XL GROUP PLC
Form 10-K
February 26, 2016

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
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 1-10804

XL GROUP
Public Limited Company
(Exact name of registrant as specified in its charter)

Ireland (State or other jurisdiction of incorporation or organization)	98-0665416 (I.R.S. Employer Identification No.)
XL House, 8 St. Stephen's Green, Dublin 2, Ireland (Address of principal executive offices and zip code)	+353 (1) 400-5500 (Registrant’s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Ordinary Shares, Par Value $0.01 per Share	New York Stock Exchange
XLIT Ltd. 2.30% Senior Notes due 2018	New York Stock Exchange
XLIT Ltd. 5.75% Senior Notes due 2021	New York Stock Exchange
XLIT Ltd. 4.45% Subordinated Notes due 2025	New York Stock Exchange
XLIT Ltd. 5.25% Senior Notes due 2043	New York Stock Exchange
XLIT Ltd. 5.5% Subordinated Notes due 2045	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to

submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨   Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).   Yes ¨ No x
The aggregate market value of the voting common equity of the registrant held by non-affiliates of the registrant on June 30, 2015 was approximately $11.2 billion computed upon the basis of the closing sales price of the ordinary shares on June 30, 2015. For purposes of this computation, ordinary shares held by directors and officers of the registrant have been excluded. Such exclusion is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the registrant.
As of February 23, 2016, there were 291,794,761 outstanding Ordinary Shares, $0.01 par value per share, of the registrant.
Documents Incorporated By Reference
Portions of the Registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report relating to the annual meeting of ordinary shareholders scheduled to be held on May 13, 2016 are incorporated by reference into Part III of this Form 10-K.

XL GROUP PLC
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This Annual Report on Form 10-K contains “Forward-Looking Statements” as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Important factors that could cause actual results to differ materially from those in such Forward-Looking Statements are set forth herein under Item 1A, “Risk Factors,” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” under the caption “Cautionary Note Regarding Forward-Looking Statements.”

PART I

ITEM 1. BUSINESS

History

XL Group plc, through its subsidiaries, is a global insurance and reinsurance company providing property, casualty and specialty products to industrial, commercial and professional firms, insurance companies and other enterprises on a worldwide basis. The Company traces its roots to the merger of insurance company EXEL Limited ("EXEL") and reinsurance company Mid Ocean Limited ("Mid Ocean"), both of which maintained principal operations in Bermuda and were incorporated in the Cayman Islands in 1986 and 1992, respectively. In 1998 EXEL and Mid Ocean merged into a newly formed holding company in the Cayman Islands, EXEL Merger Company, which subsequently changed its named to XL Capital Ltd in February of 1999. Our primary operating companies originating from these merged entities are XL Re Ltd. ("XL Re") and XL Insurance (Bermuda) Ltd. ("XLIB").

In June 1999, XL Capital Ltd acquired NAC Re Corp ("NAC"), a Delaware corporation, in a stock merger; a combination which expanded our reinsurance business within North America. NAC was subsequently renamed XL Reinsurance America Inc. ("XLRA"), and currently serves as pool leader for most of our United States-based insurance and reinsurance operations.

In July 2001, we acquired certain business operations and companies from Winterthur Swiss Insurance Company to extend and complement our predominantly North American-based large corporate insurance business globally. XL Insurance Company SE (then known as Winterthur International Insurance Company), together with other subsidiaries, absorbed the business operations from this acquisition. XL Insurance Company SE, based in the United Kingdom ("U.K."), serves as one of our principal European insurance platforms.

In September 2003, we completed the last stage of a step acquisition, in which we obtained 100% of French reinsurer Le Mans Re ("Le Mans"), to expand our reinsurance business in Europe. In 2006, we received approval to form a new European company, XL Re Europe Limited (since renamed XL Re Europe SE) based in Dublin, Ireland, which is licensed to write all classes of reinsurance business. XL Re Europe SE, which absorbed the Le Mans operations, serves as one of our principal European reinsurance platforms.

In August 2006, we completed the sale of approximately 37% of our then financial guarantee reinsurance and insurance businesses through an initial public offering of common shares of Syncora Holdings Ltd ("Syncora") (formerly Security Capital Assurance Ltd or "SCA"). In June 2007, we further reduced our ownership in Syncora to approximately 46% through a secondary offering of Syncora's common shares. In August 2008, we closed an agreement (the "Master Agreement") with Syncora and its subsidiaries, as well as certain counterparties to credit default swap agreements, in connection with the termination of certain reinsurance and other agreements. As part of the Master Agreement, we transferred our remaining ownership interest in Syncora to a trust and, as a result, have had no further ownership interest in Syncora since August 2008.

In July 2010, XL Group plc, a newly formed Irish public limited company ("XL-Ireland"), and XL Capital Ltd (now known as XLIT Ltd.) ("XL-Cayman"), completed a redomestication transaction in which all of the ordinary shares of XL-Cayman were exchanged for all of the ordinary shares of XL-Ireland (the "Redomestication"). As a result, XL-Cayman became a wholly-owned subsidiary of XL-Ireland. In connection with the Redomestication, the Irish High Court approved XL-Ireland’s creation of distributable reserves.

We ceased writing new life reinsurance contracts in 2009 and since that time have been managing the run-off of our life reinsurance operations ("Run-Off Life Operations"). On May 1, 2014, XLIB entered into a sale and purchase agreement with GreyCastle Holdings Ltd ("GreyCastle") providing for the sale of 100% of the common shares of XLIB's wholly-owned subsidiary, XL Life Reinsurance (SAC) Ltd ("XLLR"), to GreyCastle (subsequent to the transaction, XLLR changed its name to GreyCastle Life Reinsurance (SAC) Ltd ("GCLR")). This transaction closed on May 30, 2014. As a result of the transaction, we have ceded the majority of our life reinsurance business to GCLR via 100% quota share reinsurance (the "GreyCastle Life Retro Arrangements"). This transaction covers a substantial portion of our life reinsurance reserves. The designated investments that support the GreyCastle Life Retro Arrangements on a funds withheld basis ("Life Funds Withheld Assets") are managed pursuant to agreed upon investment guidelines that meet the contractual commitments of the Company's ceding subsidiaries and applicable laws and regulations. All of the investment results associated with the Life Funds Withheld Assets ultimately accrue

to GCLR.
On May 1, 2015 (the "Acquisition Date"), we completed our acquisition (the "Catlin Acquisition") of the entire issued share capital of Catlin Group Ltd ("Catlin") for $4.1 billion in cash and ordinary shares of XL-Ireland, as contemplated by the Implementation Agreement, dated January 9, 2015 (the "Implementation Agreement"), by and among XL-Ireland, Green Holdings Limited, a wholly-owned subsidiary of the Company ("Green Holdings"), and Catlin, pursuant to which Catlin was merged with and into Green Holdings. Prior to the closing of the Catlin Acquisition, Catlin was a publicly traded company

listed on the London Stock Exchange and headquartered in Bermuda. Catlin, through its wholly-owned subsidiaries, provided property, casualty and specialty insurance and reinsurance coverage on a worldwide basis. As a result of the Catlin Acquisition, we have enhanced our global network and business platforms, in particular our presence at Lloyd's, where we are the largest underwriting syndicate.
Our results of operations for the year ended December 31, 2015 include the results of operations of Catlin for the period from May 1, 2015 through December 31, 2015. See Item 8, Note 3(c), "Acquisitions and Disposals - Catlin Acquisition," to the Consolidated Financial Statements included herein for additional information with respect to the Catlin Acquisition.
Unless the context otherwise indicates, references herein to the "Company", "we", "us" or "our" are to, and the Consolidated Financial Statements herein include, the accounts of, XL-Ireland and its consolidated subsidiaries.
See further information under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Segments

We are organized into two operating segments: Insurance and Reinsurance. Our general investment and financing operations, and our Run-Off Life Operations, are reflected in Corporate and Other.
As noted above, GCLR reinsures the majority of our life reinsurance business via the GreyCastle Life Retro Arrangements. This transaction covered a substantial portion of our life reinsurance reserves. See Item 8, Note 3(e), "Acquisitions and Disposals - Sale of Life Reinsurance Subsidiary," to the Consolidated Financial Statements included herein.
We evaluate the performance of both the Insurance and Reinsurance segments based on underwriting profit. Other items of our revenues and expenditures are not evaluated at the segment level for reporting purposes. In addition, we do not allocate investment assets by segment for our property and casualty ("P&C") operations. Investment assets related to our Run-Off Life Operations, and certain structured products included in our Insurance and Reinsurance segments, are held in separately identified portfolios. As such, net investment income from these assets is included in the contribution from the applicable segment or, with respect to our Run-Off Life Operations, included in Corporate and Other. While retaining the ability to identify investment assets and their performance by operation, the investment portfolio is managed on an aggregate basis. See "Business - Investments" section for further discussion of our portfolio management structure.
The following table sets forth an analysis of gross premiums written by segment for the years ended December 31, 2015, 2014 and 2013. Additional financial information about our segments, including financial information about geographic areas, is included in Item 8, Note 5, "Segment Information," to the Consolidated Financial Statements included herein.

(U.S. dollars in thousands)	Gross Premiums Written			Percentage Change	
	2015	2014	2013	2015 to 2014	2014 to 2013
Insurance	$8,395,846	$5,976,011	$5,523,181	40.5 %	8.2 %
Reinsurance	2,273,163	1,785,479	1,893,611	27.3 %	(5.7)%
Corporate and Other	309,916	333,436	324,343	(7.1)%	2.8 %
Total	$10,978,925	$8,094,926	$7,741,135	35.6 %	4.6 %

Insurance Segment

General

Our insurance operations are organized as a matrix which pairs our global industry and product expertise with a strong local infrastructure that includes decision makers familiar with local needs and market dynamics. It includes four global product divisions: Global Casualty, Global Energy, Property, & Construction, Global Professional and Global Specialty, as well as four regions: Americas; Europe, Middle East & Africa ("EMEA"); U.K. & Ireland; and Asia Pacific.
Our insurance operations provide customized insurance policies for complex corporate risks that may require large limits, use of a captive insurance company and the need for a global program of locally issued policies. These programs are marketed and distributed through a wide variety of local, national and international producers. Large deductibles and self-insured retentions are incorporated into these policies to further manage risk along with stringent

underwriting guidelines. While our insurance operations are known for insuring large complicated risk, certain of our products are targeted to small and midsize companies and organizations, such as our professional liability and program/facility businesses. We focus on lines of business that we believe will provide the best return on capital over time.

The Insurance segment's most significant operating legal entities in 2015 based on revenues were as follows: XLIB, XL Insurance Company SE, XL Specialty Insurance Company, Indian Harbor Insurance Company, Greenwich Insurance Company,

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XL Insurance America, Inc., Catlin Insurance Company (U.K.) Ltd., as well as Lloyd's Syndicates 1209, 2003 and 3002. As a result of the Catlin Acquisition, we have initiated the process of consolidating and simplifying our legal entity structure.

The excess nature of many of our insurance products, coupled with historically large policy limits, results in a book of business that can have losses characterized as low frequency and high severity. As a result, large losses, though infrequent, can have a significant impact on our results of operations, financial condition and liquidity. We attempt to mitigate this risk by, among other things, using strict underwriting guidelines, effective risk management practices (e.g., monitoring of aggregate exposures) and various reinsurance arrangements, as discussed below.

Global Casualty ("Casualty")

Casualty provides primary and excess casualty, environmental liability, excess and surplus lines, surety, program/facilities and North American construction business. The division writes business on a wholesale basis via our Lloyd's platform and the excess & surplus market in the U.S., and on a retail basis via our global retail network. Casualty products generally provide large capacity on a primary, quota share or excess of loss basis. Global insurance programs are targeted to large multinational companies in major industry groups including aerospace, automotive, consumer products, pharmaceutical, pulp and paper, high technology, telecommunications, transportation and basic metals. The primary casualty programs and risk management accounts generally require customers to take large deductibles or self-insured retentions. For the excess business, our liability attaches after large deductibles, including self-insurance or insurance layers provided by other companies. Policies are written on an occurrence, claims-made and occurrence reported basis.

Environmental liability products include pollution and remediation legal liability, general and project-specific pollution and professional liability, and commercial general property redevelopment and contractor’s pollution liability. Business is written for both single and multiple years on a primary or excess of loss, claims-made or, less frequently, occurrence basis. Targeted industries include environmental service firms, contractors, healthcare facilities, manufacturing facilities, real estate development, transportation and construction.

Excess and surplus lines products include general liability, property, excess auto and excess liability coverages where most Insurance Services Office, Inc. ("ISO") products are written. Targets include a variety of classes, with a focus on "one-off" risks generated by contracted wholesale brokers.

Surety products include contract bonds, including bid, performance, payment and contractor qualification bonds, as well as commercial surety bonds, including appeal, court and qualification bonds. These products in general provide large capacity and are written on a sole surety, co-surety or shared surety basis.

Our program/facilities business specializes in insurance coverages for distinct market segments, including program administrators and managing general agents who operate in a specialized market niche and have unique industry backgrounds or specialized underwriting capabilities. These products encompass mostly P&C coverages.

North America construction products include property coverages (builders risk, contractors equipment, property and inland marine), general liability, U.S. workers' compensation and commercial auto, as well as professional liability for contractors and owners, excess umbrella, subcontractor default insurance, and primary casualty wrap ups.

Global Energy, Property and Construction ("EPC")

Our energy team has a strong presence in wholesale markets such as London and Singapore, in addition to dedicated and experienced teams in retail focused markets in Europe, Asia Pacific, Middle East and North America. Teams underwrite all aspects of the energy cycle, from exploration and production phases to midstream and downstream phases. Appetite ranges from single location risks to multinational companies with global risks - and cover is available as primary, excess or full value. Products and services include: control of well; drilling contractors; energy casualty; offshore construction projects; and offshore and onshore energy property/business interruption.

The property team relies on technical underwriting, combined with wordings and claims expertise to offer customized cover to suit client needs. Through its Property Risk Engineering/Global Asset Protection Services ("GAPS") unit, the property team offers risk assessment and consultancy services to help build a holistic risk management strategy for our clients. GAPS' risk profile includes a range of real estate, commercial and industrial properties. The appetite is for both retail and wholesale business, which can be underwritten through a variety of platforms. Placement can be direct, facultative reinsurance, lineslips, global fronting, package deals or through delegated authorities. Products and

services include: commercial combined packages, general property, business interruption and boiler and machinery. Our international construction team has underwriters in 15 cities across Europe, the Americas and Asia Pacific. The team offers a diverse range of construction-related products as well as risk engineering services. Local underwriters and engineers can tailor construction insurance programs to meet client specific project requirements. Products and services include:

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advanced loss of profits/delay in start-up; annual facilities for employers and contractors; commercial project builders insurance; construction/contractors all risks; engineering/erection all risks; machinery breakdown; and Shariah compliant property and construction insurance, among others.

Global Professional Lines ("Professional")

Professional provides a broad range of Professional Liability products to professional services firms and public and private companies, globally. Products are offered on a primary and excess basis, locally or as global programs. Professional includes directors' and officers' liability, errors and omissions liability, employment practices liability, crime, fiduciary and technology and cyber liability coverages. Policies are written on both a primary and excess of loss basis.

Directors' and officers' coverage includes primary and excess directors' and officers' liability related to both public and private companies as well as financial institutions. Products are targeted at a variety of different sized companies in various industries.

Employment practices liability is written primarily for very large corporations on an excess of loss basis and covers those firms for legal liability relating to the treatment of employees. Employment practices is written on a primary basis for small private companies on a package basis with other professional coverages.

Errors and omissions coverage is written on a primary and excess basis for professional services firms. Errors and omissions insurance is targeted to small-sized firms and can be written on a primary basis through third parties.

Crime can be written on a stand-alone basis or on a package basis with other professional coverages. Crime is written on a primary and excess basis.

Fiduciary can be written on a stand-alone basis or on a package basis with other professional coverages. Fiduciary is written on a primary and excess basis.

Global Specialty Lines ("Specialty")

Specialty includes the following lines of business: aviation & satellite, marine (including North America inland marine), fine art & specie, equine, livestock & aquaculture, crisis management (product recall, political violence, kidnap & ransom, contingency, sport & leisure, title), political risk, trade credit and life, accident & health. The London wholesale market makes up a significant portion of the Specialty premium income, and we take full advantage of the Lloyd's trading market for subscription business.

Aviation and satellite products include comprehensive airline hull and liability, airport liability, aviation manufacturers' product liability, aviation ground handler liability, large aircraft hull and liability, corporate non-owned aircraft liability, space third party liability and satellite risk including damage or malfunction during ascent to orbit and continual operation, and aviation war. Aviation liability and physical damage coverage is offered for large aviation risks on a proportional basis, while smaller general aviation risks are offered on a primary basis. Satellite risks are generally written on a proportional basis. The target markets for aviation and satellite products include airlines, aviation product manufacturers, aircraft service firms, general aviation operators and telecommunications firms.

Marine coverage includes marine hull and machinery, marine war, marine excess liability and cargo insurance.

Fine art and specie coverages include fine art and other collections, jewelers' block, cash in transit and related coverages for financial institutions.

Equine, livestock & aquaculture products specialize in providing bloodstock, livestock and aquaculture insurance.

Our crisis management team writes a broad suite of products, many of which are backed by service provision from third party crisis response consultants. Product recall coverages written include product contamination for the food and beverage sector and end-product consumer goods and product guarantee aimed at component part manufacturers. The team also provides insurance to protect assets that are exposed to war, terrorism and political violence attacks, as well as kidnap, ransom and extortion crisis protection. The contingency team is primarily focused on event cancellation business for trade shows, sports and entertainment events. The sport and leisure insurance team provides coverage to the sports and leisure industries, offering property, liability and personal accident coverage.

Political risk and trade credit coverages include contract frustration, foreign direct investment, trade credit and trade receivable insurance for clients involved in domestic and international business.

Finally, our life, accident & health business provides life and accident & health coverages and is a leader in specialist classes, particularly aviation loss of license.

Regions
We serve clients (including members of the Fortune 500, FTSE 100, Germany's DAX and France's CAC 40) in more than 160 countries across the world, through our global network of own locally licensed and Lloyd's operations, and network partners managed from our three network partner management hubs in Austria, Hong Kong and Mexico.
Our Asia Pacific region operates with a mix of locally licensed and Lloyd's operations, including two representative offices in Japan and India. We have underwriting operations in Hong Kong; Labuan, Malaysia; Melbourne, Australia; Shanghai, China; Singapore; and Sydney, Australia.
Our Americas region operates across Bermuda, Canada, Latin America and the United States. It serves clients and brokers from more than 30 office locations.
Our EMEA region serves clients and brokers from more than 20 offices across Europe, the Middle East and Africa.
Our U.K. & Ireland region operates out of seven locations: Birmingham, Chelmsford, Dublin, Guernsey, Ipswich, London and Manchester. Our London office is the largest in our global network, reflecting the London market position as the leading international insurance hub. Smaller offices across the U.K. focus on regional U.K. business.
Underwriting
We underwrite and price most risks individually following a review of the exposure and in accordance with our underwriting guidelines. Most of our insurance operations have underwriting guidelines that are industry-specific. We seek to serve our clients while controlling our exposure both on a portfolio basis and on individual insurance contracts through terms and conditions, policy limits and sublimits, attachment points and facultative and treaty reinsurance arrangements on certain types of risks.
Our underwriters, supported by dedicated teams of claims and pricing actuaries, generally evaluate each industry category and subgroups within each category. Premiums are set and adjusted for an insured based, in large part, on the industry group in which the insured is placed and the perceived risk of the insured relative to the other risks in that group. Rates may vary significantly according to the industry group of the insured as well as the insured’s risk relative to the group. Our rating methodology for individual insureds seeks to set premiums in accordance with claims potential as measured by past experience and future expectations, the attachment point and amount of underlying insurance, the nature and scope of the insured’s operations, exposures to loss, including natural hazard exposures, risk management quality and other specific risk factors relevant in the judgment of our underwriters to the type of business being written.
Underwriting and loss experience is reviewed regularly for, among other things, loss trends, emerging exposures, changes in the regulatory or legal environment as well as the efficacy of policy terms and conditions.
As our insurance products are primarily specialized coverages, underwriting guidelines and policy forms differ by product offering as well as by legal jurisdiction. Liability insurance is written on both a primary and excess of loss basis, on occurrence, occurrence reported and claims-made policy forms. Occurrence reported policies typically cover occurrences causing unexpected and unintended personal injury or property damage to third parties arising from events or conditions that commence at or subsequent to an inception date, or retroactive date, if applicable, and prior to the expiration of the policy provided that proper notice is given during the term of the policy or the discovery period. Claims-made policies typically cover only claims made during the policy period or extended reporting period and are generally associated with professional liability and environmental coverages. Traditional occurrence coverage is also available for restricted classes of risk and is generally written on a follow-form basis for excess of loss coverage, where the policy adopts the terms, conditions and exclusions of the underlying policy. Property insurance risks are written on a lead or follow-form basis that usually provides coverage for all risks of physical damage and business interruption. Maximum limits are generally subject to sublimits for coverage in critical earthquake and flood zones, where we seek to limit liability in these areas.
Risk Engineering
Included within our Property insurance business is the Property Risk Engineering/GAPS unit, which charges fees for loss prevention and risk engineering consulting services. This includes conducting on-site inspections and consulting services related to loss prevention, reviews of building plans for fire protection design, computer assisted drawings (diagrams) of facilities, recommendations on how to improve site protection, reviews of existing loss prevention reports/information for underwriters, training for clients' internal teams on risk prevention and business continuity,

summarizing multiple sources of information into an account summary, and providing underwriters an opinion on the risk to assist with risk selection, pricing and other underwriting decisions. The property engineering team consists of staff located in over 20 countries. Services are offered on a bundled (tied to an insurance contract) as well as unbundled basis.

Other engineering resources support casualty, environmental, specialty and construction lines and serve as internal consultants to their respective underwriting teams, assisting them with making underwriting decisions and provide client support, as well as helping their customers improve their local site or account protection.

Reinsurance Ceded

During 2015, we centralized the purchase of reinsurance protection to cover both the Insurance and Reinsurance Segments. See "Global Reinsurance Ceded," below, and Item 8, Note 10, "Reinsurance" to the Consolidated Financial Statements included herein for further information.

Premiums

Premium rates and underwriting terms and conditions for all lines of business written vary by jurisdiction principally due to local market conditions, competitor product offerings and legal requirements.

The following table provides an analysis of gross premiums written, net premiums written and net premiums earned for the Insurance segment for the years ended December 31, 2015, 2014 and 2013:

(U.S. dollars in thousands)	2015			2014			2013		
	Gross Premiums Written	Net Premiums Written	Net Premiums Earned	Gross Premiums Written	Net Premiums Written	Net Premiums Earned	Gross Premiums Written	Net Premiums Written	Net Premiums Earned
Professional	$1,754,631	$1,195,541	$1,163,302	$1,550,929	$1,076,209	$1,075,420	$1,465,689	$1,161,045	$1,370,196
Casualty	2,677,828	1,771,705	1,685,748	2,150,302	1,437,889	1,422,684	1,975,330	1,434,967	1,389,851
Property	1,621,919	1,069,837	1,021,037	874,198	538,027	544,856	875,773	568,575	544,278
Specialty	1,934,034	1,514,958	1,473,929	1,013,592	791,024	737,281	906,650	746,517	732,042
Other (1)	407,434	307,893	304,466	386,990	291,002	246,472	299,739	242,989	231,310
Total	$8,395,846	$5,859,934	$5,648,482	$5,976,011	$4,134,151	$4,026,713	$5,523,181	$4,154,093	$4,267,677

(1) Other includes excess and surplus, surety, structured indemnity and certain other discontinued lines.

Competition

We compete globally in the P&C insurance markets. Our competitors include the following companies and their affiliates: Allianz SE ("Allianz"); American International Group, Inc. ("AIG"); Factory Mutual Global ("FMG") (for property only); The Hartford Financial Services Group, Inc. ("Hartford"); Lloyd’s of London Syndicates ("Lloyd’s"); Chubb Limited ("Chubb"); The Travelers Companies ("Travelers"); and Zurich Insurance Group Ltd ("Zurich").

The major geographical markets for our P&C insurance operations are North America, Europe and Bermuda. Our main competitors in each of these markets include the following:

North America – AIG, Chubb, FMG, Zurich, Travelers, CNA Financial Corporation, Hartford, Liberty Mutual Group, Arch Capital Group Ltd ("Arch"), W.R. Berkley Corporation, Markel Corporation ("Markel") and Lloyd’s (including Amlin, Beazley, Hiscox, Kiln and QBE).

Europe – Allianz, AIG, FMG, Zurich, AXA Insurance Ltd ("AXA"), Chubb, Lloyd’s, Assicurazioni Generali, HDI-Gerling Industrie Versicherung AG and MAPFRE S.A ("Mapfre").

Bermuda – Allied World Assurance Company, AXIS Capital Holdings Ltd ("AXIS"), Chubb, Markel, Endurance Specialty Insurance Ltd and Arch.

Marketing and Distribution

The majority of business in our Insurance segment originates via a large number of international, national and regional producers, acting as the brokers and representatives of current and prospective policyholders. This channel is supported by our regional teams, which include sales and distribution representatives in key markets throughout the world, representing all of our products in collaboration with the four product divisions. Typically, all such producers receive commission payments for their services, which are calculated as a percentage of the gross premium paid by the policyholder on an account-by-account basis. A certain portion of business originating from producers is submitted on a fee basis under which the producer is compensated by a fee paid to it by its policyholder client. From time to time, we also consider requests from a producer for additional commissions payable by us, with disclosure by the producer to the policyholder-client in accordance with applicable law, where the producer also receives payment from the policyholder-client.

We consider requests for contingent/additional commission arrangements where such contingent/additional commissions are based upon the volume of bound business originated from a specific producer during a calendar year, or based upon growth of a particular segment of business, where permitted by applicable law and regulation and appropriate. Such arrangements are distinct from program business where additional commissions are generally based on profitability of business submitted to and bound by us.

With regard to excess and surplus lines business, we receive submissions from licensed wholesale surplus lines producers.

We delegate underwriting authority to selected third parties. Those parties with contractually delegated underwriting authority are subject to a financial and operational due diligence review prior to any such delegation of authority and we conduct ongoing reviews and audits as deemed necessary with the goal of assuring the continuing integrity of underwriting and related business operations.

Apart from compensation arrangements established with producers in connection with insurance transactions, we also have engaged, and may in the future engage, certain producers or their affiliates in consulting roles pursuant to which such producers provide access to certain systems and information and/or additional services that may assist us with our marketing and distribution. In instances where we engage producers in such consulting roles, we may compensate the relevant producers on a fixed fee basis, a variable fee basis based upon our usage of the systems and information proffered, through a combination of fixed and variable fees or in some jurisdictions, where appropriate, on a commission basis.

Claims Administration

Claims management for our insurance operations includes the review of initial loss reports, administration of claims databases, generation of appropriate responses to claims reports, identification and handling of coverage issues, determination of whether further investigation is required and, where appropriate, retention of claims counsel, establishment of case reserves, payment of claims and notification to reinsurers. With respect to the establishment of case reserves, our claims personnel record a case reserve as appropriate for the estimated amount of the exposure. The estimate reflects the judgment of claims personnel based on general reserving practices, the experience and knowledge of such personnel regarding the nature of the specific claim and, where appropriate, advice of counsel. Reserves are also established to provide for the estimated expense of settling claims, including legal and other fees and the general expenses of administering the claims adjustment process.

Claims in respect of business written by our Lloyd’s syndicates are handled by the lead syndicate, and on large or complex claims the second syndicate, participating on the risk who bind the following underwriters. The claims are processed by XChanging, the central market bureau. Where a syndicate is a "lead" syndicate on a Lloyd’s policy, its underwriters and claims adjusters will work directly with the broker or insured on behalf of itself and the other participating or "following" underwriters for any particular claim. This may involve appointing attorneys or loss adjusters. The lead syndicate advises movement in loss reserves to all syndicates participating on the risk. Our claims department may adjust the case reserves it records from those advised by the lead syndicate as deemed necessary.

Certain of our product lines have arrangements with third parties to provide claims handling services to us in respect of such product lines. These agreements set forth the duties of the third parties, limits of authority, protective indemnification language and various procedures that are required to meet statutory compliance. These arrangements are also subject to audit review by our claims department.

Reinsurance Segment

General

Our reinsurance operations are structured into five geographical regions: Bermuda; North America; London; EMEA; and Latin America, Asia Pacific & Credit ("LAC"). London, EMEA and LAC were previously reported together as International.

This segment provides casualty, property risk, property catastrophe, specialty, and other reinsurance lines on a global basis with business being written on both a proportional and non-proportional treaty basis, and also on a facultative basis. Our lines of business within the Reinsurance segment continue to focus on those that provide the best risk adjusted return on capital. For our Reinsurance segment, challenging market conditions and the changing economic environment experienced since 2008 resulted in a greater emphasis being placed on short-tail lines of business.

Business written on a non-proportional basis generally provides for an indemnification by us to the ceding company for a portion of losses, both individually and in the aggregate, on policies with limits in excess of a specified individual or aggregate loss deductible. For business written on a proportional basis, including on a "quota share" or "surplus" basis, we receive an agreed percentage of the premiums and are liable for the same percentage of each and all incurred losses. For proportional business, the ceding company normally receives a ceding commission for the premiums ceded and may also, under certain

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circumstances, receive a profit commission based on performance of the contract. Occasionally this commission could be on a sliding scale depending on the loss ratio performance of the contract.

Our casualty reinsurance includes general liability, professional liability, automobile and workers' compensation. Professional liability includes directors' and officers', employment practices, medical malpractice and environmental liability. Casualty lines are written as treaties or programs, and on both a proportional and a non-proportional basis. The treaty business includes clash programs, which cover losses under a number of underlying policies involved in one occurrence or a judgment above an underlying policy's limit.

Our property business, primarily short-tail in nature, is written on both a portfolio/treaty and individual/facultative basis, and includes property catastrophe, property risk excess of loss and property proportional. A significant portion of the underwritten property business consists of large aggregate exposures to man-made and natural disasters and, generally, loss experience is characterized as low frequency and high severity. This may result in volatility in our results of operations, financial condition and liquidity. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Significant Items Affecting the Results of Operations." Our crop business is also reported within the property line of business.

Property catastrophe reinsurance provides coverage on an excess of loss basis when aggregate losses and loss adjustment expenses from a single occurrence of a covered event, or multiple occurrences in the case of aggregate covers, exceed the attachment point specified in the policy. Some of our property catastrophe contracts limit coverage to one occurrence in any single policy year, but most contracts generally enable at least one reinstatement to be purchased by the reinsured. We also write property risk excess of loss reinsurance. Property risk excess of loss reinsurance covers a loss to the reinsured on a single risk of the type reinsured rather than to aggregate losses for all covered risks on a specific peril, as is the case with catastrophe reinsurance. Our property proportional account business includes reinsurance of direct property insurance. We seek to limit the catastrophe exposure from our proportional and per risk excess business through extensive use of occurrence and cession limits.

We seek to manage our reinsurance exposures to catastrophic events by limiting the amount of exposure written in each geographic or peril zone worldwide, underwriting in excess of varying attachment points and typically ensuring that contracts exposed to catastrophe loss include aggregate limits. We also seek to protect our total aggregate exposures by peril and zone through the purchase of reinsurance. Our property catastrophe reinsurance account is generally "all risk" in nature. As a result, we are exposed to losses from sources as diverse as hurricanes and other windstorms, earthquakes, freezing, riots, floods, industrial explosions, fires and many other potential natural or man-made disasters. In accordance with market practice, our policies generally exclude certain risks such as war, nuclear contamination or radiation. Following the terrorist attacks at the World Trade Center in New York City, Washington, D.C. and Pennsylvania on September 11, 2001 (collectively, "the September 11 event"), terrorism coverage, including nuclear, biological, radiological and chemical, has been restricted or excluded in many territories and classes. Some U.S. states require some cover for "Fire Following" terrorism and some countries make terrorism coverage mandatory. Our predominant exposure under such coverage is to property damage.

Specialty reinsurance products include energy, marine, aviation, and space. Other reinsurance products include fidelity, surety, trade credit, accident and health, mortgage and political risk. In addition, we write several whole account capital gearing quota share contracts on select syndicates at Lloyd's.

The segment's most significant operating legal entities in 2015 based on revenues were as follows: XL Re, XL Re Europe SE, XL Reinsurance America Inc., Catlin Insurance Company Ltd, Catlin Re Switzerland Ltd as well as our Lloyd's syndicates.

Underwriting

Underwriting risks for the reinsurance P&C business are evaluated using a number of factors including, but not limited to, the type and layer of risk to be assumed, the actuarial evaluation of premium adequacy, the cedant's underwriting and claims experience, the cedant's financial condition and claims paying rating, the exposure and/or experience with the cedant, and the line of business to be reinsured.

Other factors we assess include the reputation of the proposed cedant, the geographic area in which the cedant does business and its market share, a detailed evaluation of catastrophe and risk exposures, and historical loss data for the cedant, where available, and for the industry as a whole in the relevant regions in order to compare the cedant's

historical loss experience to industry averages. On-site underwriting and claim reviews are performed where it is deemed necessary to determine the quality of a current or prospective cedant's underwriting operations, with particular emphasis on casualty proportional and working excess of loss placements.

For property catastrophe reinsurance business, our underwriting guidelines generally limit the amount of exposure we will directly underwrite for any one reinsured and the amount of the aggregate exposure to catastrophic losses in any one

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geographic zone. We believe that we have defined geographic and peril zones such that a single occurrence, for example, an earthquake or hurricane, should not affect more than one peril zone. While the exposure to multiple zones is considered remote for events such as a hurricane, we do manage our aggregate exposures for such a scenario where we consider it appropriate to do so. The definition of our peril zones is subject to periodic review. We also generally seek an attachment point for our property catastrophe reinsurance at a level that is high enough to produce a low frequency of loss. We seek to limit our aggregate exposure in the proportional business through extensive use of occurrence and cession limits.

Reinsurance Retroceded

During 2015, we centralized the purchase of reinsurance protection to cover both the Insurance and Reinsurance Segments. See "Global Reinsurance Ceded," below, and Item 8, Note 10, "Reinsurance" to the Consolidated Financial Statements included herein for further information.

We continue to buy additional protection for our property facultative, crop, accident and health, marine and aviation portfolios to manage our net exposures in these classes.

Premiums

The following table provides an analysis of gross premiums written, net premiums written and net premiums earned for the Reinsurance segment for the indicated years ended December 31:

(U.S. dollars in thousands)	2015			2014			2013		
	Gross Premiums Written	Net Premiums Written	Net Premiums Earned	Gross Premiums Written	Net Premiums Written	Net Premiums Earned	Gross Premiums Written	Net Premiums Written	Net Premiums Earned
Casualty - professional lines	$148,964	$147,103	$168,367	$126,876	$126,873	$181,223	$199,159	$199,153	$206,169
Casualty - other lines	385,779	361,435	468,286	302,903	301,109	300,223	332,153	330,681	312,156
Property catastrophe	623,291	538,803	663,958	493,646	428,723	433,602	556,493	498,997	492,568
Other property	777,181	695,421	869,286	585,782	531,203	555,583	587,278	545,846	561,105
Specialty	106,629	93,176	127,797	112,039	104,718	95,745	91,997	76,241	94,797
Other (2)	231,319	192,952	218,008	164,233	140,432	124,349	126,531	98,971	79,627
Total	$2,273,163	$2,028,890	$2,515,702	$1,785,479	$1,633,058	$1,690,725	$1,893,611	$1,749,889	$1,746,422

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(1) Other includes whole account contracts, credit and surety, accident and health and other lines.

Additional discussion and financial information about the Reinsurance segment are set forth in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, Note 5, "Segment Information," to the Consolidated Financial Statements included herein.

Competition

We compete globally in the P&C reinsurance markets. These markets historically have been cyclical, characterized by periods of intense price competition due to excess underwriting capacity as well as periods when shortages of capacity permitted favorable premium levels.

As noted above, our reinsurance operations are structured into five geographical regions: Bermuda, North America, London, EMEA and LAC. The main competitors in each of these markets include the following:

Bermuda – Chubb, AXIS, Arch, Endurance Specialty Holdings Ltd, PartnerRe Ltd ("Partner"), RenaissanceRe Holdings Ltd ("Ren Re"), Validus Holdings Ltd ("Validus") and alternative asset managers, such as Nephila Capital Limited.

North America – Alleghany Corporation, Arch, Berkshire Hathaway Inc. ("Berkshire"), Everest Re Group Ltd ("Everest"), Hannover Re SE ("Hannover Re"), Munich Re AG ("Munich Re"), Partner, and Swiss Re AG ("Swiss

Re").
London - Arch Re, AXIS, Berkshire, Everest, Hannover Re, Lloyd's (including Amlin, Beazley, Hiscox, Kiln and QBE), Munich Re, Partner, SCOR SE ("SCOR"), Swiss Re, Transatlantic Re ("Transatlantic") and Validus.
EMEA - Arch Re, AXIS, Everest, Hannover Re, Lloyd's, Mapfre, Munich Re, Partner, Ren Re, SCOR, Swiss Re and Validus.
LAC - Amlin plc, Aspen Insurance Holdings Ltd, AXIS, Everest, Hannover Re, Korean Reinsurance Company, Lloyd's, Munich Re, Partner, R+V Versicherung AG, SCOR, Swiss Re and Transatlantic.

Marketing and Distribution

See "Insurance Segment – Marketing and Distribution" above and Item 8, Note 17(a), "Commitments and Contingencies - Concentrations of Credit Risk," to the Consolidated Financial Statements included herein, for information on our marketing and distribution procedures and information on our major brokers.

Claims Administration

Claims management for the reinsurance operations includes the receipt of loss notifications, review and approval of claims through a claims approval process, establishment of loss reserves for reported claims and approval of loss payments. Case reserves for reported claims are generally established based on reports received from ceding companies with additional case reserves being established when deemed appropriate. Additionally, claims audits are conducted for specific claims and claims procedures at the offices of selected ceding companies, particularly in the U.S. and the U.K.

Corporate and Other (Including Run-Off Life Operations)

Our general investment, financing and administrative operations are reflected in Corporate and Other. In addition, results of our Run-Off Life Operations are reported within "Corporate and Other." We ceased writing new life reinsurance contracts in 2009 and, since that time, have been managing the run-off of our life reinsurance operations. The majority of our life reinsurance business has been ceded to GCLR through the GreyCastle Life Retro Arrangements. This transaction covers a substantial portion of our life reinsurance reserves. During 2015, we entered into another reinsurance agreement (the "U.S. Term Life Retro Arrangements") ceding the vast majority of the remaining life reinsurance business. At December 31, 2015, gross future policy benefit reserves relating to the Run-Off Life Operations were approximately $4.2 billion, of which we retained approximately $146.1 million ("Run-Off Life Operations - not subject to Life Retro Arrangements") after consideration of the GreyCastle Life Retro Arrangements, U.S. Term Life Retro Arrangements, and all other future policy benefit recoverables, as discussed in Item 8, Note 13, "Future Policy Benefit Reserves" to the Consolidated Financial Statements included herein for further information.

The Run-Off Life Operations provided life reinsurance on business written by life insurance companies, principally to help them manage mortality, morbidity, survivorship, investment and lapse risks. The products offered included a broad range of underlying lines of life insurance business, including term assurances, group life, critical illness cover, immediate annuities, disability income, and short-term life, accident and health business. The Run-Off Life Operations covered a range of geographic markets, with an emphasis on the U.K., the United States, Ireland and Continental Europe.

Global Reinsurance Ceded

We employ a centrally managed outwards third party reinsurance/risk transfer program to support our underwriting strategy within our risk appetite and to ensure efficient use of our capital. Reinsurance ceded varies by location and line of business based on a number of factors, including market conditions. Reinsurance ceded does not legally discharge us from our liabilities to the original policyholder in respect of the risk being reinsured.

The goals of our outwards reinsurance/risk transfer program include reducing exposure on individual risks, protecting against catastrophic risks, maintaining acceptable capital ratios and enabling the writing of additional business. The overall goal of the program is to reduce volatility and enhance the overall capital efficiency of the Company.

We use reinsurance to underpin the underwriting and retention guidelines of our subsidiaries as well as to control our aggregate exposure to a particular risk or class of risks. Reinsurance is purchased at several levels ranging from reinsurance of risks assumed on individual contracts to reinsurance covering the aggregate exposure on a portfolio of policies issued by groups of companies and to capital provision through several strategic third-party capital arrangements.

Our underwriting portfolio includes a material portion that is exposed to loss from catastrophic events or other correlated exposures. The risk of a large aggregation of such losses poses one of the most substantial risks that we face. We monitor exposure to catastrophic events and aggregation of other materially correlated losses. This exposure is modeled and managed to ensure alignment with our approved risk appetite.

This exposure is further protected by a risk transfer program that responds to an array of possible catastrophic events. This program employs a variety of risk transfer mechanisms to assist in managing our net retention to an acceptable

level. It is structured in various layers and in excess of varying attachment points according to the different businesses and territories exposed. We have co-reinsurance retentions within this program. In addition, we cede catastrophe excess of loss business on a proportional basis to certain unrelated companies as well as one affiliated company that in turn distributes the risk to non-affiliated third party investors.

Unpaid Losses and Loss Expenses

Loss reserves are established due to the significant periods of time that may lapse between the occurrence, reporting and payment of a loss. To recognize liabilities for unpaid losses and loss expenses, we estimate future amounts needed to pay claims and related expenses with respect to insured events. Our reserving practices and the establishment of any particular reserve reflect our judgment concerning sound financial practice and do not represent any admission of liability with respect to any claim. Unpaid losses and loss expense reserves are established for reported claims ("case reserves") and incurred but not reported ("IBNR") claims. The nature of our high excess of loss liability and catastrophe business can result in loss payments that are both irregular and significant. Similarly, adjustments to reserves for individual years can be irregular and significant. Such adjustments are part of the normal course of business for us. Certain aspects of our business have loss experience characterized as low frequency and high severity. This may result in volatility in our results of operations, financial condition and liquidity.

The tables below present the development of our unpaid losses and loss expense reserves on both a net and gross basis. The cumulative redundancy (deficiency) calculated on a net basis differs from that calculated on a gross basis. As different reinsurance programs cover different underwriting years, net and gross loss experience will not necessarily develop proportionately. The top line of the first table shows the estimated liability, net of reinsurance recoveries, as at the year end balance sheet date for each of the indicated years. This represents the estimated amounts of losses and loss expenses, including IBNR, arising in the current and all prior years that are unpaid at the year end balance sheet date of the indicated year. The first table then shows the re-estimated amount of the previously recorded reserve liability based on experience as of the year end balance sheet date of each succeeding year. The estimate changes as more information becomes known about the frequency and severity of claims for individual years. The cumulative redundancy (deficiency) represents the aggregate change with respect to that liability originally estimated. The lower portion of the first table also reflects the cumulative paid losses relating to these reserves. The second table is similar to the upper portion of the first table but is gross of reinsurance recoveries. Conditions and trends that have affected development of liabilities in the past may not necessarily occur in the future. Accordingly, it may not be appropriate to extrapolate redundancies or deficiencies into the future, based on the tables below. See Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations – Cautionary Note Regarding Forward-Looking Statements."

Analysis of P&C Losses and Loss Expenses Reserve Development Net of Reinsurance Recoverables

(U.S. dollars in millions)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (1)
ESTIMATED LIABILITY FOR UNPAID LOSSES AND LOSS EXPENSES, NET OF REINSURANCE RECOVERABLES	$17,200	$17,900	$18,191	$17,686	$17,266	$16,882	$16,984	$17,122	$17,066	$15,942	$20,191
LIABILITY RE-ESTIMATED AS OF:											
One year later	17,090	17,475	17,580	17,401	16,893	16,597	16,668	16,833	16,811	15,602	
Two years later	16,828	16,631	17,286	17,027	16,503	16,274	16,440	16,518	16,386		
Three years later	16,155	16,441	16,956	16,639	16,261	16,001	16,120	16,148			
Four years later	16,067	16,064	16,550	16,350	15,941	15,779	15,667				
Five years later	15,796	15,667	16,287	15,982	15,735	15,278					
Six years later	15,448	15,500	15,940	15,756	15,264						
Seven years later	15,248	15,190	15,737	15,377							
Eight years later	15,039	14,988	15,426								

Nine years later	14,935	14,764								
Ten years later	14,709									
CUMULATIVE REDUNDANCY (DEFICIENCY)	2,491	3,136	2,765	2,309	2,002	1,604	1,317	974	680	340
CUMULATIVE PAID LOSSES, NET OF REINSURANCE RECOVERIES, AS OF:										
One year later	$3,437	$3,188	$3,207	$3,436	$3,028	$3,256	$3,366	$3,403	$3,440	$3,395
Two years later	5,759	5,620	5,673	5,848	5,530	5,581	5,870	5,890	5,922	
Three years later	7,590	7,528	7,471	7,860	7,283	7,451	7,676	7,747		
Four years later	8,936	8,787	8,941	9,229	8,757	8,799	9,070			
Five years later	9,882	9,763	9,896	10,290	9,801	9,756				
Six years later	10,636	10,463	10,689	11,098	10,503					
Seven years later	11,139	11,069	11,317	11,630						
Eight years later	11,602	11,548	11,723							
Nine years later	11,997	11,864								
Ten years later	12,251									

Analysis of P&C Losses and Loss Expenses Reserve Development Gross of Reinsurance Recoverables

(U.S. dollars in millions)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (1)
ESTIMATED GROSS LIABILITY FOR UNPAID LOSSES AND LOSS EXPENSES	$23,598	$22,895	$22,857	$21,650	$20,824	$20,532	$20,614	$20,484	$20,481	$19,353	$25,440
LIABILITY RE-ESTIMATED AS OF:											
One year later	23,209	22,458	21,803	21,348	20,509	20,258	20,200	20,166	19,956	18,874	
Two years later	22,937	21,337	21,445	21,094	19,982	19,870	19,894	19,629	19,375		
Three years later	22,139	21,057	21,305	20,605	19,689	19,540	19,372	19,090			
Four years later	21,992	20,787	20,853	20,244	19,361	19,148	18,791				
Five years later	21,835	20,350	20,509	19,880	19,008	18,587					
Six years later	21,426	20,117	20,170	19,497	18,506						
Seven years later	21,186	19,823	19,851	19,096							
Eight years later	21,007	19,551	19,506								
Nine years later	20,860	19,320									
Ten years later	20,617										
CUMULATIVE REDUNDANCY (DEFICIENCY)	2,981	3,575	3,351	2,554	2,318	1,945	1,823	1,394	1,106	479	

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(1) Amounts for 2015 include reserves acquired as a result of the Catlin Acquisition.

The following table presents an analysis of our P&C operations paid, unpaid and incurred losses and loss expenses and a reconciliation of beginning and ending unpaid losses and loss expenses for the years indicated.

Year ended December 31, (U.S. dollars in thousands)	2015	2014	2013
Unpaid losses and loss expenses at the beginning of the year	$19,353,243	$20,481,065	$20,484,121
Unpaid losses and loss expenses recoverable	3,411,528	3,414,735	3,361,703
Net unpaid losses and loss expenses at the beginning of the year	$15,941,715	$17,066,330	$17,122,418
Acquired reserves (1)	5,439,876	—	—
Increase (decrease) in net losses and loss expenses incurred in respect of losses occurring in:			
Current year	5,072,830	3,513,465	4,021,353
Prior years	(306,630)	(255,072)	(289,889)
Total net incurred losses and loss expenses	$4,766,200	$3,258,393	$3,731,464
Exchange rate effects	(582,300)	(561,673)	40,587
Less net losses and loss expenses paid in respect of losses occurring in:			
Current year	1,047,277	381,008	425,254
Prior years	4,327,375	3,440,327	3,402,885

Total net paid losses	$5,374,652	$3,821,335	$3,828,139
Net unpaid losses and loss expenses at the end of the year	20,190,839	15,941,715	17,066,330
Unpaid losses and loss expenses recoverable	5,248,905	3,411,528	3,414,735
Unpaid losses and loss expenses at the end of the year	$25,439,744	$19,353,243	$20,481,065

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(1) Acquired reserves as of the Acquisition Date include $6.9 billion of unpaid loss and loss expenses and $1.5 billion of unpaid losses and loss expenses recoverable.

Our net unpaid losses and loss expenses relating to our operating segments at December 31, 2015 and 2014 were as follows:

(U.S. dollars in thousands)	2015	2014
Insurance	$13,652,129	$10,967,738
Reinsurance	6,538,710	4,973,977
Net unpaid losses and loss expenses	$20,190,839	$15,941,715

Current year net losses incurred

Current year net losses incurred increased by $1,559.4 million in 2015 as compared to 2014. This was mainly due to the Catlin Acquisition, and the subsequent inclusion of the additional business in the current year. The current year loss ratio excluding prior year development increased by 0.6 loss percentage points as compared to the prior year due to large loss experience, specifically the Tianjin, China port explosion.

In 2014, current year net losses incurred decreased by $507.9 million compared to 2013. This was mainly due to lower losses from natural catastrophes as compared to 2013. Accordingly, the current year loss ratio excluding prior year development decreased by 5.4 loss percentage points as compared to 2013. In addition, the 2014 current year loss ratio excluding natural catastrophes improved in both the Insurance and Reinsurance segments due to the impact of underwriting actions including improved business mix.

See the Income Statement Analysis at Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for further information regarding the current year loss ratios for each of the years indicated within each of our operating segments.

Prior year net losses incurred

The following tables present the development of our gross and net losses and loss expense reserves. The tables also show the estimated reserves at the beginning of each fiscal year and the favorable or adverse development (referred to as "prior year development") of those reserves during such fiscal year.

Gross (U.S. dollars in thousands)	2015	2014	2013
Unpaid losses and loss expenses at January 1	$19,353,243	$20,481,065	$20,484,121
Gross (favorable) adverse development of those reserves during the year (1)	(478,834)	(524,665)	(317,753)
Unpaid losses and loss expenses reserves re-estimated at December 31	$18,874,409	$19,956,400	$20,166,368
Net (U.S. dollars in thousands)			
Unpaid losses and loss expenses at January 1	$15,941,715	$17,066,330	$17,122,418
Net (favorable) adverse development of those reserves during the year (1)	(339,414)	(255,072)	(289,889)
Unpaid losses and loss expenses reserves re-estimated at December 31	$15,602,301	$16,811,258	$16,832,529

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(1) Gross and net reserve development shown excludes adverse development recorded during the year on acquired reserves totaling $61.1 million and $32.8 million, respectively. Overall, net beneficial reserve development recorded during the year was $306.6 million.

As different reinsurance programs cover different underwriting years, contracts and lines of business, net and gross loss experience do not develop proportionately. In 2015, gross favorable prior year development exceeded net favorable prior year development in the Insurance segment, driven by quota share reinsurance on excess casualty and a reduction in our ceded reserves for U.S. professional business to reflect our expectations for lower recoveries than previously assumed.

In 2014, gross favorable prior year development exceeded net favorable prior year development in the Insurance segment due to the quota share reinsurance on excess casualty and a significant reduction in a single large event in the U.S. discontinued lines that was heavily ceded. In addition, lower than expected large loss development in the international primary casualty book resulted in a gross release that was largely offset by reductions in the recovery from our excess of loss reinsurance. Gross favorable prior year development was broadly in line with net favorable prior year development for the Reinsurance segment.

In 2013, gross favorable prior year development was broadly in line with net favorable prior year development in total.

The following table presents the gross and net (favorable) adverse prior year loss development of our loss and loss expense reserves by operating segment for each of the years indicated:

Gross: (U.S. dollars in thousands)	2015	2014	2013
Insurance	$(215,008)	$(369,195)	$(132,825)
Reinsurance	(202,732)	(155,470)	(184,928)

Total	$(417,740)	$(524,665)	$(317,753)
Net:			
Insurance	$(65,030)	$(99,758)	$(102,039)
Reinsurance	(241,600)	(155,314)	(187,850)
Total	$(306,630)	$(255,072)	$(289,889)

We had net favorable prior year reserve development in P&C operations of $306.6 million, $255.1 million and $289.9 million for the years ended December 31, 2015, 2014 and 2013, respectively. See the Income Statement Analysis at Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, Note 11, "Losses and Loss Expenses," to the Consolidated Financial Statements included herein, for further information regarding the developments in prior year loss reserve estimates for each of the years indicated within each of our operating segments.

Net loss reserves (disposed) acquired

As a result of the Catlin Acquisition discussed in "History" above, we acquired net reserves on May 1, 2015 with a fair value of approximately $5.4 billion. We did not acquire any net loss reserves in the years ended December 31, 2014 and 2013. We did not dispose of net loss reserves in the years ended December 31, 2015, 2014 and 2013.

Exchange rate effects

Exchange rate effects on net loss reserves in each of the three years ended December 31, 2015, 2014 and 2013 related to our global operations primarily where reporting units have a functional currency that is not the U.S. dollar. Movements in the U.S. dollar gave rise to translation and revaluation exchange movements related to carried loss reserve balances of $(582.3) million, $(561.7) million and $40.6 million in the years ended December 31, 2015, 2014 and 2013, respectively.

Net paid losses

Total net paid losses were $5.4 billion. $3.8 billion and $3.8 billion in the years ended December 31, 2015, 2014 and 2013, respectively. The increase in the level of paid losses is related to the Catlin Acquisition. See Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations," for further information.

Other loss related information

Our net incurred losses and loss expenses include actual and estimates of potential non-recoveries from reinsurers. At December 31, 2015 and 2014, the reserve for potential non-recoveries from reinsurers was $82.1 million and $64.4 million, respectively. For further information, see Item 8, Note 10, "Reinsurance," to the Consolidated Financial Statements included herein.

Except for certain workers’ compensation (including long term disability) liabilities, and certain bodily injury liability claims emanating from U.K. exposures - predominantly from the U.K. motor liability portfolio, we do not discount our unpaid losses and loss expenses. For further information, see Item 8, Note 11(b), "Losses and Loss Expenses - Loss Reserve Discounting," to the Consolidated Financial Statements included herein.

Investments

Investment structure and strategy

The primary objective of our investment strategy is to maximize the risk adjusted return on capital employed subject to a variety of constraints including: maintaining adequate regulatory capitalization; maintaining sufficient liquidity to ensure payment of claims, operating expenses and other obligations even during stressed scenarios; and to generate stable net investment income.

The investment portfolio is managed by the team of investment professionals led by our Chief Investment Officer (the "Investment Group") which has operations in Bermuda, Hong Kong, India, Switzerland and the U.S. The Investment Group is responsible for the entire value chain of the investment process including Strategic Asset Allocation ("SAA"), construction of portfolios including risk management and definition of guidelines, in-house management of certain asset classes, and selection and oversight of external asset managers.

The Risk and Finance Committee (the "RFC") is appointed by the board of directors of XL-Ireland (the "Board") to assist in fulfilling the Board’s oversight responsibilities relating to the financial affairs of the Company, as well as the Company’s management of enterprise-wide key risks. Among its responsibilities in relation to investments, the RFC:

- reviews and approves the overall investment policies for the management of the Company’s investment portfolio, investment portfolio guidelines, the SAA framework, including setting appropriate risk tolerance levels and tactical allocation parameters, and overall investment benchmarks;
- oversees compliance with the above investment portfolio policies and approves exceptions to such policies from time to time; and
- reviews the Company’s investment performance against the approved benchmarks as well as other key investment performance metrics.

The investment process remained largely unchanged as a result of the Catlin Acquisition, while the implementation of the investment strategy has been enhanced due to acquired in-house capabilities to manage certain asset classes including high-quality fixed income assets and private investments (including funds), across the capital structure.

Our investment portfolio consists of fixed income securities, equities, hedge funds, private investments (including funds), derivatives, other investments and cash and cash equivalents. These securities and investments are denominated in U.S. dollars, U.K. sterling, Euros, Swiss francs, Canadian dollars and other foreign currencies.
Our direct use of investment derivatives includes futures, forwards, swaps and options that derive their value from underlying assets, indices, reference rates or a combination of these factors. Our current investment policy allows derivatives to be used in the investment portfolio to reduce risk or enhance portfolio efficiency. Derivatives may not be used if they materially increase our investment risk.

Life Funds Withheld Assets

The Life Funds Withheld Assets are managed pursuant to agreed investment guidelines that meet the contractual commitments of our ceding companies and applicable laws and regulations. All of the investment results associated with the Life Funds Withheld Assets ultimately accrue to GCLR. Because we no longer share in the risks and rewards of the underlying performance of the supporting invested assets, we separate the Life Funds Withheld Assets from the rest of our investments. The remaining discussion in this section therefore excludes the Life Funds Withheld Assets.

Strategic Asset Allocation and Authorities Framework

The foundation of our investment strategy is the SAA process, which establishes a benchmark ("SAA Benchmark") that is constructed to maximize enterprise value, subject to various considerations and constraints, including the liability profile, business needs, collateral management, as well as liquidity and regulatory requirements. It is subject to the risk tolerance of management, and is approved at least annually by the RFC on behalf of the Board.
The SAA process involves an integrated, stochastic model that includes our financial condition, reserve volatility and loss payout patterns, premium expense and loss ratio projections and correlations among assets, liabilities and economic variables such as inflation.
As part of the implementation of our SAA Benchmark, we employ a comprehensive framework of investment decision authorities ("Authorities Framework"). The objective of the Authorities Framework is to ensure that the risk profile of our investment portfolio is consistent with management's risk tolerance as reflected in the SAA Benchmark. The Authorities Framework controls active or tactical deviations from the SAA Benchmark. As the magnitude of these deviations increases or the resulting impact on the risk profile of the investment portfolio reaches certain predetermined thresholds, additional levels of authority and approval are required, up to and including the RFC.
Following the Catlin Acquisition, a composite SAA Benchmark was defined and approved by the RFC to enable portfolio management of the combined portfolio. This composite SAA benchmark was created using a blend of techniques from both companies to incorporate the duration and other characteristics of the assumed liabilities.
See Item 8, Note 3(c), "Acquisitions and Disposals - Catlin Acquisition," to the Consolidated Financial Statements included herein for additional information with respect to the Catlin Acquisition.

Implementation of investment strategy

Day-to-day management of our investment portfolio is conducted through a combination of in-house portfolio management teams and external asset managers in accordance with detailed investment guidelines and risk tolerances, that are closely monitored by the Investment Group. This hybrid implementation approach provides us with access to external asset managers with specialized skills across a broad range of investment products, as well as the flexibility to actively manage the overall structure of the portfolio in line with our specific business needs. Interaction between our internal and external managers provides additional insight to take advantage of opportunities as they present themselves.
External asset managers are selected on the basis of various criteria including investment style, track record, performance, risk management capabilities, internal controls, operational risk management and diversification implications. The vast majority of our investment portfolio is managed by large, well-established asset management institutions, while a small portion of the portfolio is managed by asset management specialist firms or boutiques. Each asset manager may manage one or more portfolios, each of which is generally governed by a detailed set of investment guidelines, including overall objectives, risk limits (where appropriate) and diversification requirements that collectively fall within our overall investment policies and guidelines.
We have been an active investor in alternative asset classes for many years - principally hedge fund strategies and to an increasing extent, private investments (including funds). We believe alternative strategies have an important role to

play in both our SAA, as well as active or tactical deployments when compelling market opportunities arise. We will pursue these opportunities, as they arise, to take advantage of our balance sheet capacity to invest with a longer-term horizon, capture illiquidity premium and generally benefit from market dislocations.

Most of our investments in alternative asset classes are sourced directly by teams within the Investment Group, who perform the initial screening and due diligence as well as the ongoing monitoring of such investments. Occasionally, we may work with third-party allocators who have a particular expertise in a sub-sector of alternative strategies to gain exposure to that subsector.

Further to the Catlin Acquisition we have expanded our capacity in alternative asset classes with dedicated teams focused on private investments (including funds) and special situations, which pursue a concentrated portfolio of primarily corporate investments across the capital structure.

Investment risk management

The Investment Group employs what we believe is a prudent and risk-conscious investment approach and operates within a comprehensive Authority Framework which defines limits within which the underlying investment portfolios must be managed. This is supplemented by robust compliance monitoring with defined escalation and notification procedures. This framework is designed to identify investment risks in absolute and relative terms, and to consistently and objectively measure, assess, manage and report such risks on an ongoing basis.

Investment risk management is achieved through the regular review of market and credit risk analytics which incorporate distribution-based risk measures such as value-at-risk, scenario and stress testing and portfolio sensitivities to a broad range of risk factors such as interest rates, credit spreads, equities, foreign exchange risk, hedge funds, etc. The investment risk management process forms an integral part of the group’s ERM framework to ensure a fully integrated view of market, credit, liquidity and concentration risks.

The Company’s policy is to operate the fixed income portfolio with a minimum weighted average credit rating of Aa3/AA-. The aggregate credit rating is determined based on the weighted average rating of securities, where the average credit rating, where available, from Standard & Poor’s ("S&P"), Moody’s Investors Service ("Moody’s") and Fitch Ratings ("Fitch") is allocated to each security. The weighted average credit rating of the aggregate fixed income portfolio was Aa2(AA) as of December 31, 2015 and Aa3(AA-) as of December 31, 2014. U.S. agencies and Agency Residential Mortgage Backed Securities ("RMBS") paper, whether with implicit or explicit government support, reflect the credit quality rating of the U.S. government for the purpose of these calculations.

See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" for discussion of risk management activities as it relates to the investment portfolio.

Investment performance

See Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations – Investment Performance," for a discussion of our investment performance.

Enterprise Risk Management

Risk Management Framework

We face strategic and operational risks related to, among others: underwriting activities, financial reporting, changing macroeconomic conditions, investment risks, reserving estimates, changes in laws or regulations, information systems, business interruption and fraud. Our global P&C business, Run-Off Life Operations and investment portfolios each have their own set of risks (see Item 1A, "Risk Factors," for a discussion of such risks). At times these risks may exhibit greater levels of correlation than might be expected over the longer term due to the presence of, to a greater or lesser degree, some common internal or external risk drivers embedded in our businesses that may manifest themselves simultaneously. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on our profitability, capital strength and liquidity.

Our enterprise risk management ("ERM") initiatives are led by the Chief Enterprise Risk Officer ("CERO"), who is a member of executive management, and who reports to our Chief Financial Officer. The CERO also acts as a liaison between our Enterprise Risk Committee ("ERC," as discussed below) and the Board (or its committees), with respect to risk matters. All of our employees are expected to assist in the appropriate and timely identification and management of risks and to enhance the quality and effectiveness of ERM.

Our ERM framework is designed to allow us to identify and understand material risk concentrations, including concentrations that have unattractive risk/reward dynamics so that prompt, appropriate, corrective or mitigating actions can be taken. To do this, we have risk management committees and processes to serve as points of managerial dialogue and convergence across our businesses and functional areas, to create risk aggregation methodologies, to

develop specific risk appetites and to coordinate the identification, vetting and discussion of risk topics and metrics. As part of our ERM activities,

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we apply a suite of stress tests, tools, risk indicators, metrics and reporting processes that examine the consequences of low probability/high severity events (including those related to emerging risks) in order to take mitigating actions where required.

Risk Governance

Risk governance relates to the processes by which oversight and decision-making authorities with respect to risks are granted to individuals within the enterprise. Our governance framework establishes accountabilities for tasks and outcomes as well as escalation criteria. Governance processes are designed to ensure that transactions and activities, individually and in the aggregate, are carried out in accordance with our risk policies, philosophies, appetites, limits and risk concentrations, and in a manner consistent with expectations of excellence, integrity, accountability and client service.

With respect to the responsibilities relating to ERM, the RFC:

- Oversees ERM activities, including the risk management framework employed by management. With respect to the overall risk management framework, the RFC (i) reviews the methodology for establishing our overall risk capacity; (ii) reviews the policies for the establishment of risk limit frameworks, and adherence to such limits; and (iii) reviews and approves enterprise risk limits.
- Oversees our compliance with any significant enterprise risk limits, authorities and policies. The RFC evaluates what actions to take with respect to such enterprise limits, authorities and policies, and approves any exceptions thereto from time to time as necessary.
- Reviews our overall risk profile and monitors key risks across our organization as a whole, which may involve coordination with other committees of the Board from time to time as appropriate.
- Reviews our process controls over model use and development with respect to model risk and model effectiveness, accuracy, and propriety.
- Monitors our risk management performance and obtains reasonable assurance from management that our risk management policies are effective and are being adhered to.

The review of our overall risk appetites and the evaluation of the risk impact of any material strategic decision being contemplated, including consideration of whether such strategic decision is within the risk profile established by us, is conducted by the full Board. "Risk appetites," as referred to above, are broad statements used to guide our risk and reward preferences over time, all consistent with, among other factors, business prudence, market opportunities, the underwriting pricing cycle and investment climate. Risk appetites are regularly monitored and can change over time in light of the above. See "Risk Appetite Management" below.

Management oversight of ERM is performed, in part, via a centralized management ERC, which is chaired by the CERO. The ERC is comprised of senior management from our businesses and functions and is charged with developing and monitoring enterprise risk policies, risk appetites, risk limits (and compliance with such limits) and risk aggregations, and identifying key emerging risks and ways to mitigate such risks.

In addition to the ERC, we have established a framework of separate yet complementary ERM subcommittees, each focusing on particular aspects of ERM. These subcommittees include:

- Asset Risk Committee: This subcommittee assists the ERC in its responsibilities in relation to governance and oversight of asset-related risks across the Company, including the investment portfolio. Among its activities are (a) involvement in policy decisions on modeling and quantification of risk measurements; and (b) providing an interpretation and assessment of asset-related risks, with a particular focus on market-related risks. Further, the subcommittee is responsible for coordinating on a regular basis with the Credit Risk Committee on asset-related credit risks.
- Country Risk Committee: This subcommittee supports and assists the ERC's identification, measurement, management, monitoring and reporting of country risk to our underwriting activities and functional areas.
- Credit Risk Committee: This subcommittee develops and implements the metrics and supporting framework for allocation of credit risk capacity across major business units and functions, including the amount and types of credit exposure.
- Economic Capital Model Committee: This subcommittee oversees the development of economic capital models that support ERM activities, and helps set priorities and manage resources related to such models. It reviews assumptions

and related methodologies used within our economic capital models, including assessments of model validation, model control and model risk.

- Liability Risk Committee: This subcommittee supports and assists the ERC’s identification, measurement, management, monitoring and reporting of key underwriting liability and emerging risks.
- Model Validation Committee: This subcommittee supports ERC's independent validation of the capital model.
- Operational Risk Committee: This subcommittee supports the ERC’s identification, measurement, management and oversight of key operational risks through its oversight of key operational risk management processes and through its review of related operational risk indicators, trends and metrics.

In addition to the above, risk management subcommittees within certain of our segments and businesses function to assist in ensuring that risk is managed in accordance with the risk limits, guidelines and tolerances that we have allocated to them.

Risk Appetite Management

Our risk appetite framework guides our strategies relating to, among other things, capital preservation, earnings volatility, capital at risk, operational loss, liquidity standards, claims paying rating and capital structure. This framework also addresses our tolerance to risks from material individual events (e.g., natural or man-made catastrophes such as terrorism), our investment portfolio and realistic disaster scenarios that cross multiple lines of business (and risks related to some or all of the above that may occur concurrently).

In relation to event risk management, we establish net underwriting limits for individual large events as follows:

1. We impose limits for each natural catastrophe peril region at a 1% tail value at risk ("TVaR") probability. This statistic indicates the average amount of net loss expected to be incurred if a loss above the 1% exceedance probability level has occurred.
2. For each event type other than natural catastrophes, we impose limits at a 1% exceedance probability. If we were to deploy the full limit, for any given event type, there would be a 1% probability that an event would occur during the next year that would result in a net underwriting loss in excess of the limit.
3. We also impose limits for certain other event types at a 0.4% exceedance probability as described in further detail below. If we were to deploy the full limit, for any such given event type, there would be a 0.4% probability that an event would occur during the next year that would result in a net underwriting loss in excess of the limit.

For planning purposes and to calibrate 2016 risk tolerances, we set our underwriting limits as a percentage of June 30, 2015 adjusted tangible capital ("Adjusted Tangible Capital"). Adjusted Tangible Capital is defined as Total Shareholders’ Equity plus (i) outstanding subordinated notes due 2025 and 2045, less (ii) Goodwill and Other Intangible Assets, less (iii) Accumulated Other Comprehensive Income ("AOCI") (excluding certain net balances associated with Life Funds Withheld Assets). These limits may be recalibrated, from time to time, to reflect material changes in Total Shareholders’ Equity that may occur, at the discretion of management and as overseen by the Board.

Tiered risk tolerances are set for natural catastrophes, terrorism, other realistic disaster scenarios, credit risk, country risk, longevity risk and mortality risk. In setting our risk tolerances we consider such factors as:

- Anticipated risk adjusted returns;
- Strategic risk preferences;
- Relativity to peers;
- Shareholder expectations;
- Robustness of exposure assessment methodology; and
- Projected enterprise loss potential.

Per event 1% TVaR underwriting limits for North Atlantic Windstorm are set at a level not to exceed approximately 25% of Adjusted Tangible Capital. Per event 1% TVaR underwriting limits for North American Earthquake are set at a level not to exceed approximately 20% of Adjusted Tangible Capital. Per event 1% TVaR underwriting limits for all other natural catastrophe peril regions are set below the per event 1% TVaR limits described above.

The largest per event 1% exceedance probability underwriting limit for terrorism and other realistic disaster scenarios is set at a level not to exceed approximately 13.5% of Adjusted Tangible Capital; limits at the per event 1% exceedance probability for the remaining terrorism and realistic disaster scenarios are set below this level.

- The largest per event 1% exceedance probability underwriting limit for country risk is set at a level not to exceed approximately 7% of Adjusted Tangible Capital.
- The largest per event 1% exceedance probability underwriting limit for mortality risk is set at a level not to exceed approximately 6.1% of Adjusted Tangible Capital.
- The largest per event 1% exceedance probability underwriting limit for longevity risk is set at a level not to exceed approximately 1.5% of Adjusted Tangible Capital.
- The largest per event 0.4% exceedance probability underwriting limit for certain terrorism events is set at a level not to exceed approximately 18% of Adjusted Tangible Capital; limits at the per event 0.4% exceedance probability for the remaining terrorism event scenarios are set below this level.
- The largest per event 0.4% exceedance probability underwriting limit for mortality risk is set at a level not to exceed approximately 8.1% of Adjusted Tangible Capital.
- The largest per event 0.4% exceedance probability underwriting limit for longevity risk is set at a level not to exceed approximately 2.0% of Adjusted Tangible Capital.

In all instances, the above referenced underwriting limits reflect pre-tax losses net of reinsurance and include inwards and outwards reinstatement premiums related to the specific events being measured. The limits do not contemplate underwriting profits expected to be generated in the absence of catastrophic loss activity.

In setting underwriting limits, we also consider such factors as:

- Correlation of underwriting risk with other risks (e.g., asset/investment risk, operational risk, etc.);
- Model risk and robustness of data;
- Geographical concentrations;
- Exposures at lower return periods;
- Expected payback period associated with losses;
- Projected share of industry loss; and
- Annual aggregate losses for natural catastrophes at various return periods, including a 1% exceedance probability and a 1% TVaR level on both a peril region basis and a portfolio basis.

Also see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Credit Risk (Excluding Life Funds Withheld Assets)," for a discussion of our credit risk framework which establishes a credit clash limit to manage the direct and indirect credit exposures arising from underwriting and non-underwriting activities that could potentially be impacted in various degrees by a systemic credit event.

Loss exposure estimates for all event risks are derived from a combination of commercially available and internally developed models together with the judgment of management, as overseen by the Board. Actual incurred losses may vary materially from our estimates. Factors that can cause a deviation between estimated and actual incurred losses may include:

- Inaccurate assumptions of event frequency and severity;
- Inaccurate or incomplete data;
- Changing climate conditions that may add to the unpredictability of frequency and severity of natural catastrophes in certain parts of the world and create additional uncertainty as to future trends and exposures;
- Future possible increases in property values and the effects of inflation that may increase the severity of catastrophic events to levels above the modeled levels;
- Natural catastrophe models that incorporate and are critically dependent on meteorological, seismological and other earth science assumptions and related statistical relationships that may not be representative of prevailing conditions and risks, and may therefore misstate how particular events actually materialize, causing a material deviation between forecasted and actual damages associated with such events; and
- A change in the judicial climate.

For the above and other reasons, the incidence, timing and severity of catastrophes and other event types are inherently unpredictable and it is difficult to estimate the amount of loss any given occurrence will generate. As a consequence, there is

material uncertainty around our ability to measure exposures associated with individual events and combinations of events. This uncertainty can cause actual exposures and losses to deviate from those amounts estimated, which in turn can create a material adverse effect on our financial condition and results of operations and may result in substantial liquidation of investments, possibly at a loss, and outflows of cash as losses are paid. For this reason, we carry capital in addition to that required by the specific limits described even if it is in excess of rating agency and regulatory required capital.

For a further discussion on risk appetite management see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Key Focuses of Management."

Impact of ERM Processes

We believe that our ERM processes improve the quality and timeliness of strategic decisions, enhance the integration of strategic initiatives with the risks related to such initiatives and act as catalysts to improve risk awareness and informed action by us. We believe that the integration of ERM with existing business processes and controls optimizes the risk/reward characteristics of business strategies, enhances our overall risk management culture, and is central to our capital allocation process.

In addition, our ERM processes complement our overall internal control framework by helping to manage an organization of our size and the variety of our businesses, investment activities and geographical reach. However, internal controls and ERM can provide only reasonable, not absolute, assurance that control objectives will be met. As a result, the possibility of material financial loss remains in spite of our ERM activities. An investor should carefully consider the risks and all information set forth in this report including the discussion included in Item 1A, "Risk Factors," Item 7A, "Quantitative and Qualitative Disclosure About Market Risk," and Item 8, "Financial Statements and Supplementary Data."

Regulation

Our operating subsidiaries are subject to regulation and supervision in each of the jurisdictions in which they are domiciled or licensed to conduct business. Generally, regulatory authorities can have broad supervisory and administrative powers over such matters as licenses, fitness of management, standards of solvency, governance, risk management, material transactions between affiliates, premium rates, policy forms, investments, security deposits, methods of accounting, form and content of financial statements, reserves for unpaid losses and loss adjustment expenses, claims handling, reinsurance, minimum capital and surplus requirements and/or risk based capital standards, dividends and other distributions to shareholders, periodic examinations and annual and other report filings or notifications. See Item 8, Note 23, "Statutory Financial Data," to the Consolidated Financial Statements included herein. In general, such regulation is for the protection of policyholders rather than shareholders. We cannot predict the potential effect that any new regulations would have on our operating subsidiaries or on our business, results of operations, cash flows or financial condition. See Item 1A, "Risk Factors – The regulatory regimes under which we operate, and potential changes thereto, could have a material adverse effect on our business."

In addition, XL-Ireland, our ultimate holding company, is domiciled in Ireland. Following the implementation of Solvency II on January 1, 2016, Solvency II applies at different levels of operations with different requirements. The group is regulated by Solvency II at the level of the group and our E.U. subsidiaries are regulated by Solvency II at the subsidiary level. The Central Bank of Ireland ("CBI") is our group supervisor working in conjunction with our college of regulatory supervisors (the "Group's College of Supervisors").

The objective of Solvency II is to modernize the existing regulatory framework by introducing a harmonized prudential framework for E.U.-based insurance firms based on the risk-profile of each individual insurance company with a focus on a risk based solvency capital ratio to protect the policyholders of E.U. insurers from any potential risk associated with the wider group.

Solvency II specifies financial capital requirements, disclosure and reporting requirements, and governance and risk management requirements, broadly structured into three "pillars," which group the requirements into three main areas that cover different aspects of the regime.

- Pillar 1 of Solvency II sets out a number of capital requirements, such as an own funds requirement (including prescribing the type and nature of capital which is eligible to meet these capital requirements). It also specifies the obligation to have a Minimum Capital Requirement, which is the minimum amount of capital needed to be held by a

firm and a Solvency Capital Requirement, which is the risk-based level of capital required to be held by a firm. Pillar 1 further sets out the various requirements of how a firm's capital is to be assessed, including the application of the standard and internal models and the manner in which assets and liabilities are to be valued.

- Pillar 2 requires firms to develop and embed systems to identify, measure and proactively manage risks. In particular, it sets out the own risk and solvency assessment, which broadly requires a firm to assess, in a proportionate manner,

all of the current and possible future risks it has within its business to determine the level of capital needed to mitigate these risks.

- Pillar 3 sets out a number of requirements in relation to public disclosure and regulatory reporting. Firms are required to publish an annual report that sets out their solvency and financial condition, and must include information on the firm's capital management, its systems of governance and a description of each category of risk to which the firm is exposed.

We are also monitoring other regulatory developments such as the International Association of Insurance Supervisors ("IAIS") proposed risk-based global insurance capital standard and group-wide supervisory and regulatory framework for internationally active insurance groups ("IAIGs"). See Item 1A, "Risk Factors - Government and regulatory actions may impact the marketplace generally or us in particular."

As an Irish public company, XL-Ireland is subject to reporting requirements and certain restrictions under Irish company law. See "Management's Discussion & Analysis of Financial Condition—Holding Company Liquidity" and Item 8, Note 23, "Statutory Financial Data," to the Consolidated Financial Statements included herein.

A summary of certain regulatory requirements in key jurisdictions in which we operate follows.

Ireland

Our Irish regulated operating subsidiary, XL Re Europe SE, is regulated by the Central Bank of Ireland (the "CBI") and became subject to Solvency II regulation on January 1, 2016. Under Solvency II, the main capital requirement is the Solvency Capital Requirement, which is a risk based capital calculation. In addition, the CBI has minimum competency and fitness and probity requirements that seek to ensure that regulated entities are run, in its view, by those with appropriate professional qualifications or experience, with regulatory pre-approval required for certain key roles. The CBI's code of corporate governance includes prescriptive rules regarding board role and composition, the establishment and operation of board sub-committees and the approval of risk appetites and the monitoring and reporting of risks.

United Kingdom

Our U.K. regulated operating subsidiaries are regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") and became subject to Solvency II regulation on January 1, 2016. The PRA has primary objectives to promote the safety and soundness of the firms it regulates and to ensure that policyholders are appropriately protected, and a secondary objective to promote effective competition in the financial service markets. The FCA aims to ensure that the financial services markets function well with three operational objectives, namely, to secure an appropriate degree of protection for consumers, to protect and enhance the integrity of the U.K. financial system and to promote effective competition in the interests of consumers. The PRA and FCA's Approved Persons regime also subjects certain of our employees and directors to PRA and FCA regulation regarding their "fitness." Our Lloyd's managing agencies, their managed syndicates and their associated corporate capital vehicles are also subject to Lloyd's requirements applicable to operating in the Lloyd's market.

Other European Union

Our network of offices in the E.U. consists mainly of branches of Irish, U.K., German and Bermuda companies and these branch offices are principally regulated under applicable local legislation or by their home jurisdictions.

Bermuda

The Insurance Act 1978 of Bermuda and related rules and regulations, as amended (the "Bermuda Act"), regulates our Bermuda (re)insurance operating subsidiaries, which must be registered as (re)insurers by the Bermuda Monetary Authority (the "BMA"). The Bermuda Act imposes on Bermuda (re)insurance companies, solvency and liquidity standards, certain restrictions on the declaration and payment of dividends and distributions, certain restrictions on the reduction of statutory capital, and auditing and reporting requirements, and grants the BMA powers to supervise and, in certain circumstances, to investigate and intervene in the affairs of (re)insurance companies.

Certain of our Bermuda regulated (re)insurance companies are required to file annual audited financial statements prepared in accordance with accounting policies generally accepted in the U.S. ("GAAP") or International Financial Reporting Standards, as well as annual statutory financial returns, annual capital and solvency returns and quarterly financial returns.

Bermuda regulated general business (re)insurers are required to maintain available statutory capital and surplus at a level equal to or in excess of their enhanced capital requirement ("ECR"). The applicable ECR is established by reference to either the Bermuda Solvency Capital Requirement ("BSCR"), which employs a standard mathematical model that can relate more accurately the risks taken on by (re)insurers to the capital that is dedicated to their business, or a BMA-approved internal capital model. The BMA has also established a target capital level ("TCL") for each (re)insurer equal to 120% of its ECR.

While (re)insurers are not required to maintain their statutory capital and surplus at this level, the TCL acts as an early warning tool for the BMA and failure to maintain statutory capital at least equal to TCL will likely result in increased BMA regulatory oversight. Our Bermuda regulated (re)insurers use the BSCR model to calculate their solvency requirements.

Under the Bermuda Companies Act 1981, as amended, a Bermuda company may not declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than its liabilities. Under the Bermuda Act, a Class 4 (re)insurer (which includes XLIB, XL Re Ltd, Catlin Insurance Company Ltd. and Catlin Re Switzerland Ltd.) is prohibited from declaring or paying any dividends of more than 25% of its total statutory capital and surplus unless it certifies to the BMA that it will continue to meet its minimum solvency margin and minimum liquidity ratio. In addition, neither Class 4 (re)insurers nor certain long-term (re)insurers may reduce their total statutory capital by 15% or more unless they have received the prior approval from the BMA. See Item 8, Note 23, "Statutory Financial Data," to the Consolidated Financial Statements included herein, for further information.

The BMA introduced amendments to the Bermuda Act to create a new class of special purpose insurer ("SPI") specifically to write sophisticated, fully-funded insurance and reinsurance transactions. SPIs are required to file with the BMA annual statutory financial statements but are not required to file an annual loss reserve specialist opinion. The BMA has the discretion to modify such SPI's accounting requirements under the Bermuda Act.

Bermuda (re)insurers are required to comply with the BMA's Insurance Code of Conduct which establishes duties, requirements and standards to be complied with to ensure each (re)insurer implements sound corporate governance, risk management and internal controls. Non-compliance with the BMA's Insurance Code of Conduct could result in intervention by the BMA.

Two of our Bermuda entities are approved for reduced collateral within New York and Florida, respectively. XLIB is qualified for reduced collateral in the state of New York. XL Re Ltd is qualified for reduced collateral in the state of New York as well as the state of Florida. This annual certification permits these two Bermuda subsidiaries to post reduced collateral allowing U.S. ceding companies to take credit for reinsurance on their financial statements.

See also "Solvency II Equivalence" regarding the equivalence assessment of the Bermuda supervisory regime under Solvency II.

United States

In the U.S., we are subject to extensive regulation in the jurisdictions in which we conduct our business. The state legislatures and/or state (re)insurance regulators consider or enact laws or regulations that may alter or increase the regulation of (re)insurance companies and (re)insurance holding companies. State laws and regulations that are adopted or amended may be more restrictive than current laws and regulations and may affect our operations and financial condition and could adversely affect our results of operations through lower revenue and/or higher costs of compliance and limit our growth. For example, regulators may choose to restrict the ability of subsidiaries to make payments to their parent companies, reject rate increases or increase the statutory capital requirements of our operating subsidiaries.

Our U.S. regulated operating subsidiaries currently are required to file detailed annual and, in most states, quarterly reports with state insurance regulators in each of the states in which they are licensed or accredited. In addition, these subsidiaries' operations and accounts are subject to financial condition and market conduct examination at regular intervals by state regulators. These subsidiaries also are subject to various state statutory and regulatory restrictions that limit the amount of dividends that may be paid from earned surplus without prior approval from regulatory authorities. These restrictions differ by state, but are generally based on a calculation of the lesser of 10% of statutory surplus or 100% of "adjusted net investment income" to the extent that it has not previously been distributed.

State insurance laws subject our U.S. regulated operating subsidiaries to risk based capital requirements implemented by the National Association of Insurance Commissioners ("NAIC"), an organization of U.S. insurance regulators. The NAIC uses a risk based capital formula that is designed to measure the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. These requirements provide a formula which, for P&C insurance companies, establishes capital thresholds for three major

areas: asset risk, underwriting risk and other risk. At December 31, 2015, the capital and surplus of each of our U.S. regulated operating subsidiaries was above the minimum regulatory thresholds.

The NAIC has adopted or amended model laws on holding company regulation that would provide for supervision of insurers at the corporate group level. These model laws include uniform standards for insurer corporate governance, group-wide supervision of insurance holding companies, adjustments to risk-based capital calculations to account for group-wide risks and additional regulatory and disclosure requirements for insurance holding companies.

Additionally, the NAIC has undertaken the Solvency Modernization Initiative ("SMI"), which focuses on a review of insurance solvency regulations throughout the U.S. financial regulatory system and will lead to a set of long-term solvency modernization goals. SMI is broad in scope, and the NAIC has stated that its focus will include the U.S. solvency framework, group solvency issues, capital requirements, international accounting and regulatory standards, reinsurance and group regulatory issues.

While the U.S. federal government currently does not directly regulate the insurance business in the U.S. (other than for flood and nuclear insurance and reinsurance of losses from terrorism), federal legislation and administrative policies can affect the insurance industry. For example, the future availability of any federal backstop program for qualifying terrorism losses, currently the Terrorism Risk Insurance Program Reauthorization Act of 2015, or modifications of the terms and conditions of such program may affect the insurance industry's ability and capacity to offer terrorism coverage in the United States. Additionally, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") was passed into law. Dodd-Frank requires the creation of a Federal Insurance Office (the "FIO") within the Treasury Department that is focused on national coordination of the insurance sector, systemic risk mitigation and international regulatory cooperation. Although the FIO currently does not directly regulate the insurance industry, under Dodd-Frank it has the power to preempt state insurance regulations that are inconsistent with international agreements regarding insurance regulation, subject to certain exceptions.

In December 2013, the FIO submitted a report to Congress as required under Dodd-Frank on improving U.S. insurance regulation. This report raised concerns about states' regulation of multi-state insurers and proposes that insurers need to be supervised on a consolidated basis at the federal level, which would improve uniformity, efficiency and consistency, and would result in uniform supervision of insurance firms with national and global activities. In December 2014, the FIO issued a report , as required by Dodd-Frank, describing the breadth and scope of the global reinsurance market and the role such market plays in supporting insurance in the U.S. While this report describes the assistance that global reinsurance provides to the insurance industry in the U.S., it also states that the number of participants that operate in the reinsurance market demonstrates a high degree of substitutability and mobility of risk transfer capital.

In November 2015, the Treasury Department, through the FIO, and the Office of the U.S. Trade Representative ("USTR") announced their intention to begin negotiating a covered agreement with the E.U. as authorized under Dodd-Frank and notified Congress of their intention to launch negotiations toward a covered agreement. The FIO and USTR will consult Congress about the covered agreement, but no vote will be taken. It appears that a covered agreement will allow the U.S. to work towards reaching an equivalence determination under Solvency II. Without an equivalence determination, U.S. groups with a presence in the E.U. could face duplication of group supervision and other regulatory burdens. In addition to addressing equivalence issues, the agreement is also expected to facilitate the exchange of confidential regulatory information between lead supervisors across national borders and to address issues related to collateral required by U.S. regulators for non-U.S. reinsurers.

Other International Operations

We have a number of regulated operating subsidiaries outside of the E.U., Bermuda and the U.S. The degree of regulation in foreign jurisdictions can vary and licenses issued by foreign authorities are subject to modification or revocation for cause by such authorities. Our subsidiaries could be prevented, for cause, from conducting business in certain of the jurisdictions where they currently operate or from writing business emanating from certain jurisdictions. While many countries impose licensing, solvency, auditing and financial reporting requirements, the type and extent of the requirements differ substantially. Key areas where country regulations may differ include: (i) the type of financial reports to be filed; (ii) a requirement to use local intermediaries; (iii) the amount of reinsurance permissible and a requirement for reinsurers to be registered locally; (iv) the scope of any regulation of policy forms and rates; (v) the type and frequency of regulatory examinations; and (vi) requirements relating to risk management.

In addition to these requirements, our foreign operations are also regulated in various jurisdictions with respect to currency, amount and type of security deposits, amount and type of reserves, amount and type of local investment and limitations on the share of profits to be returned to policyholders on participating policies. A summary of certain regulatory requirements in Switzerland, Latin America and China follows.

Switzerland

Supervision of our Swiss regulated operating subsidiaries and branches is carried out by the Swiss Financial Market Supervisory Authority ("FINMA"). The supervisory regime currently comprises both Solvency I requirements and Solvency II type requirements ("Swiss Solvency Test"), the latter of which impose higher capital requirements. Furthermore, direct insurers and insurance branches of foreign legal entities operating in Switzerland have to comply with "tied assets" requirements. However, Swiss branches of foreign (re)insurance companies writing solely reinsurance business in Switzerland are exempt from supervision by FINMA and are supervised by the country in which they are domiciled.

In September 2012, FINMA and the European Insurance and Occupational Pensions Authority signed a Memorandum of Understanding ("MoU") regarding cooperation in supervision, in particular for insurance groups with international activities in the European Economic Area (the "EEA") and Switzerland. The MoU creates a formal basis for cooperation in the following areas: group supervision, assistance in the work of EEA and FINMA colleges of supervisors, action required in emergency situations, safeguarding financial stability by monitoring and assessing risks, interconnectedness and conducting stress tests. This MoU will not modify or supersede any laws or regulatory requirements in force and will not affect any arrangements under the MoU that have previously been signed between FINMA and other national supervisory authorities of the EEA.

See also "Solvency II Equivalence" regarding the equivalence assessment of the Swiss supervisory regime under Solvency II.

Latin America

We have both insurance and reinsurance operations in the Latin American region, with local companies writing business in Brazil and Mexico and representative offices in Argentina and Colombia. Other than the Colombia representative office and a services branch in Mexico, all the legal entities in the region are subsidiaries. In regions other than Brazil and Mexico, we act as a foreign reinsurer. Nearly all regulators in the Latin America region require foreign reinsurers to be registered or licensed for local cedants to place business with them.

The extent of regulation in the region varies significantly in the countries in which we conduct business. Typically, each country has regulations relating to solvency, auditing, internal controls and financial reporting, but the type and extent of the requirements differ substantially. Other regulations in the region that impact our operations but are not specific to insurance or reinsurance include those relating to foreign currency exchange control, data protection legislation, anti-money laundering and other financial crimes and sanctions.

China

Our Chinese regulated operating subsidiary is regulated by the China Insurance Regulatory Commission (the "CIRC") under the People’s Republic of China Insurance Law. CIRC’s regulatory regime includes requirements relating to licensing, capital, solvency, reserves, reinsurance, transactions between affiliates, approval and filing of policy wordings and rates, corporate governance, disclosure and periodic reporting. To carry on (re)insurance business in a foreign currency, the subsidiary is also subject to licensing and foreign currency exchange control by the State Administration of Foreign Exchange.

Solvency II Equivalence

The supervisory regimes governing our operating subsidiaries domiciled in each of Bermuda and Switzerland were considered in 2015 by the European Commission ("Commission") in its determination of equivalence.

The Commission determined that Switzerland has met the criteria for equivalence assessment in each of the following three categories: (i) reinsurance; (ii) third country group supervision; and (iii) calculating group solvency. This determination has been endorsed by the European Parliament and Council of Ministers.

The Commission determined on November 26, 2015 that Bermuda also has met the criteria for equivalence assessment in each of the three categories, as noted above. The European Parliament and Council each have between three and six months from the Commission's date of determination to confirm or reject such findings.

See Item 1A, "Risk Factors - The regulatory regimes under which we operate, and potential change thereto, could have a material adverse effect on our business," for risks to our business, including in the event that either Bermuda's or Switzerland's supervisory regime is not considered equivalent to the Solvency II regime.

The U.S. has been determined to be provisionally equivalent for the group solvency calculation criteria only, which will allow some companies, not including us currently, to benefit from U.S. local solvency calculations in their group calculations for a ten year period. This designation is for group solvency calculations only and excludes reinsurance and group supervision.

Executive Officers of the Registrant

The table below sets forth the names, ages and titles of the persons who were the executive officers of the Company at February 23, 2016:

Name	Age	Position
Michael S. McGavick	58	Chief Executive Officer and Director
Paul Brand	53	Executive Vice President, Chair of the Insurance Leadership Team and Chief Underwriting Officer, Insurance
Stephen J. O. Catlin	61	Executive Deputy Chairman
Susan L. Cross	55	Executive Vice President and Global Chief Actuary
Kirstin Gould	49	Executive Vice President, General Counsel and Secretary
Gregory S. Hendrick	50	Executive Vice President and Chief Executive of Reinsurance Operations
W. Myron Hendry	67	Executive Vice President and Chief Platform Officer
Paul Jardine	54	Executive Vice President and Chief Experience Officer
Kelly Lyles	52	Executive Vice President, Deputy Chair of the Insurance Leadership Team and Chief Regional Officer, Insurance
Benjamin Meuli	59	Executive Vice President and Chief Investment Officer
Peter R. Porrino	59	Executive Vice President and Chief Financial Officer
Jacob D. Rosengarten	60	Executive Vice President and Chief Enterprise Risk Officer
Eileen Whelley	61	Executive Vice President and Chief Human Resources Officer

Michael S. McGavick, was appointed as a Director of the Company in April 2008, shortly prior to his commencement as the Company’s Chief Executive Officer on May 1, 2008. Previously, Mr. McGavick was President & CEO of the Seattle-based Safeco Corporation from January 2001 to December 2005. Prior to joining Safeco, Mr. McGavick spent six years with the Chicago-based CNA Financial Corporation, where he held various senior executive positions before becoming President and Chief Operating Officer of the company’s largest commercial insurance operating unit. Mr. McGavick’s insurance industry experience also includes two years as Director of the American Insurance Association’s Superfund Improvement Project in Washington D.C., where he became the Association’s lead strategist in working to transform U.S. Superfund environmental laws.

Paul Brand was appointed Chair of the Insurance Leadership Team and Chief Underwriting Officer, Insurance in May 2015. Previously, from 2003 until May 2015, Mr. Brand served as Catlin’s Chief Underwriting Officer and as active underwriter of Syndicate 2003. Mr. Brand began his career in the insurance industry in 1982 at Insurance Company of North America in London. In 1987 Mr. Brand joined Catlin as an underwriter, became deputy underwriter of Syndicate 1003 in 1990 and deputy underwriter of Syndicate 2003 upon its formation in 1996.

Stephen J. O. Catlin was appointed as a Director of the Company and as its Deputy Executive Chairman in May 2015. Prior to the Catlin Acquisition, from 2006 to May 2015, Mr. Catlin served as Catlin's Chief Executive Officer and Deputy Chairman. Mr. Catlin founded Catlin Underwriting Agencies Limited in 1984 and was the active underwriter of Syndicate 1003 and later Syndicate 2003 until May 2003. From 1996 to 2002, Mr. Catlin was the Lloyd’s nominated Director of Equitas Holdings Limited. He served as Chairman of the Lloyd’s Market Association, the trade association representing the interests of Lloyd’s underwriters and underwriting agents, from 2000 until 2003. Mr. Catlin was a member of the Council of Lloyd’s from 2002 until 2004 and a member of the Lloyd’s Franchise Board from 2003 until 2006. Mr. Catlin was President of the Insurance Institute of London in 2010-2011 and is a Visiting Fellow at the Oxford University Centre for Corporate Reputation.

Susan L. Cross has served as Executive Vice President and Global Chief Actuary since August 2008. Ms. Cross has served as Global Chief Actuary since 2006 and previously was Chief Actuary of the Company’s reinsurance operations from 2004 to 2006 and Chief Actuary of XL Re Bermuda from 2002 to 2004. She also held various actuarial positions in the insurance and reinsurance operations of the Company from 1999 to 2002. Prior to joining the Company, Ms. Cross was Principal and Consulting Actuary at Tillinghast Towers Perrin.

Kirstin Gould was appointed Executive Vice President, General Counsel in September 2007, which position includes her prior responsibilities as General Counsel, Corporate Affairs and Corporate Secretary. From 2008 to May 2015, Ms. Gould also led the Communications and Marketing department. Ms. Gould was previously Executive Vice President, General Counsel, Corporate Affairs from July 2006 to September 2007 and also served as Chief Corporate Legal Officer from November 2004 to July 2006, and Associate General Counsel from July 2001 to November 2004. Prior to joining the Company in 2000, Ms. Gould was associated with the law firms of Clifford Chance and Dewey Ballantine in London and New York.

Gregory S. Hendrick was appointed Executive Vice President and Chief Executive of Reinsurance Operations on May 1, 2015. From January 2012 to May 2015, Mr. Hendrick served as Executive Vice President and Chief Executive of Insurance Operations. From October 2010 to January 2012, Mr. Hendrick served as Executive Vice President, Strategic Growth. From 2004 to October 2010, Mr. Hendrick served as President and Chief Underwriting Officer of XL Re Ltd. Previously, he served

as head of U.S. Property Treaty underwriting at XL Re Ltd and Vice President responsible for U.S. Property Underwriting for XL Mid Ocean Reinsurance Ltd. Prior to joining XL, Mr. Hendrick was Assistant Vice President of Treaty Underwriting for the Winterthur Reinsurance Corporation of America.

Paul Jardine was appointed Executive Vice President and Chief Experience Officer in May 2015. Previously, from 2004 until May 2015, Mr. Jardine was Catlin's Chief Operating Officer. Mr. Jardine joined Catlin in 2001 with responsibility for the development of new financial products, and was appointed as chief executive of the Catlin Syndicate in 2003. Prior to joining Catlin, Mr. Jardine was chief actuary and commutations director of Equitas Holdings Limited. Prior to that, he was a partner at Coopers & Lybrand, where he was involved almost exclusively with issues dealing with Lloyd's and the London insurance market.

Kelly Lyles was appointed Chief Regional Officer, Insurance, and Deputy Chair of the Insurance Leadership Team in May 2015. From September 2014 until May 2015, Ms. Lyles served as the Company's Chief Executive of Insurance Global Professional operations. Prior to joining XL in 2014, Ms. Lyles served in progressively senior leadership roles during her more than 15 years with AIG Inc, including as Head of Specialty Lines for Europe, Middle East and Africa from January to September 2014, and as AIG's Country Manager in France from 2010 to January 2014.

Benjamin Meuli was appointed Chief Investment Officer in May 2015. Previously, from 2009 to May 2015, Mr. Meuli served as Catlin's Chief Financial Officer and as a member of its board of directors. From 2004 to 2008, Mr. Meuli served as Chief Investment Officer and as a member of the Executive Board of Swiss Re. From 1998 to 2004 he served as a Managing Director of Morgan Stanley with primary responsibility for asset and liability management issues linked to large multinational insurance groups, including all areas of investment banking, fixed income, equities and real estate. Prior to joining Morgan Stanley, he had a 20-year career with JP Morgan, where he served as a Managing Director, in charge of European Debt Capital Markets and the European Financial Institutions Group. He also served as Chief Executive of JP Morgan Life Assurance Ltd.

W. Myron Hendry joined the Company's leadership team upon his appointment as Executive Vice President, Chief Platform Officer in December 2009. Prior to joining the Company, from 2006 to December 2009, Mr. Hendry served as Business Operations Executive of Bank of America's Insurance Group, joining there from a merger with Countrywide Insurance Services Group. Prior to the merger, Mr. Hendry served as Managing Director and Chief Operating Officer for Countrywide and prior to this, from 2004 to 2006, Mr. Hendry served as Senior Vice President, Property and Casualty Services at Safeco. From 1971 to 2004, Mr. Hendry held various leadership roles with CNA Insurance, with his last assignment being the Senior Vice President of Worldwide Operations.

Peter R. Porrino was appointed Executive Vice President, Chief Financial Officer in August 2011. Previously, Mr. Porrino served as Ernst & Young's Global Director of Insurance Industry Services from 1999 to August 2011. Mr. Porrino first joined Ernst & Young in 1978 and served in the firm's New York and National insurance practices for 15 years before leaving to serve in senior management positions with several insurance companies. This experience includes Zurich Financial Services, where Mr. Porrino served as CFO of Zurich's NYSE-listed subsidiary, Zurich Reinsurance Centre, Inc. He rejoined Ernst & Young in 1999.

Jacob D. Rosengarten has served as Executive Vice President, Chief Enterprise Risk Officer since September 2008. Prior to joining the Company, Mr. Rosengarten served as Managing Director of Risk Management and Analytics for Goldman Sachs Asset Management from 1998 to 2008. From 1993 to 1997, Mr. Rosengarten served as Director of Risk and Quantitative Analysis at Commodities Corporation and prior to this, from 1983 to 1992 held progressively senior finance positions at Commodities Corporation.

Eileen Whelley was appointed to the Company's leadership team in June 2012, serving as Executive Vice President, Chief Human Resources Officer, where she is responsible for global talent acquisition, leadership and professional development, succession planning, compensation and benefit program design and administration, employee relations, organizational effectiveness, performance management, HR information systems and payroll. Prior to joining the Company, from 2006 to 2012, Ms. Whelley served as Executive Vice President, Human Resources, for The Hartford Financial Services Group, Inc. Prior to that, Ms. Whelley spent 17 years at General Electric, where she held a number of human resources leadership roles, including Executive Vice President of Human Resources for NBC Universal and Vice President of Human Resources Excellence for GE Capital. She also served in various HR roles at Citicorp and Standard Oil of Ohio.

Non-Employee Directors of the Registrant

Eugene M. McQuade has been a director since July 2004 and the non-executive Chairman of the Board since May 2015. Previously, Mr. McQuade served as Vice Chairman of Citigroup Inc., where he led Citigroup's comprehensive capital analysis and review process, and prior to that as the CEO of Citibank, N.A., the commercial banking arm of Citigroup, and as a member of Citigroup’s Operating Committee.

Ramani Ayer has been a director since February 2011. Previously, Mr. Ayer served as the Chairman of the board and Chief Executive Officer of The Hartford Financial Services Group Inc., a leading provider of insurance and wealth management services.
Dale Comey has been a director since November 2001. Previously, Mr. Comey was Executive Vice President of ITT Corporation, where he was responsible for directing the operations of several business units, including ITT Hartford and ITT Financial Corporation.
Claus-Michael Dill has been a director since August 2015. Previously, Mr. Dill was the Chief Executive officer of insurer AXA Konzern AG in Cologne, Germany and a member of the AXA Group Executive Committee.
Robert R. Glauber has been a director since September 2006, having originally served on our Board from 1998 to May 2005. From April 2009 to May 2015, Mr. Glauber served as the non-executive Chairman of the Board. Mr. Glauber is presently a Lecturer at the Harvard Kennedy School of Government.
Edward J. "Ned" Kelly, III has been a director since August 2014. Previously Mr. Kelly was Chairman of the board of Citigroup Inc. Institutional Clients Group, Citi's Chief Financial Officer, General Counsel and Secretary of JP Morgan & Co. Incorporated and Managing Director of the Carlyle Group.
Suzanne B. Labarge has been a director since October 2011. Previously, Ms. Labarge served as the Vice Chairman and Chief Risk Officer of Royal Bank of Canada (RBC Financial Group), a diversified financial services company.
Joseph Mauriello has been a director since January 2006. Previously, Mr. Mauriello was the Deputy Chairman, Chief Operating Officer and a director of KPMG LLP (United States) and KPMG Americas Region, a leading provider of audit, tax and advisory services.
Clayton S. Rose has been a director since December 2009. Dr. Rose is presently the President of Bowdoin College.
Anne Stevens has been a director since April 2014. Previously, Ms. Stevens was Chief Operations Officer for the Americas at the Ford Motor Company, and more recently was Chairman of the board, Chief Executive Officer and Principal of SA IT Services.
Sir John M. Vereker has been a director since November 2007. Previously, Sir John Vereker was the Governor and Commander-in-Chief of Bermuda.

Employees

At December 31, 2015, we had 7,200 employees. At that date, 396 of our employees were represented by workers' councils and 517 of our employees were subject to industry-wide collective bargaining agreements in several countries outside the United States.

Available Information

The public can read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The address of the SEC's website is http://www.sec.gov.
Our website address is http://www.xlcatlin.com. The information contained on our website is not incorporated by reference into this Annual Report on Form 10-K or any other of our documents filed with or furnished to the SEC.
We make available free of charge, including through our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Upon written or oral request, we will promptly deliver, without charge, to any shareholder a copy of the Annual Report on Form 10-K. Requests for copies should be submitted to the Company Secretary at XL Group, 100 Washington Blvd., 6th Floor, Stamford, CT 06902, United States of America or (203) 964-5500.

We have adopted Corporate Governance Guidelines, written charters for each of the Audit Committee, the Management Development and Compensation Committee, the Nominating, Governance and External Affairs Committee and the RFC, as well as a Code of Conduct and a related Compliance Program. Each of these documents is posted on our website at http://www.xlgroup.com, and each is available in print to any shareholder who requests it by writing to us at Investor Relations Department, XL Group plc, 100 Washington Blvd., 6th Floor, Stamford, CT 06902, United States of America.

We intend to post on our website any amendment to, or waiver of, a provision of our Code of Conduct that applies to our Chief Executive Officer, Chief Financial Officer and Corporate Controller or persons performing similar functions and that relates to any element of the code of ethics definition set forth in Item 406 of Regulation S-K under the federal securities laws.

We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included on the website in the "Investor Relations" section. Accordingly, investors should monitor such portions of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

ITEM 1A. RISK FACTORS

Any of the following risk factors could have a significant or material adverse effect on our business, financial condition, results of operations and/or liquidity, in addition to the other information contained in this report. Additional risks not presently known to us or that we currently deem immaterial may also impair our business, financial condition and results of operations.

The integration of Catlin Group Limited may be more difficult or time consuming than expected, and the acquisition may not result in any or all of the benefits anticipated.

Our future prospects will, in part, be dependent upon our ability to fully integrate Catlin successfully. Furthermore, we may face additional challenges and difficulties, including those related to, without limitation, managing a larger combined company; redeploying resources in different areas of operations to improve efficiency; unanticipated issues in integrating information technology and other systems; and addressing possible differences between the Company's culture, processes, controls, procedures and systems and those of Catlin. Additionally, the Acquisition might affect the relationship that the Company and/or Catlin has with customers, brokers and other business partners, and affect our performance and/or potential growth opportunities. Failure to effectively integrate the businesses on a timely basis could adversely impact the expected benefits of the acquisition.

Our future performance will, among other things, also depend on the successful integration and motivation of key employees from both the Company and Catlin. It is possible that failure to retain certain individuals during the integration period will affect our ability to fully integrate Catlin into the Company successfully and could have a material adverse effect on our business, financial condition and results of operations.

Costs related to the Catlin Acquisition and synergies that could result from the Acquisition may differ from those anticipated.

Although we are on track to achieve expected synergies from the Catlin Acquisition, our actual cost-savings, the costs required to realize the cost-savings and the source of the cost-savings could differ materially from our estimates, and we may not achieve the full amount of cost-savings on the schedule anticipated, or at all, and it is possible these cost-savings initiatives may have other unanticipated adverse effects on our business.

Finally, we may not be able to achieve the targeted long-term strategic or operational benefits of the Catlin Acquisition. An inability to realize the full extent of the anticipated benefits of the Catlin Acquisition could have an adverse effect on our business, results of operations, financial condition or the price of our shares.

The occurrence of disasters could adversely affect our financial condition, results of operations, cashflows and prospects.

We have substantial exposure to losses resulting from natural and man-made disasters and other catastrophic events. Both our underwriting limits for (re)insurance policies covering such losses and our exposure to such losses are expected to significantly increase following the Acquisition. Catastrophes can be caused by various natural or man-made events, including hurricanes, wind, tropical storms, earthquakes, floods, hailstorms, tornadoes, drought, severe winter weather, volcanoes, solar storms, nuclear, chemical, biological, radiological or other environmental events, accidents and disasters, power outages, explosions, severe weather, tsunamis, fires, war, cyber attacks and events and acts of terrorism. Changing climate conditions may add to the unpredictability and frequency of natural disasters in certain parts of the world and could create additional uncertainty as to future trends and exposures. The incidence and severity of catastrophes are inherently unpredictable, and it is difficult to predict the timing of such events with statistical certainty or to estimate the amount of loss any given occurrence will generate.

The occurrence of claims from catastrophic events is likely to result in substantial volatility in our financial condition, results of operations and cash flows for the fiscal quarter or year in which a catastrophic event occurs, as well as subsequent fiscal periods, and could have a material adverse effect on our financial condition and results of operations and our ability to write new business. This risk is exacerbated due to accounting principles and rules that do not permit (re)insurers to reserve for such catastrophic events until they occur. We expect that future possible increases in the values and concentrations of insured property, the effects of inflation and changes in cyclical weather patterns may increase the severity of catastrophic events in the future. Although we attempt to manage our exposure to catastrophic events, a single catastrophic event could affect multiple geographic zones and lines of business and the frequency or severity of catastrophic events could exceed our estimates, in each case potentially having a material adverse effect on

our financial condition, results of operations and cash flows. In addition, while we may, depending on market conditions, purchase catastrophe reinsurance and retrocessional protection, the occurrence of one or more major catastrophes in any given period could result in losses that exceed such reinsurance and retrocessional protection. This could have a material adverse effect on our financial condition and results of operations and may result in substantial liquidation of investments, possibly at a loss, and outflows of cash as losses are paid.

The failure of any of the underwriting risk management strategies that we employ could have a material adverse effect on our financial condition, results of operations and/or liquidity.

We seek to limit our loss exposure by, among other things, writing a number of our reinsurance or retrocession contracts on an excess of loss basis, adhering to maximum limitations on reinsurance written in defined geographical zones, limiting program size for each client and prudently underwriting each program written. In addition, in the case of proportional treaties, we generally seek to use per occurrence limitations or loss ratio caps to limit the impact of losses from any one event. We cannot be sure that all of these loss limitation methods will have the precise risk management impact intended. For instance, although we also seek to limit our loss exposure by geographic diversification, geographic zone limitations involve significant underwriting judgments, including the determination of the area of the zones and the inclusion of a particular policy within a particular zone’s limits. Underwriting involves the exercise of considerable judgment and the making of important assumptions about matters that are inherently unpredictable and beyond our control, and for which historical experience and probability analysis may not provide sufficient guidance. The failure of any of the underwriting risk management strategies that we employ could have a material adverse effect on our financial condition, results of operations and cash flows. Also, various provisions of our policies, such as limitations or exclusions from coverage or choice of forum, may not be enforceable in the manner that we intend and disputes relating to coverage and choice of legal forum may arise, which could materially adversely affect our financial condition and results of operations.

The insurance and reinsurance industries are historically cyclical and we may experience periods with excess underwriting capacity and unfavorable premium rates.

The insurance and reinsurance industries have historically been cyclical, characterized by periods of intense price competition due to excess underwriting capacity as well as periods when shortages of capacity permitted favorable premium levels. An increase in premium levels is often followed by an increasing supply of insurance and reinsurance capacity, either by capital provided by new entrants or by the commitment of additional capital by existing insurers or reinsurers, which may cause prices to decrease. Either of these factors could lead to a significant reduction in premium rates, less favorable policy terms and conditions and fewer submissions for our underwriting services. In addition to these considerations, changes in the frequency and severity of losses suffered by insureds and insurers may affect the cycles of the insurance and reinsurance industries significantly.

A downgrade or potential downgrade in our financial strength and credit ratings by one or more rating agencies could materially and negatively impact our business, financial condition, results of operations and/or cash flows.

As our ability to underwrite business is dependent upon the quality of our claims paying and financial strength ratings as evaluated by independent rating agencies, a downgrade by any of these institutions could cause our competitive position in the insurance and reinsurance industry to suffer and make it more difficult for us to market our products.

A downgrade below "A-" of our principal insurance and reinsurance subsidiaries by either S&P or A.M. Best Company ("A.M. Best"), which is three notches below the current S&P financial strength rating of "A+" (Positive) and two notches below the A.M. Best financial strength rating of "A" (Stable), may trigger termination provisions in a significant amount of our assumed reinsurance and retrocessional agreements and may potentially require us to return unearned premium to cedants or post additional collateral. In addition, a material reduction in our shareholders’ equity may trigger termination provisions or require us to post additional collateral in a majority of our assumed reinsurance agreements. While the amount of reduction necessary to trigger such termination provisions varies from agreement to agreement, such provisions are generally triggered by a reduction in the range of 20 to 50 percent. Whether a client would exercise its termination rights after such a downgrade or decline in shareholders' equity would likely depend on, among other things, the reasons for the downgrade or decline, the extent of the downgrade or decline, prevailing market conditions, the degree of unexpired coverage, and the pricing and availability of replacement reinsurance coverage. Based on premium value, we estimate that approximately 66% of our in force reinsurance contracts at January 1, 2016 contained provisions allowing clients to terminate those contracts upon a decline in our ratings to below "A-."

In the event of such a downgrade, we cannot predict whether or how many of our clients would actually exercise such termination rights or the extent to which any such terminations would have a material adverse effect on our financial condition, results of operations, cash flows or future prospects or the market price for our securities. A downgrade

could also result in both a substantial loss of business for us, as ceding companies and brokers that place such business may move to other insurers and reinsurers with higher ratings, and the loss of key employees. In addition, due to collateral posting requirements under our letter of credit and revolving credit facility agreements, such a downgrade may require the posting of cash collateral in support of certain "in use" portions of these facilities (see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources," included herein). Specifically, a downgrade below "A-" by A.M. Best would constitute an event of default under the Company's two largest credit facilities and may trigger such collateral requirements. In certain limited instances, such downgrades may require us to return cash or assets to counterparties or to settle derivative and/or other transactions with the respective counterparties.

In addition to the financial strength ratings of our principal insurance and reinsurance subsidiaries, various rating agencies also publish credit ratings for XL-Cayman. Credit ratings are indicators of a debt issuer’s ability to meet the terms of debt obligations in a timely manner, are part of our overall funding profile and affect our ability to access certain types of liquidity. Downgrades in our credit ratings could have a material adverse effect on our financial condition and results of operations and cash flows in a number of ways, including adversely limiting our access to capital markets, potentially increasing the cost of debt or requiring us to post collateral.

Sovereign debt crises concerns regarding the instability of countries experiencing such crises, as well as the downgrading of sovereign nations' credit ratings, could have a material adverse effect on our business, financial condition and results of operations.

Global markets and economic conditions are currently and have in the past been negatively impacted by the uncertainty relating to sovereign debt levels in certain markets, such as those of developing nations including, but not limited to, Brazil and China, and of various E.U. member states (including Greece, Italy, Ireland, Portugal and Spain (the "European Periphery Nations")), and the ability of those countries to service their sovereign debt obligations and the stability of financial institutions operating within those countries. This uncertainty has resulted and could in the future result in volatile bond yields on such sovereign debt, as well as on those of the debt of corporations located or operating within such countries, and on the valuation of equity markets, and could have material adverse impacts on financial markets and economic conditions regionally or throughout the world. Such volatility could, in turn, have material adverse impacts on the performance of our investment portfolio, as well as some of our credit sensitive underwriting activities. In addition, should governments default on their obligations, there could be a negative impact on both our direct equity and fixed income holdings, as well as on non-government issues and financials held within the country of default.

An extended period of stagnant growth combined with low or negative inflation, a continuation of significant deficits and an ongoing period of stimulative monetary policy could lead to a re-emergence of the sovereign debt crisis concerning European countries, including the European Periphery Nations, and related European financial restructuring efforts, may cause the value of the European currencies, including the Euro, to further deteriorate, which in turn could adversely impact Euro-denominated assets held in our investment portfolio or our European book of business. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results - Balance Sheet Analysis - European Sovereign Debt Crisis," for an analysis of our fixed maturity portfolio's exposure to European Periphery Nations.

In addition, downgrades of sovereign debt - principally of E.U. member states, the United States, or other nations to which our investment portfolio is exposed - and concern about the potential default of government issuers, exits of member states from the E.U., or a possible breakup of the E.U. could create broader financial turmoil and uncertainty and could negatively impact the average credit rating quality of our investment portfolio, which could require us to change our minimum average credit quality target, and may result in foreign exchange and investment losses.

With respect to a potential exit of member states from the E.U., the U.K. is scheduled to hold a referendum on its membership in the E.U. Should the U.K. vote to withdraw from the E.U., it may impact the ease with which our U.K. subsidiaries are able to operate in Europe and could deter foreign insurance companies from opening operations in London, potentially damaging the U.K. insurance market, which is a significant market for us. Our business could be disrupted if it is determined that we need to redomicile our U.K. subsidiaries to another member of the E.U. as a result of an exit by the U.K. from the E.U. In addition, a vote to withdraw the U.K. from the E.U. could lead to uncertainty and potentially divergent national law and regulation as the U.K. determines which E.U. laws to replace or replicate, and could lead to market volatility and investment losses, which could negatively impact our business, financial condition, business opportunities, results of operations and/or cash flows.

With respect to the European sovereign debt crisis, the interdependencies among European economies and financial institutions and between such European economies and financial institutions and those of the rest of the world have also exacerbated concern regarding the stability of European financial markets generally and certain institutions in particular. One or more Euro-zone countries could come under increasing pressure to leave the European Monetary Union or the E.U., or the Euro as the single currency of the Euro-zone could cease to exist if the European Monetary Union were dissolved. These or other actions could ultimately result in the European Union ceasing to exist. Any of

these developments, or the perception that any of these developments are likely to occur, could lead to severe economic recession or depression. If one or more significant countries abandon the E.U., the Euro or the European Monetary Union dissolves, or if separatist movements in countries such as the U.K. and Spain prove successful, causing certain regions of such countries to secede, it may result in foreign exchange and investment losses, uncertainty with respect to the terms, value or enforceability of certain bonds, instruments or contracts, which could result in a material loss to us. Similarly, if a country leaving the Euro-zone imposes currency controls, such controls may have a material adverse impact on the value of and our ability to withdraw funds from that country.

Given the extent of our European operations, including that several of our subsidiaries are domiciled in Europe and that XL-Ireland has its registered office in Ireland, and our European investment holdings, clients and counterparties, persistent

volatility in the European financial markets, or the failure of any significant European financial institution arising from the wider implications of a crisis, even if not an immediate counterparty to us, could have a material adverse impact on our business, investment portfolio, liquidity or financial performance. A future Euro-zone sovereign crisis (including a sovereign debt crisis) could lead to political uncertainty, material changes to tax policies of Euro-zone countries, financial turmoil and social unrest, which could affect the successful implementation of stability measures. Sovereigns, financial institutions and companies may become subject to liquidity shortages and be unable to obtain refinancings or new fundings, leading to an increased risk of a default on their existing debt, and measures to reduce debt levels and fiscal deficits could result in a further slowdown of or negative economic growth.

For a discussion of the risks to our business during or following a financial market disruption and risks to our investment portfolio, see the risk factor entitled "We are exposed to significant capital markets risk related to changes in interest rates, credit spreads, equity prices and foreign exchange rates as well as other investment risks, which may adversely affect our results of operations, financial condition or cash flows."

Our efforts to develop new products or expand in targeted markets may not be successful and may create enhanced risks.

Our business initiatives involve developing new products or expanding existing products in targeted markets. This includes the following efforts, from time to time, to maintain or profitably grow market share:

- We may develop products that insure risks we have not previously insured or contain new coverage or coverage terms.
- We may refine our underwriting processes.
- We may seek to expand distribution channels.
- We may focus on geographic markets within or outside of the United States where we have had relatively little or no market share or operating history.
- We may engage in insurance-linked securities and other reinsurance capital markets transactions, either alone or with third party investors.

We may not be successful in introducing new products or expanding in targeted markets and, even if we are successful, these efforts may create enhanced risks. Among other risks:

- Demand for new products or business generated in new markets may not meet our expectations.
- Pricing for new or enhanced products may be inadequate and may result in unprofitable business.
- To the extent we are able to market new products or expand into new markets, our risk exposures may change, and the data and models we use to manage such exposures may not be as sophisticated as those we use in existing markets or with existing products. This, in turn, could lead to losses in excess of our expectations.
- Efforts to develop new products or markets have the potential to create or increase distribution channel conflict.
- In connection with the addition of new products to existing coverages or the conversion of existing policyholders to a new product, some policyholders' pricing may increase, while the pricing for other policyholders may decrease, the net impact of which could negatively impact retention and margins.
- To develop new products or markets, we may encounter unanticipated operational issues or unanticipated coverage risks, or we may need to make substantial capital and operating expenditures, which may also negatively impact results.

If our efforts to develop new products or expand in targeted markets are not successful, our results could be materially and adversely affected.

We are exposed to significant capital markets risk related to changes in interest rates, credit spreads, equity prices and foreign exchange rates as well as other investment risks, which may adversely affect our results of operations, financial condition or cash flows.

Our operating results are affected by the performance of our investment portfolio. Our assets are invested primarily by a number of external investment management service providers, and to a lesser extent by our in-house portfolio management team, under the direction of the Company’s management within the Investment Group in accordance, in general, with the Authorities Framework set by us under the oversight of the RFC. The Authorities Framework defines constraints and guidelines that restrict the asset classes that we may invest in by type, duration, geography and value. Although our investment policies stress diversification of risks and conservation of principal and liquidity, our

investments are subject to market-wide risks, as

noted below, and fluctuations, as well as to risks inherent in particular securities. The failure of any of the investment risk strategies that we employ could have a material adverse effect on our financial condition, results of operations and cash flows.

We are exposed to significant capital markets risks related to changes in interest rates, credit spreads and defaults, market liquidity, equity prices and foreign currency exchange rates. Our consolidated results of operations, financial condition or cash flows could be adversely affected by realized losses, impairments and changes in unrealized positions as a result of significant continued market volatility, changes in interest rates, changes in credit spreads and defaults, a lack of pricing transparency, a reduction in market liquidity, declines in equity prices, and the strengthening or weakening of foreign currencies against the U.S. dollar. Levels of write-down or impairment are impacted by our assessment of the intent to sell securities that have declined in value as well as actual losses as a result of defaults or deterioration in estimates of cash flows. We periodically review our investment portfolio structure and strategy. If, as a result of such review, we determine to reposition or realign portions of the investment portfolio and sell securities in an unrealized loss position, we will incur an other than temporary impairment charge or realized losses. Any such charge may have a material adverse effect on our results of operations and business.

For the year ended December 31, 2015, we incurred net realized and unrealized investment gains and losses, as described in Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations," included herein. We continue to closely monitor current market conditions and evaluate the long term impact of the market on all of our investment holdings. Depending on market conditions, we could incur additional realized and unrealized losses in future periods, which could have a material adverse effect on the Company’s results of operations, financial condition and business.

Our exposure to interest rate risk relates primarily to the market price and cash flow variability of fixed income instruments that are associated with changes in interest rates. Our investment portfolio contains interest rate sensitive instruments, such as fixed income securities, which have been and may continue to be adversely affected by changes in interest rates from central bank monetary policies, domestic and international economic and political conditions and other factors beyond our control. A rise in interest rates would increase the net unrealized loss position of our investment portfolio, which would be offset by our ability to earn higher rates of return on funds reinvested over time. Conversely, a decline in interest rates would decrease the net unrealized loss position of our investment portfolio, which would be offset by lower rates of return on funds reinvested. We maintain an investment portfolio with diversified maturities that has a weighted average duration that is determined in accordance with our SAA. In summary, we are economically exposed to interest rate risk on our capital and to the extent that our investment portfolio maturities are a poor hedge of actual liability loss payments.

Our exposure to credit spread risk relates primarily to the market price associated with changes in prevailing market credit spreads and the impact on our holdings of spread products such as corporate and structured and credit-sensitive government-related securities. Approximately 2.0% of our aggregate fixed income portfolio consists of below investment-grade high yield fixed income securities. These securities have a higher degree of credit or default risk and a greater exposure to credit spread risk. Certain sectors within the investment and below investment grade fixed income market, such as structured and corporate credit, may be less liquid in times of economic weakness or market disruptions. Our procedures to monitor the credit risk and liquidity of our invested assets in general and those impacted by recent credit market issues specifically may not protect us during periods of economic weakness or periods of turmoil in capital markets from default losses in both our investment grade and below investment grade corporate and structured holdings. This may result in a material reduction of net income, capital and cash flows.

We invest a portion of our investment portfolio in common stock or equity-related securities, including hedge funds and private investments (including funds). The value of these assets fluctuates, due to changes in the equity and credit markets along with other factors. In times of economic weakness, the market value and liquidity of these assets may decline, and may negatively impact net income, capital and cash flows. In addition, the amount of earnings from hedge funds and private investments (including funds) are not earned evenly across the year, or even from year to year. As a result, the amount of earnings that we record from these investments may vary substantially from quarter to quarter. The timing of distributions from such private investments (including funds) depends on particular events relating to the underlying investments. The ability of a hedge fund to satisfy any redemption request from its investors

depends on the underlying liquidity of the hedge fund’s investments. As a result, earnings, distributions and redemptions from these two asset classes may be more difficult to predict, and, if such funds are unable to satisfy our redemption requests, our results of operations, financial condition and cash flows may be adversely impacted. As hedge funds and certain private investment funds and other funds are collective investment vehicles managed by third parties, we do not control the proceeds once we make our investments, thus subjecting us to a higher level of fraud risk than is the case with our fixed income and equity holdings.

A portion of our investment portfolio is comprised of securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision

of exchanges, brokers and issuers, less developed corporate, contract and bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. These risks are likely to be more pronounced for investments in companies located in emerging markets.
Although the majority of our investments are U.S. dollar denominated, a portion of our investments are denominated in other currencies. In addition, many of our non-U.S. subsidiaries maintain both assets and liabilities in currencies different than their functional currency, which exposes us to changes in currency exchange rates.
The functional currencies of our principal insurance and reinsurance subsidiaries include the U.S. dollar, U.K. sterling, the Euro, the Swiss franc and the Canadian dollar. Exchange rate fluctuations of one currency relative to one or more other currencies may materially impact our financial position, results of operations and cash flows.
In addition, locally-required capital levels are invested in local currencies in order to satisfy regulatory requirements and to support local insurance operations regardless of currency fluctuations. Foreign exchange rate risk is reviewed as part of our risk management process and we utilize derivative instruments such as futures, options and foreign currency forward contracts to, among other things, manage our foreign currency exposure. It is possible that these instruments will not effectively mitigate all or a substantial portion of our foreign exchange rate risk, which could adversely impact the Company's financial position, results of operations and cash flows.
The determination of the amount of other than temporary impairments taken on our investments is based on subjective valuation judgments and could materially impact our financial position and results of operations.
Our management periodically reviews and assesses our portfolio to determine if other-than-temporary impairments ("OTTI") should be recognized on our investments. For discussion of our accounting policy regarding OTTI, see Item 8, Note 2(g), "Significant Accounting Policies - Other-Than-Temporary Impairments of Available for Sale."
There are risks and uncertainties associated with determining whether declines in the fair value of investments are other-than-temporary. These include, among others, subsequent changes in general economic conditions as well as specific business conditions affecting particular issuers, our liability profile, subjective assessment of issue-specific factors (seniority of claims, collateral value, etc.), future financial market effects, stability of foreign governments and economies, future rating agency actions and significant disclosure of accounting, fraud or corporate governance issues that may adversely affect certain investments. During periods of market disruption, it may also be more difficult to value certain securities if trading becomes less frequent or market data less observable. There may also be certain asset classes that become illiquid due to the financial environment. In addition, significant assumptions and management judgment are involved in determining if the decline is other-than-temporary. If management determines that a decline in fair value is temporary, then a security's value is not written down at that time. However, there are potential effects upon our future earnings and financial position should management later conclude that some of the current declines in the fair value of the investments are other-than-temporary declines.
Our management may not have assessed the correct amount of impairments to be taken in our financial statements and additional impairments may need to be recognized in the future, which could materially impact our financial position or results of operations. Historical trends may not be indicative of future impairments.
Certain of our investments may be illiquid or are in asset classes that have in times of market stress experienced significant market valuation fluctuations.
We hold certain investments that may lack liquidity or for which the availability of prices or inputs may be reduced in periods of market dislocation, such as non-agency residential mortgage-backed and collateralized debt obligations securities, as well as investments in affiliates, private equity and private debt securities, and investments in certain hedge funds, which may suspend or delay redemption requests under certain circumstances. Even some of our high quality assets have been more illiquid during periods of challenging market conditions. Generally, securities classified as Level 3 pursuant to the fair value hierarchy set forth in authoritative accounting guidance over fair value measurements may be less liquid, may be more difficult to value, requiring significant judgment, and may be more likely to result in sales at materially different amounts than the fair values determined by management.
If we require significant amounts of cash on short notice in excess of normal cash requirements or are required to post or return collateral in connection with certain of our reinsurance contracts, credit agreements, derivative transactions or our invested portfolio, we may have difficulty selling these investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both.

The reported values of our relatively illiquid types of investments and, in certain circumstances, our high quality, generally liquid asset classes, do not necessarily reflect the lowest current market bid price for the asset. If we were forced to sell certain of our assets in the market, we may not be able to sell them for the prices at which we have recorded them and we may be

forced to sell them at significantly lower prices, particularly at times of extreme market illiquidity. Any such sales could adversely impact the Company’s financial position.

If actual claims exceed our loss reserves, or if increases in the estimated levels of loss reserves are necessary, our financial results and cash flows could be adversely affected.

Our results of operations and financial condition depend upon our ability to assess accurately the potential losses associated with the risks that we insure and reinsure. We establish reserves for unpaid losses and loss adjustment expense ("LAE") liabilities, which are estimates of future payments of reported and unreported claims for losses and related expenses with respect to insured events that have occurred. The process of establishing reserves for property and casualty claims can be complex and is subject to considerable variability, as it requires the use of informed estimates and judgments. Actuarial estimates of unpaid loss and LAE liabilities are subject to potential errors of estimation, which could be significant, due to the fact that the ultimate disposition of claims incurred prior to the date of such estimation, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include the accuracy of the information on which the estimates were based, especially as estimates develop, jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, public attitudes, and economic conditions such as inflation.

Inflation in relation to medical costs, construction costs and tort issues in particular impact the property and casualty industry. However, broader market inflation also poses a risk of increasing overall loss costs. The impact of inflation on loss costs could be more pronounced for those lines of business that are considered "long tail" such as general liability, worker's compensation and professional liability, as they require a relatively long period of time to finalize and settle claims for a given accident year. Changes in the level of inflation could also result in an increased level of uncertainty in our estimation of loss reserves, particularly for long tail lines of business. The estimation of loss reserves may also be more difficult during times of adverse economic conditions due to unexpected changes in behavior of claimants and policyholders, including an increase in fraudulent reporting of exposures and/or losses, reduced maintenance of insured properties or increased frequency of small claims.

We have an actuarial staff in each of our operating segments and a Chief Actuary who regularly evaluates the levels of loss reserves, taking into consideration factors that may impact the ultimate losses incurred. Any such evaluation could result in future changes in estimates of losses or reinsurance recoverable and would be reflected in our results of operations in the period in which the estimates are changed. Losses and LAE, to the extent that they exceed the applicable reserves, are charged to income as incurred. The reserve for unpaid losses and LAE comprises case reserves and IBNR and represents the estimated ultimate losses and LAE less paid losses and LAE. During the loss settlement period, which can span many years in duration for casualty business, additional facts regarding individual claims and trends often will become known and case reserves may be adjusted by allocation from IBNR without any change in the overall reserve. In addition, application of statistical and actuarial methods may require the adjustment of the overall reserves upward or downward from time to time. Accordingly, the ultimate settlement of losses may be significantly greater than or less than reported loss and loss expense reserves.

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

Changes to industry practices of legal, judicial, social, political, legislative or other environmental conditions or disruptions that affect businesses' continuity and interdependencies (including supply chain dependencies) could cause unexpected issues related to claim and coverage as well as additional forms of loss experience to emerge. These issues may adversely affect our business by either expanding coverage beyond our underwriting intent or by increasing the number or size of claims, such as the effects that disruptions in the credit markets could have on the number and size of reported claims under directors and officers liability insurance ("D&O") and professional liability insurance lines of business. In some instances, these changes may not become apparent until sometime after we have issued the insurance or reinsurance contracts that are affected by the changes. Historically such claims and coverage issues have occurred at heightened levels during periods of very soft market conditions, which often reflect an inflection point in the typical cycle of insurance industry market conditions. In addition, our actual losses may vary materially from our current loss estimates based on a number of factors, including receipt of additional information from insureds or brokers, the attribution of losses to coverages that had not previously been considered as exposed and inflation in repair costs due to additional demand for labor and materials. As a result, the full extent of liability under an insurance

or reinsurance contract may not be known for many years after such contract is issued and a loss occurs.

Our delegation of underwriting and claims authority to third parties exposes us to operational and financial risks.

Part of our insurance business is underwritten and serviced by third parties. With respect to underwriting, our contractual arrangements with third parties will typically grant them limited rights to bind us to new and renewal policies, subject to contractual restrictions and obligations and requiring them to underwrite within the terms of our licenses. Should these third parties issue policies that contravene these contractual restrictions, we could nonetheless be deemed liable for such policies and

subject to fines and penalties for any breach of licensing requirements. It is possible that in such circumstance we might not be fully indemnified for such third parties' contractual breach.
With respect to claims, where we contractually delegate claims adjusting and sometimes give third parties claims funds to manage, we could be exposed to their or their producer's operational risk, including, but not limited to, contract wording errors, handling errors, technological and staffing deficiencies, insolvency and inadequate disaster recovery. We could also be exposed to potential liabilities relating to the claims practices of the third party.
The audit procedures, monitoring and other reporting protocols, and protocols concerning the content of our contracts with such third parties, that we have implemented may not be sufficient to mitigate our exposure to the aforementioned risks, which could adversely impact our reputation or client relationships or have a material adverse effect on our financial condition or results of operations.
Governmental and regulatory actions may impact the marketplace generally or us in particular.
In recent years, the insurance industry has come under increased regulatory and governmental scrutiny in many jurisdictions where we operate, including the United States, the U.K. and the Euro-zone. In the United States, Dodd-Frank has created the FIO within the Treasury that is focused on national coordination of the insurance sector, systemic risk mitigation and international regulatory cooperation. Although the FIO currently does not directly regulate the insurance industry, under Dodd-Frank it has been tasked with improving U.S. insurance regulation and has the power to preempt state insurance regulations that are inconsistent with international agreements regarding insurance regulation, subject to certain exceptions. While we have not yet been required to make material changes to our business or operations as a result of Dodd-Frank, due to the complexity and broad scope of Dodd-Frank and the time required for regulatory implementation, it is not certain what the scope of future rulemaking or interpretive guidance from regulatory agencies may be, and what impact this will have on our compliance costs, business, operations and profitability.
In addition, some U.S. state legislatures have considered or enacted laws that may alter or increase state regulation of insurance and reinsurance companies and holding companies. Moreover, the NAIC, as well as state regulators, regularly reexamine existing laws and regulations. In one particular example, the NAIC's SMI has created roadmaps (and continual updates thereto) outlining activities, issues and projects underway focused on five specific areas. Capital Requirements, Governance and Risk Management, Group Supervision, Statutory Accounting and Financial Reporting, and Reinsurance. It is expected that the NAIC will ultimately provide guidelines on all of these areas that will in turn trigger activity among insurers to implement compliant processes and platforms. Given the extensive agenda the SMI covers, there remains uncertainty as to this initiative's costs and the impacts it will have on us.
Under Dodd-Frank, the Financial Stability Oversight Council ("FSOC") has issued rules establishing the process and criteria by which companies may be designated as nonbank systemically important financial institutions ("SIFIs") subject to the examination, enforcement and supervisory authority of the FSOC. Similarly, the Financial Stability Board ("FSB"), consisting of representatives of national financial authorities of the G20 nations, has issued a series of frameworks and recommendations intended to produce significant changes in how financial companies, particularly global systemically important financial institutions ("G-SIFIs"), should be regulated. These frameworks and recommendations address issues such as financial group supervision, basic capital requirements and solvency standards, systemic economic risk, corporate governance including compensation, and a host of related issues associated with responses to the financial crisis. In addition, the FSB has directed the International Association of Insurance Supervisors ("IAIS") to create standards relative to these areas for global systemically important insurers ("G-SIIs") and incorporate them within that body’s Insurance Core Principles. The IAIS is also in the process of developing a comprehensive, group-wide supervisory and regulatory framework for internationally active insurance groups ("IAIGs"), whether or not they are identified as G-SIIs, referred to as the Common Framework for the Supervision of Internationally Active Insurance Groups ("ComFrame"). As proposed, ComFrame also will include a quantitative international capital standard ("ICS"), which is currently under development. If the IAIS adopts ComFrame and the ICS, the framework is expected to come into force post-2019, if implemented by the IAIS member supervisors. The IAIS itself will not be responsible for identifying IAIGs under ComFrame. Rather, the group-wide supervisor will lead the identification process in cooperation with the supervisory colleges. While we have not nor expect that we will be designated as a SIFI, G-SIFI, or G-SII, certain of our competitors may be so designated, which

may impact market behavior and/or access to capital. As a result of our acquisition of Catlin, we believe that we may meet the criteria to be designated as an IAIG by the time ComFrame is implemented, and consequently and we may become subject to the proposed ICS and enhanced regulatory supervision.

Any such governmental actions or future regulatory initiatives may impact certain investment instruments in our investment portfolio, or our competitive position, business or financial position. If global economic and market conditions become uncertain, volatile, or deteriorate, we may experience material adverse impacts on our results of operations, financial condition and cash flows.

We may be unable to purchase reinsurance and, even if we are able to successfully purchase reinsurance, it may be inadequate to protect us against losses or uncollectible reinsurance when due.
We purchase reinsurance, including retrocessional reinsurance, for our own account in order to mitigate the volatility that losses impose on our financial condition. Retrocessional reinsurance involves a reinsurer ceding to another reinsurer, the retrocessionaire, all or part of the reinsurance that the first reinsurer has assumed. Reinsurance, including retrocessional reinsurance, does not legally discharge the ceding company from its liability with respect to its obligations to its insureds or reinsureds. A reinsurer’s or retrocessionaire’s insolvency, inability or refusal to make timely payments or otherwise perform under the terms of its agreements with us, therefore, could have a material adverse effect on us because we remain liable to our insureds and reinsureds and may result in a recapture of the reinsured or retroceded business. For further information regarding our reinsurance exposure, see Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations."
From time to time, market conditions may limit or prevent us from obtaining the types and amounts of reinsurance that we consider adequate for our business needs. For example, after a year with a significant number of major catastrophes, reinsurance may be more difficult or costly to obtain. As a result, we may not be able to obtain reinsurance or retrocessional reinsurance from entities with satisfactory creditworthiness in amounts that we deem desirable or on terms that we deem appropriate or acceptable.
We also use capital market solutions, such as catastrophe bonds, as part of our overall risk management strategy. The use of catastrophe bonds may not provide the same levels of protections as traditional reinsurance, and like traditional reinsurance, the accessibility of the catastrophe bond market may be impacted by disruptions, volatility or uncertainty, such as following a major catastrophic event. Also, to the extent that we use catastrophe bond transactions based on an industry loss index rather than on our actual incurred losses, such transactions would result in residual risk.
Our inability to obtain adequate reinsurance or other protection could have a material adverse effect on our business, financial condition or results of operations.
The impairment of other financial institutions could adversely affect us.
We have exposure to counterparties in various industries, including banks, hedge funds and other investment vehicles, and in reinsurance and other transactions, including derivative transactions. Many of these transactions expose us to credit risk in the event our counterparty fails to perform its obligations. Even if we are entitled to collateral when a counterparty defaults, such collateral may be illiquid or proceeds from such collateral when liquidated may not be sufficient to recover the full amount of the obligation. We also have exposure to financial institutions in the form of secured and unsecured debt instruments and equity securities. See Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations."
Since we depend on a few brokers for a large portion of our revenues, loss of business provided by any one of them could adversely affect us.
We market our insurance and reinsurance products worldwide primarily through insurance and reinsurance brokers. , As detailed in Item 8, Note 17, "Commitments and Contingencies," to the Consolidated Financial Statements included herein, AON Corporation, Marsh & McLennan Companies and the Willis Group and their respective subsidiaries each provided significant portions of our gross written premiums for property and casualty operations. Loss of all or a substantial portion of the business provided by one or more of these brokers could have a material adverse effect on our business.
Our reliance on brokers subjects us to credit risk.
In certain jurisdictions, when an insured or ceding insurer pays premiums for policies of insurance or contracts of reinsurance to brokers for further payment to us, such premiums might be considered to have been paid and the insured or ceding insurer will no longer be liable to us for such amounts, whether or not we have actually received the premiums from the broker. In addition, in accordance with industry practice and contract terms, we generally pay amounts owed on claims under our reinsurance contracts to brokers, and these brokers, in turn, pay these amounts over to the clients that have purchased reinsurance from us. Although in some jurisdictions the law is unsettled and depends upon the facts and circumstances of the particular case, if a broker fails to make such a claims payment to the insured or ceding insurer, we generally remain liable to the insured or ceding insurer for that non-payment. Consequently, we assume a degree of credit risk associated with the brokers with whom we transact business. Due to

the unsettled and fact-specific nature of the law governing these types of scenarios and our lack of historical experience with such risks, we are unable to quantify our exposure to this risk.
We are subject to a number of risks associated with the global nature of our business.
A material portion of our revenues is derived from our clients in Europe, North America and Bermuda. Weak demand or market disruption in these regions could have a material adverse impact on our results of operations. We have also continued to

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pursue opportunities in other countries, including in developing markets such as Asia, Africa and Latin America. Differing economic conditions and patterns of economic growth and contraction in the regions in which we operate could make it more difficult to forecast accurately product demand and effectively develop business, which could adversely affect our results of operations.

In conducting business in developing markets we are subject to a number of significant risks. These risks include restrictions such as price controls, capital controls, exchange controls, ownership limits and other restrictive governmental actions, which could have an adverse effect on our business and our reputation. The occurrence of one or more of these or other risks in one country may affect our operations in another country or countries. In addition, some countries, particularly developing economies, have laws and regulations that lack clarity and, even with local expertise and effective controls, it can be difficult to determine the exact requirements of the local laws. Other risks are less developed forms of government supervision, regulation and legal process including less developed corporate, contract and bankruptcy laws, difficulty in enforcing contractual obligations, and the lack of uniform accounting and auditing standards. Failure to comply with local laws in a particular market could have a significant and negative effect not only on our business in that market but also on our reputation generally.

Other risks involved with conducting business in developing markets include political and social instability, political violence, strikes, riots, kidnap and ransom, civil unrest, expropriation and terrorism as well as greater price volatility of investment positions, less liquid markets and less available information than is generally the case in developed markets. In addition, competition for skilled employees in developing markets may be intense. These risks may lead to higher than anticipated transaction costs and could have a material adverse effect on our business, financial condition and results of operations.

Actual results could materially differ from the analytical models we use to assist our decision making in key areas such as underwriting, pricing, capital, hedging, reserving, and catastrophe risks, which could have a material adverse effect on our business, financial condition and results of operations or liquidity.

We use various modeling techniques (e.g., scenarios, predictive, stochastic and/or forecasting) and data analytics to analyze and estimate exposures, assess product pricing and pricing adequacy, loss trends and other risks associated with our assets and liabilities. We use the modeled outputs and related analyses to assist us in decision making (e.g., capital setting, capital allocation, underwriting, reserving, pricing, reinsurance purchasing, investment decisions and managing catastrophe exposure). The modeled outputs and related analyses - both from proprietary and third party models - are subject to various assumptions, uncertainties, model errors and the inherent limitations of any statistical analysis, including the availability, use, accuracy and relevance of historical, internal and industry data, and incorporate numerous assumptions and forecasts about the future level and variability of interest rates, inflation, capital requirements, loss frequency and severity, currency exchange rates, policyholder behavior, meteorological and seismological relationships, the state of the judicial climate and equity markets, among others. In addition, the modeled outputs and related analyses may from time to time contain inaccuracies, perhaps in material respects, including as a result of inaccurate inputs or applications thereof. Further, the effectiveness of any model can be degraded by operational risks including, but not limited to, the improper use of the model, including input errors, data errors, and human error. Misuse of the model's outputs includes potential overreliance upon the model's outputs beyond its domain of statistical relevance. Consequently, actual results may differ materially from our modeled results. If, based upon these models or other factors, we miscalculate the amount of capital we are required to hold, or we misprice our products or underestimate the frequency and/or severity of loss events, or incorrectly estimate the risks we are exposed to, new business growth and retention of our existing business may be adversely affected, which could have a material adverse effect on our results of operations and financial condition.

Whether we use a proprietary or third party model, future experience may be materially different from past experience, and events occurring or continuing to occur, or the correlation among events. Third party models may provide substantially different indications than what our proprietary modeling processes provide. As a result, third party model estimates of losses can be, and often have been, materially different for similar events in comparison to our proprietary estimates. The differences between third party model estimates and our proprietary estimates are driven by the use of different data sets as well as different assumptions and forecasts regarding the frequency and severity of events and claims arising from the events.

If we fail to appropriately price the risks we insure, or fail to change our pricing model to appropriately reflect our current experience, or if our claims experience is more frequent or severe than our underlying risk assumptions, our profit margins may be negatively affected. If we underestimate the frequency and/or severity of extreme adverse events occurring, our financial condition may be adversely affected. If we overestimate the risks to which we are exposed, we may overprice our products, and new business growth and retention of our existing business may be adversely affected. Consequently, actual results may differ materially from our modeled results. The profitability and financial condition of the Company substantially depends on the extent to which our actual experience is consistent with assumptions we use in our models and ultimate model outputs. If,

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based upon these models or other factors, we misprice our products or our estimates of risks we are exposed to prove to be materially inaccurate, our business, financial condition, results of operations or liquidity may be adversely affected.

Our holding company structure and certain regulatory and other constraints affect our ability to pay dividends, make payments on our debt securities and make other payments.

Our ability to pay dividends or return capital from shareholders' equity is limited by applicable laws and regulations of the various jurisdictions in which our principal operating subsidiaries operate, certain additional required regulatory approvals and financial covenants contained in our letters of credit and revolving credit facilities.

As holding companies, XL-Ireland and XL-Cayman have no operations of their own and their assets consist primarily of investments in subsidiaries. Accordingly, XL-Ireland and XL-Cayman rely on the availability of dividends and other permissible payments from subsidiaries to make principal and interest payments on debt, to pay operating expenses and XL-Ireland ordinary and XL-Cayman preferred shareholder dividends, to make capital investments in subsidiaries and to pay other obligations that may arise from time to time. The payment of dividends by our insurance and reinsurance subsidiaries is regulated under the laws of various countries, including Bermuda, the U.K., Ireland, Switzerland and in the other countries where we have regulated subsidiaries, by certain insurance statutes of various states in the United States in which our insurance and reinsurance subsidiaries are licensed to transact business and by the Society of Lloyd's. For further information regarding regulatory restrictions governing the payment of dividends by the Company's significant property and casualty subsidiaries in Ireland, the U.K., Bermuda and the U.S., see Item 8, Note 23, "Statutory Financial Data," to the Consolidated Financial Statements, and Item 1, "Business – Regulation."

XL-Ireland is subject to certain legal constraints that affect its ability to pay dividends on or redeem or buyback our ordinary shares. While XL-Ireland's Articles of Association authorize the Board to declare and pay dividends as justified from the profits, under Irish law, XL-Ireland may only pay dividends or buyback or redeem shares using distributable reserves. As of December 31, 2015, XL-Ireland had $2.9 billion in distributable reserves. In addition, no dividend or distribution may be made unless the net assets of XL-Ireland are not less than the aggregate of its share capital plus undistributable reserves and the distribution does not reduce XL-Ireland's net assets below such aggregate amount.

In addition, XL-Cayman is subject to certain constraints that affect its ability to pay dividends to XL-Ireland or to holders of its preferred shares. Under Cayman Islands law, XL-Cayman may not declare or pay a dividend if there are reasonable grounds for believing that XL-Cayman is, or would after the payment be, unable to pay its liabilities as they become due in the ordinary course of business. Also, the terms of XL-Cayman's preferred shares prohibit it from declaring or paying dividends on the ordinary shares that XL-Ireland holds unless full dividends have been declared and paid on the outstanding preferred shares.

The ability to declare and pay dividends may also be restricted by financial covenants in our letters of credit and revolving credit facilities. We were in compliance with all such financial covenants by significant margins at December 31, 2015, and currently remain in compliance.

We may require additional capital in the future, which may not be available to us on satisfactory terms, on a timely basis or at all.

Our future capital requirements depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover our losses. To the extent that the funds generated by our ongoing operations are insufficient to fund future operating requirements and cover claim payments, or that our capital position is adversely impacted by mark-to-market changes on the investment portfolio, catastrophe events or otherwise, we may need to raise additional funds through financings or curtail our growth and reduce our assets. Any future financing may not be available on terms that are favorable to us, if at all. Our letter of credit facilities are needed to a significant extent for U.S. cedants, and are effective for such cedants only if the banks issuing letters of credit are on the list of NAIC approved banks. If some or all of the issuing banks under our credit facilities cease to be NAIC approved, whether arising from macroeconomic or bank specific events, and we are unable to replace non-approved banks with NAIC approved banks, our letter of credit facility capacity could be significantly diminished. In addition, in the case of a macroeconomic event, such as dissolution of the European Monetary Union, the availability of alternative lending sources may be significantly reduced or non-existent, and the cost of

replacement facilities may be significantly increased or prohibitive. Any future equity financings could be dilutive to our existing shareholders or could result in the issuance of securities that have rights, preferences and privileges that are senior to those of our other securities. Our inability to obtain adequate capital could have a material adverse effect on our business, financial condition and results of operations.

Competition in the insurance and reinsurance industries could reduce our operating margins.

The insurance and reinsurance industries are highly competitive. We compete on an international and regional basis with major U.S., Bermudian, European and other international insurers and reinsurers and with underwriting syndicates, some of which have greater financial and management resources and higher ratings than we have. We also compete with new companies

that continue to be formed to enter the insurance and reinsurance markets and with alternative products that are intended to compete with reinsurance products, such as insurance/risk-linked securities, catastrophe bonds and derivatives. In recent years, capital market participants have been increasingly active in the reinsurance market and markets for related risks. Increased competition could result in fewer submissions, lower premium rates and less favorable policy terms and conditions, which could reduce our margins.

Operational risks, including human or systems failures, are inherent in our business.

Losses can result from operational risk such as, among other things, fraud, errors, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements, information technology failures, failure to appropriately transition new hires or external events. Areas of operational risk can be heightened after a major acquisition, or in discontinued or exited businesses as a result of reduced overall resource allocation and the loss of relevant knowledge and expertise by departing management or employees.

We operate globally, and have two office locations in India, one in Poland and one in Kuala Lumpur that currently provide large portions of our back office support. Our global operations present significant operational risk due to the possibility of political instability, disruptions in communication or information processes, whether due to technical difficulties, power failures or destruction or damage to our offices for any reason. If any disruption occurs, our business continuity and disaster recovery plans may not be effective, particularly if natural or man-made catastrophic events occur, and such disruption could harm our results of operations or our reputation in the marketplace.

We believe that our modeling, underwriting and information technology and application systems are critical to our business, as our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Moreover, our information technology and application systems have been important to our underwriting process and our ability to compete successfully. Our business depends on effective information systems and the integrity and timeliness of the data we use to run our business. Our ability to adequately price products and services, to establish reserves, to provide effective and efficient service to our clients, and to timely and accurately report our financial results also depends significantly on the integrity of the data in our information systems and processes supporting them. Failure of any of these systems or inaccuracies in the data stored therein may jeopardize our ability to service and interact with clients and report to regulators, which could result in significant losses, reputational damage or regulatory non-compliance. In addition, we have licensed certain systems and data from third parties. We cannot be certain that we will have access to these, or comparable, service providers, or that our information technology or application systems will continue to operate as intended.

We have outsourced custody and record-keeping of our investment portfolio to third-party managers, custodians and investment accounting service providers that we believe to be reputable. We have also outsourced a significant portion of the day-to-day management of our investment portfolio to third party managers. A major defect in those investment managers’ investment management strategy or decision-making could result in management distraction and/or significant financial loss. We also have outsourced claims handling for certain of our business, including portions of our Run-Off Life Operations, to third parties and we rely on a few brokers for a large portion of our revenues. A major defect in our brokers’, claims managers', investment managers’, custodians’ or investment accounting services providers' internal controls or information and technology systems could result in management distraction or significant financial loss or other negative impact on our business.

Any ineffectiveness in our internal controls, information technology, application systems, investment management (including, without limitation, in setting our investment strategy or in our investment managers' execution of such strategy) or custody and record keeping could have a material adverse effect on our business. Similarly, any ineffectiveness in the internal controls, information technology, application systems, investment management strategy or execution or custody or record keeping of any of our aforementioned vendors could also have a material adverse effect on our business.

Information security risks, data protection breaches and cyber attacks could adversely affect our business and results of operations.

Our approach to cyber risk and information security follows a defense-in-depth strategy to defend against any attacks. This includes a layered tactical scheme using multiple security controls that are designed to compensate when any control fails or a vulnerability is exploited. However, every company's (including our) internal control and information

technology and application systems may be vulnerable to threats from computer viruses, natural disasters, unauthorized access, cyber attacks and other similar disruptions. Experienced computer programmers and hackers may be able to penetrate our network's system security measures and misappropriate or compromise confidential information, create system disruptions or cause shutdowns. In addition to our own confidential information, as a (re)insurer, we receive and are required to protect confidential information from clients and other third parties. To the extent any disruption or security breach results in a loss or damage to our data, or inappropriate disclosure of our confidential information or that of others, it could impact our operations, cause significant damage to our reputation, affect our relationships with our customers and clients, lead to claims against us, result in regulatory

action and ultimately have a material adverse effect on our business or operations. In addition, we may be required to incur significant costs to mitigate the damage caused by any security breach, or to protect against future damage.
Unanticipated losses from terrorism and uncertainty surrounding the future of the TRIPRA could have a material adverse effect on our financial condition, results of operations and cash flows.
The U.S. Terrorism Risk Insurance Act of 2002 ("TRIA"), as amended, established the Terrorism Risk Insurance Program ("TRIP"), which became effective on November 26, 2002 and was a three-year federal program effective through 2005. On December 22, 2005, President George W. Bush signed a bill extending TRIA for two more years, continuing TRIP through 2007. On December 26, 2007, President George W. Bush signed the Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIPRA") which further extended TRIP for seven years until December 31, 2014 and also eliminated the distinction between foreign and domestic acts of terrorism. On January 12, 2015, President Barack H. Obama signed TRIPRA 2015, which is effective retroactively to December 31, 2014 and extends authorization of the TRIP for six years through December 31, 2020. TRIPRA 2015 makes modifications to TRIP by, among other things, establishing a National Association of Registered Agents and Brokers and exempting certain swap participants from capital requirements established under the Dodd-Frank Act.
In response to the lack of availability in certain insurance and reinsurance markets resulting from, among other things, the September 11 event, the TRIP was created upon the enactment of the TRIA of 2002 to ensure the availability of commercial insurance coverage for certain terrorist acts in the U.S. This law established a federal program that has now been extended to December 31, 2020, to help the commercial property and casualty insurance industry cover claims related to future terrorism-related losses and to require insurers to offer coverage for terrorist acts.
TRIA voided in force terrorism exclusions as of November 26, 2002 for certified terrorism on all TRIA specified property and casualty business. TRIA required covered insurers to make coverage available for certified acts of terrorism on all new and renewal policies issued after TRIA was enacted. TRIA along with further extensions to TRIP, as noted above, allows us to assess a premium charge for terrorism coverage and, if the policyholder declines the coverage or fails to pay the buy-back premium, certified acts of terrorism may then be excluded from the policy, subject, however, to state specific requirements. Terrorism coverage cannot be excluded from workers' compensation policies. Subject to a premium-based deductible and provided that we have otherwise complied with all the requirements as specified under TRIPRA, we are eligible for reimbursement by the Federal Government for up to 85% (which decreases to 80% in 2020) of our covered terrorism-related losses arising from a certified terrorist attack. Such payment by the government will, in effect, provide reinsurance protection on a quota share basis. The maximum liability during a program year, including both the Federal Government's and insurers' shares, is capped on an aggregated basis at $100 billion. While regulations have been promulgated by the Department of the Treasury ("Treasury") requiring that Treasury advise participating insurers, such as the Company, in advance of reaching the $100 billion aggregate limit that such aggregate limit could be reached during the program year, there is a risk that the Company will not be given adequate notice of the potential exhaustion of that aggregate limit. Accordingly, the Company could overpay with regard to such losses, and it is unlikely Treasury would reimburse the Company for such losses; moreover, it is unclear whether the Company, in the event of an overpayment, would be able to recover the amount of any such overpayment. In addition, there is a risk that the occurrence of an event that results in an industry loss that exceeds the $100 billion cap will result in the Company not being reimbursed and reduced coverage for policyholders with terrorism coverage.
We believe that TRIP and the related legislation have been an effective mechanism to assist policyholders and industry participants with the extreme contingent losses that might be caused by acts of terrorism. Nevertheless, TRIPRA 2015 may not be extended beyond 2020, and its expiration or a significant change in terms could have an adverse effect on us, our clients or the insurance industry.
The regulatory regimes under which we operate, and potential changes thereto, could have a material adverse effect on our business.
Our insurance and reinsurance subsidiaries operate in more than 20 countries around the world as well as in all 50 U.S. states. Our operations in each of these jurisdictions are subject to varying degrees of regulation and supervision. The laws and regulations of the jurisdictions in which our insurance and reinsurance subsidiaries are domiciled require, among other things, that these subsidiaries maintain minimum levels of statutory capital, surplus and liquidity,

meet solvency standards, submit to periodic examinations of their financial condition and restrict payments of dividends, distributions and reductions of capital in certain circumstances. Statutes, regulations and policies that our insurance and reinsurance subsidiaries are subject to may also restrict the ability of these subsidiaries to write insurance and reinsurance policies, make certain investments and distribute funds.

Capital adequacy and risk management regulations, called Solvency II, were implemented throughout the EEA on January 1, 2016. We devote a significant amount of time and resources to comply with Solvency II, and our implementation of Solvency II. The CBI is our group regulator under Solvency II. See Item 1, "Business – Regulation," included herein. Regulations and legislation relating to capital adequacy and risk management are also in the process of being developed or

implemented in other jurisdictions. To date, the insurance regulatory regimes of Bermuda and Switzerland are the non-E.U. jurisdictions that have been determined to be fully equivalent with Solvency II. In particular, other jurisdictions in which we operate, including the U.S., Canada, Brazil, Mexico and Australia, to date have been granted only provisional equivalence for Solvency II group solvency calculations. There remains significant uncertainty as to the impact that these various regulations and legislation will have on us. Such impacts could include constraints on our ability to move capital between subsidiaries or requirements that additional capital be provided to subsidiaries in certain jurisdictions, which may adversely impact our profitability.

In addition, under Solvency II, effective January 1, 2016, E.U. cedants placing reinsurance with (re)insurers that are domiciled in either the E.U. (or in countries that are deemed equivalent to the Solvency II regime for these purposes) receive full credit for such reinsurance. Our operating subsidiaries that are not domiciled in the E.U. (and that are not otherwise domiciled in Solvency II equivalent jurisdictions) that provide reinsurance to E.U. cedants may be required by such cedants to post collateral in order for such cedants to receive full credit for the reinsurance ceded. This could increase the cost of doing business,which could have a material adverse effect on our results of operations. Similarly, there is a risk that our operating subsidiaries purchasing reinsurance protection from (re)insurers not domiciled in the E.U. (and that are not domiciled in jurisdictions that are deemed Solvency II equivalent) will not receive full credit for such reinsurance which could have a material impact on our business, financial condition and results of operations. See Item 1, "Business - Regulation - Solvency II Equivalence," included herein for more information regarding the Solvency II equivalence process.

Our Bermuda-based operating subsidiaries are subject to the BMA’s risk-based capital standards for (re)insurance companies, which impose required levels of statutory capital and surplus on our Bermuda-based operating standards. Our Switzerland-based operating subsidiaries are subject to regulation by the FINMA, whose regulations include Swiss Solvency test. Our U.K. based regulated entities, which includes our Lloyd's syndicates, are subject to the PRA's risk-based capital requirements under the Solvency II regime. While we currently have excess capital and surplus under these requirements, such requirements or similar regulations, in their current form or as they may be amended in the future, may have a material adverse effect on our business, financial condition or results of operations.

We may not be able to comply fully with, or obtain desired exemptions from, statutes, regulations and policies that govern the conduct of our business. Failure to comply with, or to obtain desired authorizations and/or exemptions under, any applicable laws could result in restrictions on our ability to do business or undertake activities that are regulated in one or more of the jurisdictions in which we operate and could subject us to fines and other sanctions. In addition, changes in the laws or regulations to which we are, or may become subject, or in the interpretations thereof by enforcement or regulatory agencies, could have a material adverse effect on our business, financial condition and results of operations.

The statutory credit afforded to certain aspects of our capital may change in the future.

The components of our capital fall within various categories under Solvency II and other regulatory capital regimes. Each of these categories is afforded different treatment and this treatment may change in the future. For example, under Solvency II our subordinated notes due 2025 and 2045 constitute Tier 2 capital. If at any time in the future we require each series of the subordinated notes to constitute Tier 2 capital under the laws implementing Solvency II in a European Union Member State other than Ireland, or under another regulatory capital regime, these subordinated notes may not meet the requirements of that jurisdiction, which may impact our ability to include each series of subordinated notes as Tier 2 capital. It is possible that the Solvency II framework will be amended or replaced in the future and there is no assurance that the subordinated notes will continue to qualify as Tier 2 Capital or basic own funds under any amended or replacement framework. If any our capital fails to receive the treatment its does today, we may be required to raise additional capital that would be afforded the necessary treatment under Solvency II or another regulatory capital regime. Any such capital raise would be subject to market and other conditions, and there can be no assurance that we would be able to raise such capital when needed.

We are subject to laws and regulations relating to sanctions, anti-corruption and money laundering, the violation of which could adversely affect our operations.

Our activities are subject to applicable economic and trade sanctions, money laundering regulations, and anti-corruption laws in the jurisdictions where we operate, including the U.K. and the European Community and the

U.S., among others. for example, we are subject to the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, compliance with which may impose significant costs, limit or restrict our ability to do business or engage in certain activities, or subject us to the possibility of civil or criminal actions or proceedings. Although we have in place systems and controls designed to comply with applicable laws and regulations, we, our employees, and our agents acting on our behalf may not be in full compliance with all applicable laws and regulations as interpreted by the relevant authorities and, given the complex nature of the risks, it may not always be possible for us to attain compliance with such laws and regulations. Furthermore, these risks are heightened due to the fact that the sanctions relief implemented as a result of the Iran Nuclear Agreement differs for our U.S. subsidiaries and persons as compared to our E.U. subsidiaries and persons. Failure to accurately interpret or comply with or obtain appropriate authorizations and/or exemptions under such laws or regulations could subject us to investigations, criminal sanctions or civil

remedies, including fines, injunctions, loss of an operating license, reputational consequences, and other sanctions, all of which could damage our business or reputation. Such damage could have a material adverse effect on our financial condition and results of operations.

Potential government intervention in our industry and instability in the marketplace for insurance products could hinder our flexibility and negatively affect the business opportunities that may be available to us in the market.

Government intervention and the possibility of future government intervention have created uncertainty in the insurance and reinsurance markets. Government regulators are generally concerned with the protection of policyholders to the exclusion of other constituencies, including shareholders of insurers and reinsurers. While we cannot predict the exact nature, timing or scope of possible governmental initiatives, such proposals could adversely affect our business by, among other things:

- providing insurance and reinsurance capacity in markets and to consumers that we target, e.g., the creation or expansion of state or federal catastrophe funds such as those in the state of Florida;
- requiring our participation in industry pools and guarantee associations;
- expanding the scope of coverage or altering the enforceability of deductibles under existing policies;
- regulating the terms of insurance and reinsurance policies;
- ordering the suspension of or otherwise altering the application of insurance laws or regulations; or
- disproportionately benefiting the companies of one country over those of another.

The insurance industry is also affected by legislative, political, judicial and legal developments that may create new and expanded theories of liability, which may result in unexpected claims frequency and severity and delays or cancelations of products and services by insureds, insurers and reinsurers, which could adversely affect our business. For further information regarding government regulation and/or intervention in response to the financial and credit crises, see risk factor entitled "Governmental and regulatory actions may impact the marketplace generally or us in particular" above.

Consolidation in the insurance industry could adversely impact us.

Insurance industry participants have consolidated through recent mergers and acquisitions and may continue to seek to consolidate. Continued consolidation within the insurance industry will further enhance the already competitive underwriting environment as we would likely experience more robust competition from larger, better capitalized competitors. These consolidated entities may use their enhanced market power and broader capital base to negotiate price reductions for our products and services, and reduce their use of reinsurance, and, as such, we may experience rate declines and possibly write less business.

The loss of one or more key executives or the inability to attract, motivate and retain qualified personnel could adversely affect our ability to conduct business.

Our success depends on our ability to attract new, highly skilled individuals and to motivate and retain our existing key executives and qualified personnel. The loss of the services of any of our key executives or the inability to attract, motivate and retain other highly skilled individuals in the future could adversely affect our ability to conduct our business. In addition, we do not necessarily maintain key man life insurance policies with respect to our senior employees.

A decrease in the fair values of our reporting units may result in future goodwill impairments.

When we acquire an entity, the excess of the purchase price over the net identifiable assets acquired is allocated to goodwill. The goodwill is then assigned to a level of reporting referred to as a "reporting unit" for purposes of impairment testing. We conduct impairment tests on our goodwill at least annually, or more frequently if impairment indicators exist. In performing a goodwill impairment test, we use various methods and make various assumptions to determine the fair value of our reporting units, including the determination of expected future cash flows and/or profitability of such reporting units, and we take into account market value multiples and/or cash flows of entities that we deem to be comparable in nature, scope or size to our reporting units. However, expected future cash flows and/or profitability may be materially and negatively impacted as a result of, among other things, a decrease in pricing or renewal activity and new business opportunities, a decrease in the retention of our underwriting teams, lower-than-expected yields and/or cash flows from our investment portfolio or higher-than-expected claims activity

and incurred losses and general economic factors that impact the reporting unit. In addition, previously determined market value multiples and/or cash flows may no longer be relevant as a result of these potential factors. As a result of these potential changes, the estimated fair value of one or more of our reporting units may decrease, causing the carrying value of the net assets assigned to the reporting unit - which includes the value of the assigned goodwill - to exceed the

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fair value of such net assets, thus creating a goodwill impairment. If we determine such an impairment exists, we adjust the carrying value of goodwill to its implied fair value. The impairment charge is recorded in our income statement in the period in which the impairment is determined. If we are required in the future to record additional goodwill impairments, our financial condition and results of operations would be negatively affected. In connection with fair value measurements and the accounting for goodwill, the use of generally accepted accounting principles requires management to make certain estimates and assumptions. Significant judgment is required in making these estimates and assumptions, and actual results may ultimately be materially different from such estimates and assumptions.

We are exposed to risks in connection with our alternative capital arrangements and with respect to services provided to third parties.

We have and may continue to establish, operate, invest in or manage third party capital vehicles. In connection with these arrangements, a primary portion of the business written by the insurers affiliated with these third party capital vehicles will be reinsurance or retrocessional contracts ceded by XL entities. XL will continue to underwrite business for its own portfolios in accordance with its own policies, strategies and business plans and XL Catlin may, and likely will, write business for itself which would otherwise have been suitable for one or more of these third party capital vehicles. As a result, there may be situations in which the interests of one or more third party capital vehicle may conflict with the interests of another such vehicle or XL Catlin. Additionally, XL Catlin entities and/or their respective partners, principals, employees, officers, directors, shareholders and affiliates (“XL Persons”) may have investment interests in, hold directorships with, serve as executives of, or otherwise be involved with, these third party capital vehicles. As a result, conflicts may also arise in cases where an XL Person simultaneously performs services for a third party capital vehicle and for XL Catlin. Such forgoing conflicts could have a negative effect on our relationship with such third party capital vehicles or our reputation generally and could materially impact our investments in those vehicles.

Our asset manager affiliate (New Ocean Capital Management Limited), our insurance manager affiliate (XL Underwriting Managers Ltd.) or our other affiliated investment vehicles in which we may be involved may owe certain legal duties and obligations to counterparties or third party investors (including reporting obligations), and will be subject to complex laws and regulations relating to such duties and obligations. Compliance with some of these laws and regulations, all of which are subject to change, requires significant management time and attention. Although New Ocean will seek to continually monitor its policies and procedures to attempt to ensure compliance, faulty or mistaken judgments or representations, errors or the failure of its personnel to adhere to its policies and procedures could result in its failure to comply with applicable laws or regulations which could result in significant liabilities, penalties or other losses and harm our business and results of operations.

Provisions in our Articles of Association may reduce the voting rights of our ordinary shares.

Our Articles of Association generally provide that shareholders have one vote for each ordinary share held by them and are entitled to vote, on a non-cumulative basis, at all meetings of shareholders. However, the voting power that may be exercised by certain persons or groups may not equal or exceed 10% of the voting power conferred by our shares.

In particular, our Articles of Association provide that if, and for so long as, the votes conferred by the Controlled Shares (as defined below) of any person constitute 10% or more of the votes conferred by all our issued shares, the voting rights with respect to the Controlled Shares of such person shall be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in our Articles of Association. "Controlled Shares" of a person (as defined in our Articles of Association) include (1) all of our shares owned directly, indirectly or constructively by that person (within the meaning of Section 958 of the Internal Revenue Code of 1986, as amended (the "IRS Code")) and (2) all of our shares owned directly, indirectly or constructively by that person or any "group" of which that person is a part, within the meaning of Section 13(d)(3) of the Exchange Act.

Provisions in our Articles of Association may restrict the ownership and transfer of our ordinary shares.

Our Articles of Association provide that the Board shall decline to register a transfer of shares if it appears to the Board, whether before or after such transfer, that the effect of such transfer would be to increase the number of Controlled Shares of any person to 10% or more of any class of our voting shares, of our total issued shares, or of the

total voting power of our total issued shares.

Certain provisions in our charter documents could, among other things, impede an attempt to replace our directors or impose restrictions with respect to a change of control, which could diminish the value of our ordinary shares.

Our Articles of Association contain provisions that may make it more difficult for shareholders to replace directors and could delay or prevent a change of control that a shareholder may consider favorable. These provisions currently include limitations on the ability of shareholders to remove directors, limitations on voting rights, certain transfer restrictions on our

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ordinary shares and a partially classified board of directors (which will be fully declassified following our 2016 Annual General Meeting).

As an Irish company, we are subject to the Irish Takeover Rules, under which the Board is not permitted to take any action that might "frustrate" an offer for our shares once the Board has received an offer or has reason to believe an offer is or may be imminent without the approval of more than 50% of shareholders entitled to vote at a general meeting of shareholders and/or the consent of the Irish Takeover Panel. This could limit the ability of the Board of Directors to take defensive actions even if the Board believes that such defensive actions would be in the best interests of the Company and its shareholders.

The Irish Takeover Rules also could discourage an investor from acquiring 30% or more of our outstanding ordinary shares unless such investor was prepared to make a bid to acquire all outstanding ordinary shares. Further, it could be more difficult for us to obtain shareholder approval for a merger or negotiated transaction because of heightened shareholder approval requirements for certain types of transactions under Irish law.

In addition, insurance regulations in certain jurisdictions may also delay or prevent a change of control or limit the ability of a shareholder to acquire in excess of specified amounts of our ordinary shares.

Irish shareholder voting requirements may limit flexibility with respect to certain aspects of capital management.

Irish law allows shareholders to authorize a board of directors to issue shares subsequent to receipt of authorization without further shareholder approval, but this authorization must be renewed at least every five years. Additionally, subject to specified exceptions, Irish law grants statutory preemption rights to existing ordinary shareholders to subscribe for new issuances of shares for cash, but allows such shareholders to authorize the waiver of such statutory preemption rights for up to five years. Our shareholders have (i) authorized the Board of Directors to issue shares without further shareholder approval, and (ii) waived their statutory preemption rights in the event of either (a) the issuance of shares for cash in connection with any rights issue or (b) the issuance of shares for cash, if the issuance is limited to up to 5% of our ordinary share capital as of March 17, 2015, in each case for a period of 18 months beginning on May 8, 2015. Therefore, this share issuance authorization and waiver of rights will in each case expire in November 2016, unless renewed by XL-Ireland’s shareholders. These authorizations and waivers may not always be renewed, which could limit our ability to issue equity in the future. Furthermore, issuances that do not fall within the preemption waiver authorization approved by our shareholders may require that we provide shareholders with the right to subscribe for new issuances pro rata with their existing holdings, which may increase the cost and administrative burden associated with such issuances.

It may be difficult to enforce judgments against XL-Ireland, XL-Cayman or their directors and executive officers.

XL-Ireland is incorporated pursuant to the laws of Ireland. In addition, from time to time, certain of our directors and officers reside outside the United States and a substantial portion of our assets and the assets of any such directors and officers are located outside the United States. As such, it may be difficult or impossible to effect service of process within the United States upon those persons or to recover on judgments of U.S. courts against us or such directors and officers, including judgments predicated upon civil liability provisions of U.S. federal securities laws. There is no treaty between Ireland and the United States providing for the reciprocal enforcement of foreign judgments. The following requirements must be met before the foreign judgment will be deemed to be enforceable in Ireland:

- the judgment must be for a definite sum;
- the judgment must be final and conclusive; and
- the judgment must be provided by a court of competent jurisdiction.

An Irish court will also exercise its right to refuse judgment if the foreign judgment was obtained by fraud, if the judgment violated Irish public policy, if the judgment is in breach of natural justice or if it is irreconcilable with an earlier foreign judgment.

In addition, XL-Cayman is incorporated pursuant to the laws of the Cayman Islands and is an Irish tax resident. Requirements for enforceability of foreign judgments in Ireland are summarized above. We have been advised that there is doubt as to whether the courts of the Cayman Islands would enforce:

- judgments of U.S. courts based upon the civil liability provisions of U.S. federal securities laws obtained in actions against XL-Cayman or its directors and officers who reside outside the United States; or

original actions brought in the Cayman Islands against these persons or XL-Cayman predicated solely upon U.S. federal securities laws.

There is also no treaty in effect between the United States and the Cayman Islands providing for such enforcement and there are grounds upon which Cayman Islands courts may not enforce judgments of U.S. courts. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under U.S. federal securities laws, may not be allowed in Cayman Islands courts as contrary to public policy.

Current, pending or future lawsuits against us, including putative class action lawsuits, could have a material adverse effect on our results of operations in a particular fiscal quarter or year.

We are subject to lawsuits and arbitrations in the regular course of our business. An adverse resolution of one or more lawsuits or arbitrations could have a material adverse effect on our results of operations in a particular fiscal quarter or year.

Changes in current accounting practices and future pronouncements may materially impact our reported financial results.

Developments in accounting practices may require us to incur considerable additional expenses to comply with such developments, particularly if we are required to prepare information relating to prior periods for comparative purposes or to apply the new requirements retroactively. The impact of changes in current accounting practices and future pronouncements cannot be predicted but may affect the calculation of net income, net equity and other relevant financial statement line items and the timing of when impairments and other charges are tested or taken.

We and our non-U.S. insurance subsidiaries may become subject to U.S. tax, which may have a material adverse effect on our results of operations and your investment.

We take the position that neither we nor any of our non-U.S. insurance subsidiaries are engaged in a U.S. trade or business through a U.S. permanent establishment. Accordingly, we take the position that neither we nor our non-U.S. insurance subsidiaries should be subject to U.S. tax (other than U.S. excise tax on insurance and reinsurance premium income attributable to insuring or reinsuring U.S. risks and U.S. withholding tax on some types of U.S. source investment income). However, because there is considerable uncertainty as to the activities that constitute being engaged in a trade or business within the United States, we cannot be certain that the U.S. Internal Revenue Service (the "IRS") will not contend successfully that we or any of our non-U.S. insurance subsidiaries are engaged in a trade or business in the United States. If we or any of our non-U.S. insurance subsidiaries were considered to be engaged in a trade or business in the United States, any such entity could be subject to U.S. corporate income and additional branch profits taxes on the portion of its earnings effectively connected to such U.S. business, in which case our financial condition and results of operations could be materially adversely affected.

Changes in U.S. tax law might adversely affect an investment in our shares.

Legislation may be introduced in the U.S. Congress attempting to eliminate certain perceived tax advantages of companies (including insurance companies) that have legal domiciles outside the U.S. but have certain U.S. affiliates. For example, one legislative proposal could impose additional limits on the deductibility of interest by foreign-owned U.S. corporations. Another legislative proposal could modify the standards that indicate when a non-U.S. corporation might be treated as a U.S. corporation for U.S. federal income tax purposes if it were considered to be primarily managed and controlled in the U.S. In addition, legislation has been proposed in the U.S. that would severely restrict the ability of a company to utilize affiliate reinsurance to manage its U.S. risks and its capital position. Various proposals have been made that would effectively disallow (in some cases permanently and in others temporarily) part or all of the deduction for premiums ceded to affiliates. If any of these proposals, or a similar proposal using the same underlying principles, is enacted, it could have an adverse impact on us or our shareholders. It is possible that other legislative proposals could emerge in the future that could also have an adverse impact on us or our shareholders.

Additionally, the U.S. federal income tax laws and interpretations, including those regarding whether a company is engaged in a trade or business (or has a permanent establishment) within the United States or is a Passive Foreign Investment Company ("PFIC"), or whether U.S. holders would be required to include in their gross income "subpart F income" or the related person insurance income, which we refer to as "RPII" of a Controlled Foreign Corporation ("CFC"), are subject to change, possibly on a retroactive basis. There are currently no regulations regarding the application of the PFIC rules to insurance companies and the regulations regarding RPII are still in proposed form. New regulations or pronouncements interpreting or clarifying such rules may be forthcoming. We cannot be certain if, when or in what form such regulations or pronouncements may be provided and whether such guidance will have a

retroactive effect.

Future legislative action may increase the amount of U.S. tax payable by us. If an increase occurs, our financial condition and results of operations could be materially adversely affected.

There is U.S. income tax risk associated with reinsurance between U.S. insurance companies and their Bermuda affiliates.

As discussed above, the U.S. Congress has periodically considered legislation intended to eliminate certain perceived tax advantages of non-U.S. insurance companies and U.S. insurance companies with non-U.S. affiliates, including perceived tax

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benefits resulting principally from reinsurance between or among U.S. insurance companies and their non-U.S. affiliates. In this regard, section 845 of the IRS Code was amended in 2004 to permit the IRS to reallocate, recharacterize or adjust items of income, deduction or certain other items related to a reinsurance agreement between related parties to reflect the proper "amount, source or character" for each item (in contrast to prior law, which only covered "source and character"). If the IRS were to successfully challenge our reinsurance arrangements under section 845, our financial condition and results of operations could be materially adversely affected and the price of our ordinary shares could be adversely affected.

The Organization for Economic Co-operation and Development has launched an Action Plan on Base Erosion and Profit Shifting that if implemented might change the manner in which we are taxed.

In July 2013, The Organization for Economic Co-operation and Development ("the OECD") launched an Action Plan on Base Erosion and Profit Shifting ("BEPS Action Plan"). The BEPS Action Plan identifies 15 specific actions to address tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity, resulting in little or no overall corporate tax being paid. In addition, the BEPS Action Plan sets deadlines to implement the actions and identifies the resources needed and the methodology to implement these actions. The OECD presented the final package of BEPS measures for the 15 actions outlined in the plan on October 5, 2015. For the first time in tax matters, non-OECD/G20 countries are expected to participate on an equal footing in monitoring BEPS and supporting the implementation of these BEPS measures. The implementation of these BEPS measures could have a material impact on how we and other multinational organizations are taxed.

The European Commission has published proposals on anti-tax avoidance that if implemented might change the manner in which we are taxed

In January 2016, The European Commission (“The Commission”) published its Anti-Tax Avoidance Package (“The Tax Package”). The Tax Package is based around three core pillars of The Commissions agenda for taxation: ensuring effective taxation in the E.U.; increasing tax transparency; and securing a level playing field. The Commission proposals include a new Anti-Tax Avoidance Directive to provide a common E.U. framework for implementing the OECD’s BEPS measures, an amendment to the current Directive on mandatory automatic exchange of information to implement the OECD’S recommendations on country-by-country reporting in the E.U. and a recommendation to E.U. Member States on tax treaties. The implementation of The Tax Package could have a material impact on how we and other multinational organizations are taxed.

If an investor acquires 10% or more of our ordinary shares, it may be subject to taxation under the U.S. "controlled foreign corporation" ("CFC") rules.

Under certain circumstances, a U.S. person who owns 10% or more of the voting power of a foreign corporation that is a CFC (a foreign corporation in which 10% U.S. shareholders own more than 50% of the value or voting power of the stock of the foreign corporation or more than 25% of a foreign insurance company) for an uninterrupted period of 30 days or more during a taxable year must include in gross income for U.S. federal income tax purposes such "10% U.S. Shareholder’s" pro rata share of the CFC’s "subpart F income," even if the subpart F income is not distributed to such 10% U.S. Shareholder, if such 10% U.S. Shareholder owns (directly or indirectly through foreign entities) any shares of the foreign corporation on the last day of the corporation’s taxable year. "Subpart F income" of a foreign insurance corporation typically includes foreign personal holding company income (such as interest, dividends and other types of passive income), as well as insurance and reinsurance income (including underwriting and investment income) attributable to the insurance of risks situated outside the CFC’s country of incorporation.

While provisions in our organizational documents serve to limit voting power on our ordinary shares, it is possible, that the IRS could challenge the effectiveness of these provisions and that a court could sustain such a challenge, in which case an investor’s investment could be materially adversely affected, if the investor is considered to own 10% or more of our shares.

U.S. Persons who hold shares will be subject to adverse tax consequences if we are considered to be a PFIC for U.S. federal income tax purposes.

If we are considered a PFIC for U.S. federal income tax purposes, a U.S. person who owns any of our shares will be subject to adverse tax consequences, including a greater tax liability than might otherwise apply and tax on amounts in

advance of when tax would otherwise be imposed, in which case an investor's investment could be materially adversely affected. In addition, if we were considered a PFIC, upon the death of any U.S. individual owning shares, such individual's heirs or estate would not be entitled to a "step-up" in the basis of the shares that might otherwise be available under U.S. federal income tax laws. We believe that we are not, have not been, and currently do not expect to become, a PFIC for U.S. federal income tax purposes. However, we may be deemed a PFIC by the IRS in the future. If we were considered a PFIC, it could have material adverse tax consequences for an investor that is subject to U.S. federal income taxation. There are currently no final regulations regarding the application of the PFIC provisions to an insurance company. New regulations or pronouncements interpreting or

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clarifying these rules may be forthcoming. We cannot predict what impact, if any, such guidance would have on an investor that is subject to U.S. federal income taxation.

There are U.S. income tax risks associated with the related person insurance income of our non-U.S. insurance subsidiaries.

If (i) the related person insurance income, which we refer to as "RPII," of any one of our non-U.S. insurance subsidiaries were to equal or exceed 20% of that subsidiary's gross insurance income in any taxable year and (ii) U.S. persons were treated as owning 25% or more of the subsidiary's stock (by vote or value), a U.S. person who owns any ordinary shares, directly or indirectly, on the last day of such taxable year on which the 25% threshold is met would be required to include in its income for U.S. federal income tax purposes that person's ratable share of that subsidiary's RPII for the taxable year, determined as if that RPII were distributed proportionately only to U.S. holders at that date, regardless of whether that income is distributed. The amount of RPII earned by a subsidiary (generally premium and related investment income from the direct or indirect insurance or reinsurance of any direct or indirect U.S. holder of shares of that subsidiary or any person related to that holder) would depend on a number of factors, including the identity of persons directly or indirectly insured or reinsured by that subsidiary. Although we do not believe that the 20% threshold will be met in respect of any of our non-U.S. insurance subsidiaries, some of the factors that may affect the result in any period may be beyond our control. Consequently, it is possible that we could exceed the RPII threshold in any taxable year.

The RPII rules provide that if a holder who is a U.S. person disposes of shares in a non-U.S. insurance corporation that had RPII (even if the 20% gross income threshold was not met) and met the 25% ownership threshold at any time during the five-year period ending on the date of disposition, and the holder owned any stock at such time, any gain from the disposition will generally be treated as a dividend to the extent of the holder's share (taking into account certain rules for determining a U.S. holder's share of RPII) of the corporation's undistributed earnings and profits that were accumulated during the period that the holder owned the shares (possibly whether or not those earnings and profits are attributable to RPII). In addition, such a shareholder will be required to comply with specified reporting requirements, regardless of the amount of shares owned. We believe that these rules should not apply to dispositions of our ordinary shares because XL-Ireland is not itself directly engaged in the insurance business. We cannot provide absolute assurance, however, that the IRS will not successfully assert that these rules apply to dispositions of our ordinary shares.

We and our Bermuda (re)insurance subsidiaries may become subject to taxes in Bermuda in the future, which may have a material adverse effect on our financial condition, results of operations and your investment.

Our Bermuda (re)insurance subsidiaries have received from the Ministry of Finance in Bermuda exemptions from any Bermuda taxes that might be imposed on profits, income or any capital asset, gain or appreciation until March 31, 2035. The exemptions are subject to the proviso that they are not construed so as to prevent the application of any tax or duty to persons who are ordinarily residents in Bermuda (the Company and our Bermuda (re)insurance subsidiaries are not so currently designated) and to prevent the application of any tax payable in accordance with the provisions of The Land Tax Act 1967 or otherwise payable in relation to the land leased to us and our Bermuda (re)insurance subsidiaries. XL-Ireland and other Bermuda-based subsidiaries not incorporated in Bermuda have also received similar exemptions as permit companies under the Companies Act of 1981 of Bermuda. These exemptions have also been extended to 2035. Our Bermuda (re)insurance subsidiaries are required to pay certain annual Bermuda government fees and certain business fees as a (re)insurer under The Insurance Act 1978 of Bermuda. Currently there is no Bermuda withholding tax on dividends paid by our Bermuda (re)-insurance subsidiaries to us. The tax rules as presently applied may change in the future, however.

XL-Cayman may become subject to taxes in the Cayman Islands after June 2, 2018, which may have a material adverse effect on our results of operations and your investment.

For tax purposes, XL-Cayman is resident in Ireland by virtue of central management and control. In the event the Cayman Islands introduces a corporate income tax based on place of incorporation, XL-Cayman would be a dual resident company and potentially subject to tax in both Ireland and the Cayman Islands. As there is no double tax treaty between the Cayman Islands and Ireland, XL-Cayman could become subject to taxation in both Ireland and the Cayman Islands. Under current Cayman Islands law, we are not obligated to pay any taxes in the Cayman Islands on

our income or gains. We have received an undertaking from the Governor-in-Council of the Cayman Islands pursuant to the provisions of the Tax Concessions Law, as amended, that until June 2, 2018, (i) no subsequently enacted law imposing any tax on profits, income, gains or appreciation shall apply to XL-Cayman and (ii) no such tax and no tax in the nature of an estate duty or an inheritance tax shall be payable on any of XL-Cayman's ordinary shares, debentures or other obligations. Given the limited duration of the undertaking from the Governor-in-Council of the Cayman Islands, we cannot be certain that we will not be subject to any Cayman Islands tax after June 2, 2018. Such taxation could have a material adverse effect on our financial condition and results of operations and on your investment.

Our tax position could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof.

Our tax position could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the tax authorities in Ireland, the United States and other jurisdictions. Such tax law changes could cause a material and adverse change in our worldwide effective tax rate and we may have to take further action, at potentially significant expense, to seek to mitigate the effect of such changes. Any future amendments to the current income tax treaties between Ireland and other jurisdictions, including the United States, could subject us to increased taxation and/or potentially significant expense.

Dividends you receive may be subject to Irish dividend withholding tax and Irish income tax.

Dividend withholding tax (currently at a rate of 20%) may arise in respect of dividends paid on the Company's ordinary shares. However, a number of exemptions from dividend withholding tax exist such that ordinary shareholders resident in the United States and ordinary shareholders resident in other specified countries (listed in Annex F attached to the Redomestication Proxy Statement filed with the SEC on March 10, 2010) may be entitled to exemptions from dividend withholding tax if they complete and file certain dividend withholding tax forms. Ordinary shareholders resident in the U.S. that hold their ordinary shares through the Depository Trust Company ("DTC") will not be subject to dividend withholding tax provided the addresses of the beneficial owners of such ordinary shares in the records of the brokers holding such ordinary shares are in the United States (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by the Company). Similarly, ordinary shareholders resident in the U.S. that hold their ordinary shares directly instead of beneficially through DTC are not subject to dividend withholding tax if such ordinary shareholders held ordinary shares in the Company on January 12, 2010 and they provided a valid Form W-9 showing a U.S. address to the Company's transfer agent. In addition, XL shareholders resident in the U.S. that acquire their XL Shares after January 12, 2010 and that hold their XL Shares directly instead of beneficially through DTC are not subject to Irish dividend withholding tax if such XL shareholders satisfy the conditions of any of one of several exemptions from Irish dividend withholding tax (exemptions include where such an XL shareholder is an individual neither resident nor ordinarily resident in Ireland, or such an XL shareholder is a company not under the control of a person or persons that is or are resident in Ireland), including the requirements to furnish completed Irish Revenue Commissioners' prescribed dividend withholding tax forms and that such forms remain valid. However, other ordinary shareholders may be subject to dividend withholding tax, which could adversely affect the price of our ordinary shares.

In addition, ordinary shareholders entitled to an exemption from Irish dividend withholding tax on dividends received from the Company should not be subject to Irish income tax in respect of those dividends, unless they have some connection with Ireland other than their ordinary shareholdings in the Company. Ordinary shareholders who receive dividends subject to Irish dividend withholding tax will generally have no further liability to Irish income tax on those dividends unless they have some connection with Ireland other than their ordinary shareholding in the Company.

A future transfer of your ordinary shares, other than one effected by means of the transfer of book entry interests in DTC, may be subject to Irish stamp duty.

Transfers of our ordinary shares effected by means of the transfer of book entry interests in DTC will not be subject to Irish stamp duty. The majority of our ordinary shares will be traded through DTC, either directly or through brokers who hold such ordinary shares on behalf of customers through DTC. However, if you hold your ordinary shares directly rather than beneficially through DTC (or through a broker that holds your ordinary shares through DTC), any transfer of your ordinary shares could be subject to Irish stamp duty (currently at the rate of 1% of the higher of the price paid or the market value of the ordinary shares acquired). Payment of Irish stamp duty is generally a legal obligation of the transferee. The potential for stamp duty could adversely affect the price of our ordinary shares.

The Catlin Acquisition may expose us to significant unanticipated liabilities that could adversely affect our business, financial condition and results of operations.

As a result of the Catlin Acquisition, we may be exposed to significant unanticipated liabilities. These liabilities could include employment, retirement or severance-related obligations under applicable law or other benefits arrangements, legal claims, warranty or similar liabilities to customers, and claims by or amounts owed to vendors. We may also incur liabilities or claims associated with our acquisition of Catlin's technology and intellectual property including

claims of infringement. Particularly in international jurisdictions, our acquisition of Catlin, or our decision to independently enter new international markets where Catlin previously conducted business, could also expose us to tax liabilities and other amounts owed by Catlin. The incurrence of such unforeseen or unanticipated liabilities, should they be significant, could have a material adverse effect on our business, financial condition and results of operations.

We face risks related to operating at Lloyd’s.

As a result of the Catlin Acquisition, we are the largest underwriting syndicate in Lloyd's. As a result, we are exposed to the risks facing syndicates operating at Lloyd's, which include, but are not limited to, the following factors which, alone or in combination, could have an adverse effect on our business, financial condition and results of operations:

- having exposure to the Council of Lloyd's (the "Council") wide discretionary powers to regulate members of Lloyd's, including the Council's power to vary the method by which the capital solvency ratio is calculated;
- being subject to increased capital requirements due to changes in regulation;
- facing reputational issues arising from the actions of other Lloyd's syndicates;
- being subject to potential changes in business strategy due to requirements of the Lloyd's Franchise Board (which is responsible for the day-to-day management of the Lloyd's market);
- reduced underwriting capacity due to a reduction in the funds held in trust at Lloyd's (as a result of changes in the market value of investments or otherwise) to support underwriting activities;
- being required to cease or reduce underwriting if Lloyd's fails to satisfy the FCA's and the PRA's annual solvency test in any given year;
- having a reduced ability to trade in certain classes of business at current levels as a consequence of a downgrading of the Lloyd's market;
- being subject to additional or special levies imposed by the Council; and
- as a Lloyd's syndicate transacting certain types of business in the United States, being required by U.S. regulators to increase the level of funding required as minimum deposits for the protection of U.S. policyholders and, as a consequence, being required to make cash calls to meet claims payments and deposit funding obligations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We operate in Bermuda, the United States, Europe and various other locations around the world. In 1997, we acquired commercial real estate in Hamilton, Bermuda for the purpose of securing long-term office space. The development was completed in April 2001. The total cost of this development, including land, was approximately $126.6 million. We have subsequently sub-leased portions of this property as a part of our broader expense reduction initiatives.

In July 2003, we acquired new offices at 70 Gracechurch Street, London. The acquisition was made through a purchase, sale and leaseback transaction. The capital lease asset and liability associated with this transaction totaled $73.4 million at December 31, 2015.

In June 2012, we acquired new offices at 8 St. Stephen’s Green, Dublin, Ireland, which is XL-Ireland's registered office. The final acquisition purchase price was $11.4 million and further improvement costs totaled $9.6 million.

In May 2015, as a result of the Catlin Acquisition, we acquired four residential properties with a fair value of approximately $30 million.

Each of our reporting segments uses the properties described above. All other office facilities throughout the world that are occupied by us and our subsidiaries are leased.

Total rent expense for the years ended December 31, 2015, 2014 and 2013 was $71.1 million, $36.6 million and $38.7 million, respectively. See Item 8, Note 17(d), "Commitments and Contingencies - Properties," to the Consolidated Financial Statements included herein, for a discussion of our lease commitments for real property.

ITEM 3. LEGAL PROCEEDINGS

See Item 8, Note 17(g), "Commitments and Contingencies - Litigation" to the Consolidated Financial Statements included herein.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our ordinary shares, $0.01 par value per share, are listed on the NYSE under the symbol "XL."

The following table sets forth the high, low and closing sales prices per share of our ordinary shares per fiscal quarter, as reported on the New York Stock Exchange Composite Tape, and cash dividends on the ordinary shares for the periods indicated:

	High	Low	Close	Dividends
2015				
1st Quarter	$37.45	$33.98	$36.80	$0.16
2nd Quarter	$38.78	$36.33	$37.20	$0.16
3rd Quarter	$40.41	$25.56	$36.32	$0.20
4th Quarter	$40.48	$34.44	$39.18	$0.20
2014				
1st Quarter	$31.85	$27.79	$31.25	$0.16
2nd Quarter	$33.41	$30.54	$32.73	$0.16
3rd Quarter	$35.52	$31.83	$33.17	$0.16
4th Quarter	$36.35	$30.83	$34.37	$0.16

The number of record holders of ordinary shares at February 23, 2016 was 338. This figure does not represent the actual number of beneficial owners of our ordinary shares because such shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who may vote the shares.

In 2015, two quarterly dividends of $0.16 per share were paid to all ordinary shareholders of record as of March 13 and June 15 and two quarterly dividends of $0.20 per share were paid to all ordinary shareholders of record as of September 15 and December 15. In 2014, four quarterly dividends of $0.16 per share were paid to all ordinary shareholders of record as of March 14, June 13, September 15 and December 15. On February 19, 2016, we announced that the Board of Directors of XL-Ireland declared a quarterly dividend on February 18, 2016 of $0.20 per share, payable on March 31, 2016 to all ordinary shareholders of record as of March 15, 2016.

The declaration and payment of future dividends will be at the discretion of the Board and will depend upon many factors, including our earnings, financial condition, business needs, consideration of other methods of returning capital to shareholders, capital and surplus requirements of our operating subsidiaries and regulatory and contractual restrictions.

As a holding company, our assets consist primarily of investments in subsidiaries. Accordingly, we rely on the availability of dividends and other permissible payments from our subsidiaries to pay ordinary and preferred dividends. Our subsidiaries' payment of dividends to us are regulated under the laws of various jurisdictions including Bermuda, the U.K., Ireland, Switzerland and the other jurisdictions where we have regulated subsidiaries, by certain insurance statutes of various states in the United States in which our principal operating subsidiaries are licensed to transact business and by the Society of Lloyd’s. In addition, under Irish law, XL-Ireland may only pay dividends or buyback or redeem shares using distributable reserves and may not pay any dividend or make any distribution unless the net assets of XL-Ireland are not less than the aggregate of its share capital plus undistributable reserves and the distribution does not reduce XL-Ireland’s net assets below such aggregate. See Item 1, "Business – Regulation," Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, Note 23, "Statutory Financial Data," to the Consolidated Financial Statements included herein, for further discussion.

The following table summarizes our equity compensation plan information at December 31, 2015:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Share-Based Compensation Plans (Excluding Securities in column (a)) (c)
Share-based compensation plans approved by security holders (1)	10,748,604	$28.59	6,907,136
Share-based compensation plans not approved by security holders	—	—	—
Total	10,748,604	$28.59	6,907,136

(1) Pertains to our 1991 Performance Incentive Program and the Directors Stock & Option Plan. Includes for the 1991 Performance Incentive Program, 10,602,114 ordinary shares to be issued upon the exercise of outstanding options, warrants and rights, a $28.65 weighted average exercise price of outstanding options, warrants and rights, and 6,632,650 ordinary shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column a). Includes for the Directors Stock & Option Plan, 146,490 ordinary shares to be issued upon exercise of outstanding options, warrants and rights, a $24.53 weighted average exercise price of outstanding options, warrants and rights, and 274,486 ordinary shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column a).

Purchases of Equity Securities by the Issuer and Affiliate Purchasers

The following table provides information about purchases by us during the quarter ended December 31, 2015 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Value of Shares that May Yet Be Purchased Under the Publicly Announced Plans or Programs (1) (2)	
October 1, 2015 to October 31, 2015	1,621,733	$37.00	1,621,733	$820.0	million
November 1, 2015 to November 30, 2015	1,326,624	$37.61	1,326,624	$770.1	million
December 1, 2015 to December 31, 2015	1,744,046	$38.28	1,744,046	$703.3	million
Total	4,692,403	$37.65	4,692,403	$703.3	million

(1) Shares purchased in connection with the vesting of restricted shares granted under our equity compensation programs do not represent shares purchased as part of publicly announced plans or programs. All such purchases were made in connection with satisfying tax withholding obligations of those employees. These shares were not purchased as part of our share buyback program noted below.

(2) For information regarding our share buyback activity, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Other Key Focuses of Management - Buybacks of Ordinary Shares," included herein.

Ordinary Share Performance Graph

Set forth below is a line graph comparing the yearly dollar change in the cumulative total shareholder return over a five-year period on our ordinary shares from December 31, 2010 through December 31, 2015 to the cumulative total return of the Standard & Poor’s 500 Stock Index and the cumulative total return of the Standard & Poor’s Property & Casualty Insurance Index. The companies included in these indices or noted as competitors under Item 1, "Business," may not be included in our compensation peer group.

The graph shows the value on December 31, 2011, 2012, 2013, 2014 and 2015, of a $100 investment made on December 31, 2010, with all dividends reinvested.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data below is based upon our fiscal year end of December 31. The selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and the Notes thereto presented under Item 8.

(U.S. dollars in thousands, except per share amounts)	2015	2014	2013	2012	2011
Income Statement Data:					
Net premiums earned	$8,226,425	$5,895,070	$6,309,521	$6,090,437	$5,690,130
Net investment income	$872,370	$918,625	$957,716	$1,012,348	$1,137,769
Net realized gains (losses) on investments	$19,997	$122,991	$87,777	$14,098	$(188,359)
Net realized gains (losses) on investments - Life Funds Withheld Assets	$209,915	$(15,520)	$—	$—	$—
Net unrealized gains (losses) on investments, trading securities ("Trading") - Life Funds Withheld Assets	$(27,734)	$(9)	$—	$—	$—
Net realized and unrealized gains (losses) on derivative instruments	$53,123	$29,886	$7,798	$5,221	$(10,738)
Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets	$(151,691)	$(488,222)	$—	$—	$—
Net income (loss) from investment fund affiliates	$73,320	$95,816	$138,391	$58,504	$26,253
Fee income and other	$33,201	$43,630	$40,031	$51,789	$41,748
Net losses and loss expenses incurred	$4,766,200	$3,258,393	$3,731,464	$3,765,482	$4,078,391
Claims and policy benefits – life operations	$115,997	$242,963	$465,702	$486,195	$535,074
Acquisition costs, operating expenses and foreign exchange gains and losses	$3,306,891	$2,041,865	$2,094,258	$2,097,992	$1,869,688
Interest expense	$205,215	$134,106	$155,462	$172,204	$205,592
Loss on sale of life reinsurance subsidiary	$—	$666,423	$—	$—	$—
Extinguishment of debt	$5,592	$—	$—	$—	$—
Impairment of goodwill	$—	$—	$—	$—	$429,020
Income (loss) before non-controlling interests, net income from operating affiliates, gain on sale of operating affiliate and income tax expense	$909,031	$258,517	$1,094,348	$710,524	$(420,962)
Income (loss) from operating affiliates	$44,740	$107,218	$119,804	$53,887	$76,786
Gain on sale of operating affiliate	$340,407	$—	$—	$—	$—
Preference share dividends (1)	$98,721	$76,743	$77,187	$79,087	$72,278

Net income (loss) attributable to ordinary shareholders	$1,207,152	$188,340	$1,059,916	$651,128	$(474,760	)

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(U.S. dollars in thousands, except per share amounts)	2015	2014	2013	2012	2011
Per Share Data:					
Earnings (loss) per ordinary share and ordinary share equivalent – basic	$4.22	$0.71	$3.68	$2.12	$(1.52)
Earnings (loss) per ordinary share and ordinary share equivalent – diluted	$4.15	$0.69	$3.63	$2.10	$(1.52)
Weighted average ordinary shares and ordinary share equivalents outstanding – diluted	290,999	271,527	292,069	310,282	312,896
Cash dividends per ordinary share	$0.72	$0.64	$0.56	$0.44	$0.44
Balance Sheet Data:					
Total investments – available for sale ("AFS")	$33,753,898	$30,484,053	$28,996,661	$28,818,982	$27,017,285
Total investments – held to maturity ("HTM")	$—	$—	$2,858,695	$2,814,447	$2,668,978
Cash and cash equivalents	$3,256,236	$2,521,814	$1,800,832	$2,618,378	$3,825,125
Restricted cash	$154,992	$—	$—	$—	
Investments in affiliates	$1,708,899	$1,637,620	$1,370,943	$1,126,875	$1,052,729
Unpaid losses and loss expenses recoverable	$5,262,706	$3,429,368	$3,435,230	$3,382,102	$3,654,948
Premiums receivable	$4,712,493	$2,473,736	$2,612,602	$2,568,862	$2,411,611
Total assets	$58,682,938	$45,046,819	$45,652,887	$45,386,895	$44,665,265
Unpaid losses and loss expenses	$25,439,744	$19,353,243	$20,481,065	$20,484,121	$20,613,901
Future policy benefit reserves	$4,163,500	$4,707,199	$4,803,816	$4,812,046	$4,845,394
Funds withheld on GreyCastle life retrocession arrangements (net of future policy benefit reserves recoverable)	$914,629	$1,155,016	$—	$—	$—
Unearned premiums	$7,043,358	$3,973,132	$3,846,526	$3,755,086	$3,555,310
Notes payable and debt	$2,644,970	$1,662,580	$2,263,203	$1,672,778	$2,275,327
Shareholders' equity	$13,654,463	$11,435,766	$11,349,298	$11,856,403	$10,756,130
Fully diluted tangible book value per ordinary share	$31.52	$36.79	$33.86	$33.35	$28.31
Operating Ratios:					
Loss and loss expense ratio (2)	58.4%	57.0%	62.0%	65.3%	76.6%
Underwriting expense ratio (3)	33.6%	31.2%	30.5%	31.0%	30.9%
Combined ratio (4)	92.0%	88.2%	92.5%	96.3%	107.5%

(1) Preference share dividends represent dividends on the Redeemable Series C preference ordinary shares and the Series D and E preference ordinary shares. Following our Redomestication, subsequent to July 1, 2010, the Redeemable Series C preference ordinary shares and the Series D and E preference ordinary shares represent non-controlling interests in our consolidated financial statements. For additional information see Item 8, Note 18, "Share Capital," to the Consolidated Financial Statements.

(2) The loss and loss expense ratio related to the property and casualty operations is calculated by dividing the losses and loss expenses incurred by the net premiums earned for the Insurance and Reinsurance segments.

(3) The underwriting expense ratio related to the property and casualty operations is the sum of acquisition expenses and operating expenses for the Insurance and Reinsurance segments divided by net premiums earned for the Insurance and Reinsurance segments. See Item 8, Note 5, "Segment Information," to the Consolidated Financial Statements included herein, for further information.

(4) The combined ratio related to the property and casualty operations is the sum of the loss and loss expense ratio and the underwriting expense ratio. A combined ratio under 100% represents an underwriting profit and over 100% represents an underwriting loss.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements which involve inherent risks and uncertainties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based upon current plans, estimates and expectations. Actual results may differ materially from those projected in such forward-looking statements, and therefore undue reliance should not be placed on them. See "Cautionary Note Regarding Forward-Looking Statements," for a list of additional factors that could cause actual results to differ materially from those contained in any forward-looking statement.

This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto presented under Item 8.

Certain aspects of our business have loss experience characterized as low frequency and high severity. This may result in volatility in both our results of operations and financial condition.

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Cautionary Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 ("PSLRA") provides a "safe harbor" for forward-looking statements. Any prospectus, prospectus supplement, Annual Report to ordinary shareholders, proxy statement, Form 10-K, Form 10-Q or Form 8-K or any other written or oral statements made by us or on our behalf may include forward-looking statements that reflect our current views with respect to future events and financial performance. Such statements include forward-looking statements both with respect to us in general, and to the insurance and reinsurance sectors in particular (both as to underwriting and investment matters). Statements that include the words "expect," "intend," "plan," "believe," "project," "anticipate," "may," "could" or "would" and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the PSLRA or otherwise.

All forward-looking statements address matters that involve risks and uncertainties. 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:

changes in the size of our claims relating to unpredictable natural or man-made catastrophe losses, such as hurricanes, typhoons, floods, nuclear accidents or terrorism, due to the preliminary nature of some reports and estimates of loss and damage to date;

the continuation of downward trends in rates for property and casualty insurance and reinsurance;

The availability, cost or quality of ceded reinsurance, and the timely and full recoverability of such reinsurance, or other amounts due to us, or changes to our projections relating to such recoverables;

actual loss experience from insured or reinsured events and the timing of claims payments being faster or the receipt of reinsurance recoverables being slower than we anticipated;

increased competition on the basis of pricing, capacity, coverage terms or other factors, such as the increased inflow of third-party capital into reinsurance markets, which could harm our ability to maintain or increase our business volumes or profitability;

greater frequency or severity of claims and loss activity than our underwriting, reserving or investment practices anticipate based on historical experience or industry data;

the impact of changes in the global financial markets, such as the effects of inflation on our business including on pricing and reserving, changes in interest rates, credit spreads and foreign currency exchange rates and future volatility in the world's credit, financial and capital markets that adversely affect the performance and valuation of our investments, future financing activities and access to such markets, our ability to pay claims or general financial condition;

The effects of climate change (such as changes to weather patterns, sea levels or temperatures) on our business, which our modeling or risk management practices may not adequately address due to the uncertain nature of climate change;

our ability to successfully implement our business strategy;

our ability to successfully attract and raise additional third party capital for existing or new investment vehicles;

changes in credit ratings or rating agency policies or practices, which could trigger cancelation provisions in our assumed reinsurance agreements or an event of default under our credit facilities;

the potential for changes to methodologies, estimations and assumptions that underlie the valuation of our financial instruments, that could result in changes to investment valuations;

changes to our assessment as to whether it is more likely than not that we will be required to sell, or have the intent to sell, available for sale fixed maturity securities before their anticipated recovery;

unanticipated constraints on our liquidity, including the availability of borrowings and letters of credit under our credit facilities, that inhibit our ability to support our operations, including our ability to underwrite policies and pay claims;

the ability of our subsidiaries to pay dividends to XL-Ireland and XL-Cayman and Catlin Insurance Company Ltd;

changes in regulators or regulation applicable to us, such as changes in regulatory capital balances that our operating subsidiaries must maintain, or to our brokers or customers;

the effects of business disruption, economic contraction or economic sanctions due to unpredictable global political and social conditions such as war, terrorism or other hostilities, or pandemics;

the actual amount of new and renewal business and acceptance of our products and services, including new products and services and the materialization of risks related to such products and services;
changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers;
bankruptcies or other financial concerns of companies insofar as they affect P&C insurance and reinsurance coverages or claims that we may have as a counterparty;
the loss of key personnel;
the effects of mergers, acquisitions and divestitures, including our ability to modify our internal control over financial reporting, changes to our risk appetite and our ability to realize the strategic value or financial benefits expected, in each case, as a result such transactions;
changes in general economic conditions, including new or continued sovereign debt concerns in Euro-Zone countries or emerging markets such as Brazil or China, or governmental actions for the purpose of stabilizing financial markets;

changes in applicable tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof;
judicial decisions and rulings, new theories of liability or emerging claims coverage issues, legal tactics and settlement terms;
the other factors set forth in Item 1A, "Risk Factors," and our other documents on file with the SEC.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein or elsewhere. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by the federal securities laws.

Executive Overview

Background

We are, through our subsidiaries, a global insurance and reinsurance company providing property, casualty and specialty products to industrial, commercial and professional firms, insurance companies and other enterprises on a worldwide basis. We operate in markets where we believe our underwriting expertise and financial strength represent a relative advantage. We earn revenue primarily from net premiums written and earned. For further information regarding our operations, see Item 1, "Business."

Catlin Acquisition

As discussed in Item 1, "Business - History," on May 1, 2015, we completed our acquisition of the entire issued share capital of Catlin for $4.1 billion in cash and ordinary shares of XL-Ireland. Our results of operations for the year ended December 31, 2015 include the results of operations of Catlin for the period from May 1, 2015 through December 31, 2015. See Item 8, Note 3(c), "Acquisitions and Disposals - Catlin Acquisition," to the Consolidated Financial Statements included herein for additional information with respect to the Catlin Acquisition.

Sale of Operating Affiliate

On April 1, 2015, XL Re Ltd ("XL Re"), an indirect wholly-owned subsidiary of XL-Ireland, completed the previously announced sale of all of its shares in ARX Holding Corp. ("ARX") to The Progressive Corporation. See Item 8, Note 3(d), "Acquisitions and Disposals - Sale of Operating Affiliate" for further information.

Underwriting Environment and Outlook for 2016

The P&C insurance and reinsurance markets have historically been cyclical, meaning that, based on market conditions, there have been periods where premium rates are high and policy terms and conditions are more favorable to us (a "hard market") and there have been periods where premium rates decline and policy terms and conditions are less favorable (a "soft market"). Market conditions are driven primarily by competition in the marketplace, the supply of capital in the industry, investment yields and the frequency and severity of loss events. Our goal is to build long-term shareholder value by capitalizing on current opportunities and managing through any cyclical downturns by reducing our P&C book of business and exposures if and when rates deteriorate during soft market periods.

The current soft market conditions and low interest rate environment continue to impact the P&C insurance and reinsurance markets, with (re)insurance companies looking for ways to lower their cost of capital and improve the returns on their assets. As a result, they are continually re-evaluating their current approach to capital management and are looking toward alternative and secondary markets for enhanced returns, lower expenses and a lower cost of capital. Specifically, insurers find themselves in a market in which they need to have greater scale and diversification as a means to stay relevant in meeting the evolving demands of insureds and at the same time maintain profitability.

The reinsurance market continues to see a meaningful influx of third party capital from new and existing market participants, particularly in the property catastrophe space, and has begun to expand into other lines of business, which we expect to continue going forward. With this additional capital, the traditional market has seen many changes including sizable increases in the overall global limits being provided, multi-year terms, and new aggregate structures, as well as a meaningful increase in the number of alternative types of structures being provided. The market has experienced excess capacity as supply from both traditional markets and third party capital continued to outpace reinsurance demand. The increased capacity resulted in further pricing reductions, enhanced commissions and expanded coverage at attractive terms for insurers across most lines of business. The market also saw insurers combining separate regional programs or specialty and casualty sub lines into single global multi-line programs to get even further pricing improvements and expansion of terms and conditions. In addition, with the strengthened balance

sheets of insurers and their push for expense savings to improve their bottom line, the reinsurance market saw increased retentions by insurers and a focus

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on maximizing their spend on reinsurance with a highly selective panel of reinsurers, particularly in the case of some larger insureds.

In 2015, our focus was mainly on the integration of our newly acquired businesses, including the retention of our current business and our key personnel, and continued to focus on strategic growth initiatives, building on the significant investments we made in recent years to achieve greater efficiency from improved systems, to create a platform from which we can continue to grow as markets allow and to expand our margins. The following outlines some of these initiatives as well as recent renewal activity and January 2016 rate indications for each of our Insurance and Reinsurance segments, together with any potential trends or uncertainties relevant to our P&C operations.

There can be no assurance, however, that the following (re)insurance rate conditions or growth opportunities will be sustained or further materialize, or lead to improvements in our books of business. See "Cautionary Note Regarding Forward-Looking Statements."

Insurance

The market headwinds strengthened during 2015. Pricing was negative across most lines of business as the overall rate change for the segment was down 2% for the year. The most significant decreases were once again in our short-tail lines. We saw broadly flat rates in our long-tail lines, and continued to see some rate increases, most notably in cyber and North American environmental business.

Overall, our Casualty and Professional businesses were flat. Our Specialty business was down 2%, reflecting continued competitive conditions in the aviation lines. Our EPC businesses were once again most severely impacted, led by reductions in the energy businesses of approximately 10%, and reductions in our international and North American property businesses of 3% and 5%, respectively.

The trading environment for our core lines of insurance business continued to experience a competitive renewals season at January 1, 2016, and while there are some signs in the marketplace that could signal a market turn, it is still much too early to make such determinations. We will continue to focus on those lines of business that we believe provide the best return on capital. Through continued expense management, improvements in business mix, on-going underwriting actions, and increased reinsurance efficiency, we remain committed to improving our margins in the coming year.

Reinsurance

We continued to experience a very competitive renewals season at January 1, 2016, as 2015 was again another light year for catastrophe loss activity with continued growth in reinsurance capacity for these risks. The market generally renewed in an orderly fashion with deteriorating rates across most lines and regions resulting in low single digit decreases. We saw increased demand from a number of clients that had increased retentions over past renewals. Our global property catastrophe portfolio fell 6% with the U.S. market down approximately 5% and the rest of the world down 7-8%. While some clients achieved double digit decreases, we did not see that as a broad trend across the international catastrophe market. The non-catastrophe property treaty portfolio fell 4% between declining rates and some ceding commission increases. Our casualty treaty portfolio renewed essentially flat.

The Reinsurance segment continues its disciplined underwriting approach during these very challenging market conditions, and we are encouraged to see signs that rate decreases are decelerating across the reinsurance marketplace.

Investment Environment

During 2015, world economies continued to grow moderately but lower than pre-crisis levels. In August, the surprise devaluation of the Chinese currency amplified concerns over economic growth in China and other emerging economies, particularly in economies that have been reliant on commodity exports or that have current account deficits, such as Brazil. Developed economies, on the other hand, were able to maintain their moderate pace of growth which compensated for the weaker growth in emerging markets.

Global growth was still heavily influenced by the accommodative monetary policies being applied by the respective central banks. Both European and Japanese central banks increased monetary stimulus during the year. However, growth and unemployment in the U.S. reached levels that supported a departure from the zero rate policies that had been in place since 2009, with the first Federal interest rate rise occurring in December.

Inflation was also subdued in 2015 and remained generally well below the central bank targets. This was due to an oversupply of production capacity in commodities, coupled with weak global demand, which was reinforced by the

economic slowdown in China.
The major equity and rates markets had broadly flat to small negative returns in 2015. This, however, disguised a large volatility episode witnessed in August/September, as concerns about growth in emerging markets sparked double digit drops in

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equity markets. These had been largely reversed by year end. Commodity markets had another torrid year, dropping close to 20% in U.S. dollar terms. The weakness in the energy complex also caused significant widening of corporate spreads, particularly in the high yield space. The dollar strengthened during the year (10% on a trade weighted basis), and, therefore, unhedged overseas investments performance suffered accordingly.

Results of Operations and Key Financial Measures

Results of Operations

The following table presents an analysis of our net income (loss) attributable to ordinary shareholders and other financial measures (described below) for the years ended December 31, 2015, 2014 and 2013:

(U.S. dollars in thousands, except share and per share amounts)	2015	2014	2013
Net income (loss) attributable to ordinary shareholders	$1,207,152	$188,340	$1,059,916
Earnings (loss) per ordinary share – basic	$4.22	$0.71	$3.68
Earnings (loss) per ordinary share – diluted	$4.15	$0.69	$3.63
Weighted average number of ordinary shares and ordinary share equivalents outstanding, in thousands – basic	286,194	267,103	287,801
Weighted average number of ordinary shares and ordinary share equivalents outstanding, in thousands – diluted	290,999	271,527	292,069

Key Financial Measures

The following are some of the financial measures management considers important in evaluating our operating performance:

(U.S. dollars in thousands, except ratios and per share amounts)	2015	2014	2013	Change 2015 to 2014	Change 2014 to 2013
Underwriting profit (loss) - P&C operations	$653,191	$676,046	$451,062	(3.4)%	49.9%
Combined ratio - P&C operations	92.0%	88.2%	92.5%	3.8pts	(4.3)pts
Net investment income - P&C operations (1)	$644,312	$642,492	$671,071	0.3%	(4.3)%
Operating net income (2)	$705,994	$999,241	$942,968	(29.3)%	6.0%
Operating net income per share (2)	$2.43	$3.68	$3.23	$(1.25)	$0.45
Return on average ordinary shareholders' equity (2)	11.1%	1.9%	10.3%	9.2pts	(8.4)pts
Operating return on average ordinary shareholders' equity (2)	6.5%	10.0%	9.2%	(3.5)pts	0.8pts
Operating return on average ordinary shareholders' equity excluding unrealized gains and losses on investments (2)	7.3%	11.2%	10.3%	(3.9)pts	0.9pts
Book value per ordinary share (2)	$39.61	$39.31	$35.92	$0.30	$3.39
Fully diluted tangible book value per ordinary share (2)	$31.52	$36.79	$33.86	$(5.27)	$2.93

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(1) Net investment income - P&C operations includes: Net investment income - excluding Life Funds Withheld Assets and net investment income related to the net results from structured products.

(2) Represents a non-GAAP financial measure as discussed further below.

The following are descriptions of these key financial measures and a brief discussion of the factors influencing them.

Underwriting profit – P&C operations

One way that we evaluate the performance of our insurance and reinsurance operations is by underwriting profit or loss. We do not measure performance based on the amount of gross premiums written. Underwriting profit or loss is calculated from premiums earned less net losses incurred and expenses related to underwriting activities.

In the following discussion as well as in the "Income Statement Analysis" section, the following ratios are used to explain the underwriting profit (loss) from our P&C operations:

The combined ratio related to the P&C operations is the sum of the loss and loss expense ratio and the underwriting expense ratio. A combined ratio under 100% represents an underwriting profit and over 100% represents an underwriting loss. In the P&C industry, the combined ratio is a widely used measure of underwriting profitability.

The loss and loss expense ratio related to the P&C operations is calculated by dividing the losses and loss expenses incurred by the net premiums earned for the Insurance and Reinsurance segments.

The underwriting expense ratio related to the P&C operations is the sum of acquisition costs and operating expenses for the Insurance and Reinsurance segments divided by net premiums earned for the Insurance and Reinsurance segments.

The acquisition expense ratio related to the P&C operations is calculated by dividing the acquisition costs incurred by the net premiums earned for the Insurance and Reinsurance segments.

The operating expense ratio related to the P&C operations is calculated by dividing the operating expenses incurred by the net premiums earned for the Insurance and Reinsurance segments.

Our underwriting profit (loss) in the year ended December 31, 2015 was consistent with the combined ratio, discussed below.

Combined ratio – P&C operations

The following table presents the ratios for our P&C operations for the indicated years ended December 31:

	2015	2014	2013	Percentage Point Change 2015 to 2014	2014 to 2013
Loss and loss expense ratio	58.4 %	57.0 %	62.0 %	1.4	(5.0)
Acquisition expense ratio	16.0 %	12.7 %	14.7 %	3.3	(2.0)
Operating expense ratio	17.6 %	18.5 %	15.8 %	(0.9)	2.7
Underwriting expense ratio	33.6 %	31.2 %	30.5 %	2.4	0.7
Combined ratio	92.0 %	88.2 %	92.5 %	3.8	(4.3)

2015 vs. 2014: The 3.8 percentage point increase in our combined ratio was the result of the underwriting expense ratio increase of 2.4 percentage points, which was mainly driven by increases in commissions expense due to the Catlin Acquisition, resulting in a mix of business having higher average commissions than previously existed plus the amortization of fair value adjustments. Additionally, we experienced a 1.4 percentage point loss ratio increase, mostly attributable to higher catastrophe activity and other large losses, which include the Tianjin port explosion.

For further information on our combined ratio, see "Income Statement Analysis" below.

2014 vs 2013: The 4.3 percentage point reduction in our combined ratio was the result of a decrease in the loss and loss expense ratio of 5.0 percentage points, mainly due to lower levels of natural catastrophe losses and improved underwriting experience across several lines of business, partially offset by lower favorable prior year reserve development in 2014 compared to the same period of 2013. Losses net of reinsurance recoveries and reinstatement premiums related to natural catastrophe events for 2014 were $204.0 million lower than in 2013. The underwriting expense ratio increase of 0.7 percentage points was driven by an increase in operating expenses as a result of higher compensation costs from increased headcount as a result of business expansion, partially offset by a decrease in acquisition expenses due to a change in the reinsurance structure in the Professional business group in our Insurance segment.

Net investment income - P&C Operations
Net investment income - P&C operations, which includes interest and dividend income together with the amortization of premium and discount on fixed maturities and short-term investments, net of related investment expenses, is an important measure that affects our overall profitability. Our largest liability relates to our unpaid loss reserves, and our investment portfolio provides liquidity for claims settlements of these reserves as they become due. As a result, a significant part of the investment portfolio is invested in fixed income securities. Net investment income is influenced by a number of factors, including the amounts and timing of inward and outward cash flows, the level of interest rates and credit spreads, foreign exchange rates and changes in overall asset allocation. See the segment results at "Investment Activities" below for a discussion of our net investment income for the year ended December 31, 2015.
Operating net income and Operating net income per share
Operating net income is a non-GAAP financial measure defined as net income (loss) attributable to ordinary shareholders excluding: (1) our net investment income - Life Funds Withheld Assets, net of tax, (2) our net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, net of tax, (3) our net realized (gains) losses on investments sold (including OTTI) and net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets, (4) our net realized and unrealized (gains) losses on derivatives, net of tax, (5) our net realized and unrealized (gains) losses on GreyCastle life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets, (6) our share of items (2) and (4) for our insurance company affiliates for the periods presented, (7) our foreign exchange (gains) losses, net of tax, (8) our expenses related to the Catlin acquisition, net of tax, (9) our gain on the sale of our interest in our former operating affiliate, ARX, (10) our loss on the GreyCastle Life Retro Arrangement, net of tax, (11) our loss on the U.S. Term Life Retro Arrangements and (12) our loss on the early extinguishment of the notes assumed in conjunction with the Catlin acquisition.
Operating net income per share is calculated by dividing the non-GAAP operating net income measure by the weighted average number of ordinary shares and ordinary share equivalents outstanding for each period combined with the impact from dilution of share-based compensation.
We evaluate the performance of and manage our business to produce an underwriting profit. In addition to presenting net income (loss), we believe that showing operating net income (loss) enables investors and other users of our financial information to analyze our performance in a manner similar to how we analyze our performance. In this regard, we believe that providing only a GAAP presentation of net income (loss) would make it more difficult for users of our financial information to evaluate our underlying business. We also believe that equity analysts and certain rating agencies that follow us (and the insurance industry as a whole) exclude these items from their analyses for the same reasons, and they request that we provide this non-GAAP financial information on a regular basis. A reconciliation of our net income (loss) attributable to ordinary shareholders to operating net income (loss) is provided at "Reconciliation of Non-GAAP Measures" below.
Return on average ordinary shareholders' equity ("ROE")
ROE is another non-GAAP financial measure that we consider important in evaluating our operating performance and view as a key measure of return generated for ordinary shareholders. ROE is calculated by dividing the net income (loss) attributable to ordinary shareholders for any period by the average of the opening and closing ordinary shareholders' equity (total shareholders' equity less non-controlling interest in equity of consolidated subsidiaries). We establish minimum target ROEs for our total operations, segments and lines of business. If our minimum ROE targets over the longer term are not met with respect to any line of business, we seek to modify and/or exit this line. In addition, compensation of our senior officers is dependent, among other factors, on the achievement of our performance goals to enhance ordinary shareholder value as measured by ROE (adjusted for certain items considered to be "non-operating" in nature).
The following table presents our ROE for the indicated years ended December 31:

	2015		2014		2013		Change 2015 to 2014	Change 2014 to 2013
ROE	11.1	%	1.9	%	10.3	%	9.2pts	(8.4)pts

2015 vs. 2014: The increase in our ROE for the year ended December 31, 2015 as compared to the same period of 2014 was due to an increase in our net income attributable to ordinary shareholders during the year. This impact

includes the gain on the sale of our operating affiliate, ARX, during the second quarter of 2015 (see Item 8, Note 3(d), "Acquisitions and Disposals - Sale of Operating Affiliate" for further information), as well as the impact of the loss on the sale of our life reinsurance subsidiary in the prior year, offset slightly by a decrease in operating net income attributable to the factors discussed in Operating ROE below.

2014 vs. 2013: The decrease in our ROE was due to the decrease in our net income attributable to ordinary shareholders as a result of the after-tax net loss on the sale of our life reinsurance subsidiary, XLLR, to GreyCastle, of $621.3 million and Net

realized and unrealized losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets of $488.2 million. These items were partially offset by an improvement in our P&C operations' combined ratio, as described above.
For more information on the after-tax net loss on the sale of XLLR to GreyCastle, and the Net realized and unrealized gains (losses) on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets see Item 8, Note 3(e), "Acquisitions and Disposals - Sale of Life Reinsurance Subsidiary" and Note 15, "Derivative Instruments," respectively, to the Consolidated Financial Statements included herein.
Operating return on average ordinary shareholders’ equity ("Operating ROE")
Operating ROE is another non-GAAP financial measure that we consider important in evaluating our operating performance. Operating ROE is derived by dividing non-GAAP operating net income for any period by the average of the opening and closing ordinary shareholders' equity.
The following table presents our Operating ROE for the indicated years ended December 31:

	2015		2014		2013		Change 2015 to 2014	Change 2014 to 2013
Operating ROE	6.5	%	10.0	%	9.2	%	(3.5)pts	0.8pts

2015 vs. 2014: The decrease in our Operating ROE for the year ended December 31, 2015 was a result of increased operating expenses, including relevant integration costs, and interest expense due to new debt issuances plus decreases in net investment income and net income from affiliates. Additionally, we experienced a decrease in underwriting profit due to our increased loss ratio, as discussed above. In addition, Operating ROE was adversely impacted by an increase in equity due to the additional shares issued as a result of the Catlin Acquisition.
2014 vs. 2013: The increase in our Operating ROE was the result of higher operating net income in 2014 due to the improvement in our P&C combined ratio in 2014. A detailed discussion of our individual segment operating results is included below under "Income Statement Analysis".
A reconciliation of Net income (loss) attributable to ordinary shareholders to operating net income (loss) is provided at "Reconciliation of Non-GAAP Measures" included below.
Operating return on average ordinary shareholders' equity excluding unrealized gains and losses on investments ("Operating ROE ex-UGL")
Operating ROE ex-UGL is an additional measure of our profitability that eliminates the impacts of mark to market fluctuations on our investment portfolio that have not been realized through sales, which we believe provides a consistent measure of our performance. Operating ROE ex-UGL is derived from the non-GAAP operating net income measure by dividing non-GAAP operating net income for any period by the average of the opening and closing ordinary shareholders' equity excluding unrealized gains and losses on investments. A reconciliation of the opening and closing ordinary shareholders' equity to the opening and closing ordinary shareholders' equity excluding unrealized gains and losses on investments is provided under "Reconciliation of Non-GAAP Measures" below.
The following table presents our Operating ROE ex-UGL for the indicated years ended December 31:

	2015		2014		2013		Change 2015 to 2014	Change 2014 to 2013
Operating ROE ex-UGL	7.3	%	11.2	%	10.3	%	(3.9)pts	0.9pts

2015 vs. 2014: The decrease in our Operating ROE ex-UGL was mainly the result of the drivers discussed above as part of Operating ROE.
2014 vs. 2013: The increase in our Operating ROE ex-UGL was the result of the higher operating net income in 2014 due to the factors discussed above as part of Operating ROE.

Book value per ordinary share

We view the change in our book value per ordinary share as an additional measure of our performance, representing the value generated for our ordinary shareholders each period, and we believe that this measure (along with the diluted measures described below) is a key driver of our share price over time. Book value per ordinary share, a non-GAAP financial measure, is calculated by dividing ordinary shareholders' equity by the number of outstanding ordinary shares at the applicable period end. Book value per ordinary share is affected primarily by net income (loss), by any changes in the net unrealized gains and losses on our investment portfolio, by currency translation adjustments and by the impact of any share buyback or issuance activity. Ordinary shares outstanding include all ordinary shares legally issued and outstanding (as disclosed on the face of the balance sheets) as well as all director share units outstanding.

The following table presents our book value per ordinary share for the indicated years ended December 31:

(U.S. dollars)	2015	2014	2013	Change 2015 to 2014	Change 2014 to 2013
Book value per ordinary share	$39.61	$39.31	$35.92	$0.30	$3.39

2015 vs. 2014: The increase in our book value per ordinary share is primarily a result of increased net assets and underwriting income generated by our P&C operations due to the Catlin Acquisition, plus the gain on sale of our operating affiliate, ARX, combined with the benefit of share buyback activity, partially offset by the effect of increased shares issued as a result of the Catlin Acquisition, plus net unrealized losses on investments. See Item 8, Note 3(c), "Acquisitions and Disposals - Catlin Acquisition," to the consolidated financial statements included herein for more information on the Catlin Acquisition and Item 8, Note 3(d), "Acquisitions and Disposals - Sale of Strategic Operating Affiliate," for more information about the sale of ARX.

2014 vs. 2013: The increase in our book value per ordinary share was primarily due to increases in net unrealized gains on investments and underwriting income generated by our P&C operations, combined with the benefit of share buyback activity, partially offset by the after-tax net loss on the sale of our life reinsurance subsidiary and payment of dividends. Further detail regarding the impact of the GreyCastle life reinsurance transaction is included at Item 8, Note 3(e), "Acquisitions and Disposals - Sale of Life Reinsurance Subsidiary," to the Consolidated Financial Statements included herein.

Fully diluted tangible book value per ordinary share

Fully diluted tangible book value per ordinary share is a non-GAAP financial measure and is calculated by dividing ordinary shareholders' equity excluding intangible assets (as disclosed on the face of the balance sheets) by the number of outstanding ordinary shares at the applicable period end combined with the impact from dilution of share-based compensation.

The following table presents our fully diluted tangible book value per ordinary share for the indicated years ended December 31:

(U.S. dollars)	2015	2014	2013	Change 2015 to 2014	Change 2014 to 2013
Fully diluted tangible book value per ordinary share	$31.52	$36.79	$33.86	$(5.27)	$2.93

2015 vs. 2014: The decrease in our fully diluted tangible book value per ordinary share was primarily the result of increased goodwill and intangible assets as part of the Catlin Acquisition, combined with the effect of increased shares and net unrealized losses on investments.

2014 vs. 2013: The increase in our fully diluted tangible book value per ordinary share was a result of the factors noted above as part of book value per ordinary share.

Reconciliation of Non-GAAP Financial Measures

The following is a reconciliation of net income (loss) attributable to ordinary shareholders to operating net income (loss) and also includes the calculation of Operating ROE and Operating ROE ex-UGL for the years ended December 31, 2015, 2014 and 2013:

(U.S. dollars in thousands, except share and per share amounts)	2015	2014	2013
Net income (loss) attributable to ordinary shareholders	$1,207,152	$188,340	$1,059,916
Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets (1)	151,691	488,222	—
Net realized (gains) losses on investments and net unrealized (gains) losses on investments, Trading - Life Funds Withheld Assets	(182,181)	15,529	—
Net investment income - Life Funds Withheld Assets, net of tax	(187,489)	(129,575)	—
Foreign exchange revaluation (gains) losses on and other income and expense items related to Life Funds Withheld Assets	(7,068)	(8,489)	—
Loss on sale of life reinsurance subsidiary, net of tax	—	621,323	—
Net income (loss) attributable to ordinary shareholders excluding Contribution from GreyCastle Life Retrocession Arrangements	$982,105	$1,175,350	$1,059,916
Net realized (gains) losses on investments sold - excluding Life Funds Withheld Assets, net of tax	(12,432)	(124,759)	(82,605)
Net realized and unrealized (gains) losses on derivatives, net of tax	(53,577)	(29,884)	(7,798)
Net realized and unrealized (gains) losses on investments and derivatives related to the Company's insurance company affiliates, net of tax	2,732	(985)	6,556
Exchange (gains) losses, net of tax	23,347	(20,481)	(33,101)
Expenses related to Catlin acquisition, net of tax	64,748	—	—
Gain on sale of operating affiliate	(340,407)	—	—
Loss on U.S. Term Life Retro Arrangements, net of tax	34,986	—	—
Extinguishment of debt, net of tax	4,492	—	—
Operating net income (loss)	$705,994	$999,241	$942,968
Per ordinary share results:			
Net income (loss) attributable to ordinary shareholders	$4.15	$0.69	$3.63
Operating net income (loss)	$2.43	$3.68	$3.23
Weighted average ordinary shares outstanding, in thousands:			
Basic	286,194	267,103	287,801
Diluted - Net income	290,999	271,527	292,069
Diluted - Operating net income	290,999	271,527	292,069
Return on ordinary shareholders' equity:			
Closing ordinary shareholders' equity (at period end)	$11,677,079	$10,033,751	$9,997,633
Unrealized (gain) loss on investments, net of tax	$(745,592)	$(1,514,067)	$(733,242)
Average ordinary shareholders' equity for the period excluding unrealized gains and losses on investments	$9,725,585	$8,892,037	$9,152,315
Average ordinary shareholders' equity for the period	$10,855,415	$10,015,692	$10,253,856
Operating net income (loss)	$705,994	$999,241	$942,968

Operating ROE	6.5	%	10.0	%	9.2	%
Operating ROE ex-UGL	7.3	%	11.2	%	10.3	%

(1) Investment results for the Life Funds Withheld Assets - including interest income, unrealized gains and losses, and gains and losses from sales - are passed directly to the reinsurer pursuant to a contractual arrangement which is accounted for as a derivative. Changes in the fair value of the embedded derivative associated with the GreyCastle Life Retro Arrangements are grouped within "Net realized and unrealized (gains) losses on life retrocession embedded derivative and derivative instruments - Life Funds Withheld Assets" in the reconciliation above.

Significant Items Affecting the Results of Operations

Our net income and other financial measures as shown above for the year ended December 31, 2015 have been affected by, among other things, the following significant items:

1) The Catlin Acquisition;
2) The impact of significant large loss events, including the Tianjin, China port explosion;
3) The sale of our interest in our operating affiliate, ARX;
4) Continuing competitive factors impacting the underwriting environment;
5) Net favorable prior year loss development; and
6) Market movement impacts on our investment portfolio.

1) Catlin Acquisition

On May 1, 2015, we completed the acquisition of Catlin for $4.1 billion. See Item 8, Note 3(c), "Acquisitions and Disposals - Catlin Acquisition," for further details.

2) The impact of significant large loss events

Natural Catastrophe Losses

The following table outlines the underwriting losses and loss ratio impact for the Insurance and Reinsurance segments from natural catastrophes for the years ended December 31:

	Natural Catastrophe Underwriting Losses			Natural Catastrophe Loss Ratio Impact		
(U.S. dollars in thousands, except ratios)	2015	2014	2013	2015	2014	2013
Insurance	$150,389	$68,251	$119,161	2.6 %	1.7 %	2.8 %
Reinsurance	62,813	45,098	198,202	2.6 %	2.8 %	11.9 %
Total P&C	$213,202	$113,349	$317,363	2.6 %	2.1 %	5.4 %

Notable natural catastrophes for the years ended December 31, 2015, 2014 and 2013 and the underwriting loss incurred (in parenthetical) for the most significant natural catastrophes, in terms of our losses net of reinsurance recoveries and reinstatement premiums, were as follows:

2015 - included a hailstorm in Sydney, Australia ($40.9 million), flooding in the U.K. ($35.1 million), winter storms in the U.S. ($31.4 million), flooding in Chennai, India ($21.7 million), the Australia bush fire and hailstorm ($13.4 million), as well as a number of U.S. storms, Mid-Atlantic rainfall and flooding, and the Texas and Oklahoma tornadoes.

2014 - included hailstorms in Europe ($28.3 million), Hurricane Odile in Mexico ($14.5 million), India Floods ($9.8 million), Brisbane, Australia Superstorm Cells and several U.S. wind and thunderstorms.

2013 - included flooding in Europe ($55.9 million), Argentina and Canada (Calgary), a cyclone in Australia, tornadoes and hailstorms in the U.S., the series of hailstorms in Germany and France in late July 2013 ($75.3 million), Hurricane Ingrid, flooding events in the United States (Colorado) and Canada (Toronto) and Typhoons Fitow and Haiyan.

Our loss estimates are based on combinations of our review of individual treaties and policies expected to be impacted, commercial model outputs, client data received to the date the estimates are made, and consideration of expectations of total insured market loss estimates, if available, both from published sources and our internal analysis. Our loss estimates involve the exercise of considerable judgment due to the complexity and scale of the insured events, and are, accordingly, subject to revision as additional information becomes available. Actual losses may differ materially from these preliminary estimates.

Other Large Loss Events

In the years ended December 31, 2015, 2014 and 2013, our results from operations were impacted by significant losses from large non-natural catastrophe loss events. In 2014 and 2013, these individually significant losses were largely in the property lines of our Insurance segment.

In August 2015, a large loss event occurred in Tianjin, China. Our estimated losses related to the port explosion are $99.8 million, net of reinsurance recoveries and reinstatement premiums, of which 34% is attributable to the Insurance segment and 66% to the Reinsurance segment.

Our loss estimates are based upon our review of individual treaties and policies expected to be impacted and client data received to date and have taken into account current total insured market loss estimates, from both published sources and our internal analyses. Given there is currently a wide range of estimates for the extent of total economic and insured industry losses for these events, our loss estimates involve the exercise of considerable judgment and,accordingly, are subject to revision as additional information becomes available. Actual losses may differ materially from these estimates.

See "Income Statement Analysis" herein for further information regarding these large loss events within each of the Company's operating segments.

3) Sale of Operating Affiliate

On April 1, 2015, XL Re, an indirect wholly-owned subsidiary of XL-Ireland, completed the previously announced sale of all of its shares in ARX to The Progressive Corporation. See Item 8, Note 3(d), "Acquisitions and Disposals - Sale of Operating Affiliate" to the consolidated financial statements included herein for further information.

4) Continuing competitive factors impacting the underwriting environment

Soft market conditions were experienced across most lines of business throughout 2015, 2014 and 2013. For further information in relation to the underwriting environment, including details relating to rates and retention, see "Executive Overview – Underwriting Environment and Outlook for 2016," above.

5) Net favorable prior year loss development

Net favorable prior year loss development occurs when there is a decrease to loss reserves recorded at the beginning of the year, resulting from actual or reported loss development for prior years that is less than expected. Net prior year adverse loss development occurs when there is an increase to loss reserves recorded at the beginning of the year, resulting from actual or reported loss development for prior years exceeding expected loss development.

The following table presents the net (favorable) adverse prior year loss development of our loss and loss expense reserves for our property and casualty operations, which include the Insurance and Reinsurance segments for each of the years indicated:

(U.S. dollars in thousands)	2015	2014	2013
Insurance	$(65,030)	$(99,758)	$(102,039)
Reinsurance	(241,600)	(155,314)	(187,850)
Total	$(306,630)	$(255,072)	$(289,889)

See Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, Note 11, "Losses and Loss Expenses," to the Consolidated Financial Statements included herein, for further information regarding the developments in prior year loss reserve estimates for each of the years indicated within each of our operating segments.

6) Market movement impacts on the Company’s investment portfolio (Excluding Life Funds Withheld Assets)

During the year ended December 31, 2015, the negative mark to market change of $0.5 billion on our AFS investments was driven by government interest rate increases in the U.S. and U.K. This represents an approximately 1.6% depreciation in average total investment assets for the year ended December 31, 2015.

The following table provides further detail regarding the movements in relevant credit markets, as well as in government interest rates using selected market indices:

	Interest Rate Movement for the year ended December 31, 2015 (1) ('+'/'-' represents increases / decreases in interest rates)	Credit Spread Movement for the year ended December 31, 2015 (2) ('+'/'-' represents widening / tightening of credit spreads)	Equity Indices Price Movement for the year ended December 31, 2015 (1) ('+'/'-' represents increases / decreases in the equity index price)
United States	+11 basis points (5 year Treasury)	+14 basis points (US Corporate A rated)	-4.3% (MSCI All Countries World Index)
		-3 basis points (US Mortgage Master Index)	-0.7% (S&P500 Index)
		+18 basis points (US CMBS, AAA rated)	
United Kingdom	+18 basis points (10 year Gilt)	+17 basis points (U.K. Corporate, AA rated)	
Euro-zone	-6 basis points (5 year Bund)	+32 basis points (Europe Corporate, A rated)	

(1) Source: Bloomberg Finance L.P.
(2) Source: Merrill Lynch Global Indices.

Net realized gains on investments in the year ended December 31, 2015 totaled $20.0 million, including net realized losses of approximately $83.0 million related to other-than-temporary impairment ("OTTI") charges on certain of our fixed income investments. For further analysis of this, see "Income Statement Analysis" below.

Other Key Focuses of Management

Details of our significant other key focuses of management are outlined below.

Catlin Integration

We completed the Catlin Acquisition on May 1, 2015. Management has been highly focused on successfully integrating Catlin and realizing the anticipated synergies associated with this recent significant acquisition. Following the initial announcement of the proposed Catlin Acquisition, management developed a comprehensive integration plan that identified key areas of focus and action plans in anticipation of closing. Examples of this include the development of proposed operating models and leadership structures, talent management and system and process integration roadmaps for structural and organizational design changes. These efforts were further broken down into multiple work streams led by an integration steering committee and a project management team that includes colleagues from both organizations. Management, the integration steering committee and the project management team have continued to implement this integration plan since the closing of the Catlin Acquisition.

Capital Management

Fundamental to supporting our business model is our ability to underwrite business, which is largely dependent upon the quality of our claims paying and financial strength ratings as evaluated by independent rating agencies. As a result, in the event that we are downgraded, our ability to write business, as well as our financial condition and/or results of operations, could be adversely affected. Managing our capital, debt and leverage is an important part of maintaining the necessary ratings position.

Buybacks of Ordinary Shares

On February 21, 2014, XL-Ireland announced that its Board approved an increase to our share buyback program, authorizing the purchase of up to $1.0 billion of our ordinary shares, which included the amounts that remained available for purchase under the previous share buyback program (the "February 2014 Program").

During the year ended December 31, 2015, the Company purchased and canceled 4.5 million ordinary shares, respectively, under the February 2014 Program for $170.0 million.

On August 6, 2015, XL-Ireland announced that its Board approved a new share buyback program, authorizing the purchase of up to $1.0 billion of ordinary shares (the "August 2015 Program"). This authorization replaced the approximately $97.6 million remaining under the February 2014 Program.
During the year ended December 31, 2015, the Company purchased and canceled 7.9 million ordinary shares under the August 2015 Program for $296.7 million. As of December 31, 2015, $703.3 million remained available for purchase under the August 2015 Program.
All share buybacks were carried out by way of redemption in accordance with Irish law and our constitutional documents. All shares so redeemed were canceled upon redemption.

Issuance of the 4.45% Subordinated Debt due March 2025
On March 30, 2015, XL-Cayman issued $500 million of subordinated notes due March 2025, with a fixed coupon of 4.45%, that are guaranteed by XL-Ireland. The securities are listed on the New York Stock Exchange. The notes were issued at 99.633% of the face amount and net proceeds were $492.2 million. Related expenses of the offering amounted to $5.9 million. These costs were deferred and will be amortized over the term of the subordinated notes.
Issuance of the 5.5% Subordinated Debt due March 2045
On March 30, 2015, XL-Cayman issued $500 million of subordinated notes due March 2045, with a fixed coupon of 5.5%, that are guaranteed by XL-Ireland. The securities are listed on the New York Stock Exchange. The notes were issued at 99.115% of the face amount and net proceeds were $488.4 million. Related expenses of the offering amounted to $7.2 million. These costs were deferred and will be amortized over the term of the subordinated notes.
Catlin Acquisition - Bridge Facility
We engaged in capital management activity in support of the Catlin Acquisition. XL-Cayman, as borrower, XL-Ireland, X.L. America, Inc., XLIB, XL Re Ltd, and XL Life Ltd, as guarantors, Morgan Stanley Senior Funding, Inc., as administrative agent, and the lenders party thereto entered into a senior unsecured 364-Day Bridge Loan Agreement providing for a £1.6 billion Bridge Facility (the "Bridge Facility"). On April 8, 2015, we had deposited a sufficient amount of cash, cash equivalents and U.S. government securities in escrow to discharge the cash portion of the Catlin Acquisition. Accordingly, and pursuant to the terms of the Bridge Facility, on that date we terminated the commitments under the Bridge Facility.
Repayment of Acquired Debt
In December 2015, all notes assumed in conjunction with the Catlin Acquisition were redeemed by the Company at par and extinguished. The Company paid $87.4 million to call the notes and recognized a $5.6 million loss on early extinguishment of debt for the year ended December 31, 2015. See Item 8, Note 14, "Notes Payable and Debt and Financing Arrangements," for further information.
Risk Management
Our risk management and risk appetite framework is outlined in Item 1, "Business – Enterprise Risk Management," included herein. The table below shows our estimated per event net 1% and 0.4% exceedance probability exposures for certain peak natural catastrophe peril regions. These estimates assume that amounts due from reinsurance and retrocession purchases are 100% collectible. There may be credit or other disputes associated with these potential receivables.

Geographical Zone (U.S. dollars in millions)	Peril	Measurement Date of In-Force Exposures (1)	1% Exceedance Probability			0.4% Exceedance Probability		
			Probable Maximum Loss (2)	Percentage of Adjusted Tangible Capital at December 31, 2015		Probable Maximum Loss (2)	Percentage of Adjusted Tangible Capital at December 31, 2015	
North Atlantic	Windstorm	October 1, 2015	$1,873	15.7	%	$2,734	22.9	%
North America	Earthquake	October 1, 2015	$1,030	8.6	%	$1,779	14.9	%
Europe	Windstorm	October 1, 2015	$778	6.5	%	$1,033	8.7	%
Japan	Earthquake	October 1, 2015	$409	3.4	%	$518	4.3	%
Japan	Windstorm	October 1, 2015	$320	2.7	%	$390	3.3	%

(1) Detailed analyses of aggregated in-force exposures and maximum loss levels are done periodically. The measurement dates represent the date of the last completed detailed analysis by geographical zone.
(2) Probable maximum losses, which include secondary uncertainty that incorporates variability around the expected probable maximum loss for each event, do not represent our maximum potential exposures and are pre-tax.

See "Significant Items Affecting the Results of Operations – 2) The impact of significant large loss events" above.

Regulatory Change

As part of our operational efficiency, management continues to actively monitor and assess the various regulatory initiatives and legislation that impact us or in the future could impact us. For example, management has been focused on Solvency II, which became effective on January 1, 2016. This E.U. directive covers the supervision, capital adequacy and risk management of, and regulatory reporting for, European-based (re)insurers. See Item 1, "Business - Regulation" for additional discussion of Solvency II.

Critical Accounting Policies and Estimates

The following are considered to be our critical accounting policies and estimates due to the judgments and uncertainties affecting the application of these policies and/or the likelihood that materially different amounts would be reported under different conditions or using different assumptions. If actual events differ significantly from the underlying assumptions or estimates applied for any or all of the accounting policies (either individually or in the aggregate), there could be a material adverse effect on our results of operations, financial condition and liquidity. We have discussed these critical accounting policies with the Audit Committee of the Board.

Other significant accounting policies are nevertheless important to an understanding of our Consolidated Financial Statements. Policies such as those related to revenue recognition, financial instruments and consolidation require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance. See Item 8, Note 2, "Significant Accounting Policies," to the Consolidated Financial Statements included herein for further information.

1) Unpaid Loss and Loss Expenses and Unpaid Loss and Loss Expenses Recoverable

As we earn premiums for the underwriting risks we assume, we also establish an estimate of the expected ultimate losses related to the premium. Loss reserves for unpaid loss and loss expenses are established due to the significant periods of time that may elapse between the occurrence, reporting and settlement of a loss. The process of establishing reserves for unpaid P&C claims can be complex and is subject to considerable variability, as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors, and may be revised as additional experience and other data become available and are reviewed, as new or improved methodologies are developed or as current laws change. Loss reserves include:

a) Case reserves - reserves for reported losses and loss expenses that have not yet been settled; and

b) IBNR reserves – reserves for incurred but not reported losses or for reported losses over and above the amount of case reserves.

The amount of our net unpaid losses and loss expenses relating to our operating segments at December 31, 2015 and 2014 was as follows.

(U.S. dollars in thousands)	Net Unpaid Losses and Loss Expenses					
	2015			2014		
	Case Reserves	IBNR Reserves	Total Reserves	Case Reserves	IBNR Reserves	Total Reserves
Insurance:						
Professional	$1,505,337	$2,769,425	$4,274,764	$1,415,510	$2,800,020	$4,215,530
Casualty	1,894,342	3,935,142	5,808,546	1,412,787	3,213,599	4,626,386
Property	679,637	404,832	1,084,469	382,375	126,264	508,639
Specialty	1,194,392	695,221	1,889,613	620,704	395,449	1,016,153
Other (1)	224,912	376,073	594,737	193,088	407,942	601,030
Total	$5,498,620	$8,180,693	$13,652,129	$4,024,464	$6,943,274	$10,967,738
Reinsurance:						
Casualty	$1,606,988	$2,441,820	$4,045,582	$1,322,739	$1,853,339	$3,176,078
Property catastrophe	284,175	302,967	587,142	194,185	177,037	371,222
Other property	472,927	551,113	1,024,040	334,836	385,432	720,268
Specialty	392,551	79,890	472,441	344,301	43,564	387,865
Other (1)	165,418	244,087	409,505	124,744	193,800	318,544
Total	$2,922,059	$3,619,877	$6,538,710	$2,320,805	$2,653,172	$4,973,977
TOTAL	$8,420,679	$11,800,570	$20,190,839	$6,345,269	$9,596,446	$15,941,715

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(1) Other within the Insurance segment includes: excess and surplus, programs, surety, structured indemnity and certain discontinued lines. Other within the Reinsurance segment includes: whole account contracts, surety, structured indemnity and other lines.

Case Reserves

Case reserves for our P&C operations are established by management based on amounts reported from insureds or ceding companies and consultation with legal counsel, and represent the estimated ultimate cost of events or conditions that have been reported to or specifically identified by us. The method of establishing case reserves for reported claims differs among our operations.

With respect to our Insurance segment, we are notified of insured losses and record a case reserve for the estimated amount of the settlement, if any. The estimate reflects the judgment of claims personnel based on general reserving practices, the experience and knowledge of such personnel regarding the nature of the specific claim and, where appropriate, advice of legal counsel. Reserves are also established to provide for the estimated expense of settling claims, including legal and other fees and the general expenses of administering the claims adjustment process. With respect to our reinsurance operations, case reserves for reported claims are generally established based on reports received from ceding companies. Additional case reserves may be established by us to reflect the estimated ultimate cost of a loss. The uncertainty in the reserving process for reinsurers is due, in part, to the time lags inherent in reporting by the original claimant to the primary insurer to the reinsurer. As a predominantly broker market reinsurer for both excess-of-loss and proportional contracts, we are subject to a potential additional time lag in the receipt of information as the primary insurer reports to the broker who in turn reports to us.

Since we rely on information regarding paid losses, case reserves and IBNR provided by ceding companies in order to assist us in estimating our liability for unpaid losses and loss adjustment expenses ("LAE"), we maintain certain procedures in order to help determine the completeness and accuracy of such information. Periodically, management assesses the reporting activities of our ceding companies on the basis of qualitative and quantitative criteria. In addition to conferring with ceding companies or brokers on claims matters, our claims personnel conduct periodic audits of specific claims and the overall claims procedures of our ceding companies at their offices. We rely on our ability to effectively monitor the claims handling and claims reserving practices of ceding companies in order to help establish the proper reinsurance premium for reinsurance agreements and to establish proper loss reserves. Disputes with ceding companies have been rare and generally have been resolved through negotiation.

In addition to information received from ceding companies on reported claims, we also utilize information on the pattern of ceding company loss reporting and loss settlements from previous catastrophic events in order to estimate our ultimate liability related to catastrophic events such as hurricanes. Commercial catastrophe model analyses and zonal aggregate exposures are utilized to assess potential client loss before and after an event. Initial cedant loss reports are generally obtained shortly after a catastrophic event, with subsequent updates received as new information becomes available. We actively request loss updates from cedants periodically while there is still considerable uncertainty for an event, often for the first year following an event. Our claim settlement processes also incorporate an update to the total loss reserve at the time a claim payment is made to a ceding company.

While the reliance on loss reports from ceding companies may increase the level of uncertainty associated with the estimation of total loss reserves for property catastrophe reinsurance relative to direct property insurance, there are several factors which serve to reduce the uncertainty in loss reserve estimates for property catastrophe reinsurance. First, for large natural catastrophe events, aggregate limits in property catastrophe reinsurance contracts are generally fully exhausted by the loss reserve estimates. Second, as a reinsurer, we have access to information from a broad cross section of the insurance industry. We utilize such information in order to perform consistency checks on the data provided by ceding companies and are able to identify trends in loss reporting and settlement activity and incorporate such information in our estimate of IBNR reserves. Finally, we also supplement the loss information received from cedants with loss estimates developed by market share techniques and/or from third party catastrophe models applied to exposure data supplied by cedants.

IBNR Reserves

IBNR reserves represent management’s best estimate, at a given point in time, of the amount in excess of case reserves that is needed for the future settlement and loss adjustment costs associated with claims incurred. It is possible that the ultimate liability may differ materially from these estimates. Because the ultimate amount of unpaid losses and LAE is uncertain, we believe that quantitative techniques to estimate these amounts are enhanced by professional and managerial judgment. Management reviews the IBNR estimates produced by our actuaries and determines its best

estimate of the liabilities to record in our financial statements. We consider this single point estimate to be the mean expected outcome.

IBNR reserves are estimated by our actuaries using several standard actuarial methodologies including the loss ratio method, the loss development or chain ladder method, the Bornhuetter-Ferguson ("BF") method and frequency and severity approaches. IBNR related to a specific event may be based on our estimated exposure to an industry loss and may include the use of catastrophe modeling software. On a quarterly basis, IBNR reserves are reviewed by our actuaries, and are adjusted as new information becomes available. Any such adjustments are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made.

Our actuaries use one set of assumptions in calculating the single point estimate, which includes actual loss data, loss development factors, loss ratios, reported claim frequency and severity. The actuarial reviews and documentation are completed in accordance with professional actuarial standards with reserves established on a basis consistent with GAAP. The selected assumptions reflect the actuary's judgment based on historical data and experience combined with information concerning current underwriting, economic, judicial, regulatory and other influences on ultimate claim settlements.

When estimating IBNR reserves, each of our insurance and reinsurance business units segregate business into exposure classes. Within each class, the business is further segregated by either the year in which the contract incepted ("underwriting year"), the year in which the claim occurred ("accident year"), or the year in which the claim is reported ("report year"). The majority of the Insurance segment is reviewed on an accident year basis. Professional lines insurance business is mostly reviewed on a report year basis due to the claims made nature of the underlying policies. London Market insurance business is reviewed on an underwriting year basis as per Lloyd's market practice. The Reinsurance segment is reviewed on an underwriting year basis. In each case, we believe the selected method most accurately represents the economic condition of the business.

Generally, initial actuarial estimates of IBNR reserves not related to a specific event are based on the loss ratio method applied to each class of business. Actual paid losses and case reserves ("reported losses") are subtracted from expected ultimate losses to determine IBNR reserves. Estimates of the initial expected ultimate losses involve management judgment and are based on historical information for that class of business, which includes loss ratios, market conditions, changes in pricing and conditions, underwriting changes, changes in claims emergence, and other factors that may influence expected ultimate losses.

Over time, as greater numbers of claims are reported, actuarial estimates of IBNR are based on the BF method and loss development techniques. The BF method utilizes actual loss data and the expected patterns of loss emergence, combined with an initial expectation of ultimate losses to determine an estimate of ultimate losses. This method may be appropriate when there is limited actual loss data and a relatively less stable pattern of loss emergence. The chain ladder method utilizes actual loss and expected patterns of loss emergence to determine an estimate of ultimate losses that is independent of the initial expectation of ultimate losses. This method may be appropriate when there is a relatively stable pattern of loss emergence and a relatively larger number of reported claims. Multiple estimates of ultimate losses using a variety of actuarial methods are calculated for each of our classes of business for each year of loss experience. Our actuaries look at each class and determine the most appropriate point estimate based on the characteristics of the particular class and other relevant factors, such as historical ultimate loss ratios, the presence of individual large losses, and known occurrences that have not yet resulted in reported losses. Once our actuaries make their determination of the most appropriate point estimate for each class, this information is aggregated and presented to management for review and approval.

The pattern of loss emergence is determined using actuarial analysis and judgment and is based on the historical patterns of the recording of paid and reported losses by us, as well as industry information. Information that may cause historical patterns to differ from future patterns is considered and reflected in expected patterns as appropriate. For property, marine and aviation insurance, losses are generally reported within 2 to 3 years from the beginning of the accident year. For casualty insurance, loss emergence patterns can vary from 3 years to over 20 years depending on the type of business. For other insurance, loss emergence patterns fall between property and casualty insurance. For reinsurance business, loss reporting lags the corresponding insurance classes often by at least one quarter due to the need for loss information to flow from the ceding companies to us generally via reinsurance intermediaries. Such lags in loss reporting are reflected in the actuary's selections of loss reporting patterns used in establishing our reserves.

Such estimates are not precise because, among other things, they are based on predictions of future developments and estimates of future trends in claim severity, claim frequency and other issues. In the process of estimating IBNR reserves, provisions for economic inflation and changes in the social and legal environment are considered, but involve considerable judgment. When estimating IBNR reserves, more judgment is typically required for lines of business with longer loss emergence patterns.

Due to the low frequency and high severity nature of some of the business underwritten by us, our reserve estimates are highly dependent on actuarial and management judgment and are therefore uncertain. In property classes, there can

be additional uncertainty in loss estimation related to large catastrophe events. With wind events, such as hurricanes, the damage assessment process may take more than a year. The cost of claims is subject to volatility due to supply shortages for construction materials and labor. In the case of earthquakes, the damage assessment process may take several years as buildings are discovered to have structural weaknesses not initially detected. The uncertainty inherent in IBNR reserve estimates is particularly pronounced for casualty coverages, such as excess liability, professional liability coverages and workers' compensation, where information emerges relatively slowly over time.

Our three types of property and casualty reserve exposure with the longest tails are:

a) high layer excess casualty insurance;

b) casualty reinsurance; and

c) discontinued asbestos and run-off environmental insurance and reinsurance liabilities.

Certain aspects of our casualty operations complicate the actuarial process for establishing reserves. Certain casualty business written by our insurance operations is high layer excess casualty business, meaning that our liability attaches after large deductibles, including self-insurance or insurance from sources other than us. We commenced writing this type of business in 1986 and issued policies in forms that were different from traditional policies used by the industry at that time. Initially, there was a lack of industry data available for this type of business. Consequently, the basis for establishing loss reserves by us for this type of business was largely judgmental and based upon our own reported loss experience, which was used as a basis for determining ultimate losses and, therefore, IBNR reserves. Over time, the amount of available historical loss experience data has increased. As a result, we have obtained a larger statistical base to assist in establishing reserves for these excess casualty insurance claims.

High layer excess casualty insurance claims typically involve claims relating to (i) a "shock loss" such as an explosion or transportation accident causing severe damage to persons and/or property over a short period of time, (ii) a "non-shock" loss where a large number of claimants are exposed to injurious conditions over a longer period of time, such as exposure to chemicals or pharmaceuticals or (iii) a professional liability loss such as a medical malpractice claim. In each case, these claims are ultimately settled following extensive negotiations and legal proceedings. This process typically takes 5 to 15 years following the date of loss.

Reinsurance operations by their nature add further complications to the reserving process, particularly for the casualty business written, in that there is an inherent lag in the timing and reporting of a loss event from an insured or ceding company to the reinsurer. This reporting lag creates an even longer period of time between the policy inception and when a claim is finally settled. As a result, more judgment is required to establish reserves for ultimate claims in our reinsurance operations.

Casualty reinsurance business involves reserving methods that generally include historical aggregated claim information as reported by ceding companies, combined with the results of claims and underwriting reviews of a sample of the ceding company’s claims and underwriting files. Therefore, we do not always receive detailed claim information for this line of business.

Discontinued asbestos and run-off environmental liabilities are attached to certain policies previously written by NAC Re Corp. (now known as XL Reinsurance America Inc.), prior to its acquisition by us; from business of Winterthur purchased by us from AXA Insurance in 2001; from a loss portfolio transfer in 2006; and acquired as a result of the Catlin Acquisition. At December 31, 2015, total gross unpaid losses and loss expenses in respect of this business represented less than 1% of unpaid losses and loss expenses of the Company. See Note 11(c), "Losses and Loss Expenses - Discontinued Asbestos and Run-Off Environmental Related Claims," to the Consolidated Financial Statements included herein for further information.

Except for certain workers’ compensation (including long term disability) liabilities and certain bodily injury liability claims emanating from U.K. exposures, predominantly from the U.K. motor liability portfolio, we do not discount our unpaid losses and loss expenses. We utilize tabular reserving for workers’ compensation unpaid losses that are considered fixed and determinable. The unpaid losses for the annuity component of U.K. motor claims are discounted to reflect the long tail nature of the structured settlements. For further discussion, see Item 8, Note 11(b), "Losses and Loss Expenses - Loss Reserve Discounting," to the Consolidated Financial Statements included herein.

Total Reserve Estimates

Loss and loss expenses are charged to income as they are incurred. These charges include loss and loss expense payments and any changes in case and IBNR reserves. During the loss settlement period, additional facts regarding claims are reported. As these additional facts are reported, it may be necessary to increase or decrease the unpaid losses and loss expense reserves. The actual final liability may be significantly different than prior estimates.

As noted above, management reviews the IBNR estimates produced by our actuaries and determines its best estimate of the liabilities to record in our financial statements. We consider this single point estimate to be the mean expected outcome. Management believes that the actuarial methods utilized adequately provide for loss development.

While the proportion of unpaid losses and loss expenses represented by IBNR is sensitive to a number of factors, the most significant ones have historically been accelerated business growth and changes in business mix. Other factors that have affected the ratio in the past include additions to prior period reserves, catastrophic occurrences, settlement of large claims and

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changes in claims settlement patterns. The ratio of IBNR to total reserves decreased slightly from year-end 2014 to year-end 2015 as the reserve mix shifted toward shorter-tailed lines of business following the Catlin Acquisition.
IBNR reserves are estimated by our actuaries using standard actuarial methodologies as discussed above. Since the year ended December 31, 2003, we adopted a methodology that provides a single point reserve estimate separately for each line of business and also a range of possible outcomes across each single point reserve estimate. This is discussed further below.
The following table shows the recorded estimate and the high and low ends of the range of our net unpaid losses and loss expenses for each of the lines of business noted above at December 31, 2015:

(U.S. dollars in thousands)	Net Unpaid Losses and Loss Expenses Recorded	Range of Net Unpaid Losses & Loss Expenses Estimated HIGH	Range of Net Unpaid Losses & Loss Expenses Estimated LOW
Insurance			
Professional	$4,274,764	$4,629,611	$3,931,074
Casualty	5,808,546	$6,243,966	$5,385,528
Property	1,084,469	$1,199,035	$974,448
Specialty	1,889,613	$2,036,232	$1,747,313
Other (1)	594,737	$689,945	$505,137