of securities sold, not yet purchased, are valued based on broker quotes.

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, as the Company believes it represents the most meaningful measurement basis for the investment assets and liabilities. 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.

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 reconciliation of all investments measured at fair value using Level 3 inputs for the three and nine months ended September 30, 2020 and 2019:

	July 1, 2020	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains (Losses) ⁽¹⁾	September 30, 2020
Assets						
Private common equity securities	\$ 1,000	\$ —	\$ —	\$ —	\$ —	\$ 1,000
Private preferred equity securities	3,000	—	—	—	—	3,000
Asset-backed securities	1,153	(1,153)	—	—	—	—
Total assets	\$ 5,153	\$ (1,153)	\$ —	\$ —	\$ —	\$ 4,000
Liabilities						
Derivative liabilities (embedded)	\$ (4)	\$ —	\$ —	\$ —	\$ —	\$ (4)
Total liabilities	\$ (4)	\$ —	\$ —	\$ —	\$ —	\$ (4)

	January 1, 2020	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains (Losses) ⁽¹⁾	September 30, 2020
Assets						
Private common equity securities	\$ 1,000	\$ —	\$ —	\$ —	\$ —	\$ 1,000
Private preferred equity securities	3,000	—	—	—	—	3,000
Asset-backed securities	—	(5,577)	5,458	—	119	—
Total assets	\$ 4,000	\$ (5,577)	\$ 5,458	\$ —	\$ 119	\$ 4,000
Liabilities						
Derivative liabilities (embedded)	\$ (31)	\$ —	\$ —	\$ —	\$ 27	\$ (4)
Total liabilities	\$ (31)	\$ —	\$ —	\$ —	\$ 27	\$ (4)

	July 1, 2019	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains (Losses) ⁽¹⁾	September 30, 2019
Assets						
Private common equity securities	\$ —	\$ —	\$ 500	\$ —	\$ —	\$ 500
Private preferred equity securities	3,000	—	—	—	—	3,000
Total assets	<u>\$ 3,000</u>	<u>\$ —</u>	<u>\$ 500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,500</u>
Liabilities						
Derivative liabilities (embedded)	\$ (54)	\$ —	\$ —	\$ —	\$ 17	\$ (37)
Total liabilities	<u>\$ (54)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ (37)</u>

	January 1, 2019	Transfers in to (out of) Level 3	Purchases	Sales	Realized and Unrealized Gains (Losses) ⁽¹⁾	September 30, 2019
Assets						
Private common equity securities	\$ —	\$ —	\$ 500	\$ —	\$ —	\$ 500
Private preferred equity securities	—	—	3,000	—	—	3,000
Total assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,500</u>
Liabilities						
Derivative liabilities (embedded)	\$ (22)	\$ —	\$ —	\$ —	\$ (15)	\$ (37)
Total liabilities	<u>\$ (22)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (15)</u>	<u>\$ (37)</u>

(1) 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). Realized and unrealized gains (losses) related to embedded derivatives are included in other expenses 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, 2020 were \$nil and \$nil, respectively (2019 - \$nil and \$nil, respectively).

For the nine months ended September 30, 2020 and 2019, there were no changes in the valuation techniques as they relate to the above.

6. Due from brokers

In the nine months ended September 30, 2020, the Company expanded its fixed income portfolio by investing in structured credit and corporate credit securities such as corporate bonds and bank debt. The Company has also hedged part of the interest rate risk underlying these securities by purchasing short positions in long duration U.S. Treasuries.

The Company holds substantially all of its fixed income investments through prime brokers pursuant to agreements between the Company and each prime broker. The brokerage arrangements differ from broker to broker, but generally cash and investments in securities are available as collateral against investments in securities sold, not yet purchased, if required.

As of September 30, 2020, the Company's due from/to brokers were comprised of the following:

	September 30, 2020
Due from brokers	
Cash held at brokers	\$ 69,824
Receivable from unsettled trades ⁽¹⁾	11,318
	<u>\$ 81,142</u>

(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 brokers include cash balances maintained with the Company's prime brokers, receivables from unsettled trades and proceeds from securities sold, not yet purchased.

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 are borrowed through committed facilities with terms of up to 90 days, secured by assets of the Company held by the prime broker, and incur interest based on the Company's negotiated rates. This interest expense is reflected in other net investment income (loss) in the condensed consolidated statements of income (loss).

7. Loss and loss adjustment expense reserves

As of September 30, 2020 and December 31, 2019, loss and loss adjustment expense reserves in the condensed consolidated balance sheets was comprised of the following:

	September 30, 2020	December 31, 2019
Case loss and loss adjustment expense reserves	\$ 232,697	\$ 148,166
Incurred but not reported loss and loss adjustment expense reserves	952,319	963,359
Deferred gains on retroactive reinsurance contracts	1,133	167
	<u>\$ 1,186,149</u>	<u>\$ 1,111,692</u>

The following table represents the activity in the loss and loss adjustment expense reserves for the nine months ended September 30, 2020 and 2019:

	September 30, 2020	September 30, 2019
Gross reserves for loss and loss adjustment expenses, beginning of period	\$ 1,111,692	\$ 937,157
Less: loss and loss adjustment expenses recoverable, beginning of period	(5,520)	(2,031)
Less: deferred charges on retroactive reinsurance contracts	(6,738)	(3,847)
Net reserves for loss and loss adjustment expenses, beginning of period	1,099,434	931,279
Increase (decrease) in net loss and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	302,264	345,479
Prior years	(14,885)	(82,374)
Total incurred loss and loss adjustment expenses	287,379	263,105
Net loss and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(43,545)	(45,380)
Prior years	(173,433)	(101,594)
Total net paid losses	(216,978)	(146,974)
Foreign currency translation	(3,366)	3,714
Net reserves for loss and loss adjustment expenses, end of period	1,166,469	1,051,124
Plus: loss and loss adjustment expenses recoverable, end of period	13,626	4,270
Plus: deferred charges on retroactive reinsurance contracts	6,054	4,606
Gross reserves for loss and loss adjustment expenses, end of period	<u>\$ 1,186,149</u>	<u>\$ 1,060,000</u>

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 \$14.9 million net decrease in prior years' reserves for the nine months ended September 30, 2020 includes \$30.4 million of net favorable reserve development related to decreases in loss reserve estimates, partially offset by a \$15.5 million increase in 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 \$30.4 million of net favorable prior years' reserve development related to decreases in loss reserve estimates for the nine months ended September 30, 2020 was accompanied by net increases of \$20.0 million in acquisition costs and net decreases of \$7.8 million in earned premium, resulting in a \$2.6 million improvement in the net underwriting results, primarily due to:
 - \$6.5 million of improvement in net underwriting loss development relating to our workers' compensation contracts as a result of better than expected loss experience;
 - \$2.9 million of improvement in net underwriting loss development from several other contracts as a result of better than expected loss experience; partially offset by
 - \$6.7 million of net adverse underwriting loss development relating to our general liability contracts as a result of worse than expected loss experience; and
 - \$0.1 million of net adverse underwriting loss development relating to one retroactive reinsurance contract as a result of worse than expected loss experience. This retroactive reinsurance contract had profit commission terms such that the net favorable prior years' reserve development of

\$23.2 million associated with this contract was offset by an increase in acquisition costs of \$23.3 million.

- The \$15.5 million net increase in loss and loss adjustment expenses incurred resulting from increases in premium earnings estimates was accompanied by a \$2.9 million increase in acquisition costs, for a total of \$18.4 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 \$19.2 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 \$0.8 million improvement in the net underwriting results for the nine months ended September 30, 2020.
- In total, the change in net underwriting results for prior periods due to loss reserve development and adjustments to premium earnings estimates resulted in a \$3.4 million improvement in the net underwriting results for the nine months ended September 30, 2020.

As of September 30, 2020, the Company had unamortized deferred charges of \$6.1 million (December 31, 2019 - \$6.7 million) relating to retroactive reinsurance contracts. Deferred charges on retroactive contracts are recorded in other assets on the Company's condensed consolidated balance sheets.

The \$82.4 million net decrease in prior years' reserves for the nine months ended September 30, 2019 includes \$88.8 million of net favorable reserve development related to decreases in loss reserve estimates, partially offset by a \$6.4 million increase in 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 \$88.8 million of net favorable prior years' reserve development related to decreases in loss reserve estimates for the nine months ended September 30, 2019 was accompanied by net increases of \$84.5 million in acquisition costs, resulting in a \$4.3 million improvement in the net underwriting results, primarily due to:
 - \$8.9 million of improvement in net underwriting loss development relating to our workers' compensation contracts as a result of better than expected loss experience;
 - \$3.2 million of improvement in net underwriting loss development relating to our non-standard auto contracts as a result of better than expected loss experience;
 - \$0.9 million of improvement in net underwriting loss development relating to one retroactive reinsurance contract as a result of better than expected loss experience. This retroactive reinsurance contract had profit commission terms such that the net favorable prior years' reserve development of \$69.5 million associated with this contract was offset by an increase in acquisition costs of \$68.6 million; partially offset by
 - \$6.4 million of net adverse underwriting loss development relating to our multi-line contracts as a result of worse than expected loss experience; and
 - \$2.2 million of net adverse underwriting loss development relating to our general liability contracts, as a result of worse than expected loss experience.
- The \$6.4 million net increase in loss and loss adjustment expenses incurred resulting from increases in premium earnings estimates was accompanied by a \$2.1 million increase in acquisition costs, for a total of \$8.5 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 \$8.0 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 \$0.5 million increase in net underwriting loss for the nine months ended September 30, 2019.
- 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 \$3.8 million improvement in the net underwriting results for the nine months ended September 30, 2019.

8. Management and performance fees

Management fees

Pursuant to the 2019 LPA, Third Point LLC is entitled to receive monthly management fees. Management fees are charged at the TP Fund level and are calculated based on 1.25% 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.

There are no management fees associated with the management of the other investment assets managed by Third Point LLC.

Performance fees

Pursuant to the 2019 LPA, TP GP receives a performance fee allocation equal to 20% of the Company’s investment income in the related party investment fund. 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 and not subsequently 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, provided that the loss recovery account balance shall be reduced proportionately to reflect any withdrawals from TP Fund. The 2019 LPA preserves the loss carryforward attributable to our investment in TP Fund when contributions to TP Fund are made within nine months of certain types of withdrawals from TP Fund.

Pursuant to the 2020 LPA, the performance of certain fixed income and other investments managed by Third Point LLC are now included when calculating the performance fee allocation and loss recovery account amounts under the terms of the 2019 LPA for the year ended December 31, 2020.

As of September 30, 2020, the loss recovery account for Third Point Re BDA’s investment in TP Fund was \$nil (December 31, 2019 - \$nil) and for Third Point Re USA’s investment in TP Fund was \$nil (December 31, 2019 - \$0.5 million). These amounts have not been recorded in the Company’s condensed consolidated balance sheets.

The total management and performance fees to related parties for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Management fees - TP Fund	\$ 3,534	\$ 3,617	\$ 10,568	\$ 13,603
Performance fees - fixed income and other investments ⁽¹⁾	12,511	—	12,511	—
Performance fees - TP Fund (before loss carryforward)	25,320	—	4,878	40,969
Performance fees - loss carryforward utilized	(20,949)	—	(506)	(40,969)
Total management and performance fees to related parties	\$ 20,416	\$ 3,617	\$ 27,451	\$ 13,603

(1) Pursuant to the terms of the 2020 LPA, the performance of certain fixed income and other investments managed by Third Point LLC are now also subject to 20% performance fees for the year ended December 31, 2020.

9. Deposit accounted contracts

The following table represents activity for the deposit contracts for the nine months ended September 30, 2020 and year ended December 31, 2019:

	September 30, 2020	December 31, 2019
Balance, beginning of period	\$ 172,259	\$ 145,342
Consideration received	550	23,884
Consideration receivable	—	10,164
Net investment expense (income) allocation	(95)	5,879
Payments	(16,981)	(13,052)
Foreign currency translation	(36)	42
Balance, end of period	<u>\$ 155,697</u>	<u>\$ 172,259</u>

10. Senior Notes payable and letter of credit facilities

Senior Notes payable

As of September 30, 2020, 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, 2020, the Company had capitalized \$0.8 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, 2020, the Notes had an estimated fair value of \$116.7 million (December 31, 2019 - \$121.7 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, 2020 and December 31, 2019.

Letters of credit

As of September 30, 2020, the Company had entered into the following letter of credit facilities:

	Letters of Credit		Collateral
	Committed Capacity	Issued	Cash and Cash Equivalents
Committed - Secured letters of credit facilities	\$ 225,000	\$ 72,910	\$ 72,910
Uncommitted - Secured letters of credit facilities	n/a	202,279	202,279
		<u>\$ 275,189</u>	<u>\$ 275,189</u>

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.

11. Net investment income (loss)

Net investment income (loss) for the three and nine months ended September 30, 2020 and 2019 consisted of the following:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net investment income (loss) by type				
Net realized gains (losses) on investments and investment derivatives	\$ 3,446	\$ (4,242)	\$ 42,572	\$ (4,198)
Net change in unrealized gains (losses) on investments and investment derivatives	(1,830)	3,661	14,200	6,390
Net gains (losses) on foreign currencies	5,349	(2,065)	(2,218)	508
Dividend and interest income	4,846	5,595	12,593	11,428
Other expenses	(407)	(336)	(1,348)	(779)
Net investment income (loss) from investment in related party investment fund	110,552	(5,751)	8,341	207,597
Net investment income (loss)	<u>\$ 121,956</u>	<u>\$ (3,138)</u>	<u>\$ 74,140</u>	<u>\$ 220,946</u>

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, 2020 and 2019:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net investment income (loss) by asset type				
Asset-backed securities	\$ 2,566	\$ —	\$ 33,733	\$ —
Bank debt	183	—	336	—
Corporate bonds	1,596	—	28,416	—
U.S. Treasury securities	90	2,696	2,403	7,718
Sovereign debt	1,595	(1,247)	162	(1,215)
Total debt securities	6,030	1,449	65,050	6,503
Net investment loss in funds valued at NAV, excluding TP Fund	—	(10)	—	(6)
Total net investment income from invested assets	6,030	1,439	65,050	6,497
Net investment income (loss) by liability type				
U.S. Treasury securities	97	—	(57)	—
Total net investment income (loss) from securities sold, not yet purchased	97	—	(57)	—
Other investment income (losses) and other expenses not presented above				
Other investment expenses	(325)	(335)	(1,087)	(779)
Net investment income on cash, including foreign exchange gain	5,602	1,509	1,893	7,631
Total other investment income and other expenses	5,277	1,174	806	6,852
Net investment income (loss) from investment in related party investment fund	110,552	(5,751)	8,341	207,597
Net investment income (loss)	<u>\$ 121,956</u>	<u>\$ (3,138)</u>	<u>\$ 74,140</u>	<u>\$ 220,946</u>

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, 2020 and 2019, and summarized balance sheet as of September 30, 2020 and December 31, 2019.

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

TP Fund summarized income (loss) statement	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Investment income (loss)				
Net realized gain (loss) from securities, derivative contracts and foreign currency translations	\$ (7,017)	\$ (402)	\$ 11,115	\$ (3,840)
Net change in unrealized gain (loss) on securities, derivative contracts and foreign currency translations	151,487	(3,685)	13,352	246,081
Net income (loss) from currencies	1,476	217	1,286	(2,375)
Dividend and interest income	10,045	8,246	23,491	38,326
Other income	11	1,803	695	6,217
Total investment income	156,002	6,179	49,939	284,409
Expenses				
Management fees	3,534	3,617	10,568	13,603
Interest	1,325	4,270	5,814	13,094
Dividends on securities sold, not yet purchased	952	2,077	3,295	6,821
Administrative and professional fees	1,330	490	2,154	1,505
Other expenses	727	1,411	1,732	4,615
Total expenses	7,868	11,865	23,563	39,638
Net income (loss)	<u>\$ 148,134</u>	<u>\$ (5,686)</u>	<u>\$ 26,376</u>	<u>\$ 244,771</u>

The following table is a summarized balance sheet of TP Fund as of September 30, 2020 and December 31, 2019 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, 2020	December 31, 2019
Assets		
Total investments in securities and affiliated funds	\$ 1,865,701	\$ 1,620,531
Cash and cash equivalents	40,069	52
Due from brokers	175,067	162,682
Derivative assets, at fair value	13,316	21,861
Interest and dividends receivable	4,398	1,210
Other assets	186	212
Total assets	\$ 2,098,737	\$ 1,806,548
Liabilities		
Accounts payable and accrued expenses	\$ 1,731	\$ 2,417
Securities sold, not yet purchased, at fair value	250,537	283,711
Securities sold under agreement to repurchase	15,173	—
Due to brokers	770,225	426,612
Derivative liabilities, at fair value	31,260	19,282
Withdrawals payable to General Partner	—	42,381
Interest and dividends payable	913	972
Management fee payable	224	256
Total liabilities	1,070,063	775,631
Total partners' capital	\$ 1,028,674	\$ 1,030,917

12. 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.

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

For the three and nine months ended September 30, 2020 and 2019, the Company recorded income tax (expense) benefit, as follows:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(\$ in thousands)			
Income tax expense (benefit) related to U.S. and U.K. subsidiaries (1)	\$ 652	\$ (213)	\$ 4,380	\$ 1,431

(1) As of September 30, 2020, the Company has recorded \$4.0 million (December 31, 2019 - \$8.3 million) of net deferred tax assets, which are included in other assets in the condensed consolidated balance sheets. As of September 30, 2020 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.

13. Share capital

The following table presents a summary of the common shares issued and outstanding as of and for the nine months ended September 30, 2020 and 2019:

Common shares	2020	2019
Common shares issued, beginning of period	94,225,498	93,639,610
Options exercised	—	187,678
Restricted shares granted, net of forfeitures	745,099	361,522
Performance restricted shares granted, net of forfeitures and shares withheld	344,296	31,757
Common shares issued, end of period	95,314,893	94,220,567

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

As of September 30, 2020, the Company is authorized to repurchase up to an aggregate of \$61.3 million of common shares under its share repurchase program. 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 nine months ended September 30, 2020, the Company did not repurchase any of its common shares.

14. 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, 2020 and 2019:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(\$ in thousands)			
Restricted shares with service condition	\$ 729	\$ 379	\$ 1,903	\$ 1,513
Restricted shares with service and performance condition	796	515	2,775	4,793
	\$ 1,525	\$ 894	\$ 4,678	\$ 6,306

As of September 30, 2020, the Company had \$12.9 million (December 31, 2019 - \$7.1 million) of unamortized share compensation expense, which is expected to be amortized over a weighted average period of 1.9 years (December 31, 2019 - 1.5 years).

Management and director options

The Company has not granted any stock option awards since April 2013. These stock option awards were fully amortized as of December 31, 2018.

The following table summarizes information about the Company's management and director share options outstanding and exercisable as of September 30, 2020:

Range of exercise prices	Number of options	Weighted average exercise price	Remaining contractual life
\$10.00 - \$10.89	4,774,694	\$ 10.04	1.3 years
\$15.05 - \$16.89	1,800,866	15.92	1.5 years
\$20.00 - \$25.05	1,731,098	20.28	1.5 years
	<u>8,306,658</u>	\$ 13.45	1.4 years

Restricted shares with service condition

Restricted share award activity for the nine months ended September 30, 2020 and year ended December 31, 2019 was as follows:

	Number of non-vested restricted shares	Weighted average grant date fair value
Balance as of January 1, 2019	24,065	\$ 13.35
Granted	403,360	11.10
Forfeited	(36,907)	11.31
Vested	(49,751)	12.40
Balance as of January 1, 2020	340,767	11.83
Granted	761,533	8.59
Forfeited	(16,434)	9.77
Vested	(153,674)	10.58
Balance as of September 30, 2020	<u>932,192</u>	\$ 9.14

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, 2020 and year ended December 31, 2019 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, 2019	2,001,048	1,185,220	\$ 12.80
Granted	862,176	574,784	10.95
Forfeited	(823,977)	(290,552)	11.70
Vested	(148,718)	(148,718)	11.40
Change in estimated restricted shares considered probable of vesting	n/a	(6,698)	12.92
Balance as of January 1, 2020	1,890,529	1,314,036	12.43
Granted	749,322	499,542	9.46
Forfeited	(372,476)	(39,214)	12.12
Vested	(504,440)	(504,440)	12.16
Change in estimated restricted shares considered probable of vesting	n/a	(19,902)	13.86
Balance as of September 30, 2020	1,762,935	1,250,022	\$ 11.32

15. Noncontrolling interests

Noncontrolling interests represent the portion of equity in consolidated subsidiaries not attributable, directly or indirectly, to the Company.

Arcadian

In September 2020, the Company co-founded Arcadian, a managing general agent incorporated in Bermuda writing business on behalf of the Company. The Company's ownership in Arcadian as of September 30, 2020 was 49%, representing 980,000 common shares at \$1.00 par value. The Company has determined that Arcadian has the characteristics of a variable interest entity ("VIE") that are addressed by the guidance in ASC 810, *Consolidation* (ASC 810). Arcadian is considered a VIE as it has insufficient equity capital to finance its activities without additional financial support. The Company concluded that it is the primary beneficiary of Arcadian as it has power over the activities that most significantly impact the economic performance of Arcadian. As a result, the Company has consolidated the results of Arcadian in its condensed consolidated financial statements.

The Company's financial exposure to Arcadian is limited to its investment in Arcadian's common shares and other financial support up to \$18.0 million through an unsecured promissory note. As Arcadian had not commenced operations as of September 30, 2020, there is no counterparty credit risk arising from any insurance or reinsurance transactions as of such date.

The following table is a reconciliation of the beginning and ending carrying amount of total noncontrolling interests for the three and nine months ended September 30, 2020:

	September 30, 2020
Balance, beginning of period	\$ —
Net loss attributable to noncontrolling interests	(21)
Contributions	1,020
Balance, end of period	\$ 999

16. 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, 2020 and 2019:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Weighted-average number of common shares outstanding:	(\$ in thousands, except share and per share amounts)			
Basic number of common shares outstanding	92,613,393	91,903,556	92,466,813	91,784,268
Dilutive effect of options	—	—	—	208,652
Dilutive effect of warrants	—	—	—	150,501
Dilutive effect of restricted shares with service and performance condition	356,253	—	410,861	566,000
Diluted number of common shares outstanding	92,969,646	91,903,556	92,877,674	92,709,421
Basic earnings (loss) per common share:				
Net income (loss) available to Third Point Re common shareholders	\$ 68,743	\$ (15,099)	\$ 9,121	\$ 170,881
Net income allocated to Third Point Re participating common shareholders	(574)	—	(56)	(515)
Net income (loss) allocated to Third Point Re common shareholders	\$ 68,169	\$ (15,099)	\$ 9,065	\$ 170,366
Basic earnings (loss) per share available to Third Point Re common shareholders	\$ 0.74	\$ (0.16)	\$ 0.10	\$ 1.86
Diluted earnings (loss) per common share:				
Net income (loss) available to Third Point Re common shareholders	\$ 68,743	\$ (15,099)	\$ 9,121	\$ 170,881
Net income allocated to Third Point Re participating common shareholders	(572)	—	(56)	(510)
Net income (loss) allocated to Third Point Re common shareholders	\$ 68,171	\$ (15,099)	\$ 9,065	\$ 170,371
Diluted earnings (loss) per share available to Third Point Re common shareholders	\$ 0.73	\$ (0.16)	\$ 0.10	\$ 1.84

For the three and nine months ended September 30, 2020, anti-dilutive options of 3,741,266 and 3,741,266, respectively, and warrants of 3,494,979 and 3,494,979, respectively, were excluded from the computation of diluted earnings per share. For the nine months ended September 30, 2019, anti-dilutive options of 3,712,037 were excluded from the computation of diluted earnings per share.

As a result of the net loss for the three months ended September 30, 2019, dilutive options, warrants and restricted shares with service and performance conditions totaling 9,745,817 were considered anti-dilutive and were excluded from the computation of diluted loss per common share. No allocation of the net loss has been made to participating shares in the calculation of diluted net loss per common share.

17. Commitments and Contingencies

Financing

In February 2015, TPRUSA issued \$115.0 million of 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.

Letters of Credit

See Note 10 for additional information related to the Company's letter of credit facilities.

Litigation

From time to time in the normal course of business, the Company may be involved in formal and informal dispute resolution procedures, which may include arbitration or litigation, the outcomes of which determine the rights and obligations under the Company's reinsurance contracts and other contractual agreements. In some disputes, the Company may seek to enforce its rights under an agreement or to collect funds owed to it. In other matters, the Company may resist attempts by others to collect funds or enforce alleged rights. The Company is not currently involved in any material formal or informal dispute resolution procedures.

Debt Commitment Letter

On August 6, 2020, Third Point Re, entered into an Agreement and Plan of Merger (the "Merger Agreement"), by and among the Company, Sirius and Yoga Merger Sub Limited ("Merger Sub"), a Bermuda exempted company limited by shares and wholly owned subsidiary of the Company. Pursuant to the Merger Agreement, Merger Sub will be merged with and into Sirius (the "Merger"), with Sirius continuing as the surviving company in the Merger, as a wholly owned subsidiary of the Company. The Company is to be renamed SiriusPoint Ltd. ("SiriusPoint") following the Merger.

In connection with entering into the Merger Agreement, the Company entered into a commitment letter (the "Debt Commitment Letter"), dated as of August 6, 2020, with JPMorgan Chase Bank, N.A. ("JPMorgan"), pursuant to which JPMorgan committed to provide a senior unsecured bridge loan facility in an aggregate principal amount of up to \$125.0 million (the "Bridge Facility") to finance the Merger. The Bridge Facility is subject to reduction at the Company's option or with the proceeds of certain equity, debt or equity-linked securities issued by the Company or its subsidiaries, as more particularly set forth in the Term Sheet (as defined in the Debt Commitment Letter). The obligation of JPMorgan to provide the Bridge Facility is subject to a number of customary conditions, including execution and delivery of certain definitive documentation. The Company will pay certain fees and expenses in connection with the Bridge Facility.

On September 25, 2020, the Company terminated the Debt Commitment Letter. The Company terminated the Debt Commitment Letter because, in light of the Company's agreement with the Sirius Series B preference shareholders, funds committed by JPMorgan to be provided under the Bridge Facility are no longer anticipated to be necessary to consummate the Merger.

Equity Commitment Letter

On August 6, 2020, the Company, Third Point Opportunities Master Fund Ltd. and Daniel S. Loeb entered into an equity commitment letter (the "Equity Commitment Letter"), pursuant to which Third Point Opportunities Master Fund Ltd. committed, subject to the conditions set forth in the Equity Commitment Letter and the Merger Agreement, to purchase up to 9.5%, which approximates \$50.0 million, of the Company's Shares in connection with closing of the Merger.

Preference Shares

On September 4, 2020, the Company entered into a definitive agreement (the "Agreement") with the holders of Sirius Series B Preference Shares (the "Series B Preference Shares"). Pursuant to the terms of the Agreement, the Series B Preference Shares holders have agreed that upon closing of the Merger, they will convert their existing Series B Preference Shares of Sirius into up to \$260.0 million face value of newly-issued Series B Preference Shares of SiriusPoint (the "New Preference Shares"). The New Preference Shares will be perpetual in nature, carry an 8.00% annual cumulative cash dividend, and will be callable by SiriusPoint on each fifth anniversary of the closing of the Merger or upon certain other events. At the time of issuance upon the closing of the Merger, SiriusPoint will have the option to substitute up to \$60.0 million in cash in lieu of an equal face amount of the New Preference Shares (or pay in cash the agreed New Preference Shares face amount of \$260.0 million in full).

Promissory Note

On September 6, 2020, the Company entered into an Unsecured Promissory Note agreement (the “Notes”) with Arcadian, pursuant to which the Company has committed to loan up to \$18.0 million. Interest shall accrue and be computed on the aggregate principal amount drawn and outstanding at a rate of 8.0% per annum. No amounts were drawn as of September 30, 2020.

18. Segment reporting

The determination of the Company's business segments is based on the manner in which management monitors the performance of its operations. The Company reports one operating segment, Property and Casualty Reinsurance. Non-underwriting income and expenses including: net investment income (loss), general and administrative expenses related to corporate activities, other income (expense), interest expense, foreign exchange (gains) losses and income tax (expense) benefit are presented as a reconciliation to the Company's consolidated results. The Company does not manage its assets by segment; accordingly, total assets are not allocated to the segments.

The following is a summary of the Company's operating segment results for the three and nine months ended September 30, 2020 and 2019:

	Three months ended			
	September 30, 2020		September 30, 2019	
	Property and Casualty Reinsurance	Total	Property and Casualty Reinsurance	Total
Revenues				
Gross premiums written	\$ 60,779	\$ 60,779	\$ 95,388	\$ 95,388
Gross premiums ceded	185	185	(1,116)	(1,116)
Net premiums written	60,964	60,964	94,272	94,272
Change in net unearned premium reserves	80,748	80,748	108,976	108,976
Net premiums earned	141,712	141,712	203,248	203,248
Expenses				
Loss and loss adjustment expenses incurred, net	110,487	110,487	85,703	85,703
Acquisition costs, net	54,817	54,817	118,271	118,271
General and administrative expenses	4,556	4,556	4,769	4,769
Total expenses	169,860	169,860	208,743	208,743
Net underwriting loss	<u>\$ (28,148)</u>	<u>(28,148)</u>	<u>\$ (5,495)</u>	<u>(5,495)</u>
Net investment income (loss)		121,956		(3,138)
Corporate expenses		(16,764)		(4,468)
Other income (expense)		283		(5,058)
Interest expense		(2,068)		(2,074)
Foreign exchange gains (losses)		(5,885)		4,921
Income tax benefit (expense)		(652)		213
Net loss attributable to noncontrolling interests		21		—
Net income (loss) available to Third Point Re common shareholders		<u>\$ 68,743</u>		<u>\$ (15,099)</u>
Property and Casualty Reinsurance - Underwriting Ratios (1):				
Loss ratio	78.0 %		42.2 %	
Acquisition cost ratio	38.7 %		58.2 %	
Composite ratio	116.7 %		100.4 %	
General and administrative expense ratio	3.2 %		2.3 %	
Combined ratio	<u>119.9 %</u>		<u>102.7 %</u>	

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

	Nine months ended			
	September 30, 2020		September 30, 2019	
	Property and Casualty Reinsurance	Total	Property and Casualty Reinsurance	Total
Revenues				
Gross premiums written	\$ 422,481	\$ 422,481	\$ 497,616	\$ 497,616
Gross premiums ceded	(30,037)	(30,037)	(3,301)	(3,301)
Net premiums written	392,444	392,444	494,315	494,315
Change in net unearned premium reserves	36,393	36,393	7,435	7,435
Net premiums earned	428,837	428,837	501,750	501,750
Expenses				
Loss and loss adjustment expenses incurred, net	287,379	287,379	263,105	263,105
Acquisition costs, net	147,741	147,741	233,775	233,775
General and administrative expenses	15,031	15,031	17,762	17,762
Total expenses	450,151	450,151	514,642	514,642
Net underwriting loss	<u>\$ (21,314)</u>	<u>(21,314)</u>	<u>\$ (12,892)</u>	<u>(12,892)</u>
Net investment income		74,140		220,946
Corporate expenses		(29,903)		(23,257)
Other expenses		(6,410)		(12,994)
Interest expense		(6,162)		(6,154)
Foreign exchange gains		3,129		6,663
Income tax expense		(4,380)		(1,431)
Net loss attributable to noncontrolling interests		21		—
Net income available to Third Point Re common shareholders		<u>\$ 9,121</u>		<u>\$ 170,881</u>

Property and Casualty Reinsurance - Underwriting Ratios (1):

Loss ratio	67.0 %	52.4 %
Acquisition cost ratio	34.5 %	46.6 %
Composite ratio	101.5 %	99.0 %
General and administrative expense ratio	3.5 %	3.6 %
Combined ratio	<u>105.0 %</u>	<u>102.6 %</u>

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

The following table provides a breakdown of the Company's gross premiums written by line of business for the three and nine months ended September 30, 2020 and 2019:

	Three months ended				Nine months ended			
	September 30, 2020		September 30, 2019		September 30, 2020		September 30, 2019	
Property	\$ 16,854	27.7 %	\$ 6,705	7.0 %	\$ 148,678	35.2 %	\$ 102,548	20.6 %
Casualty	31,278	51.5 %	17,024	17.8 %	125,361	29.7 %	119,354	24.0 %
Specialty	9,727	16.0 %	12,967	13.7 %	145,522	34.4 %	222,375	44.7 %
Total prospective reinsurance contracts	57,859	95.2 %	36,696	38.5 %	419,561	99.3 %	444,277	89.3 %
Retroactive reinsurance contracts	2,920	4.8 %	58,692	61.5 %	2,920	0.7 %	53,339	10.7 %
	<u>\$ 60,779</u>	<u>100.0 %</u>	<u>\$ 95,388</u>	<u>100.0 %</u>	<u>\$ 422,481</u>	<u>100.0 %</u>	<u>\$ 497,616</u>	<u>100.0 %</u>

19. Subsequent event

Revolving Credit Facility

On November 2, 2020, the Company entered into a three-year, \$300.0 million senior unsecured revolving credit facility (the “Facility”) with JPMorgan Chase Bank, N.A. as administrative agent. The Facility includes an option, subject to satisfaction of certain conditions including agreement of lenders representing greater than a majority of commitments, for the Company to request an extension by such lenders of the maturity date of the Facility by an additional 12 months. The Facility provides access to loans for working capital and general corporate purposes, and letters of credit to support obligations under insurance and reinsurance agreements, retrocessional agreements and for general corporate purposes. Loans and letters of credit under the Facility will become available, subject to customary conditions precedent, upon the consummation of the merger (the date such loans and letters of credit are first made available, the “Closing Date”). Prior to the Closing Date, the Facility is guaranteed solely by Third Point Re (USA) Holdings Inc. On and after the Closing Date, the Facility will be required to be guaranteed by Sirius International Group, Ltd., Sirius International Holdings Ltd., Sirius International Insurance Group, Ltd., and subject to customary exceptions certain other material subsidiaries of the Company.

All borrowings under the Facility bear interest at a rate per annum equal to, at the option of the Company, (i) adjusted LIBOR plus an applicable margin ranging from 1.25% to 2.25%, or (ii) an alternate base rate plus an applicable margin ranging from 0.25% to 1.25%, in each case with the applicable margin determined based upon the Company’s credit rating. The Facility is subject to an unused line fee on or after the Closing Date on the average daily undrawn commitments under the Facility, payable quarterly in arrears, of 0.20% to 0.40% per annum based upon the Company’s credit rating.

The Facility is subject to customary representations and warranties, affirmative and negative covenants and events of default (including a change of control provision) that the Company considers customary for similar facilities. The Facility also includes financial covenants, including a minimum consolidated tangible net worth test, a maximum consolidated indebtedness to total consolidated capitalization ratio and a financial strength rating test.

20. Supplemental guarantor information

Third Point Re fully and unconditionally guarantees the \$115.0 million of Notes issued by TPRUSA, a wholly owned subsidiary.

The following information sets forth condensed consolidating balance sheets as of September 30, 2020 and December 31, 2019, condensed consolidating statements of income (loss) for the three and nine months ended September 30, 2020 and 2019 and condensed consolidating statements of cash flows for the nine months ended September 30, 2020 and 2019 for Third Point Re, TPRUSA and the non-guarantor subsidiaries of Third Point Re. Investments in subsidiaries are accounted for on the equity method; accordingly, entries necessary to consolidate the parent guarantor, TPRUSA and all other subsidiaries are reflected in the eliminations column.

CONDENSED CONSOLIDATING BALANCE SHEET
As of September 30, 2020

	Third Point Re	TPRUSA	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Total investments in securities	\$ 4,000	\$ —	\$ 1,055,231	\$ —	\$ 1,059,231
Cash and cash equivalents	—	166	513,617	—	513,783
Restricted cash and cash equivalents	—	—	1,101,693	—	1,101,693
Investment in subsidiaries	1,443,188	285,559	191,838	(1,920,585)	—
Due from brokers	—	—	81,142	—	81,142
Interest and dividends receivable	—	—	1,835	—	1,835
Reinsurance balances receivable, net	—	—	572,672	—	572,672
Deferred acquisition costs, net	—	—	142,846	—	142,846
Unearned premiums ceded	—	—	27,463	—	27,463
Loss and loss adjustment expenses recoverable, net	—	—	13,626	—	13,626
Amounts due from (to) affiliates	(17,296)	(3,948)	21,244	—	—
Other assets	2,599	8,081	9,491	—	20,171
Total assets	<u>\$ 1,432,491</u>	<u>\$ 289,858</u>	<u>\$ 3,732,698</u>	<u>\$ (1,920,585)</u>	<u>\$ 3,534,462</u>
Liabilities					
Accounts payable and accrued expenses	\$ 4,920	\$ —	\$ 9,043	\$ —	\$ 13,963
Reinsurance balances payable	—	—	120,469	—	120,469
Deposit liabilities	—	—	155,697	—	155,697
Unearned premium reserves	—	—	498,893	—	498,893
Loss and loss adjustment expense reserves	—	—	1,186,149	—	1,186,149
Securities sold, not yet purchased, at fair value	—	—	15,389	—	15,389
Interest and dividends payable	—	1,034	76	—	1,110
Senior notes payable, net of deferred costs	—	114,222	—	—	114,222
Total liabilities	<u>4,920</u>	<u>115,256</u>	<u>1,985,716</u>	<u>—</u>	<u>2,105,892</u>
Shareholders' equity					
Common shares	9,531	—	1,239	(1,239)	9,531
Additional paid-in capital	931,972	192,168	1,596,758	(1,788,926)	931,972
Retained earnings (deficit)	486,068	(17,566)	147,986	(130,420)	486,068
Shareholders' equity attributable to Third Point Re common shareholders	<u>1,427,571</u>	<u>174,602</u>	<u>1,745,983</u>	<u>(1,920,585)</u>	<u>1,427,571</u>
Noncontrolling interests	—	—	999	—	999
Total shareholders' equity	<u>1,427,571</u>	<u>174,602</u>	<u>1,746,982</u>	<u>(1,920,585)</u>	<u>1,428,570</u>
Total liabilities, noncontrolling interests and shareholders' equity	<u>\$ 1,432,491</u>	<u>\$ 289,858</u>	<u>\$ 3,732,698</u>	<u>\$ (1,920,585)</u>	<u>\$ 3,534,462</u>

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2019

	Third Point Re	TPRUSA	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Total investments in securities	\$ 4,000	\$ —	\$ 985,701	\$ —	\$ 989,701
Cash and cash equivalents	10	176	639,229	—	639,415
Restricted cash and cash equivalents	—	—	1,014,543	—	1,014,543
Investment in subsidiaries	1,419,197	271,624	191,077	(1,881,898)	—
Interest and dividends receivable	—	—	2,178	—	2,178
Reinsurance balances receivable, net	—	—	596,120	—	596,120
Deferred acquisition costs, net	—	—	154,717	—	154,717
Unearned premiums ceded	—	—	16,945	—	16,945
Loss and loss adjustment expenses recoverable, net	—	—	5,520	—	5,520
Amounts due from (to) affiliates	(5,722)	(3,898)	9,620	—	—
Other assets	764	6,784	13,007	—	20,555
Total assets	\$ 1,418,249	\$ 274,686	\$ 3,628,657	\$ (1,881,898)	\$ 3,439,694
Liabilities					
Accounts payable and accrued expenses	\$ 4,175	\$ —	\$ 13,641	\$ —	\$ 17,816
Reinsurance balances payable	—	—	81,941	—	81,941
Deposit liabilities	—	—	172,259	—	172,259
Unearned premium reserves	—	—	524,768	—	524,768
Loss and loss adjustment expense reserves	—	—	1,111,692	—	1,111,692
Interest and dividends payable	—	3,055	—	—	3,055
Senior notes payable, net of deferred costs	—	114,089	—	—	114,089
Total liabilities	4,175	117,144	1,904,301	—	2,025,620
Shareholders' equity					
Common shares	9,423	—	1,239	(1,239)	9,423
Additional paid-in capital	927,704	191,361	1,591,796	(1,783,157)	927,704
Retained earnings (deficit)	476,947	(33,819)	131,321	(97,502)	476,947
Shareholders' equity attributable to Third Point Re common shareholders	1,414,074	157,542	1,724,356	(1,881,898)	1,414,074
Total liabilities and shareholders' equity	\$ 1,418,249	\$ 274,686	\$ 3,628,657	\$ (1,881,898)	\$ 3,439,694

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

For the three months ended September 30, 2020	Third Point Re	TPRUSA	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues					
Gross premiums written	\$ —	\$ —	\$ 60,779	\$ —	\$ 60,779
Gross premiums ceded	—	—	185	—	185
Net premiums written	—	—	60,964	—	60,964
Change in net unearned premium reserves	—	—	80,748	—	80,748
Net premiums earned	—	—	141,712	—	141,712
Net investment income	—	—	121,956	—	121,956
Equity in earnings (losses) of subsidiaries	82,648	3,692	(9)	(86,331)	—
Total revenues	82,648	3,692	263,659	(86,331)	263,668
Expenses					
Loss and loss adjustment expenses incurred, net	—	—	110,487	—	110,487
Acquisition costs, net	—	—	54,817	—	54,817
General and administrative expenses	13,905	1	7,414	—	21,320
Other income	—	—	(283)	—	(283)
Interest expense	—	2,068	—	—	2,068
Foreign exchange losses	—	—	5,885	—	5,885
Total expenses	13,905	2,069	178,320	—	194,294
Income before income tax (expense) benefit	68,743	1,623	85,339	(86,331)	69,374
Income tax (expense) benefit	—	435	(1,087)	—	(652)
Net income	68,743	2,058	84,252	(86,331)	68,722
Net loss attributable to noncontrolling interests	—	—	21	—	21
Net income available to Third Point Re common shareholders	\$ 68,743	\$ 2,058	\$ 84,273	\$ (86,331)	\$ 68,743
For the nine months ended September 30, 2020					
Revenues					
Gross premiums written	\$ —	\$ —	\$ 422,481	\$ —	\$ 422,481
Gross premiums ceded	—	—	(30,037)	—	(30,037)
Net premiums written	—	—	392,444	—	392,444
Change in net unearned premium reserves	—	—	36,393	—	36,393
Net premiums earned	—	—	428,837	—	428,837
Net investment income	—	—	74,140	—	74,140
Equity in earnings (losses) of subsidiaries	29,837	21,129	(44)	(50,922)	—
Total revenues	29,837	21,129	502,933	(50,922)	502,977
Expenses					
Loss and loss adjustment expenses incurred, net	—	—	287,379	—	287,379
Acquisition costs, net	—	—	147,741	—	147,741
General and administrative expenses	20,716	10	24,208	—	44,934
Other expenses	—	—	6,410	—	6,410
Interest expense	—	6,162	—	—	6,162
Foreign exchange gains	—	—	(3,129)	—	(3,129)
Total expenses	20,716	6,172	462,609	—	489,497
Income before income tax (expense) benefit	9,121	14,957	40,324	(50,922)	13,480
Income tax (expense) benefit	—	1,296	(5,676)	—	(4,380)
Net income	9,121	16,253	34,648	(50,922)	9,100
Net loss attributable to noncontrolling interests	—	—	21	—	21
Net income available to Third Point Re common shareholders	\$ 9,121	\$ 16,253	\$ 34,669	\$ (50,922)	\$ 9,121

CONDENSED CONSOLIDATING STATEMENTS OF INCOME (LOSS)

For the three months ended September 30, 2019	Third Point Re	TPRUSA	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues					
Gross premiums written	\$ —	\$ —	\$ 95,388	\$ —	\$ 95,388
Gross premiums ceded	—	—	(1,116)	—	(1,116)
Net premiums written	—	—	94,272	—	94,272
Change in net unearned premium reserves	—	—	108,976	—	108,976
Net premiums earned	—	—	203,248	—	203,248
Net investment loss	—	—	(3,138)	—	(3,138)
Equity in earnings (losses) of subsidiaries	(13,516)	649	(15)	12,882	—
Total revenues	(13,516)	649	200,095	12,882	200,110
Expenses					
Loss and loss adjustment expenses incurred, net	—	—	85,703	—	85,703
Acquisition costs, net	—	—	118,271	—	118,271
General and administrative expenses	1,583	6	7,648	—	9,237
Other expenses	—	—	5,058	—	5,058
Interest expense	—	2,074	—	—	2,074
Foreign exchange gains	—	—	(4,921)	—	(4,921)
Total expenses	1,583	2,080	211,759	—	215,422
Loss before income tax (expense) benefit	(15,099)	(1,431)	(11,664)	12,882	(15,312)
Income tax (expense) benefit	—	437	(224)	—	213
Net loss attributable to Third Point Re common shareholders	\$ (15,099)	\$ (994)	\$ (11,888)	\$ 12,882	\$ (15,099)

For the nine months ended September 30, 2019	Third Point Re	TPRUSA	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues					
Gross premiums written	\$ —	\$ —	\$ 497,616	\$ —	\$ 497,616
Gross premiums ceded	—	—	(3,301)	—	(3,301)
Net premiums written	—	—	494,315	—	494,315
Change in net unearned premium reserves	—	—	7,435	—	7,435
Net premiums earned	—	—	501,750	—	501,750
Net investment income	—	—	220,946	—	220,946
Equity in earnings (losses) of subsidiaries	183,936	9,980	(26)	(193,890)	—
Total revenues	183,936	9,980	722,670	(193,890)	722,696
Expenses					
Loss and loss adjustment expenses incurred, net	—	—	263,105	—	263,105
Acquisition costs, net	—	—	233,775	—	233,775
General and administrative expenses	13,055	(20)	27,984	—	41,019
Other expenses	—	—	12,994	—	12,994
Interest expense	—	6,154	—	—	6,154
Foreign exchange gains	—	—	(6,663)	—	(6,663)
Total expenses	13,055	6,134	531,195	—	550,384
Income before income tax (expense) benefit	170,881	3,846	191,475	(193,890)	172,312
Income tax (expense) benefit	—	1,288	(2,719)	—	(1,431)
Net income available to Third Point Re common shareholders	\$ 170,881	\$ 5,134	\$ 188,756	\$ (193,890)	\$ 170,881

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2020	Third Point Re	TPRUSA	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities					
Net income	\$ 9,121	\$ 16,253	\$ 34,648	\$ (50,922)	\$ 9,100
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Equity in (earnings) losses of subsidiaries	(29,837)	(21,129)	44	50,922	—
Share compensation expense	524	—	4,154	—	4,678
Net interest income on deposit liabilities	—	—	(95)	—	(95)
Net realized and unrealized gain on investments and derivatives	—	—	(56,799)	—	(56,799)
Net realized and unrealized gain on investment in related party investment fund	—	—	(8,341)	—	(8,341)
Net foreign exchange gains	—	—	(3,129)	—	(3,129)
Amortization of premium and accretion of discount, net	—	133	(2,119)	—	(1,986)
Changes in assets and liabilities:					
Reinsurance balances receivable	—	—	22,930	—	22,930
Deferred acquisition costs, net	—	—	11,871	—	11,871
Unearned premiums ceded	—	—	(10,518)	—	(10,518)
Loss and loss adjustment expenses recoverable	—	—	(8,106)	—	(8,106)
Other assets	(1,835)	(1,297)	3,792	—	660
Interest and dividends receivable, net	—	(2,021)	419	—	(1,602)
Unearned premium reserves	—	—	(25,875)	—	(25,875)
Loss and loss adjustment expense reserves	—	—	77,823	—	77,823
Accounts payable and accrued expenses	745	1	(4,599)	—	(3,853)
Reinsurance balances payable	—	—	38,523	—	38,523
Amounts due from (to) affiliates	11,574	50	(11,624)	—	—
Net cash provided by (used in) operating activities	(9,708)	(8,010)	62,999	—	45,281
Investing activities					
Purchases of investments	—	—	(444,111)	—	(444,111)
Proceeds from sales and maturities of investments	—	—	441,611	—	441,611
Purchases of investments to cover short sales	—	—	(129)	—	(129)
Proceeds from short sales of investments	—	—	15,721	—	15,721
Change in due to/from brokers, net	—	—	(81,142)	—	(81,142)
Net cash used in investing activities	—	—	(68,050)	—	(68,050)
Financing activities					
Taxes paid on withholding shares	(302)	—	—	—	(302)
Net payments on deposit liability contracts	—	—	(16,431)	—	(16,431)
Change in total noncontrolling interests, net	—	—	1,020	—	1,020
Dividend received by (paid to) parent	10,000	8,000	(18,000)	—	—
Net cash provided by (used in) financing activities	9,698	8,000	(33,411)	—	(15,713)
Net decrease in cash, cash equivalents and restricted cash	(10)	(10)	(38,462)	—	(38,482)
Cash, cash equivalents and restricted cash at beginning of period	10	176	1,653,772	—	1,653,958
Cash, cash equivalents and restricted cash at end of period	\$ —	\$ 166	\$ 1,615,310	\$ —	\$ 1,615,476

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the nine months ended September 30, 2019	Third Point Re	TPRUSA	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities					
Net income	\$ 170,881	\$ 5,134	\$ 188,756	\$ (193,890)	\$ 170,881
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Equity in (earnings) losses of subsidiaries	(183,936)	(9,980)	26	193,890	—
Share compensation expense	2,635	—	3,671	—	6,306
Net interest expense on deposit liabilities	—	—	4,980	—	4,980
Net realized and unrealized gain on investments and derivatives	—	—	(2,177)	—	(2,177)
Net realized and unrealized gain on investment in related party investment fund	—	—	(207,597)	—	(207,597)
Net foreign exchange gains	—	—	(6,663)	—	(6,663)
Amortization of premium and accretion of discount, net	—	133	(364)	—	(231)
Changes in assets and liabilities:					
Reinsurance balances receivable	—	—	(50,711)	—	(50,711)
Deferred acquisition costs, net	—	—	36,874	—	36,874
Unearned premiums ceded	—	—	3,182	—	3,182
Loss and loss adjustment expenses recoverable	—	—	(2,239)	—	(2,239)
Other assets	913	(1,288)	3,202	—	2,827
Interest and dividends receivable, net	—	(2,029)	(1,616)	—	(3,645)
Unearned premium reserves	—	—	(10,617)	—	(10,617)
Loss and loss adjustment expense reserves	—	—	119,129	—	119,129
Accounts payable and accrued expenses	3,520	(30)	3,856	—	7,346
Reinsurance balances payable	—	—	29,052	—	29,052
Amounts due from (to) affiliates	(1,453)	3,950	(2,497)	—	—
Net cash provided by (used in) operating activities	(7,440)	(4,110)	108,247	—	96,697
Investing activities					
Proceeds from redemptions from related party investment fund	—	—	760,000	—	760,000
Contributions to related party investment fund	—	—	(87,000)	—	(87,000)
Change in participation agreement with related party investment fund	—	—	(2,297)	—	(2,297)
Purchases of investments	(3,500)	—	(327,463)	—	(330,963)
Proceeds from sales and maturities of investments	—	—	349,696	—	349,696
Change in due to/from brokers, net	—	—	1,411	—	1,411
Contributed capital to subsidiaries	(15,000)	15,000	—	—	—
Contributed capital from parent and/or subsidiaries	—	(15,000)	15,000	—	—
Net cash provided by (used in) investing activities	(18,500)	—	709,347	—	690,847
Financing activities					
Proceeds from issuance of Third Point Re common shares, net of costs	1,887	—	—	—	1,887
Taxes paid on withholding shares	(68)	—	—	—	(68)
Net proceeds from deposit liability contracts	—	—	6,924	—	6,924
Dividend received by (paid to) parent	24,249	4,100	(28,349)	—	—
Net cash provided by (used in) financing activities	26,068	4,100	(21,425)	—	8,743
Net increase (decrease) in cash, cash equivalents and restricted cash	128	(10)	796,169	—	796,287
Cash, cash equivalents and restricted cash at beginning of period	—	187	713,150	—	713,337
Cash, cash equivalents and restricted cash at end of period	\$ 128	\$ 177	\$ 1,509,319	\$ —	\$ 1,509,624

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with our unaudited condensed consolidated interim financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q.

The statements in this discussion regarding business outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors" and "Special Note Regarding Forward-Looking Statements". Our actual results may differ materially from those contained in or implied by any forward looking statements.

Special Note Regarding Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q may constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding our industry, business strategy, plans, goals and expectations concerning our market position, international expansion, future operations, margins, profitability, future efficiencies, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words "may," "believes," "intends," "seeks," "anticipates," "plans," "estimates," "expects," "should," "assumes," "continues," "could," "will," "future" and the negative of these or similar terms and phrases are intended to identify forward-looking statements in this Quarterly Report on Form 10-Q.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Although we believe the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to have been correct. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. Actual events, results and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, the following:

- results of operations fluctuate and may not be indicative of our prospects;
- a pandemic or other catastrophic event, such as the ongoing COVID-19 outbreak, may adversely impact our financial condition or results of operations;
- more established competitors;
- losses exceeding reserves;
- highly cyclical property and casualty reinsurance industry;
- losses from catastrophe exposure;
- downgrade, withdrawal of ratings or change in rating outlook by rating agencies;
- significant decrease in our capital or surplus;
- dependence on key executives;
- inability to service our indebtedness;
- limited cash flow and liquidity due to our indebtedness;
- inability to raise necessary funds to pay principal or interest on debt;
- potential lack of availability of capital in the future;
- credit risk associated with the use of reinsurance brokers;
- future strategic transactions such as acquisitions, dispositions, mergers or joint ventures;
- technology breaches or failures, including cyber-attacks;
- lack of control over TP Fund;

- lack of control over the allocation and performance of TP Fund’s investment portfolio;
- dependence on Third Point LLC to implement TP Fund’s investment strategy;
- limited ability to withdraw our capital accounts from TP Fund;
- decline in revenue due to poor performance of TP Fund’s investment portfolio;
- TP Fund’s investment strategy involves risks that are greater than those faced by competitors;
- termination by Third Point LLC of our or TP Fund’s investment management agreements;
- potential conflicts of interest with Third Point LLC;
- losses resulting from significant investment positions;
- credit risk associated with the default on obligations of counterparties;
- ineffective investment risk management systems;
- fluctuations in the market value of TP Fund’s investment portfolio;
- trading restrictions being placed on TP Fund’s investments;
- limited termination provisions in our investment management agreements;
- limited liquidity and lack of valuation data on certain TP Fund’s investments;
- fluctuations in market value of our fixed-income securities;
- U.S. and global economic downturns;
- specific characteristics of investments in mortgage-backed securities and other asset-backed securities, in securities of issues based outside the U.S., and in special situation or distressed companies;
- loss of key employees at Third Point LLC;
- Third Point LLC’s compensation arrangements may incentivize investments that are risky or speculative;
- increased regulation or scrutiny of alternative investment advisers affecting our reputation;
- suspension or revocation of our reinsurance licenses;
- potentially being deemed an investment company under U.S. federal securities law;
- failure of reinsurance subsidiaries to meet minimum capital and surplus requirements;
- changes in Bermuda or other law and regulation that may have an adverse impact on our operations;
- Third Point Re and/or Third Point Re BDA potentially becoming subject to U.S. federal income taxation;
- potential characterization of Third Point Re and/or Third Point Re BDA as a passive foreign investment company;
- subjection of our affiliates to the base erosion and anti-abuse tax;
- potentially becoming subject to U.S. withholding and information reporting requirements under the Foreign Account Tax Compliance Act;
- risks associated with the failure to complete, or the failure to realize the expected benefits of the merger with Sirius International Insurance Group, Ltd.;
- Arcadian Risk Capital Ltd.’s ability to, and success at, writing the business indicated, its expansion plans and the Company’s ability to place quota share reinsurance on the portfolio; and
- other risks and factors listed under “Risk Factors” in our most recent Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission.

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

In addition, while we do, from time to time, communicate with security analysts, it is against our policy to disclose to them any material non-public information or other confidential information. Accordingly, shareholders should

not assume that we agree with any statement or report issued by any analyst irrespective of the content of the statement or report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts, or opinions, such reports are not our responsibility.

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

Overview

We are a holding company domiciled in Bermuda. Through our reinsurance subsidiaries, we provide specialty property and casualty reinsurance products to insurance and reinsurance companies on a worldwide basis. Our goal is to deliver attractive equity returns to our shareholders by combining profitable reinsurance underwriting with a differentiated investment strategy. Substantially all of our investments are managed by Third Point LLC.

We manage our business on the basis of one operating segment, Property and Casualty Reinsurance. Non-underwriting income and expenses, presented as a reconciliation to our consolidated results, include: net investment income (loss), general and administrative expenses related to corporate activities, other expenses, interest expense, foreign exchange (gains) losses and income tax (expense) benefit.

Sirius Merger

On August 6, 2020, Third Point Re, entered into an Agreement and Plan of Merger (the “Merger Agreement”), by and among the Company, Sirius International Insurance Group, Ltd. (“Sirius”), a Bermuda exempted company limited by shares, and Yoga Merger Sub Limited (“Merger Sub”), a Bermuda exempted company limited by shares and wholly owned subsidiary of the Company. Pursuant to the Merger Agreement, Merger Sub will be merged with and into Sirius (the “Merger”), with Sirius continuing as the surviving company in the Merger, as a wholly owned subsidiary of the Company. The Company is to be renamed SiriusPoint Ltd. following the Merger.

The total deal consideration was estimated at the time of announcement as \$788.0 million, which comprises stock, cash, and other contingent value components.

The transaction is subject to customary closing conditions and regulatory approvals and is expected to close in the first quarter of 2021. Please refer to our Current Report on [Form 8-K filed with the SEC on August 7, 2020](#), for additional description of the Merger and related transactions.

Property and Casualty Reinsurance

We provide reinsurance products to insurance and reinsurance companies, government entities, and other risk bearing vehicles. Contracts can be written on an excess of loss basis or quota share basis. In addition, we write contracts on both a prospective basis and a retroactive basis. Prospective reinsurance contracts cover losses incurred as a result of future insurable events. Retroactive reinsurance contracts cover the potential for changes in estimates of loss and loss adjustment expense reserves related to loss events that have occurred in the past. Retroactive reinsurance contracts can be an attractive type of contract for us as they can generate an underwriting profit should the ultimate loss and loss adjustment expenses settle for less than the initial estimate of reserves and the premiums received at the inception of the contract generate insurance float.

Prior to 2019, we focused on lines of business and forms of reinsurance that have demonstrated more stable return characteristics and/or generated insurance float and limited our underwriting of property catastrophe and other event driven risks. Starting in 2019, we began to incrementally expand the lines of business and forms of reinsurance on which we focus where we believe the higher expected margins adequately compensate us for the increased risk and have not renewed contracts and de-emphasized certain lines of business that no longer fit our new underwriting strategy. We have continued to transition our underwriting strategy in 2020 and we expect that our property and casualty reinsurance segment will become a more meaningful contributor to our returns over time as we continue to

reorient our underwriting strategy towards generating consistent underwriting profits through prudent risk selection and focus less on lower volatility, float generating contracts and lines of business.

Insurance float is still an important aspect of our reinsurance operation. Insurance float arises because premiums from reinsurance contracts and consideration received for deposit accounted contracts are collected before losses are paid on reinsurance contracts and payments are made on deposit accounted contracts. In some instances, the interval between cash receipts and payments can extend over many years. During this time interval, we invest the cash received and seek to generate investment returns.

We believe that over time, our reinsurance operation will contribute to our results by both generating underwriting income as well as generating float.

Arcadian

We recently announced an investment in Arcadian Risk Capital Ltd. (“Arcadian”), a start-up led by John Boylan, a well-known industry executive with a 30-year track record in the global insurance market. We made a significant capital commitment and will own a minority stake in the newly-formed company. In addition to capitalizing Arcadian, we will also provide insurance paper and meaningful net capacity. Arcadian has been established as a managing general agent and incorporated in Bermuda where Arcadian will initially operate. Arcadian commenced operations on October 1, 2020 with a Bermuda-only platform, with a plan to expand to multiple offices over time where it will underwrite various lines of insurance business, via established broker networks.

Investment Management

Our investment strategy is implemented by our investment manager, Third Point LLC. Third Point LLC serves as investment manager for TP Fund, as well as for our collateral assets and other fixed income investments.

The following is a summary of our total net investments managed by Third Point LLC as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
	(\$ in thousands)	
TP Fund	\$ 868,971	\$ 860,630
Collateral and other investment assets ⁽¹⁾	1,804,053	1,729,497
Total net investments managed by Third Point LLC	\$ 2,673,024	\$ 2,590,127

(1) Collateral assets primarily consist of fixed income securities such as U.S. Treasuries, money markets funds, and sovereign debt. Other investment assets primarily consist of U.S. Treasuries, structured and corporate credit fixed income securities such as corporate bonds, asset-backed securities and bank debt as well as interest rate hedges in the form of short positions on U.S. Treasuries.

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.

Collateral assets are generally required to be held in cash or cash equivalents, U.S. Treasuries or non-U.S. sovereign debt equivalent and other investment grade assets as determined by the respective reinsurance trusts or as per collateral required under secured letter of credit facilities.

Other investment assets had historically consisted solely of U.S. treasuries and cash equivalents from the time of our withdrawal of \$750 million from the TP Fund in mid-2019. During the first quarter of 2020, the Company determined it would invest in a more opportunistic credit portfolio to take advantage of dislocations in the credit

market brought on by the COVID-19 pandemic. During the first quarter, we invested approximately \$220 million in corporate debt from liquid, high quality issuers as well as a portfolio of non-investment grade structured credit securities, primarily in residential mortgage-backed securities and consumer loans. In addition, we hedged a significant portion of the interest rate risk in this new corporate credit portfolio by purchasing short positions in long duration U.S. Treasuries.

In the final weeks of the first quarter and carrying into the second quarter, markets responded positively and retraced some of the spread widening during the first quarter, however, we anticipate continued volatility. We sold out of many of our positions in investment grade bonds initially purchased in the first quarter that recovered strongly in the second quarter of 2020.

In the third quarter of 2020, equity markets continued to rebound with technology-oriented stocks leading out-performance globally. Third Point LLC initiated new positions within several growth-oriented stocks that it believes will emerge even stronger in the post-COVID world. We also sold some profitable positions within energy credit while adding opportunistically to the bonds of certain airline companies.

Business Outlook

The COVID-19 pandemic has had and is expected to continue to have a significant effect on the (re)insurance industry. The industry is currently being impacted by a number of factors including: uncertainties with respect to current and future COVID-19 losses across many classes of insurance business and the amount of insurance losses that may ultimately be ceded to the reinsurance market, continued low interest rates, equity market volatility and ongoing business and financial market impacts of COVID-19 associated economic downturn. The insurance industry has already sustained material losses resulting from COVID-19, with potentially more to come, which will reduce available capital and we expect will help to sustain the upward pricing trend for reinsurers that we were seeing across many lines of business before the impacts of COVID-19. However, the ultimate impact on current business in force as well as risks and potential opportunities on future business remains highly uncertain.

Impact of COVID-19 on Business Operations

We reacted quickly and decisively to the COVID-19 crisis when we became aware of the potential impact on our business operations. We have continued to monitor and adjust our operations as the global pandemic has unfolded. As local directives required us to transition our operations in each of our locations to remote working arrangements, all functions remain fully operational with all employees having remote access to the Company's network and IT systems. Each employee is equipped with a laptop and related equipment at their home to ensure access to our network and efficiency. Prior to the COVID-19 crisis we had general remote, work-from-home capabilities and had previously tested those systems. We have experienced no material disruption in our business operations. Our offices have since started to reopen with some employees working from our offices and some employees continuing to work from home.

COVID-19 has not slowed our continued expansion of the lines of business and forms of reinsurance on which we focus. This expansion includes lines of business and forms of reinsurance with increased risk profiles, where we believe the higher expected margins adequately compensate us for the increased risk. As we expand our underwriting focus into higher expected margin property and specialty lines of reinsurance business as well as excess casualty and professional liability insurance, we expect to deliver attractive equity returns to our shareholders with a more balanced contribution to net income from underwriting and investments with lower volatility of our results.

Underwriting Outlook

The following is a summary of our underwriting outlook by each line of business:

Property

Since the beginning of 2019, the property catastrophe reinsurance market, and in particular the Florida windstorm, California wildfire, Japan windstorm and loss affected retrocession market have been experiencing increases in rate due to significant catastrophe losses in recent years, increases in loss estimates on prior year losses, and in some

cases reduced supply. This momentum continued during the first and second quarter 2020 renewals, where we have seen rate increases across most property catastrophe contracts. Property catastrophe reinsurance pricing in regions that have not been impacted by loss has remained broadly flat to slightly up. In addition, terms and conditions on property catastrophe contracts have improved in areas that are less quantifiable in terms of impact on pure exposure based rate change.

As a result of changes in market conditions as well as having an established portfolio in place as we entered the 2020 property catastrophe renewals, we re-positioned our property catastrophe portfolio into more attractive sub-segments of the market. We reduced the amount of premium from retrocessional quota share contracts where we paid a ceding and profit commission and increased the amount of premium from direct reinsurance as well as retrocessional excess of loss contracts. We expect the re-positioning of the property catastrophe portfolio and improvements in pricing to result in improved expected profitability.

Outside of property catastrophe reinsurance, we have also experienced some improvement in reinsurance terms and conditions and underlying pricing across other property business in our portfolio, with the previously observed trends continuing, as expected.

Casualty

We assume casualty exposure through multiple classes of business we write. Even before COVID-19, we were seeing evidence of increasing casualty loss trends across the market, which were beginning to impact both pricing and terms and conditions for select casualty classes of business. While the impact will vary by cedent and line of business, we expect COVID-19 will result in a continuation, and potentially an acceleration, of these improving pricing trends across many classes of casualty reinsurance.

While considering the impact of large-scale industry events, such as COVID-19, we incorporate the potential for elevated loss trends in our pricing analyses and endeavor to mitigate the potential impact of such increases in loss trends by structuring our contracts accordingly.

We continue to closely monitor both the premium and loss impacts of COVID-19 on all lines of business we write. We expect some of our casualty business to experience premium volume reductions resulting from a combination of reduced employment levels, concentrations by industry and continued reductions in economic activity. We expect the impact on loss experience to vary materially by business segment, with some segments experiencing favorable impacts on loss experience and other segments experiencing a deterioration in results.

Specialty

We continue to expect to see a significant reduction in business from traditional credit risk exposed lines of business, such as trade credit, in the short term. The slowdown in the origination of new mortgage loans in the United States that we saw earlier in the year has reversed, at least in the short term, with existing and pending sales rebounding to above pre-COVID-19 levels and refinancings benefiting from lowered interest rates. We continue to see improved lending, mortgage insurance underwriting, and overall production quality across our portfolio.

In other specialty lines we write, many of which are specialty catastrophe focused, we expect to see significant insurance market impacts from COVID-19 and in some cases, losses to our portfolio. We expect to see new opportunities, as many of the lines we pursue will experience significant rate increases, improvement in other terms and conditions, and opportunities for new capacity resulting from a combination of increased demand and reductions in capacity from reinsurers more significantly impacted by losses from COVID-19.

Strategic Reinsurance Investments

Across many of our business lines, we focus on solutions driven opportunities, where we creatively structure products tailored to a client's financial needs and objectives. In select situations, we create structures that result in long-term partnerships and optionality on what we believe to be high margin insurance or reinsurance premium with expense efficient operating models. We offer two value-added approaches to drive origination of these types of opportunities, one being solution- driven reinsurance structures that are creative, flexible and responsive to a client's

desire to use reinsurance in their capital structure, in lieu of other capital alternatives, and the other being non reinsurance capital (equity/debt) solutions paired with reinsurance. We have closed a number of transactions, both reinsurance only and capital products combined with reinsurance, and have several pipeline opportunities. We believe our efficient operating model combined with skill sets in both the reinsurance and capital markets is a material differentiating factor in our successful origination and execution of these opportunities, which we expect will begin to represent a growing proportion of our premium volume in the future.

Arcadian

Arcadian will start by writing excess casualty and professional liability insurance business and will consider other business lines where strong underwriting relationships exist, which are expected to meet the Company's desired underwriting returns. The underwriting teams employed by Arcadian will have both long-term experience and distribution relationships in the lines of business being pursued.

The vast majority of business is expected to come from the United States, with the majority of distribution originating from large retail brokers. The profile of the portfolio Arcadian will build is expected to be with large corporate accounts, usually where there are professional risk managers on staff at the insured.

There can be no assurance that Arcadian will be able to successfully write the anticipated lines of business or fulfill its expansion plans and our inability to place quota share reinsurance on the portfolio could lead to lower than expected returns and increased expenses, which, in turn, would dilute the Company's earnings per share.

Investment Outlook

During 2019, we reduced our investment risk by reallocating some of our investments in TP Fund to fixed income investments that were initially invested in U.S. Treasuries. This realignment of our investment strategy with the changes to our underwriting strategy is expected to lower overall investment volatility and may reduce expected investment returns in the future as a result of this investment mix change.

For our collateral assets that are generally invested in cash and cash equivalents and U.S. Treasuries and foreign equivalents, the significant reduction in interest rates for these asset classes will reduce our expected net investment income from this portion of our investment portfolio.

During the first quarter of 2020, the rapid spread of COVID-19 around the globe resulted in significant volatility in the financial markets unseen since the 2008 financial crisis. During March 2020, credit markets experienced their biggest dislocation since 2008 as investment grade spreads widened significantly. As a result, we determined we would invest in a more opportunistic credit portfolio to take advantage of these dislocations in the credit market brought on by the COVID-19 pandemic. During the first quarter, we invested approximately \$220 million into corporate debt from liquid, high quality issuers as well as a portfolio of non-investment grade structured credit securities, primarily in residential mortgage-backed securities and consumer loans. In addition, we hedged a significant portion of the interest rate risk in this new corporate credit portfolio by purchasing short positions in long duration U.S. Treasuries.

In the final weeks of the first quarter and carrying into the second quarter, markets responded positively and retraced some of the spread widening during the first quarter, however, we anticipate continued volatility. We sold out of many of our positions in investment grade bonds initially purchased in the first quarter that recovered strongly in the second quarter of 2020.

In the third quarter of 2020, the equity market continued to rebound with technology-oriented stocks leading out-performance globally. Third Point LLC initiated new positions within several growth-oriented stocks that it believes will emerge even stronger in the post-COVID world. Third Point LLC remains focused on selectively adding to its portfolio of high-quality, long-term compounders when presented with opportune entry points amidst continued volatility. Within corporate credit, the COVID-19 pandemic has accelerated the credit cycle with a large liquidity gap and fundamental concerns about the lasting impact of this recession and structural change in unemployment.

Over the coming quarters, Third Point LLC expects to focus on credit situations that are fundamentally deteriorating but have capital structure solutions, under-appreciated strengths, or improving trajectories where the market is looking backwards.

Key Performance Indicators

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

The table below shows the key performance indicators for our consolidated business for the three and nine months ended September 30, 2020 and 2019:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Key underwriting metrics for Property and Casualty Reinsurance segment:				
	(\$ in thousands, except for per share data and ratios)			
Net underwriting loss ⁽¹⁾	\$ (28,148)	\$ (5,495)	\$ (21,314)	\$ (12,892)
Combined ratio ⁽¹⁾	119.9 %	102.7 %	105.0 %	102.6 %
Key investment return metrics:				
Net investment income (loss)	\$ 121,956	\$ (3,138)	\$ 74,140	\$ 220,946
Net investment return on investments managed by Third Point LLC	4.8 %	(0.2)%	2.8 %	10.2 %
Key shareholders' value creation metrics:				
Basic book value per share ^{(2) (3)}	\$ 15.41	\$ 15.37	\$ 15.41	\$ 15.37
Diluted book value per share ^{(2) (3)}	\$ 15.06	\$ 15.04	\$ 15.06	\$ 15.04
Change in diluted book value per share ⁽²⁾	4.8 %	(0.8)%	0.1 %	13.7 %
Return on beginning shareholders' equity attributable to Third Point Re common shareholders ⁽²⁾	5.1 %	(1.1)%	0.6 %	14.2 %

(1) See Note 18 to the accompanying condensed consolidated financial statements for a calculation of net underwriting loss and combined ratio.

(2) Basic book value per share, diluted book value per share, change in diluted book value per share and return on beginning shareholders' equity attributable to Third Point Re common shareholders are non-GAAP financial measures. There are no comparable GAAP measures. See reconciliations in "Non-GAAP Financial Measures and Other Financial Metrics".

(3) Prior year comparatives represent amounts as of December 31, 2019.

Key Underwriting Metrics for Property and Casualty Reinsurance segment

See "Segment Results - Property and Casualty Reinsurance" below for additional details.

Key Investment Return Metrics

Net Investment Income (Loss)

Net investment income (loss) is an important measure that affects overall profitability. Net investment income (loss) is primarily affected by the performance of Third Point LLC as TP Fund's investment manager and the amount of investable cash generated by our reinsurance operations. Net investment income (loss) also includes the investment income on collateral assets and certain other investment assets managed by Third Point LLC. Pursuant to the investment management agreement between TP Fund and Third Point LLC, Third Point LLC is required to manage

TP Fund's investment portfolio on a basis that is substantially equivalent to Third Point Offshore Master Fund L.P., but with increased exposures through the use of additional financial leverage and subject to certain conditions set forth in TP Fund's investment guidelines. These conditions include a limitation on portfolio leverage, and a limitation on portfolio concentration in individual securities. The 2019 LPA allows us to withdraw cash from the TP Fund at any calendar month end or at the close of business each Wednesday during a month with not less than three days' notice to pay claims, not less than five days' notice to pay expenses and with not less than three days' notice in order to satisfy the requirements of A.M. Best. Net investment income (loss) is net of investment expenses, which include performance and management fees to related parties.

Net Investment Return on Investments Managed by Third Point LLC

See "Investment Results" below for additional information regarding investment performance and net investment return on investments managed by Third Point LLC.

Key Shareholders' Value Creation Metrics

Basic Book Value Per Share and Diluted Book Value Per Share

Basic book value per share and diluted book value per share are non-GAAP financial measures and there are no comparable GAAP measures. See "Non-GAAP Financial Measures and Other Financial Metrics" for reconciliations.

As of September 30, 2020, basic book value per share was \$15.41, representing an increase of \$0.75 per share, or 5.1%, from \$14.66 per share as of June 30, 2020. As of September 30, 2020, diluted book value per share was \$15.06, representing an increase of \$0.69 per share, or 4.8%, from \$14.37 per share as of June 30, 2020. The increases were primarily due to net income in the current year period.

As of September 30, 2020, basic book value per share was \$15.41, representing an increase of \$0.04 per share, or 0.3%, from \$15.37 per share as of December 31, 2019. As of September 30, 2020, diluted book value per share was \$15.06, representing an increase of \$0.02 per share, or 0.1%, from \$15.04 per share as of December 31, 2019. The increases were primarily due to net income in the current year period.

Return on Beginning Shareholders' Equity Attributable to Third Point Re Common Shareholders

Return on beginning shareholders' equity attributable to Third Point Re common shareholders as presented is a non-GAAP financial measure. See "Non-GAAP Financial Measures and Other Financial Metrics" for reconciliation.

The increase in return on beginning shareholders' equity attributable to Third Point Re common shareholders for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 was primarily due to an increase in net income in the current year period.

The decrease in return on beginning shareholders' equity attributable to Third Point Re common shareholders for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was primarily due to a decrease in net income in the current year period.

Consolidated Results of Operations—Three and nine months ended September 30, 2020 and 2019:

The following table sets forth the key items discussed in the consolidated results of operations section, and the period over period change, for the three and nine months ended September 30, 2020 and 2019:

	Three months ended			Nine months ended		
	September 30, 2020	September 30, 2019	Change	September 30, 2020	September 30, 2019	Change
	(\$ in thousands)					
Net underwriting loss	\$ (28,148)	\$ (5,495)	\$ (22,653)	\$ (21,314)	\$ (12,892)	\$ (8,422)
Net investment income (loss)	121,956	(3,138)	125,094	74,140	220,946	(146,806)
Net investment return on investments managed by Third Point LLC	4.8 %	(0.2)%	5.0 %	2.8 %	10.2 %	(7.4)%
Corporate expenses	(16,764)	(4,468)	(12,296)	(29,903)	(23,257)	(6,646)
Other income (expense)	283	(5,058)	5,341	(6,410)	(12,994)	6,584
Interest expense	(2,068)	(2,074)	6	(6,162)	(6,154)	(8)
Foreign exchange gains (losses)	(5,885)	4,921	(10,806)	3,129	6,663	(3,534)
Income tax (expense) benefit	(652)	213	(865)	(4,380)	(1,431)	(2,949)
Net income (loss) available to Third Point Re common shareholders	\$ 68,743	\$ (15,099)	\$ 83,842	\$ 9,121	\$ 170,881	\$(161,760)

A key driver of our consolidated results of operations is the performance of our investments managed by Third Point LLC. Given the nature of the underlying investment strategies and current market conditions as a result of COVID-19, we could experience increased volatility in our net investment returns and net investment income (loss) and therefore in our consolidated results.

Investment Results

Investment Portfolio

The following is a summary of our total net investments managed by Third Point LLC as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
	(\$ in thousands)	
TP Fund	\$ 868,971	\$ 860,630
Collateral and other investment assets ⁽¹⁾	1,804,053	1,729,497
Total net investments managed by Third Point LLC	\$ 2,673,024	\$ 2,590,127

(1) Collateral assets primarily consist of fixed income securities such as U.S. Treasuries, money markets funds, and sovereign debt. Other investment assets primarily consist of U.S. Treasuries, structured and corporate credit fixed income securities such as corporate bonds, asset-backed securities and bank debt as well as interest rate hedges in the form of short positions on U.S. Treasuries.

The following tables present the total long, short and net exposure of our total net investments managed by Third Point LLC as of September 30, 2020 and December 31, 2019 by strategy and geography.

	September 30, 2020			December 31, 2019		
	Long	Short	Net	Long	Short	Net
Equity	49 %	(15)%	34 %	50 %	(22)%	28 %
Credit	18 %	— %	18 %	9 %	— %	9 %
Other	4 %	— %	4 %	7 %	(2)%	5 %
	<u>71 %</u>	<u>(15)%</u>	<u>56 %</u>	<u>66 %</u>	<u>(24)%</u>	<u>42 %</u>

	September 30, 2020			December 31, 2019		
	Long	Short	Net	Long	Short	Net
Americas	54 %	(11)%	43 %	47 %	(17)%	30 %
Europe, Middle East and Africa	11 %	(3)%	8 %	14 %	(3)%	11 %
Asia	6 %	(1)%	5 %	5 %	(4)%	1 %
	<u>71 %</u>	<u>(15)%</u>	<u>56 %</u>	<u>66 %</u>	<u>(24)%</u>	<u>42 %</u>

(1) The Company's investment manager classifies non-speculative interest rate hedges as cash and cash equivalents and therefore excludes these from the exposure summary.

In managing our investment portfolio, Third Point LLC assigns every investment position a sector, strategy and geographic category. The dollar exposure of each position under each category is aggregated and the exposure percentages listed in the exposure table represent the aggregate market exposure of a given category against the total net asset value of the consolidated account. Long and short exposure percentages represent the aggregate relative value of all long and short positions in a given category, respectively. Net exposure represents the short exposure subtracted from the long exposure in a given category. Third Point LLC reports the composition of our total managed portfolio on a market exposure basis, which it believes is the appropriate manner in which to assess the exposure and profile of investments and is the way in which it manages the portfolio.

Investment Returns

The following is a summary of the net investment return for our total net investments managed by Third Point LLC for the three and nine months ended September 30, 2020 and 2019:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
TP Fund	14.6 %	(0.7)%	1.0 %	16.9 %
Collateral and other investments	0.6 %	0.2 %	3.8 %	1.2 %
Net investment return on investments managed by Third Point LLC ⁽¹⁾	4.8 %	(0.2)%	2.8 %	10.2 %

(1) Refer to "Non-GAAP Financial Measures and Other Financial Metrics" for a description of the net investment return on investments managed by Third Point LLC.

The following is a summary of the net investment income (loss) for our total net investments managed by Third Point LLC for the three and nine months ended September 30, 2020 and 2019:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(\$ in thousands)			
TP Fund	\$ 110,552	\$ (5,751)	\$ 8,341	\$ 207,597
Collateral and other investments ⁽¹⁾	11,216	2,289	65,274	12,452
Net investment income (loss) on investments managed by Third Point LLC ⁽²⁾	<u>\$ 121,768</u>	<u>\$ (3,462)</u>	<u>\$ 73,615</u>	<u>\$ 220,049</u>

(1) Includes foreign exchange gains (losses) of \$6.8 million and \$(4.1) million in the three and nine months ended September 30, 2020, respectively (2019 - \$(5.2) million and \$(5.9) million, respectively) resulting from the revaluation of foreign currency reinsurance collateral held in trust accounts. Non-U.S. dollar reinsurance assets, or balances held in trust accounts securing reinsurance liabilities generally offset reinsurance liabilities in the same non-U.S. dollar currencies resulting in minimal net exposure. As a result, the foreign exchange gains (losses) from the revaluation of foreign currency reinsurance collateral held in trust accounts are offset by corresponding foreign exchange gains (losses) from the revaluation of foreign currency loss and loss adjustment expense reserves.

(2) Refer to "Non-GAAP Financial Measures and Other Financial Metrics" for a description of the net investment return on investments managed by Third Point LLC.

The following is a summary of the net investment return by investment strategy on total net investments managed by Third Point LLC for the three and nine months ended September 30, 2020 and 2019:

	Three months ended					
	September 30, 2020			September 30, 2019		
	Long	Short	Net	Long	Short	Net
Equity	4.2 %	(1.2)%	3.0 %	1.4 %	(0.7)%	0.7 %
Credit	0.8 %	— %	0.8 %	(0.7)%	— %	(0.7)%
Other	0.9 %	0.1 %	1.0 %	(0.1)%	(0.1)%	(0.2)%
Net investment return on investments managed by Third Point LLC	5.9 %	(1.1)%	4.8 %	0.6 %	(0.8)%	(0.2)%
	Nine months ended					
	September 30, 2020			September 30, 2019		
	Long	Short	Net	Long	Short	Net
Equity	(1.5)%	(0.5)%	(2.0)%	13.3 %	(4.1)%	9.2 %
Credit	4.6 %	(0.2)%	4.4 %	0.9 %	(0.5)%	0.4 %
Other	0.5 %	(0.1)%	0.4 %	1.0 %	(0.4)%	0.6 %
Net investment return on investments managed by Third Point LLC	3.6 %	(0.8)%	2.8 %	15.2 %	(5.0)%	10.2 %

Net investment return represents the return on our net investments managed by Third Point LLC, net of fees. The net investment return on net investments managed by Third Point LLC is the percentage change in value of a dollar invested over the reporting period on our net investment assets managed by Third Point LLC. The net investment return reflects the combined results of our investments in TP Fund, collateral assets and certain other investment assets managed by Third Point LLC. Net investment return is the key indicator by which we measure the performance of Third Point LLC, our investment manager.

For the three months ended September 30, 2020, the investment portfolio generated positive results across each strategy with long equity investments driving the majority of gains for the quarter. Within equities, most sectors contributed to positive results on the long side while short equity investments and hedges partially offset overall gains for the equity strategy. The credit strategy contributed gains from both the corporate credit and structured credit portfolios. Investments in residential mortgage backed securities also produced profits. In the other strategy, gains were driven by private investments.

For the nine months ended September 30, 2020, gains were driven primarily by the credit portfolio. Investments in investment grade corporate credit and residential mortgage backed securities contributed strong performance. The equities strategy detracted from overall positive performance for the portfolio as losses from investments in industrials and consumer discretionary offset gains from technology investments. The other strategy contributed modestly to net gains for the year to date due to private investments.

For the three months ended September 30, 2019, the investment portfolio was slightly negative overall. Within equities, strong performance from our core long equity activist positions was offset by losses from short equity positions and hedges. Within credit, modest gains in structured credit were more than offset by losses in the sovereign credit portfolio. Currency hedges also contributed modest losses for the quarter.

For the nine months ended September 30, 2019, gains were driven primarily by the long equity portfolio although the fund generated profits across all strategies. Within equities, core long equity activist positions were the main contributors to results and gains on the long book were partially countered by losses in hedges and short equity positions. In credit, losses from one sovereign credit investment more than offset profits in structured and corporate credit. In the other portfolio, gains were driven by private investments and several merger arbitrage positions.

Refer to “ITEM 3. Quantitative and Qualitative Disclosures about Market Risks” for a list of risks and factors that could adversely impact our investments results.

The other key changes in our consolidated results for the three and nine months ended September 30, 2020 compared to the prior year periods were primarily due to the following:

Corporate Expenses

General and administrative expenses allocated to corporate expenses include allocations of payroll and related costs for certain employees for non-underwriting activities. We also allocate a portion of overhead and other related costs based on a headcount analysis.

The increase in corporate expenses for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 was primarily due to an increase in professional fees and regulatory fees associated with the Merger, and higher stock compensation expense as a result of more restricted shares with performance and service conditions considered probable of vesting. The increase was partially offset by lower payroll related costs primarily due to lower annual incentive plan compensation expense accruals in the current year period.

The increase in corporate expenses for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was primarily due to an increase in professional fees and regulatory fees associated with the Merger. The increase was partially offset by lower payroll related costs in the current year period primarily due to lower annual incentive plan compensation expense accruals, and separation costs and certain financing costs incurred in the prior year period.

Our annual incentive plan is based on a formula derived from certain financial performance metrics. Our incentive plan accrual was lower for the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019 to reflect the performance of the Company in the respective periods relative to the incentive plan compensation performance metrics.

Other Income (Expenses)

Other income (expenses) are comprised of income (expenses) relating to interest crediting features in certain reinsurance and deposit contracts. The decrease in other expenses for the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019 was primarily due to revised estimates of underlying assumptions on our deposit liability contracts in the three and nine months ended September 30, 2020.

Interest Expense

In February 2015, TPRUSA issued \$115.0 million of senior notes bearing 7.0% interest. As a result, our consolidated results of operations include interest expense related to the senior notes.

Foreign Exchange Gains (Losses)

The foreign exchange losses for the three months ended September 30, 2020 were primarily due to the revaluation of foreign currency loss and loss adjustment expense reserves denominated in British pounds to the United States dollar, which weakened during the current year period.

The foreign exchange gains for the nine months ended September 30, 2020 were primarily due to the revaluation of foreign currency loss and loss adjustment expense reserves denominated in British pounds to the United States dollar, which strengthened during the current year period.

For these contracts, non-U.S. dollar reinsurance assets, or balances held in trust accounts securing reinsurance liabilities generally offset reinsurance liabilities in the same non-U.S. dollar currencies resulting in minimal net exposure. As a result, the foreign exchange gains (losses) on loss and loss adjustment expense reserves in the current year periods were offset by corresponding foreign exchange gains (losses) included in net investment income (loss) resulting from the revaluation of foreign currency reinsurance collateral held in trust accounts. Refer to “*ITEM 3. Quantitative and Qualitative Disclosures about Market Risks*” for further discussion on foreign currency risk related to our reinsurance contracts.

Income Taxes

The increase in income tax expense for the three and nine months ended September 30, 2020 was primarily the result of an increase in taxable income generated by our U.S. subsidiaries.

Segment Results — Three and nine months ended September 30, 2020 and 2019.

The determination of our reportable segments is based on the manner in which management monitors the performance of our operations. For the periods presented, our business comprises one operating segment, Property and Casualty Reinsurance.

Property and Casualty Reinsurance

The following table sets forth net underwriting results and ratios, and the period over period changes for the Property and Casualty Reinsurance segment for the three and nine months ended September 30, 2020 and 2019:

	Three months ended			Nine months ended		
	September 30, 2020	September 30, 2019	Change	September 30, 2020	September 30, 2019	Change
	(\$ in thousands)					
Gross premiums written	\$ 60,779	\$ 95,388	\$ (34,609)	\$ 422,481	\$ 497,616	\$ (75,135)
Gross premiums ceded	185	(1,116)	1,301	(30,037)	(3,301)	(26,736)
Net premiums earned	141,712	203,248	(61,536)	428,837	501,750	(72,913)
Loss and loss adjustment expenses incurred, net	110,487	85,703	24,784	287,379	263,105	24,274
Acquisition costs, net	54,817	118,271	(63,454)	147,741	233,775	(86,034)
General and administrative expenses	4,556	4,769	(213)	15,031	17,762	(2,731)
Net underwriting loss	<u>\$ (28,148)</u>	<u>\$ (5,495)</u>	<u>\$ (22,653)</u>	<u>\$ (21,314)</u>	<u>\$ (12,892)</u>	<u>\$ (8,422)</u>
Underwriting ratios (1):						
Loss ratio	78.0 %	42.2 %	35.8 %	67.0 %	52.4 %	14.6 %
Acquisition cost ratio	38.7 %	58.2 %	(19.5)%	34.5 %	46.6 %	(12.1)%
Composite ratio	116.7 %	100.4 %	16.3 %	101.5 %	99.0 %	2.5 %
General and administrative expense ratio	3.2 %	2.3 %	0.9 %	3.5 %	3.6 %	(0.1)%
Combined ratio	<u>119.9 %</u>	<u>102.7 %</u>	<u>17.2 %</u>	<u>105.0 %</u>	<u>102.6 %</u>	<u>2.4 %</u>

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

Gross Premiums Written

The amount of gross premiums written and earned that we recognize can vary significantly from period to period due to several reasons, which include:

- The majority of our gross written premium is derived from a small number of large contracts; therefore individual renewals or new business can have a significant impact on premiums recognized in a period;
- We offer customized solutions to our clients, including reserve covers, on which we may not have a regular renewal opportunity;
- We record gross premiums written and earned for reserve covers, which are considered retroactive reinsurance contracts, at the inception of the contract;
- We write multi-year contracts that will not necessarily renew in a comparable period;
- We may extend and/or amend contracts resulting in premium that will not necessarily renew in a comparable period;

- Our reinsurance contracts often contain commutation and/or cancellation provisions;
- Our quota share reinsurance contracts are subject to significant judgment in the amount of premiums that we expect to recognize and changes in premium estimates are recorded in the period they are determined; and
- The impact of COVID-19 and resulting economic downturn on our clients may result in a reduction in the volume of premium that they write and cede to us.

As a result of these factors, we may experience volatility in the amount of gross premiums written and net premiums earned and period to period comparisons may not be meaningful.

The following table provides a breakdown of our Property and Casualty Reinsurance segment's gross premiums written by line of business for the three and nine months ended September 30, 2020 and 2019:

	Three months ended					Nine months ended						
	September 30, 2020		September 30, 2019			September 30, 2020		September 30, 2019				
	(\$ in thousands)											
Property	\$	16,854	27.7 %	\$	6,705	7.0 %	\$	148,678	35.2 %	\$	102,548	20.6 %
Casualty		31,278	51.5 %		17,024	17.8 %		125,361	29.7 %		119,354	24.0 %
Specialty		9,727	16.0 %		12,967	13.7 %		145,522	34.4 %		222,375	44.7 %
Total prospective reinsurance contracts		57,859	95.2 %		36,696	38.5 %		419,561	99.3 %		444,277	89.3 %
Retroactive reinsurance contracts		2,920	4.8 %		58,692	61.5 %		2,920	0.7 %		53,339	10.7 %
	\$	60,779	100.0 %	\$	95,388	100.0 %	\$	422,481	100.0 %	\$	497,616	100.0 %

The decrease in gross premiums written of \$34.6 million, or 36.3%, for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 was driven by:

Factors resulting in decreases:

- We recognized a net increase in premium of \$32.2 million in the three months ended September 30, 2020 compared to a net increase of \$70.0 million in the three months ended September 30, 2019 related to the net impact of contract extensions, cancellations and contracts renewed with no comparable premium in the prior period.
- We recognized \$13.1 million of premium in the three months ended September 30, 2019 related to contracts that we did not renew in the three months ended September 30, 2020, as a result of underlying pricing, terms and conditions which no longer fit our underwriting criteria following our shift in underwriting strategy.

Factors resulting in increases:

- For the three months ended September 30, 2020, we wrote \$12.0 million of new premium, of which \$2.8 million was property business, \$4.0 million was casualty business and \$5.2 million was specialty business.
- We recorded a net increase in premium estimates of \$2.7 million in the three months ended September 30, 2020 compared to a net decrease of \$1.2 million in the three months ended September 30, 2019. The increase in premium estimates for the three months ended September 30, 2020 was due to several contracts for which clients provided updated projections indicating that they expected to write more business than initially estimated. This increase was partially offset by a reduction in premium estimates arising from the impact of COVID-19.
- Changes in renewal premiums for the three months ended September 30, 2020 resulted in a net increase in premiums of \$0.4 million. Premiums can change on renewals of contracts due to a number of factors, including: changes in our line size or participation, changes in the underlying premium volume and pricing trends of the client's program as well as other contractual terms and conditions.

The decrease in gross premiums written of \$75.1 million, or 15.1%, for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was driven by:

Factors resulting in decreases:

- We recognized \$170.2 million of premium in the nine months ended September 30, 2019 related to contracts that we did not renew in the nine months ended September 30, 2020, including one multi-line contract for \$103.2 million, which no longer fit our underwriting criteria following our shift in underwriting strategy.
- We recognized a net increase in premium of \$57.9 million in the nine months ended September 30, 2020 compared to a net increase of \$81.0 million in the nine months ended September 30, 2019 related to the net impact of contract extensions, cancellations and contracts renewed with no comparable premium in the comparable period.
- Changes in renewal premiums for the nine months ended September 30, 2020 resulted in a net decrease in premiums of \$6.0 million. Premiums can change on renewals of contracts due to a number of factors, including: changes in our line size or participation, changes in the underlying premium volume and pricing trends of the client's program as well as other contractual terms and conditions.

Factors resulting in increases:

- For the nine months ended September 30, 2020, we wrote \$108.1 million of new premium, of which \$53.8 million was property business, \$38.0 million was casualty business and \$16.3 million was specialty business.
- We recorded net increases in premium estimates relating to prior periods of \$35.8 million and \$19.7 million for the nine months ended September 30, 2020 and 2019, respectively. The increase in premium estimates for the nine months ended September 30, 2020 was due to several contracts for which clients provided updated projections indicating that they expected to write more business than initially estimated. This increase was partially offset by a reduction in premium estimates arising from the impact of COVID-19.

Gross Premiums Ceded

The increase in gross premiums ceded for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was primarily due to one fronted reinsurance treaty and a small number of property catastrophe retro purchases for the purposes of portfolio management.

Net Premiums Earned

The decrease in net premiums earned in the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019 was primarily due to one large retroactive reinsurance contract that was written and earned in the prior year periods.

Net Loss and Loss Adjustment Expenses

The reinsurance contracts we write have a wide range of initial loss ratio estimates. As a result, our net loss and loss expense ratio can vary significantly from period to period depending on the mix of business. The change in our net loss and loss adjustment expenses and related ratio was primarily affected by changes in the mix of business, including property catastrophe and specialty business written at a lower expected loss ratio, but was negatively impacted in the current year periods from higher catastrophe losses and the global outbreak of the COVID-19 pandemic.

For the three and nine months ended September 30, 2020, we incurred net catastrophe losses of \$29.6 million, net of reinstatement premiums and profit commission adjustments, related to Hurricane Laura and other third quarter catastrophes. This resulted in an increase in the combined ratio of 20.9 and 6.9 percentage points for the three and nine months ended September 30, 2020, respectively.

For the three and nine months ended September 30, 2019, we incurred net catastrophe losses of \$12.7 million, net of reinstatement premiums and profit commission adjustments, related to Hurricane Dorian and Typhoon Faxai. This resulted in an increase in the combined ratio of 6.2 and 2.5 percentage points for the three and nine months ended September 30, 2019, respectively.

The COVID-19 outbreak is causing unprecedented social disruption, global economic volatility, reduced liquidity of capital markets and intervention by various governments around the world. For the three and nine months ended September 30, 2020, we recognized net losses of \$15.6 million and \$35.0 million, respectively, net of additional premiums, or 11.0 and 8.2 percentage points, respectively, on the combined ratio, relating to COVID-19. These losses were driven primarily by event cancellation, property business interruption, and certain casualty and multi-line quota share contracts.

The economic impact of the ongoing pandemic will continue to create uncertainty around the ultimate scope of claims and potential for additional insurance losses. Our estimates are based on currently available information derived from information provided by cedents. These estimates include losses only related to our estimate of claims incurred as of September 30, 2020. It is also possible that changes in economic conditions and the various economic stimulus deployed by governments across the world in response to COVID-19 could lead to higher or lower inflation than we had anticipated, which could in turn lead to an increase or decrease in loss costs and the need to strengthen or reduce claims and claim adjustment expense reserves.

The following is a summary of the net impact from loss reserve development for the three and nine months ended September 30, 2020 and 2019:

For the three months ended September 30, 2020, we recognized \$20.3 million, or 14.3 percentage points on the combined ratio, of net favorable prior years' reserve development as a result of decreases in loss reserve estimates, offset by net increases of \$20.2 million, or 14.2 percentage points on the combined ratio, in acquisition costs, resulting in a \$0.1 million, or 0.1 percentage points on the combined ratio, improvement in the net underwriting results. The improvement in the net underwriting results was primarily due to the following factors:

- \$5.7 million of improvement in net underwriting loss development relating to our workers' compensation contracts as a result of better than expected loss experience;
- \$0.1 million of improvement in net underwriting loss development relating to one retroactive reinsurance contract as a result of better than expected loss experience. This retroactive reinsurance contract had profit commission terms such that the net favorable prior years' reserve development of \$23.7 million associated with this contract was offset by an increase in acquisition costs of \$23.6 million; partially offset by
- \$4.4 million of net adverse underwriting loss development relating to our general liability contracts as a result of worse than expected loss experience; and
- \$1.3 million of net adverse underwriting loss development from several other contracts as a result of worse than expected loss experience.

For the three months ended September 30, 2019, we recognized \$76.5 million, or 37.6 percentage points on the combined ratio, of net favorable prior years' reserve development as a result of decreases in loss reserve estimates, offset by net increases of \$72.7 million, or 35.7 percentage points on the combined ratio, in acquisition costs, resulting in a \$3.8 million or 1.9 percentage points on the combined ratio, improvement in the net underwriting results. The improvement in the net underwriting results was primarily due to the following factors:

- \$2.5 million of improvement in net underwriting loss development relating to our auto contracts as a result of better than expected loss experience; and
- \$1.2 million of improvement in net underwriting loss development relating to one retroactive reinsurance contract as a result of better than expected loss experience. This retroactive reinsurance contract had profit commission terms such that the net favorable prior years' reserve development of \$69.8 million associated with this contract was offset by an increase in acquisition costs of \$68.6 million.

For the nine months ended September 30, 2020, we recognized \$30.4 million, or 7.1 percentage points on the combined ratio, of net favorable prior years' reserve development as a result of decreases in loss reserve estimates.

The \$30.4 million of net favorable prior years' reserve development for the nine months ended September 30, 2020 was accompanied by net increases of \$20.0 million, or 4.7% percentage points on the combined ratio, in acquisition costs and net decreases of \$7.8 million in earned premium, or 1.8% percentage points on the combined ratio, resulting in a \$2.6 million improvement in the net underwriting results, or 0.6% percentage points improvement on the combined ratio. The improvement in the net underwriting results was primarily due to the following factors:

- \$6.5 million of improvement in net underwriting loss development relating to our workers' compensation contracts as a result of better than expected loss experience;
- \$2.9 million of improvement in net underwriting loss development from several other contracts as a result of better than expected loss experience; partially offset by
- \$6.7 million of net adverse underwriting loss development relating to our general liability contracts as a result of worse than expected loss experience; and
- \$0.1 million of net adverse underwriting loss development relating to one retroactive reinsurance contract as a result of worse than expected loss experience. This retroactive reinsurance contract had profit commission terms such that the net favorable prior years' reserve development of \$23.2 million associated with this contract was offset by an increase in acquisition costs of \$23.3 million.

For the nine months ended September 30, 2019, we recognized \$88.8 million, or 17.7 percentage points on the combined ratio, of net favorable prior years' reserve development as a result of decreases in loss reserve estimates, offset by net increases of \$84.5 million, or 16.8 percentage points on the combined ratio, in acquisition costs, resulting in a \$4.3 million or 0.9 percentage points on the combined ratio, improvement in the net underwriting results. The improvement in the net underwriting results was primarily due to the following factors:

- \$8.9 million of improvement in net underwriting loss development relating to our workers' compensation contracts as a result of better than expected loss experience;
- \$3.2 million of improvement in net underwriting loss development relating to our non-standard auto contracts as a result of better than expected loss experience;
- \$0.9 million of improvement in net underwriting loss development relating to one retroactive reinsurance contract as a result of better than expected loss experience. This retroactive reinsurance contract had profit commission terms such that the net favorable prior years' reserve development of \$69.5 million associated with this contract was offset by an increase in acquisition costs of \$68.6 million; partially offset by
- \$6.4 million of net adverse underwriting loss development relating to our multi-line contracts as a result of worse than expected loss experience; and
- \$2.2 million of net adverse underwriting loss development relating to our general liability contracts, as a result of worse than expected loss experience.

Acquisition Costs

Acquisition costs include commissions, brokerage and excise taxes. Acquisition costs are presented net of commissions on reinsurance ceded. The reinsurance contracts we write have a wide range of acquisition cost ratios. As a result, our acquisition cost ratio can vary significantly from period to period depending on the mix of business. Furthermore, a number of our contracts have a sliding scale commission or profit commission feature that will vary depending on the expected loss expense for the contract. As a result, changes in estimates of loss and loss adjustment expenses on a contract can result in changes in the sliding scale commissions or profit commissions and a contract's overall acquisition cost ratio.

The decrease in acquisition costs, net, and the related acquisition cost ratio for the three and nine months ended September 30, 2020 was primarily due to lower profit commission adjustments arising from favorable loss development on retroactive reinsurance contracts compared to the prior year periods.

For the three and nine months ended September 30, 2020, we recognized \$23.6 million and \$23.3 million, respectively, of profit commission adjustments arising from favorable loss development on one retroactive

reinsurance contract, or 16.7 and 5.4 percentage points for the three and nine months ended September 30, 2020, respectively.

For the three and nine months ended September 30, 2019, we recognized \$68.6 million of profit commission adjustments arising from favorable loss development on one retroactive reinsurance, or 33.8 and 13.7 percentage points for the three and nine months ended September 30, 2019, respectively.

The decrease in acquisition costs, net, and the related acquisition cost ratio for the three and nine months ended September 30, 2020 was also impacted by a change in mix of business, including an increase in property catastrophe excess of loss contracts with lower acquisition costs and a decrease in earned premium volume and profit commission adjustments on other, primarily quota share, contracts.

See additional information in Net Loss and Loss Adjustment Expenses section above.

General and Administrative Expenses

The decrease in general and administrative expenses allocated to underwriting activities for the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019 was primarily the result of lower annual incentive plan compensation expense accruals, lower credit facility fees and lower travel expenses, partially offset by higher stock compensation expense as a result of more restricted shares with performance and service conditions considered probable of vesting. Our incentive plan accrual was lower for the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019 to reflect the performance of the Company in the respective periods relative to the incentive plan compensation performance metrics.

Non-GAAP Financial Measures and Other Financial Metrics

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

In addition, we refer to certain financial metrics such as net investment return on investments managed by Third Point LLC, which is an important metric to measure the performance of TP Fund's investment manager, Third Point LLC. A more detailed description of this financial metric is included below. We also refer to other generic performance metrics which are described and explained in this subsection.

Non-GAAP Financial Measures

Basic Book Value Per Share and Diluted Book Value Per Share

Basic book value per share and diluted book value per share are non-GAAP financial measures and there are no comparable GAAP measures. Basic book value per share, as presented, is a non-GAAP financial measure and is calculated by dividing shareholders' equity attributable to Third Point Re common shareholders by the number of common shares outstanding, excluding the total number of unvested restricted shares, at period end. Diluted book value per share, as presented, is a non-GAAP financial measure and is calculated using the treasury stock method. Under the treasury stock method, we assume that proceeds received from in-the-money options and/or warrants exercised are used to repurchase common shares in the market. For unvested restricted shares with a performance condition, we include the unvested restricted shares for which we consider vesting to be probable. Change in basic book value per share is calculated by taking the difference in basic book value per share for the periods presented divided by the beginning of period book value per share. Change in diluted book value per share is calculated by taking the difference in diluted book value per share for the periods presented divided by the beginning of period diluted book value per share. We believe that long-term growth in diluted book value per share is the most important measure of our financial performance because it allows our management and investors to track over time the value created by the retention of earnings. In addition, we believe this metric is used by investors because it provides a basis for comparison with other companies in our industry that also report a similar measure.

The following table sets forth the computation of basic and diluted book value per share as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
	(\$ in thousands, except share and per share amounts)	
Basic and diluted book value per share numerator:		
Shareholders' equity attributable to Third Point Re common shareholders	\$ 1,427,571	\$ 1,414,074
Basic and diluted book value per share denominator:		
Common shares outstanding	95,314,893	94,225,498
Unvested restricted shares	(2,695,127)	(2,231,296)
Basic book value per share denominator:	92,619,766	91,994,202
Effect of dilutive warrants issued to founders and an advisor (1)	—	172,756
Effect of dilutive stock options issued to directors and employees (1)	—	225,666
Effect of dilutive restricted shares issued to directors and employees (2)	2,182,214	1,654,803
Diluted book value per share denominator:	94,801,980	94,047,427
Basic book value per share	\$ 15.41	\$ 15.37
Diluted book value per share	\$ 15.06	\$ 15.04

(1) As of September 30, 2020, there was no dilution as a result of the Company's share price being under the lowest exercise price for warrants and options.

(2) As of September 30, 2020, the effect of dilutive restricted shares issued to directors and employees was comprised of 932,192 restricted shares with a service condition only and 1,250,022 restricted shares with a service and performance condition that were considered probable of vesting.

Return on Beginning Shareholders' Equity Attributable to Third Point Re Common Shareholders

Return on beginning shareholders' equity attributable to Third Point Re common shareholders, as presented, is a non-GAAP financial measure. Return on beginning shareholders' equity attributable to Third Point Re common shareholders is calculated by dividing net income available to Third Point Re common shareholders by the beginning shareholders' equity attributable to Third Point Re common shareholders. We believe that return on beginning shareholders' equity attributable to Third Point Re common shareholders is an important measure because it assists our management and investors in evaluating the Company's profitability.

Return on beginning shareholders' equity attributable to Third Point Re common shareholders for the three and nine months ended September 30, 2020 and 2019 was calculated as follows:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(\$ in thousands)			
Net income (loss) available to Third Point Re common shareholders	\$ 68,743	\$ (15,099)	\$ 9,121	\$ 170,881
Shareholders' equity attributable to Third Point Re common shareholders - beginning of period	\$ 1,357,304	\$ 1,395,898	\$ 1,414,074	\$ 1,204,574
Return on beginning shareholders' equity attributable to Third Point Re common shareholders	5.1 %	(1.1)%	0.6 %	14.2 %

Other Financial Metrics

Net Investment Return on Investments Managed by Third Point LLC

Net investment return represents the return on our net investments managed by Third Point LLC, net of fees. The net investment return on net investments managed by Third Point LLC is the percentage change in value of a dollar invested over the reporting period on our net investment assets managed by Third Point LLC. The net investment return reflects the combined results of our investments in TP Fund, collateral assets and certain other investment assets managed by Third Point LLC. Net investment return is the key indicator by which we measure the performance of Third Point LLC, our investment manager.

Net Underwriting Income (Loss) for Property and Casualty Reinsurance Segment

One way that we evaluate the performance of our property and casualty reinsurance results is by measuring net underwriting income (loss). We do not measure performance based on the amount of gross premiums written. Net underwriting income or loss is calculated from net premiums earned, less net loss and loss adjustment expenses, acquisition costs and general and administrative expenses related to underwriting activities. See additional information in Note 18 to our condensed consolidated financial statements.

Combined Ratio for Property and Casualty Reinsurance Segment

Combined ratio is calculated by dividing the sum of loss and loss adjustment expenses incurred, net, acquisition costs, net and general and administrative expenses related to underwriting activities by net premiums earned. This ratio is a key indicator of a reinsurance company's underwriting profitability. A combined ratio of greater than 100% means that loss and loss adjustment expenses, acquisition costs and general and administrative expenses related to underwriting activities exceeded net premiums earned. See additional information in Note 18 to our condensed consolidated financial statements.

Liquidity and Capital Resources

Liquidity Requirements

Third Point Re is a holding company and has no substantial operations of its own. Its cash needs primarily consist of the payment of corporate expenses. Its assets consist primarily of its investments in subsidiaries. Third Point Re's ability to pay expenses or dividends or return capital to shareholders will depend upon the availability of dividends or other statutorily permissible distributions from those subsidiaries. Cash at the subsidiaries is used primarily to pay loss and loss adjustment expenses, reinsurance premiums, acquisition costs, interest expense, taxes, general and administrative expenses and to purchase investments.

We and our Bermuda subsidiaries are subject to Bermuda regulatory constraints that affect our ability to pay dividends. Third Point Re USA has also entered into a Net Worth Maintenance Agreement that further restricts the amount of capital and surplus it has available for the payment of dividends. For a further discussion of the various restrictions on our ability and our Bermuda subsidiaries' ability to pay dividends, see Part I, Item 1 "Business - Regulation" in our 2019 Annual Report on Form 10-K filed with the SEC.

In addition to the regulatory and other contractual constraints to paying dividends, we manage the capital of the group and each of our operating subsidiaries to support our current ratings from A.M. Best. This could further reduce the ability and amount of dividends that could be paid from Third Point Re BDA or Third Point Re USA to Third Point Re.

To date, COVID-19 has not impacted our ability to meet the liquidity requirements of our business and has also not affected our ability to meet regulatory or rating agency capital requirements or our ability to meet other contractual commitments.

Other Liquidity Requirements

Third Point Re fully and unconditionally guarantees the \$115.0 million of debt obligations issued by TPRUSA, a wholly owned subsidiary. See Note 10 to our condensed consolidated financial statements for detailed information on our Senior Notes.

For additional commitments and contingencies that may affect our liquidity requirements see Note 17 to our condensed consolidated financial statements.

Sources of Liquidity

Our sources of funds have primarily consisted of premiums written, reinsurance recoveries, investment income and proceeds from sales and redemptions of investments.

TP Fund's investment portfolio is concentrated in tradeable securities and is marked to market each day. Pursuant to the investment guidelines as specified in the 2019 LPA, at least 60% of our portfolio must be invested in securities of publicly traded companies and governments of Organization of Economic Co-operation and Development high income countries, asset-backed securities, cash, cash equivalents and gold and other precious metals. We may withdraw all or a portion of our capital account balance from TP Fund at any calendar month end or at the close of business on each Wednesday during a month, with not less than three days' notice to pay claims on our reinsurance contracts, and with not less than five days' notice to pay for expenses, and on not less than three days' notice in order to satisfy a requirement of A.M. Best. We believe the liquidity profile of the net investments underlying the TP Fund, the Company's rights under the 2019 LPA to withdraw from the TP Fund and the operating cash on hand will provide us with sufficient liquidity to manage our operations.

As of September 30, 2020 and December 31, 2019, the total net investments managed by Third Point LLC consisted of:

	September 30, 2020	December 31, 2019
	(\$ in thousands)	
TP Fund	\$ 868,971	\$ 860,630
Collateral and other investment assets ⁽¹⁾	1,804,053	1,729,497
Total net investments managed by Third Point LLC	\$ 2,673,024	\$ 2,590,127

(1) Collateral assets primarily consist of fixed income securities such as U.S. Treasuries, money markets funds, and sovereign debt. Other investment assets primarily consist of U.S. Treasuries, structured and corporate credit fixed income securities such as corporate bonds, asset-backed securities and bank debt as well as interest rate hedges in the form of short positions on U.S. Treasuries.

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

might impact the ability of our reinsurance subsidiaries to pay dividends to their respective parent companies, including for purposes of servicing TPRUSA's debt obligations.

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

Cash Flows

Our cash flows from operations generally represent the difference between: (1) premiums collected and investment earnings realized and (2) loss and loss expenses paid, reinsurance purchased, underwriting and other expenses paid. Cash flows from operations may differ substantially from net income (loss) and may be volatile from period to period depending on the underwriting opportunities available to us and other factors. Due to the nature of our underwriting portfolio, claim payments can be unpredictable and may need to be made within relatively short periods of time. Claim payments can also be required several months or years after premiums are collected.

Operating, investing and financing cash flows for the nine months ended September 30, 2020 and 2019 were as follows:

	2020	2019
	(\$ in thousands)	
Net cash provided by operating activities	\$ 45,281	\$ 96,697
Net cash provided by (used in) investing activities	(68,050)	690,847
Net cash provided by (used in) financing activities	(15,713)	8,743
Net increase (decrease) in cash, cash equivalents and restricted cash	(38,482)	796,287
Cash, cash equivalents and restricted cash at beginning of period	1,653,958	713,337
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,615,476</u>	<u>\$ 1,509,624</u>

Operating Activities

Cash flows provided by operating activities generally represent net premiums collected less loss and loss adjustment expenses, acquisition costs and general and administrative expenses paid.

The decrease in cash flows from operating activities in the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was primarily due to lower net reinsurance receipts.

Excess cash generated from our operating activities is typically then invested by Third Point LLC into either the TP Fund or other fixed income investments. The amount of net reinsurance receipts can vary significantly from period to period depending on the timing, type and size of reinsurance contracts we bind.

Investing Activities

Cash flows provided by (used in) investing activities primarily reflects investment activities related to our investment in TP Fund, fixed income investments and collateral assets.

Cash flows used in investing activities for the nine months ended September 30, 2020 primarily relates to investment activity from the opportunistic credit portfolio. Cash flows provided by investing activities for the nine months ended September 30, 2019 primarily relates to net redemptions of \$673.0 million from TP Fund.

Financing Activities

Cash flows used in financing activities for the nine months ended September 30, 2020 primarily consisted of \$16.4 million from payments on deposit liability contracts. Cash flows provided by financing activities for the nine months ended September 30, 2019 consisted of \$6.9 million from receipts on deposit liability contracts.

For the period from inception until September 30, 2020, we have had sufficient cash flow from the proceeds of our initial capitalization and IPO, the issuance of Notes in February 2015, and from our operations to meet our liquidity requirements. We expect that projected operating and capital expenditure requirements and debt service requirements for at least the next twelve months will be met by our balance of cash, cash flows generated from operating activities and investment income. We may incur additional indebtedness in the future if we determine that it would be an efficient part of our capital structure.

Cash, Restricted Cash and Cash Equivalents and Restricted Investments

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

See Note 3 to our condensed consolidated financial statements for additional information on restricted cash, cash equivalents and investments.

Restricted cash and cash equivalents and restricted investments increased by \$71.3 million, or 6.2%, to \$1,228.5 million as of September 30, 2020 from \$1,157.2 million as of December 31, 2019. The increase was primarily due to an increase in the number of reinsurance contracts that required collateral.

We invest a portion of the collateral securing certain reinsurance contracts in U.S. treasury securities and sovereign debt. This portion of the collateral is included in debt securities in the consolidated balance sheets and is disclosed as part of restricted investments. In addition, restricted investments also pertain to limited partnership interests in TP Fund securing the Company's contractual obligations under certain reinsurance contracts that the Company will not be released from until the underlying risks have expired or have been settled.

Letter of Credit Facilities

See Note 10 to our condensed consolidated financial statements for additional information regarding our letter of credit facilities.

As of September 30, 2020, \$275.2 million (December 31, 2019 - \$251.8 million) of letters of credit had been issued. Each of the facilities contain customary events of default and restrictive covenants, including but not limited to, limitations on liens on collateral, transactions with affiliates, mergers and sales of assets, as well as solvency and maintenance of certain minimum pledged equity requirements and a minimum rating from rating agencies. Each restricts issuance of any debt without the consent of the letter of credit provider. Additionally, if an event of default exists, in any of the letter of credit facilities, we could be prohibited from paying dividends. We were in compliance with all of the covenants under the aforementioned facilities as of September 30, 2020.

Cash Secured Letter of Credit Agreements

Under the cash secured letter of credit facilities, we provide collateral that consists of cash and cash equivalents. As of September 30, 2020, total cash and cash equivalents with a fair value of \$275.2 million (December 31, 2019 - \$254.2 million) was pledged as collateral against the letters of credit issued.

We believe that we have adequate capacity between our existing cash secured letter of credit agreements as well as available investments to post in reinsurance trusts to meet our collateral obligations under our existing and future reinsurance business.

Revolving Credit Facility

On November 2, 2020, the Company entered into a three-year, \$300.0 million senior unsecured revolving credit facility (the "Facility") with JPMorgan Chase Bank, N.A. as administrative agent. The Facility includes an option, subject to satisfaction of certain conditions including agreement of lenders representing greater than a majority of commitments, for the Company to request an extension by such lenders of the maturity date of the Facility by an additional 12 months. The Facility provides access to loans for working capital and general corporate purposes, and letters of credit to support obligations under insurance and reinsurance agreements, retrocessional agreements and for general corporate purposes. Loans and letters of credit under the Facility will become available, subject to

customary conditions precedent, upon the consummation of the merger (the date such loans and letters of credit are first made available, the “Closing Date”). Prior to the Closing Date, the Facility is guaranteed solely by Third Point Re (USA) Holdings Inc. On and after the Closing Date, the Facility will be required to be guaranteed by Sirius International Group, Ltd., Sirius International Holdings Ltd., Sirius International Insurance Group, Ltd., and subject to customary exceptions certain other material subsidiaries of the Company.

All borrowings under the Facility bear interest at a rate per annum equal to, at the option of the Company, (i) adjusted LIBOR plus an applicable margin ranging from 1.25% to 2.25%, or (ii) an alternate base rate plus an applicable margin ranging from 0.25% to 1.25%, in each case with the applicable margin determined based upon the Company’s credit rating. The Facility is subject to an unused line fee on or after the Closing Date on the average daily undrawn commitments under the Facility, payable quarterly in arrears, of 0.20% to 0.40% per annum based upon the Company’s credit rating.

The Facility is subject to customary representations and warranties, affirmative and negative covenants and events of default (including a change of control provision) that the Company considers customary for similar facilities. The Facility also includes financial covenants, including a minimum consolidated tangible net worth test, a maximum consolidated indebtedness to total consolidated capitalization ratio and a financial strength rating test.

Financial Condition

The COVID-19 pandemic will have a significant impact on the reinsurance industry and although it is too early to determine the ultimate impact it will have on us, we continue to maintain a strong capital position. We will continue to prudently assess the reinsurance and investment opportunities presented to us, and believe that we are well positioned to continue to deploy our capital efficiently.

Shareholders’ equity

As of September 30, 2020, total shareholders’ equity was \$1,428.6 million, compared to \$1,414.1 million as of December 31, 2019. The increase was primarily due to net income available to Third Point Re common shareholders of \$9.1 million.

Investments

As of September 30, 2020, total cash and net investments managed by Third Point LLC was \$2,673.0 million, compared to \$2,590.1 million as of December 31, 2019. The increase was due to net investment income on investments managed by Third Point LLC of \$73.6 million and net contributions of \$9.3 million.

Contractual Obligations

Other than described herein, there have been no material changes to our contractual obligations from our most recent Annual Report on Form 10-K, as filed with the SEC.

Definitive Agreement with Sirius

On August 6, 2020, Third Point Re, entered into a Merger Agreement, by and among the Company, Sirius and Merger Sub. Pursuant to the Merger Agreement, Merger Sub will be merged with and into Sirius, with Sirius continuing as the surviving company in the Merger, as a wholly owned subsidiary of the Company. Refer to “Overview - Sirius Merger” for further discussion on the Merger. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close during the first quarter of 2021.

Debt Commitment Letter

In connection with entering into the Merger Agreement, the Company has entered into a commitment letter (the “Debt Commitment Letter”), dated as of August 6, 2020, with JPMorgan Chase Bank, N.A. (“JPMorgan”), pursuant to which JPMorgan has committed to provide a bridge facility up to \$125.0 million to finance the Merger.

On September 25, 2020, the Company terminated the Debt Commitment Letter. The Company terminated the Debt Commitment Letter because, in light of the Company’s agreement with the Sirius Series B preference shareholders,

funds committed by JPMorgan to be provided under the Bridge Facility are no longer anticipated to be necessary to consummate the Merger.

Off-Balance Sheet Commitments and Arrangements

We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

Critical Accounting Policies and Estimates

For a summary of our significant accounting and reporting policies, please refer to Note 2, “Significant accounting policies”, included in our 2019 Form 10-K.

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

Fair value measurements

During the nine months ended September 30, 2020, the Company began investing in structured credit and corporate credit securities such as corporate bonds, asset-backed securities and bank debt.

The inputs used to measure the fair value of these securities 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. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. 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.

See Note 5 to our condensed consolidated financial statements for additional information on the framework for measuring fair value established by U.S. GAAP disclosure requirements. In addition to the framework discussed in Note 5, we perform several processes to ascertain the reasonableness of the valuation of all of our investments comprising our investment portfolio. These processes include (i) obtaining and reviewing weekly and monthly investment portfolio reports from Third Point LLC, (ii) obtaining and reviewing monthly NAV and investment return reports received directly from the Company’s third-party fund administrator, which are compared to the reports noted in (i), and (iii) monthly update discussions with Third Point LLC regarding the investment portfolio, including, their process for reviewing and validating pricing obtained from third party service providers.

There have been no other material changes in our critical accounting estimates for the nine months ended September 30, 2020. Refer to Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” included in our 2019 Form 10-K.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We face various risks related to pandemics and other catastrophic events, including the recent global outbreak of the novel COVID-19. In recent months, the continued spread of COVID-19 has led to disruptions to commerce, reduced economic activity and increased volatility in the global capital markets. The COVID-19 pandemic and its resulting macroeconomic conditions has caused the financial markets to decline sharply and to become volatile, and such effects may continue or worsen in the future, amplifying the negative impact on global growth and global financial markets.

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

- equity price risk;

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

Equity Price Risk

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

Through our investment in TP Fund, and specifically, the valuations of the equity securities it holds, we may be adversely impacted by the market volatility and uncertainties resulting from the development of COVID-19.

As of September 30, 2020, net investments managed by Third Point LLC, including investments underlying the TP Fund, included long and short equity securities, along with certain equity-based derivative instruments, the carrying values of which are primarily based on quoted market prices. Generally, market prices of common equity securities are subject to fluctuation, which could cause the amount to be realized upon the closing of the position to differ significantly from their current reported value. This risk is partly mitigated by the presence of both long and short equity securities in TP Fund’s investment portfolio. As of September 30, 2020, a 10% decline in the value of all equity and equity-linked derivatives would result in a loss to the Company of \$93.8 million, or 3.5% (December 31, 2019 - \$49.7 million, or 2.0%) of total net investments managed by Third Point LLC.

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

Foreign Currency Risk

Reinsurance Contracts

We have foreign currency exposure related to non-U.S. dollar denominated reinsurance contracts. Of our gross premiums written from inception, \$634.9 million, or 13.3%, were written in currencies other than the U.S. dollar. As of September 30, 2020, loss and loss adjustment expense reserves included \$154.7 million (December 31, 2019 - \$171.5 million) and net reinsurance balances receivable included \$0.5 million (December 31, 2019 - \$10.9 million) in foreign currencies. These foreign currency liability exposures were generally offset by foreign currencies held in trust accounts of \$168.8 million as of September 30, 2020 (December 31, 2019 - \$170.2 million). The foreign currency cash and cash equivalents and investments held in reinsurance trust accounts are included in net investments managed by Third Point LLC. The exposure to foreign currency collateral held in trust accounts is excluded from the foreign currency investment exposure table below.

Investments

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

We are exposed within the TP Fund to foreign currency risk through cash, forwards, options and investments in securities denominated in foreign currencies. Foreign currency exchange rate risk is the potential for adverse

changes in the U.S. dollar value of investments (long and short) and foreign currency derivative instruments, which we employ from both a speculative and risk management perspective, due to a change in the exchange rate of the foreign currency in which cash and financial instruments are denominated. As of September 30, 2020, through our investment in TP Fund, the Company had total net long exposure to foreign denominated securities representing 1.7% (December 31, 2019 - 3.2%) of the Company's investment in the TP Fund, including cash and cash equivalents of \$45.4 million (December 31, 2019 - \$87.1 million).

The following table summarizes the net impact that a 10% increase and decrease in the value of the U.S. dollar against select foreign currencies would have had on the value of the TP Fund as of September 30, 2020:

	10% increase in U.S. dollar		10% decrease in U.S. dollar	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
	(\$ in thousands)			
Swiss Franc	\$ (2,581)	(0.1)%	\$ 2,581	0.1 %
Euro	(709)	— %	709	— %
Taiwan Dollar	(1,131)	— %	1,131	— %
Other	(115)	— %	115	— %
Total	<u>\$ (4,536)</u>	<u>(0.1)%</u>	<u>\$ 4,536</u>	<u>0.1 %</u>

Interest Rate Risk

Our net investments managed by Third Point LLC, including investments underlying the TP Fund, collateral assets and other fixed income investments, include interest rate sensitive securities, such as corporate bonds, U.S. treasury securities and sovereign debt instruments, asset-backed securities ("ABS"), and interest rate options and derivatives. One key market risk exposure for any debt instrument is interest rate risk. As interest rates rise, the fair value of our long fixed-income portfolio falls, and the opposite is also true as interest rates fall. Additionally, some of our sovereign debt instruments, ABS and derivative investments may also be credit sensitive and their value may indirectly fluctuate with changes in interest rates.

Third Point LLC monitors the potential effects of interest rate shifts by performing stress tests against the portfolio composition using both third-party and in-house risk systems.

In response to COVID-19, the Federal Reserve reduced the Federal Funds Rate to zero percent in March 2020. The outlook for the remainder of 2020 is uncertain, and there is a possibility that the Federal Reserve keeps interest rates low or even uses negative interest rates if economic conditions warrant. Changes in interest rates or a continued slowdown in the U.S. or in global economic conditions may adversely affect the values and cash flows of these assets.

The following table summarizes the impact that a 100 basis point increase or decrease in interest rates would have on the value of our net investments managed by Third Point LLC, including investments underlying the TP Fund, collateral assets and other fixed income investments, as of September 30, 2020:

	100 basis point increase in interest rates		100 basis point decrease in interest rates	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
(\$ in thousands)				
Corporate bonds, U.S. treasuries and sovereign debt instruments ⁽¹⁾	\$ (11,973)	(0.5)%	\$ 13,531	0.5 %
Asset-backed securities ⁽²⁾	(4,552)	(0.2)%	4,652	0.2 %
Interest rate swaps and derivatives	41	— %	(41)	— %
Net exposure to interest rate risk	<u>\$ (16,484)</u>	<u>(0.7)%</u>	<u>\$ 18,142</u>	<u>0.7 %</u>

(1) Includes interest rate risk associated with investments held as collateral in reinsurance trust accounts and other instruments underlying the TP Fund.

(2) Includes instruments for which durations are available on September 30, 2020. Includes a convexity adjustment if convexity is available.

For the purposes of the above table, the hypothetical impact of changes in interest rates on debt instruments, ABS, and interest rate options was determined based on the interest rates and credit spreads applicable to each instrument individually. We and Third Point LLC periodically monitor TP Fund's, and our collateral assets and other short-term investments net exposure to interest rate risk and generally do not expect changes in interest rates to have a materially adverse impact on our operations.

Commodity Price Risk

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

As of September 30, 2020, the TP Fund had de minimis (December 31, 2019 - de minimis) commodity exposure.

We and Third Point LLC periodically monitor the TP Fund's exposure to commodity price fluctuations and generally do not expect changes in commodity prices to have a material adverse impact on our operations.

Credit Risk

Reinsurance Contracts

We have exposure to credit risk through reinsurance contracts with companies that write credit risk insurance. Our portfolio of risk is predominantly U.S. mortgage insurance and mortgage credit risk transfer. We provide our clients in these lines of business with reinsurance protection against credit deterioration, defaults or other types of financial non-performance. Loss experience in these lines of business has been very good but is cyclical and is affected by the state of the general economic environment. We seek to proactively manage the risks associated with these credit-sensitive lines of business by closely monitoring its risk aggregation and by diversifying the underlying risks where possible. We have bought some retrocessional coverage against a subset of these risks. We have written \$476.2 million, or 10.0%, of credit and financial lines premium since inception, of which \$60.3 million was written in the nine months ended September 30, 2020. The majority of the mortgage insurance premium has been written as quota shares of private mortgage insurers, primarily in the United States.

Our portfolio of credit risk reinsurance is susceptible to the potential effects of COVID-19. These effects are unlikely to be the direct consequence of the pandemic itself but will more likely be a result of the economic impact of the pandemic and the steps that governments and others around the world have taken in an attempt to control its spread and the corresponding loss of life and health. With that in mind, the ultimate result for our book of business will be determined by the length and depth of the ensuing recession and heightened levels of unemployment.

We have exposure to credit risk as it relates to its business written through brokers, if any of our brokers are unable to fulfill their contractual obligations with respect to payments to us. In addition, in some jurisdictions, if the broker fails to make payments to the insured under our policy, we may remain liable to the insured for the deficiency. Our exposure to such credit risk is somewhat mitigated in certain jurisdictions by contractual terms.

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

To date, the events surrounding COVID-19 have not caused us to have heightened concern about our ability to collect on payments due from our brokers or under our reinsurance contracts.

Investments

We are also exposed to credit risk through our net investments managed by Third Point LLC, including investments underlying the TP Fund and other fixed income investments. Third Point LLC typically performs intensive fundamental analysis on the broader markets, credit spreads, security-specific information, and the underlying issuers of debt securities that are contained in TP Fund's investment portfolio and the Company's other fixed income investments.

In addition, the securities and cash in the TP Fund are held with several prime brokers, subjecting us to the related credit risk from the possibility that one or more of them may default on their obligations to us. Third Point LLC closely and regularly monitors the concentration of credit risk with each broker and if necessary, transfers cash or securities among brokers to diversify and mitigate TP Fund's credit risk.

Our investment portfolio, and specifically, the valuations of investment assets it holds, may be adversely affected as a result of market developments from COVID-19 and uncertainty regarding its outcome.

As of September 30, 2020 and December 31, 2019, through our investment in TP Fund and other fixed income investments, the Company was exposed to non-investment grade securities. Non-investment grade securities consist of securities having a rating lower than BBB- as determined by Standard & Poor's or Fitch Ratings, Baa3 by Moody's Investor Services and securities not rated by any rating agency, and were as follows:

	September 30, 2020	December 31, 2019
	(\$ in thousands)	
Assets:		
Asset-backed securities	\$ 176,818	\$ 133,326
Bank debt	6,139	11,786
Corporate bonds	99,561	79,178
Sovereign debt	337	1,250
Trade claims	48	102
	<u>\$ 282,903</u>	<u>\$ 225,642</u>
Liabilities:		
Corporate bonds	\$ 4,409	\$ 2,849
	<u>\$ 4,409</u>	<u>\$ 2,849</u>

As of September 30, 2020 and December 31, 2019, through our investment in TP Fund and other fixed income investments, ABS holdings were private-label issued, non-investment grade securities, and none of these securities were guaranteed by a government sponsored entity. As of September 30, 2020 and December 31, 2019, the largest concentration of our ABS holdings were as follows:

	September 30, 2020		December 31, 2019	
	(\$ in thousands)			
Reperforming loans	\$	138,617	66.1 %	\$ 101,587 75.9 %
Consumer		23,519	11.2 %	— — %
Subprime and non-qualified residential mortgage-backed securities		25,786	12.3 %	— — %
Market place loans		16,130	7.7 %	22,979 17.2 %
Other ⁽¹⁾		5,596	2.7 %	9,241 6.9 %
	\$	209,648	100.0 %	\$ 133,807 100.0 %

(1) Other includes: collateralized loan obligations, commercial mortgage-backed securities and aircraft ABS.

The TP Fund may also be exposed to non-investment grade securities held within certain investments in limited partnerships and derivatives. As a result of its investment in this type of ABS and certain other non-investment grade securities, our investment portfolio is exposed to credit risk of underlying borrowers, which may not be able to make timely payments on loans or which may default on their loans. All of these classes of ABS and certain other non-investment grade securities are sensitive to changes in interest rates and any resulting change in the rate at which borrowers sell their properties (in the case of mortgage-backed securities), refinance or otherwise pre-pay loans. As an investor in these classes of ABS and certain other non-investment grade securities, the TP Fund may be exposed to the credit risk of underlying borrowers not being able to make timely payments on loans or the likelihood of borrowers defaulting on their loans. In addition, the TP Fund may be exposed to significant market and liquidity risks.

Liquidity Risk

Certain of the investments underlying the TP Fund and the Company's fixed income investments may become illiquid. Disruptions in the credit markets may materially affect the liquidity of certain investments, including ABS, which represent 13.7% (December 31, 2019 - 12.0%) of total net investments managed by Third Point LLC as of September 30, 2020. If we require significant amounts of cash on short notice in excess of normal cash requirements, which could include the payment of claims expenses or to satisfy a requirement of A.M. Best, in a period of market illiquidity, certain investments underlying the TP Fund may be difficult to sell in a timely manner and may have to be disposed of for less than what may otherwise have been possible under normal conditions. As of September 30, 2020, through our investment in the TP Fund and fixed income investments, we had \$1,124.4 million (December 31, 2019 - \$1,022.9 million) of unrestricted, liquid investment assets, defined as unrestricted cash and investments and securities with quoted prices available in active markets/exchanges.

Political Risk

Investments

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

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

Reinsurance Contracts

We also have limited political violence exposure in several reinsurance contracts with companies that write political risk insurance and reinsurance. Extended lockdowns in many locations around the world and the potential for severe economic hardship may present increased risk of losses to this book of business arising from strikes, riots or civil commotion.

Recent Accounting Pronouncements

Refer to Note 2 to our condensed consolidated financial statements for the nine months ended September 30, 2020 included in Item 1 of this Quarterly Report on Form 10-Q for details of recently issued accounting standards.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of September 30, 2020. Based upon this evaluation, our Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2020.

Changes in Internal Control Over Financial Reporting

There have been no material changes to our internal control over financial reporting in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - Other Information

ITEM 1. Legal Proceedings

We anticipate that, similar to the rest of the reinsurance industry, we will be subject to litigation and arbitration from time to time in the ordinary course of business.

If we are subject to disputes in the ordinary course of our business, we anticipate engaging in discussions with the parties to the applicable contract to seek to resolve the matter. If such discussions are unsuccessful, we anticipate invoking the dispute resolution provisions of the relevant contract, which typically provide for the parties to submit to arbitration or litigation, as applicable, to resolve the dispute.

We received a complaint from a shareholder related to the Merger. The Company is reviewing the complaint and intends to defend itself vigorously.

There are currently no material legal proceedings to which we or our subsidiaries are a party.

ITEM 1A. Risk Factors

The following should be read in conjunction with, and supplements and amends the factors that may affect the Company's business, financial condition or results of operations described under "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 10-K"). Other than described herein, there have been no material changes to our risk factors from the risk factors previously disclosed in the 2019 10-K. This report also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below.

The proposed Merger with Sirius may not be completed on a timely basis, on anticipated terms, or at all, and there are uncertainties and risks to consummating the Merger.

As previously described, on August 6, 2020, we entered into the Merger Agreement with Sirius and Merger Sub, pursuant to which the Company agreed to merge with Sirius. Our obligation to consummate the Merger is subject to satisfaction or waiver, to the extent permitted under applicable law, of a number of conditions including regulatory approval and the accuracy of the representations and warranties of Sirius under the Merger Agreement.

Satisfying the required conditions could delay the completion of the Merger for a significant period of time or prevent it from occurring. Any delay in completing the Merger could cause us not to realize some or all of the benefits that we expect to achieve if the Merger is successfully completed within its expected timeframe. Further, there can be no assurance that we will obtain regulatory approval or that the other conditions to the closing of the Merger will be satisfied or waived or that the Merger will be completed.

Even if the Merger were completed, the successful integration of Sirius's business and operations into those of our own and our ability to realize the expected synergies and benefits of the transaction are subject to a number of risks and uncertainties, many of which are outside of our control. These risks and uncertainties include, among other things:

- Our ability to complete the timely integration of organizations, operations, procedures, policies and technologies, as well as the harmonization of differences in the business cultures of the two companies and retention of key personnel;
- Our ability to minimize the diversion of management attention from ongoing business concerns during the process of integrating the two companies;
- Our inability to establish and maintain integrated risk management systems, underwriting methodologies and controls, which could give rise to excess accumulation or aggregation of risks, underreporting or underrepresentation of exposures or other adverse consequences;
- Our inability to create and enforce uniform financial, compliance and operating controls, procedures, policies and information systems; and
- Our ability to preserve customer and other important relationships of both Third Point Re and Sirius and resolve potential conflicts that may arise;
- Our exposure to underwriting risk on Sirius's business written during the period prior to closing;
- Potential unknown liabilities and unforeseen increased expenses or delays associated with the Merger; and
- The need for additional capital prior to or following consummation of the Merger.

In addition, the Merger may not be accretive to earnings and could cause dilution to our earnings per share, which may negatively affect the price of our common stock following consummation of the Merger.

If we are unable to complete the proposed Merger, we will have incurred substantial expenses and diverted significant management time and resources from our ongoing business. Even if we consummate the proposed Merger, we will still have incurred substantial expenses but may not realize the anticipated cost synergies and other benefits of the Merger. Given the size and significance of the Merger, we could encounter difficulties in the integration of the operations of the business, which could adversely affect our combined business and financial performance. Any failure to realize the full benefits and synergies of the Merger could adversely impact our business, results of operation and financial condition.

We currently expect to incur debt or equity financing to finance the Merger, which could adversely affect our business, cash flows and results of operations.

We expect to incur debt or equity financing in connection with our Merger with Sirius. If we were to incur additional indebtedness or preferred equity, our interest or dividend payment obligations would increase. The degree to which we are leveraged could have adverse effects on our business, including the following:

- Making it difficult for us to satisfy our contractual and commercial commitments;
- Requiring us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness or preferred equity, thereby reducing the availability of our cash flows to fund capital requirements and other general corporate purposes;

- Limiting our flexibility in planning for, or reacting to, changes in our business and our industry;
- Restricting us from making additional strategic acquisitions or exploiting business opportunities;
- Placing us at a competitive disadvantage compared to our competitors that have less debt;
- Limiting our ability to refinance indebtedness, or increasing the associated costs;
- Limiting our ability to borrow additional funds; and
- Decreasing our ability to compete effectively or operate successfully under adverse economic and industry conditions.

If we incur additional indebtedness or preferred equity in the future, these risks will intensify. Our ability to meet our debt service or dividend obligations will depend upon our future performance, which will be subject to the financial, business and other factors affecting our operations, many of which are beyond our control. If we were to issue additional common equity, existing shareholders would be diluted to the extent of any such offering.

A pandemic or other catastrophic event, such as the ongoing COVID-19 outbreak, may adversely impact our financial condition and results of operations and other aspects of our business.

We face various risks related to pandemics and other catastrophic events, including the recent global outbreak of the novel coronavirus (“COVID-19”). In recent months, the continued spread of COVID-19 has led to disruptions to commerce, reduced economic activity and increased volatility in the global capital markets. The COVID-19 pandemic and its resulting macroeconomic conditions has caused the financial markets to become volatile, and such effects may continue or worsen in the future, amplifying the negative impact on global growth and global financial markets. These conditions could materially and adversely affect our cash flows, as well as the value and liquidity of its invested assets, which could affect our creditworthiness.

Our investment portfolio (and specifically, the valuations of investment assets it holds) may be adversely affected as a result of market developments from COVID-19 and uncertainty regarding its outcome. Moreover, changes in interest rates, adverse credit ratings migration and increased credit defaults, increased equity volatility, reduced liquidity or a continued slowdown in the U.S. or in global economic conditions may also adversely affect the values and cash flows of these assets. Specifically, lower underlying interest rates may adversely affect the portfolio’s ability to invest at levels sufficient to meet liability cash flows, which in turn could affect our creditworthiness. Negative market conditions may result in a reduction in the volume of premium that our clients write and cede to us, which could lead to a negative effect on our results of operations. Further, extreme market volatility may leave us unable to react to market events in a prudent manner consistent with our historical investment practices in dealing with more orderly markets.

Our companies that are treated as foreign corporations for U.S. federal income tax purposes have historically intended to operate in a manner that will not cause them to be subject to current U.S. federal income taxation on their net income. Travel restrictions arising as a result of the COVID-19 pandemic, however, limit the ability of certain directors and other personnel to be present outside the U.S. While we have implemented contingency plans to mitigate the impact of such travel restrictions, no assurances can be provided that we will not become subject to greater tax liabilities than anticipated as a result of such restrictions.

The spread of COVID-19 has caused us to modify our business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, and partners. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19. In addition, we may experience operational disruptions as a result of the COVID-19 pandemic, including as a result of its employees being unable to work due to illness, travel restrictions, quarantines, government actions or other measures taken in response to COVID-19. These disruptions could have a negative impact on our business and operations. Despite having taken significant steps to avoid disruption and maintain security, an extended period of remote work arrangements could strain our business continuity plans, introduce operational risk, including but not limited to cybersecurity risks, and impair our ability to manage our business.

There continue to be significant uncertainties associated with the COVID-19 pandemic, including with respect to the severity of the disease, the duration of the outbreak and actions that may be taken by governmental authorities and

private businesses to attempt to contain the outbreak or to mitigate its impact. We could have unexpected consequences from changes in regulation related to the COVID-19 pandemic and the short time window in which we may have to implement them. We continue to monitor the situation and to assess further possible implications to its business and customers. We cannot predict how legal and regulatory responses to concerns about the COVID-19 pandemic and related public health issues will impact our business. Such events or conditions could result in additional regulation or restrictions affecting the conduct of our business in the future.

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

The following table summarizes our repurchase of common shares during the three months ended September 30, 2020:

	(a) Total number of shares purchased	(b) Average price paid per share (1)	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares that may yet be purchased under the plans or programs (2)
July 1, 2020 - July 31, 2020	—	\$ —	—	\$ 61,295,462
August 1, 2020 - August 31, 2020	—	—	—	61,295,462
September 1, 2020 - September 30, 2020	—	—	—	61,295,462
Total	—	\$ —	—	\$ 61,295,462

(1) Including commissions.

(2) On February 28, 2018, the Company's Board of Directors authorized the repurchase of an additional \$148.3 million common shares, which, together with the shares remaining under the share repurchase program previously authorized on May 4, 2016, will allow the Company to repurchase up to \$200.0 million more of the Company's outstanding common shares in the aggregate.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Revolving Credit Facility

On November 2, 2020, the Company entered into a three-year, \$300.0 million senior unsecured revolving credit facility (the "Facility") with JPMorgan Chase Bank, N.A. as administrative agent. The Facility includes an option, subject to satisfaction of certain conditions including agreement of lenders representing greater than a majority of commitments, for the Company to request an extension by such lenders of the maturity date of the Facility by an additional 12 months. The Facility provides access to loans for working capital and general corporate purposes, and letters of credit to support obligations under insurance and reinsurance agreements, retrocessional agreements and for general corporate purposes. Loans and letters of credit under the Facility will become available, subject to customary conditions precedent, upon the consummation of the merger (the date such loans and letters of credit are first made available, the "Closing Date"). Prior to the Closing Date, the Facility is guaranteed solely by Third Point Re (USA) Holdings Inc. On and after the Closing Date, the Facility will be required to be guaranteed by Sirius International Group, Ltd., Sirius International Holdings Ltd., Sirius International Insurance Group, Ltd., and subject to customary exceptions certain other material subsidiaries of the Company.

All borrowings under the Facility bear interest at a rate per annum equal to, at the option of the Company, (i) adjusted LIBOR plus an applicable margin ranging from 1.25% to 2.25%, or (ii) an alternate base rate plus an applicable margin ranging from 0.25% to 1.25%, in each case with the applicable margin determined based upon the Company's credit rating. The Facility is subject to an unused line fee on or after the Closing Date on the average daily undrawn commitments under the Facility, payable quarterly in arrears, of 0.20% to 0.40% per annum based upon the Company's credit rating.

The Facility is subject to customary representations and warranties, affirmative and negative covenants and events of default (including a change of control provision) that the Company considers customary for similar facilities. The Facility also includes financial covenants, including a minimum consolidated tangible net worth test, a maximum consolidated indebtedness to total consolidated capitalization ratio and a financial strength rating test.

The foregoing description of the Facility does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Facility, a copy of which is attached hereto as Exhibit 10.14, and is incorporated by reference herein.

ITEM 6. Exhibits

- 2.1+++ [Agreement and Plan of Merger, dated as of August 6, 2020, by and among Third Point Reinsurance Ltd., Yoga Merger Sub Limited and Sirius International Insurance Group, Ltd. \(incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 7, 2020\).](#)
- 10.1 [Third Amended and Restated Exempted Limited Partnership Agreement of Third Point Enhanced LP, dated August 6, 2020, between Third Point Advisors LLC, as General Partner, Third Point Reinsurance Ltd., Third Point Reinsurance Company Ltd., Third Point Reinsurance \(USA\) Ltd., and the initial limited partner \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 6, 2020\).](#)
- 10.2 [Investment Management Agreement, among Third Point LLC and Third Point Reinsurance Company Ltd., dated as of August 6, 2020 \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 7, 2020\).](#)
- 10.3 [Voting and Support Agreement, dated as of August 6, 2020, by and among CM Bermuda Limited, CMIG International Holding Pte. Ltd., Sirius International Insurance Group, Ltd. and Third Point Reinsurance Ltd. \(incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on August 7, 2020\).](#)
- 10.4 [Voting and Support Agreement, dated as of August 6, 2020, by and among Daniel S. Loeb, The 2010 Loeb Family Trust, Third Point Advisors LLC, Third Point Opportunities Master Fund L.P., The 2011 Loeb Family GST Trust, Sirius International Insurance Group, Ltd. and Third Point Reinsurance Ltd. \(incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on August 7, 2020\).](#)
- 10.5 [Voting and Support Agreement, dated as of August 6, 2020, by and among Joshua L. Targoff, Joseph L. Dowling III, Rafe de la Gueronniere, Gretchen A. Hayes, Daniel V. Malloy, Mark Parkin, Sid Sankaran, Sirius International Insurance Group, Ltd. and Third Point Reinsurance Ltd. \(incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on August 7, 2020\).](#)
- 10.6 [Debt Commitment Letter, dated as of August 6, 2020, by and between Third Point Reinsurance Ltd. and JPMorgan Chase Bank, N.A. \(incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on August 7, 2020\).](#)
- 10.7 [Equity Commitment Letter, dated as of August 6, 2020, by and between Third Point Reinsurance Ltd., Third Point Opportunities Master Fund Ltd. and Daniel S. Loeb \(incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on August 7, 2020\).](#)
- 10.8 [Director Compensation Policy of Third Point Reinsurance Ltd. \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 7, 2020\).](#)
- 10.9** [Employment Agreement between Third Point Reinsurance Ltd. and Sid Sankaran dated as of August 6, 2020.](#)
- 10.10** [Employee Restricted Share Award Agreement, dated as of August 6, 2020, by and between Third Point Reinsurance Ltd. and Sid Sankaran.](#)
- 10.11 [Transaction Agreement, dated September 4, 2020, by and among Third Point Reinsurance Ltd., Bain Capital Special Situations Asia, L.P., CCOF Master, L.P., Centerbridge Credit Partners Master, LP, and Centerbridge Special Credit Partners III, LP, and GPC Partners Investments \(Canis\) LP \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 11, 2020\).](#)
- 10.12** [Letter Agreement, dated as of September 23, 2020, by and between Third Point Reinsurance Ltd. and David W. Junius.](#)
- 10.13** [Employee Restricted Share Award Agreement, dated as of October 1, 2020, by and between Third Point Reinsurance Ltd. and David W. Junius.](#)
- 10.14 [Credit Agreement, dated as of November 2, 2020, by and among Third Point Reinsurance Ltd., the other subsidiaries of Third Point Reinsurance Ltd. from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent and the lenders from time to time party thereto.](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14\(a\) and 15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14\(a\) and 15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1* [Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

- 32.2* [Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 104 Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)
- * This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.
- ** Management contracts or compensatory plans or arrangements
- ††† Pursuant to Item 601(b)(2) of Regulation S-K, certain schedules and similar attachments to the Merger Agreement have been omitted. Third Point Re hereby agrees to furnish supplementally a copy of any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.

SIGNATURES

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

Date: November 5, 2020

Third Point Reinsurance Ltd.

/s/ Daniel V. Malloy

Daniel V. Malloy

Chief Executive Officer

(Principal Executive Officer)

/s/ Christopher S. Coleman

Christopher S. Coleman

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)