

AXIS CAPITAL HOLDINGS LTD

Form 10-Q

August 08, 2017

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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 June 30, 2017

OR

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

Commission file number 001-31721

AXIS CAPITAL HOLDINGS LIMITED

(Exact name of registrant as specified in its charter)

BERMUDA

(State or other jurisdiction of incorporation or organization)

98-0395986

(I.R.S. Employer Identification No.)

92 Pitts Bay Road, Pembroke, Bermuda HM 08

(Address of principal executive offices and zip code)

(441) 496-2600

(Registrant's telephone number, including area code)

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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

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.

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 July 28 2017, there were 83,154,772 Common Shares, \$0.0125 par value per share, of the registrant outstanding.

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PART I FINANCIAL INFORMATION

This quarterly report contains forward-looking statements within the meaning of the United States federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the United States securities laws. In some cases, these statements can be identified by the use of forward-looking words such as “may”, “should”, “could”, “anticipate”, “estimate”, “expect”, “plan”, “believe”, “predict”, “potentially”, “intend”. Forward-looking statements contained in this report may include information regarding our estimates of losses related to catastrophes and other large losses, measurements of potential losses in the fair value of our investment portfolio and derivative contracts, our expectations regarding pricing and other market conditions, our growth prospects, and valuations of the potential impact of movements in interest rates, equity prices, credit spreads and foreign currency rates. Forward-looking statements only reflect our expectations and are not guarantees of performance.

These statements involve risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements. We believe that these factors include, but are not limited to, the following:

- the cyclical nature of the re(insurance) business leading to periods with excess underwriting capacity and unfavorable premium rates,
- the occurrence and magnitude of natural and man-made disasters,
- losses from war, terrorism and political unrest or other unanticipated losses,
- actual claims exceeding our loss reserves,
- general economic, capital and credit market conditions,
- the failure of any of the loss limitation methods we employ,
- the effects of emerging claims, coverage and regulatory issues, including uncertainty related to coverage definitions, limits, terms and conditions,
- our inability to purchase reinsurance or collect amounts due to us,
- the breach by third parties in our program business of their obligations to us,
- difficulties with technology and/or data security,
- the failure of our policyholders and intermediaries to pay premiums,
- the failure of our cedants to adequately evaluate risks,
- inability to obtain additional capital on favorable terms, or at all,
- the loss of one or more key executives,
- a decline in our ratings with rating agencies,
- loss of business provided to us by our major brokers and credit risk due to our reliance on brokers,
- changes in accounting policies or practices,
- the use of industry catastrophe models and changes to these models,
 - changes in governmental regulations and potential government intervention in our industry,
- failure to comply with certain laws and regulations relating to sanctions and foreign corrupt practices,
- increased competition,
- changes in the political environment of certain countries in which we operate or underwrite business including the United Kingdom's expected withdrawal from the European Union,
 - fluctuations in interest rates, credit spreads, equity prices and/or currency values,
- with respect to the offer to acquire Novae Group plc, (i) the effect of the announcement of the offer on our business relationships, operating results, share price or business generally, (ii) the occurrence of any event or other

circumstances that could give rise to the termination or lapsing of the offer, (iii) the outcome of any legal proceedings that may be instituted against us relating to the offer and/or the acquisition, (iv) the failure to satisfy any of the conditions to completion of the acquisition, including the receipt of all required regulatory approvals and antitrust consents and (v) the failure to realize the expected synergies resulting from the acquisition, and

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the other matters set forth under Item 1A, 'Risk Factors' and Item 7, 'Management's Discussion and Analysis of Financial Condition and Results of Operations' included in our Annual Report on Form 10-K for the year ended December 31, 2016.

We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2017 (UNAUDITED) AND DECEMBER 31, 2016

	2017	2016
	(in thousands)	
Assets		
Investments:		
Fixed maturities, available for sale, at fair value (Amortized cost 2017: \$11,420,810; 2016: \$11,523,316)	\$11,424,295	\$11,397,114
Equity securities, available for sale, at fair value (Cost 2017: \$651,656; 2016: \$597,336)	738,489	638,744
Mortgage loans, held for investment, at amortized cost and fair value	349,916	349,969
Other investments, at fair value	813,617	830,219
Equity method investments	109,258	116,000
Short-term investments, at amortized cost and fair value	10,146	127,461
Total investments	13,445,721	13,459,507
Cash and cash equivalents	728,519	1,039,494
Restricted cash and cash equivalents	286,751	202,013
Accrued interest receivable	72,626	74,971
Insurance and reinsurance premium balances receivable	3,050,222	2,313,512
Reinsurance recoverable on unpaid and paid losses	2,184,934	2,334,922
Deferred acquisition costs	591,397	438,636
Prepaid reinsurance premiums	733,836	556,344
Receivable for investments sold	18,754	14,123
Goodwill and intangible assets	86,220	85,049
Other assets	300,658	295,120
Total assets	\$21,499,638	\$20,813,691
Liabilities		
Reserve for losses and loss expenses	\$9,878,662	\$9,697,827
Unearned premiums	3,704,003	2,969,498
Insurance and reinsurance balances payable	677,204	493,183
Senior notes	993,511	992,950
Payable for investments purchased	95,865	62,550
Other liabilities	257,698	325,313
Total liabilities	15,606,943	14,541,321
Shareholders' equity		
Preferred shares	775,000	1,126,074
Common shares (2017: 176,580; 2016: 176,580 shares issued and 2017: 83,203; 2016: 86,441 shares outstanding)	2,206	2,206
Additional paid-in capital	2,283,523	2,299,857
Accumulated other comprehensive income (loss)	84,306	(121,841)
Retained earnings	6,551,801	6,527,627
Treasury shares, at cost (2017: 93,377; 2016: 90,139 shares)	(3,804,141)	(3,561,553)
Total shareholders' equity	5,892,695	6,272,370

Total liabilities and shareholders' equity	\$21,499,638	\$20,813,691
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See accompanying notes to Consolidated Financial Statements.

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AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	Three months ended		Six months ended	
	2017	2016	2017	2016
	(in thousands, except for per share amounts)			
Revenues				
Net premiums earned	\$981,431	\$946,990	\$1,920,133	\$1,849,331
Net investment income	106,063	91,730	204,728	140,896
Other insurance related income (losses)	2,560	(892)	(1,222)	(1,094)
Bargain purchase gain	15,044	—	15,044	—
Net realized investment gains (losses):				
Other-than-temporary impairment ("OTTI") losses	(1,528)	(6,369)	(8,082)	(16,099)
Other realized investment gains (losses)	(2,864)	27,379	(21,361)	(29,401)
Total net realized investment gains (losses)	(4,392)	21,010	(29,443)	(45,500)
Total revenues	1,100,706	1,058,838	2,109,240	1,943,633
Expenses				
Net losses and loss expenses	605,332	632,294	1,212,273	1,131,256
Acquisition costs	204,361	189,125	394,153	369,761
General and administrative expenses	147,816	146,746	309,075	296,648
Foreign exchange losses (gains)	36,118	(56,602)	57,583	(55,986)
Interest expense and financing costs	12,751	12,914	25,543	25,747
Total expenses	1,006,378	924,477	1,998,627	1,767,426
Income before income taxes and interest in income (loss) of equity method investments	94,328	134,361	110,613	176,207
Income tax (expense) benefit	3,333	(4,901)	12,670	1,639
Interest in loss of equity method investments	(1,975)	—	(7,741)	—
Net income	95,686	129,460	115,542	177,846
Preferred share dividends	10,656	9,969	25,497	19,938
Net income available to common shareholders	\$85,030	\$119,491	\$90,045	\$157,908
Per share data				
Net income per common share:				
Basic net income	\$1.01	\$1.30	\$1.06	\$1.70
Diluted net income	\$1.01	\$1.29	\$1.05	\$1.69
Weighted average number of common shares outstanding - basic	84,141	91,926	85,076	92,980
Weighted average number of common shares outstanding - diluted	84,511	92,558	85,647	93,705
Cash dividends declared per common share	\$0.38	\$0.35	\$0.76	\$0.70

See accompanying notes to Consolidated Financial Statements.

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AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	Three months ended		Six months ended	
	2017	2016	2017	2016
	(in thousands)			
Net income	\$95,686	\$129,460	\$115,542	\$177,846
Other comprehensive income, net of tax:				
Available for sale investments:				
Unrealized investment gains arising during the period	76,243	63,685	143,953	202,319
Adjustment for reclassification of net realized investment (gains) losses and OTTI losses recognized in net income	(1,503)	(14,019)	23,458	45,263
Unrealized investment gains arising during the period, net of reclassification adjustment	74,740	49,666	167,411	247,582
Foreign currency translation adjustment	8,867	(4,224)	38,736	3,972
Total other comprehensive income, net of tax	83,607	45,442	206,147	251,554
Comprehensive income	\$179,293	\$174,902	\$321,689	\$429,400

See accompanying notes to Consolidated Financial Statements.

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AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	2017	2016
	(in thousands)	
Preferred shares		
Balance at beginning of period	\$1,126,074	\$627,843
Shares repurchased	(351,074)	(2,843)
Balance at end of period	775,000	625,000
Common shares (par value)		
Balance at beginning of period	2,206	2,202
Shares issued	—	4
Balance at end of period	2,206	2,206
Additional paid-in capital		
Balance at beginning of period	2,299,857	2,241,388
Shares issued - common shares	—	(4)
Cost of treasury shares reissued	(38,840)	(17,631)
Settlement of accelerated share repurchase	—	60,000
Share-based compensation expense	22,506	18,804
Balance at end of period	2,283,523	2,302,557
Accumulated other comprehensive income (loss)		
Balance at beginning of period	(121,841)	(188,465)
Unrealized gains (losses) on available for sale investments, net of tax:		
Balance at beginning of period	(82,323)	(149,585)
Unrealized gains arising during the period, net of reclassification adjustment	167,411	247,582
Balance at end of period	85,088	97,997
Cumulative foreign currency translation adjustments, net of tax:		
Balance at beginning of period	(39,518)	(38,880)
Foreign currency translation adjustment	38,736	3,972
Balance at end of period	(782)	(34,908)
Balance at end of period	84,306	63,089
Retained earnings		
Balance at beginning of period	6,527,627	6,194,353
Net income	115,542	177,846
Preferred share dividends	(25,497)	(19,938)
Common share dividends	(65,871)	(66,458)
Balance at end of period	6,551,801	6,285,803
Treasury shares, at cost		
Balance at beginning of period	(3,561,553)	(3,010,439)
Shares repurchased for treasury	(282,313)	(323,050)
Cost of treasury shares reissued	39,725	19,017
Balance at end of period	(3,804,141)	(3,314,472)

Total shareholders' equity	\$5,892,695	\$5,964,183
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See accompanying notes to Consolidated Financial Statements.

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AXIS CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	2017		2016
	(in thousands)		
Cash flows from operating activities:			
Net income	\$	115,542	\$ 177,846
Adjustments to reconcile net income to net cash provided by operating activities:			
Net realized investment losses	29,443		45,500
Net realized and unrealized gains (losses) on other investments	(40,226	)	14,406
Amortization of fixed maturities	20,740		35,186
Interest in loss of equity method investments	7,741		—
Other amortization and depreciation	12,638		11,255
Share-based compensation expense, net of cash payments	(10,846	)	16,617
Non-cash foreign exchange losses	24,149		—
Bargain purchase gain	(15,044)	—
Changes in:			
Accrued interest receivable	4,208		2,262
Reinsurance recoverable balances	242,437		(103,215)
Deferred acquisition costs	(151,633	)	(152,777)
Prepaid reinsurance premiums	(180,107	)	(100,699)
Reserve for loss and loss expenses	8,015		128,661
Unearned premiums	724,407		937,950
Insurance and reinsurance balances, net	(540,557)	(859,502)

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Other items	(102,014)	(90,954)
Net cash provided by operating activities	148,893		62,536	
Cash flows from investing activities:				
Purchases of:				
Fixed maturities	(4,766,037	)	(4,687,409)
Equity securities	(101,289	)	(215,324)
Mortgage loans	(10,207	)	(120,923)
Other investments	(107,020	)	(173,127)
Equity method investments	(1,000	)	(103,548)
Short-term investments	(9,029	)	(27,800)
Proceeds from the sale of:				
Fixed maturities	3,955,065		4,559,910	
Equity securities	127,182		210,810	
Other investments	177,238		110,077	
Short-term investments	13,539		18,291	
Proceeds from redemption of fixed maturities	1,043,002		558,715	
Proceeds from redemption of short-term investments	116,111		2,539	
Proceeds from the repayment of mortgage loans	10,467		—	
Purchase of other assets	(12,205	)	(13,313)
Change in restricted cash and cash equivalents	(84,738	)	(13,909)
Purchase of subsidiary, net of cash acquired	(78,872)	—	
Net cash provided by investing activities	272,207		104,989	
Cash flows from financing activities:				
Repurchase of common shares	(286,962	)	(263,050)
Dividends paid - common shares	(71,189	)	(69,347)
Dividends paid - preferred shares	(31,532	)	(19,971)
	(351,074	)	(2,843)

Repurchase of preferred shares				
Proceeds from issuance of common shares	—		8	
Net cash used in financing activities	(740,757)	)	(355,203))
Effect of exchange rate changes on foreign currency cash and cash equivalents	8,682		(7,510))
Decrease in cash and cash equivalents	(310,975)	)	(195,188))
Cash and cash equivalents - beginning of period	1,039,494		988,133	
Cash and cash equivalents - end of period	\$ 728,519		\$ 792,945	

Supplemental disclosures of cash flow information: Non-cash foreign exchange losses were attributable to the reclass of the cumulative translation adjustment related to AXIS Specialty Australia from accumulated other comprehensive income to foreign exchange losses as the wind-down of this operation was substantially complete as of March 31, 2017. Also refer to Note 7 'Reserve for Losses and Loss Expenses' and Note 13 'Other Comprehensive Income'

See accompanying notes to Consolidated Financial Statements.

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AXIS CAPITAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Presentation

These interim consolidated financial statements include the accounts of AXIS Capital Holdings Limited (“AXIS Capital”) and its subsidiaries (herein referred to as “we,” “us,” “our,” or the “Company”).

The consolidated balance sheet at June 30, 2017 and the consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the periods ended June 30, 2017 and 2016 have not been audited. The balance sheet at December 31, 2016 is derived from our audited financial statements.

These financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) for interim financial information and with the Securities and Exchange Commission's (“SEC”) instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of our financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year. All inter-company accounts and transactions have been eliminated.

The following information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016. Tabular dollar and share amounts are in thousands, except per share amounts. All amounts are reported in U.S. dollars.

Significant Accounting Policies

There were no notable changes in our significant accounting policies subsequent to our Annual Report on Form 10-K for the year ended December 31, 2016.

New Accounting Standards Adopted in 2017

Stock Compensation - Improvements to Employee Share-Based Payment Accounting

Effective January 1, 2017, the Company adopted Accounting Standards Update (“ASU”) ASU 2016-09, “Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting” which simplifies several aspects of the accounting for share-based payments to employees including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance requires all excess tax benefits and tax deficiencies to be recognized in the income statement with the tax effects of exercised or vested awards to be treated as discrete items in the reporting period in which they occur. Excess tax benefits should be classified along with other income tax cash flows as an operating activity on the statement of cash flows. In addition, companies will be required to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The guidance allows withholding up to the maximum statutory tax rates in the applicable jurisdictions to cover income taxes on share-based compensation awards without requiring liability classification. Cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity. The adoption of

this guidance did not have a material impact on our results of operations, financial condition and liquidity.

Recently Issued Accounting Standards Not Yet Adopted

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued ASU 2017-08 "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20) - Premium Amortization on Purchased Callable Debt Securities" which shortens the amortization period for certain purchased callable debt securities held at a premium. This guidance is effective for interim and annual reporting periods, beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of this guidance on our results of operations, financial condition and liquidity.

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AXIS CAPITAL HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Stock Compensation - Scope of Modification Accounting

In May 2017, the FASB issued ASU 2017-08 "Compensation - Stock Compensation (Topic 718) - Scope of Modification Accounting" to provide clarity and reduce diversity in practice of applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. This ASU provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The guidance states that an entity should account for the effects of a modification unless all the following are met: (1) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this Update. This guidance is effective for interim and annual reporting periods, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the impact of this guidance on our results of operations, financial condition and liquidity.

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AXIS CAPITAL HOLDINGS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2. BUSINESS COMBINATIONS

On April 1, 2017 ("the closing date" or the "acquisition date"), the Company acquired a 100% ownership interest in Compagnie Belge d'Assurances Aviation NV/SA ("Aviabel"). Aviabel is an insurer operating under Belgian law that has its head office in Belgium, a branch office in the Netherlands and a re-insurance company, Aviabel RE S.A. ("Aviabel RE"), in Luxembourg. The Company acquired Aviabel to increase its scale and relevance in the global aviation market.

The purchase price was allocated to the acquired assets and liabilities of Aviabel based on estimated fair values on the closing date. Consequently, the Company recognized investments with a fair value of \$182 million, reserves for losses and loss expenses with a fair value of \$79 million, and a bargain purchase gain of \$15 million. The bargain purchase gain arose as the fair values of the net identifiable assets acquired exceeded the fair value of the consideration transferred at the acquisition date.

The allocation of the purchase price was based on information included in unaudited financial statements prepared by Aviabel's management at March 31, 2017. The allocation is subject to change if additional information becomes available within the measurement period, which cannot exceed 12 months from the acquisition date. The fair values of the acquired assets and liabilities may be subject to adjustments, which may impact the amounts recorded for the acquired assets and liabilities, as well as the bargain purchase gain.

The underwriting results of Aviabel are included in the underwriting results of our insurance segment from the acquisition date.

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AXIS CAPITAL HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. SEGMENT INFORMATION

Our underwriting operations are organized around our global underwriting platforms, AXIS Insurance and AXIS Re, therefore we have determined that we have two reportable segments, insurance and reinsurance. We do not allocate our assets by segment, with the exception of goodwill and intangible assets, as we evaluate the underwriting results of each segment separately from the results of our investment portfolio.

Insurance

Our insurance segment provides insurance coverage on a worldwide basis. The product lines in this segment are property, marine, terrorism, aviation, credit and political risk, professional lines, liability and accident and health.

Reinsurance

Our reinsurance segment provides non-life treaty reinsurance to insurance companies on a worldwide basis. The product lines in this segment are catastrophe, property, professional lines, credit and surety, motor, liability, agriculture, engineering and marine and other. The reinsurance segment also writes derivative based risk management products designed to address weather and commodity price risks.

The following tables summarize the underwriting results of our reportable segments, as well as the carrying values of allocated goodwill and intangible assets:

Three months ended and at June 30,	2017			2016			
	Insurance	Reinsurance	Total	Insurance	Reinsurance	Total	
Gross premiums written	\$796,023	\$566,304	\$1,362,327	\$784,017	\$536,417	\$1,320,434	
Net premiums written	527,678	428,339	956,017	526,764	480,586	1,007,350	
Net premiums earned	493,836	487,595	981,431	439,279	507,711	946,990	
Other insurance related income (losses)	508	2,052	2,560	(234)	(658)	(892)	
Net losses and loss expenses	(325,728)	(279,604)	(605,332)	(306,141)	(326,153)	(632,294)	
Acquisition costs	(81,276)	(123,085)	(204,361)	(61,829)	(127,296)	(189,125)	
General and administrative expenses	(87,822)	(29,464)	(117,286)	(82,487)	(32,332)	(114,819)	
Underwriting income (loss)	\$(482)	\$57,494	57,012	\$(11,412)	\$21,272	9,860	
Corporate expenses			(30,530)			(31,927)	
Net investment income			106,063			91,730	
Net realized investment gains (losses)			(4,392)			21,010	
Foreign exchange (losses) gains			(36,118)			56,602	
Interest expense and financing costs			(12,751)			(12,914)	
Bargain purchase gain			15,044			—	
Income before income taxes and interest in income (loss) of equity method investments			\$94,328			\$134,361	
Net loss and loss expense ratio	66.0	% 57.3	% 61.7	% 69.7	% 64.2	% 66.8	%

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Acquisition cost ratio	16.5	% 25.2	% 20.8	% 14.1	% 25.1	% 20.0	%
General and administrative expense ratio	17.7	% 6.1	% 15.1	% 18.7	% 6.4	% 15.4	%
Combined ratio	100.2	% 88.6	% 97.6	% 102.5	% 95.7	% 102.2	%

Goodwill and intangible assets