Global Indemnity plc
Form 10-Q
November 09, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2015

OR

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

For the Transition Period from _____ to _____

001-34809

Commission File Number

GLOBAL INDEMNITY PLC

(Exact name of registrant as specified in its charter)

Ireland	**98-0664891**
(State or other jurisdiction	**(I.R.S. Employer**
of incorporation or organization)	**Identification No.)**

25/28 NORTH WALL QUAY

DUBLIN 1

IRELAND

(Address of principal executive office, including zip code)

353 (0) 1 649 2000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 such shorter period that registrant was required to submit and post such files.). Yes x No ¨

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

Large accelerated filer ¨;	Accelerated filer x;
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

As of November 3, 2015, the registrant had outstanding 13,671,818 A Ordinary Shares and 12,061,370 B Ordinary Shares.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

GLOBAL INDEMNITY PLC

Consolidated Balance Sheets

(In thousands, except share amounts)

	(Unaudited) September 30, 2015	December 31, 2014
ASSETS		
Fixed maturities:		
Available for sale, at fair value (amortized cost: $1,539,192 and $1,272,948)	$ 1,548,885	$ 1,283,475
Equity securities:		
Available for sale, at fair value (cost: $99,257 and $99,297)	106,666	122,048
Other invested assets:		
Available for sale, at fair value (cost: $31,137 and $33,174)	33,555	33,663
Total investments	1,689,106	1,439,186
Cash and cash equivalents	146,686	58,823
Restricted cash		113,696
Premiums receivable, net	95,438	56,586
Reinsurance receivables, net	134,187	125,718
Funds held by ceding insurers	24,523	25,176
Federal income taxes receivable	5,187	3,139
Deferred federal income taxes	35,809	20,250
Deferred acquisition costs	57,398	25,238
Intangible assets	26,417	17,636
Goodwill	6,936	4,820
Prepaid reinsurance premiums	39,150	4,725
Receivable for securities sold		60
Other assets	57,782	34,980
Total assets	$ 2,318,619	$ 1,930,033
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 729,509	$ 675,472
Unearned premiums	297,657	120,815
Ceded balances payable	4,110	2,800
Contingent commissions	14,397	12,985
Debt	292,144	174,673
Payable for securities	4,126	

Other liabilities		54,964		34,998
Total liabilities		1,396,907		1,021,743
Commitments and contingencies (Note 11)				
Shareholders equity:				
Ordinary shares, $0.0001 par value, 900,000,000 ordinary shares authorized; A ordinary shares issued: 16,748,528 and 16,331,577, respectively; A ordinary shares outstanding: 13,671,818 and 13,266,762 , respectively; B ordinary shares issued and outstanding: 12,061,370 and 12,061,370, respectively		3		3
Additional paid-in capital		529,319		519,590
Accumulated other comprehensive income, net of taxes		13,245		23,384
Retained earnings		480,882		466,717
A ordinary shares in treasury, at cost: 3,076,710 and 3,064,815 shares, respectively		(101,737)		(101,404)
Total shareholders equity		921,712		908,290
Total liabilities and shareholders equity	$	2,318,619	$	1,930,033

See accompanying notes to consolidated financial statements.

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GLOBAL INDEMNITY PLC

Consolidated Statements of Operations

(In thousands, except shares and per share data)

	(Unaudited) Quarters Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Gross premiums written	$ 150,148	$ 67,098	$ 459,532	$ 227,200
Net premiums written	$ 122,497	$ 63,262	$ 394,606	$ 212,495
Net premiums earned	$ 124,707	$ 68,028	$ 380,921	$ 201,589
Net investment income	8,852	6,527	26,234	22,488
Net realized investment gains (losses):				
Other than temporary impairment losses on investments	(4,641)	(6)	(6,879)	(68)
Other net realized investment gains (losses)	(6,137)	1,164	(337)	40,294
Total net realized investment gains (losses)	(10,778)	1,158	(7,216)	40,226
Other income	1,279	126	2,408	449
Total revenues	124,060	75,839	402,347	264,752
Losses and Expenses:				
Net losses and loss adjustment expenses	77,691	36,654	226,870	113,496
Acquisition costs and other underwriting expenses	50,934	27,458	150,118	81,114
Corporate and other operating expenses	3,567	3,481	19,441	9,614
Interest expense	1,595	118	2,635	628
Income (loss) before income taxes	(9,727)	8,128	3,283	59,900
Income tax expense (benefit)	(5,981)	(1,633)	(10,882)	8,108
Net income (loss)	$ (3,746)	$ 9,761	$ 14,165	$ 51,792
Per share data:				
Net income (loss)				
Basic	$ (0.15)	$ 0.39	$ 0.56	$ 2.06
Diluted	$ (0.15)	$ 0.39	$ 0.55	$ 2.05
Weighted-average number of shares outstanding				

Basic	25,463,994	25,137,531	25,452,991	25,126,684
Diluted	25,704,931	25,334,716	25,684,931	25,323,187

See accompanying notes to consolidated financial statements.

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GLOBAL INDEMNITY PLC

Consolidated Statements of Comprehensive Income

(In thousands)

	(Unaudited) Quarters Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss)	$ (3,746)	$ 9,761	$ 14,165	$ 51,792
Other comprehensive income (loss), net of taxes:				
Unrealized holding gains (losses)	(9,078)	(7,293)	(9,808)	6,476
Portion of other-than-temporary impairment losses recognized in other comprehensive income (loss)	(1)	(1)	(1)	(4)
Reclassification adjustment for (gains) losses included in net income	2,199	(1,524)	(517)	(35,312)
Unrealized foreign currency translation gains (losses)	23	(229)	187	(234)
Other comprehensive income (loss), net of taxes	(6,857)	(9,047)	(10,139)	(29,074)
Comprehensive income (loss), net of taxes	$ (10,603)	$ 714	$ 4,026	$ 22,718

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Changes in Shareholders Equity

(In thousands, except share amounts)

	(Unaudited) Nine Months Ended September 30, 2015	Year Ended December 31, 2014
Number of A ordinary shares issued:		
Number at beginning of period	16,331,577	16,200,406
Ordinary shares issued under share incentive plans	121,812	94,563
Ordinary shares issued to directors	27,437	36,608
Ordinary shares issued in connection with American Reliable acquisition	267,702	
Number at end of period	16,748,528	16,331,577
Number of B ordinary shares issued:		
Number at beginning and end of period	12,061,370	12,061,370
Par value of A ordinary shares:		
Balance at beginning and end of period	$ 2	$ 2
Par value of B ordinary shares:		
Balance at beginning and end of period	$ 1	$ 1
Additional paid-in capital:		
Balance at beginning of period	$ 519,590	$ 516,653
Share compensation plans	9,671	2,900
Tax benefit on share-based compensation expense	58	37
Balance at end of period	$ 529,319	$ 519,590
Accumulated other comprehensive income, net of deferred income tax:		
Balance at beginning of period	$ 23,384	$ 54,028
Other comprehensive income (loss):		
Change in unrealized holding gains (losses)	(10,319)	(30,299)
Change in other than temporary impairment losses recognized in other comprehensive income	(7)	(4)
Unrealized foreign currency translation gains (losses)	187	(341)
Other comprehensive income (loss)	(10,139)	(30,644)

Balance at end of period	$	13,245	$	23,384
Retained earnings:				
Balance at beginning of period	$	466,717	$	403,861
Net income		14,165		62,856
Balance at end of period	$	480,882	$	466,717
Number of Treasury Shares:				
Number at beginning of period		3,064,815		3,059,371
A ordinary shares purchased		11,895		5,444
Number at end of period		3,076,710		3,064,815
Treasury Shares, at cost:				
Balance at beginning of period	$	(101,404)	$	(101,265)
A ordinary shares purchased, at cost		(333)		(139)
Balance at end of period	$	(101,737)	$	(101,404)
Total shareholders equity	$	921,712	$	908,290

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

(In thousands)

	(Unaudited) Nine Months Ended September 30, 2015	2014
Cash flows from operating activities:		
Net income	$ 14,165	$ 51,792
Adjustments to reconcile net income to net cash used for operating activities:		
Amortization of value of business acquired	22,823	
Amortization and depreciation	3,761	2,649
Amortization of debt issuance costs	16	
Restricted stock and stock option expense	9,671	2,236
Deferred federal income taxes	(8,984)	1,964
Amortization of bond premium and discount, net	10,557	5,701
Net realized investment gain	7,216	(40,226)
Equity in the earnings of a partnership	(1,448)	
Changes in:		
Premiums receivable, net	18,971	(12,323)
Reinsurance receivables, net	5,373	19,694
Funds held by ceding insurers	661	(5,100)
Unpaid losses and loss adjustment expenses	(35,452)	(39,535)
Unearned premiums	4,608	11,169
Ceded balances payable	(11,909)	(1,027)
Other assets and liabilities, net	(13,199)	317
Contingent commissions	(2,909)	(166)
Federal income tax receivable/payable	(2,048)	(28)
Deferred acquisition costs, net	(32,160)	(3,913)
Prepaid reinsurance premiums	9,081	(265)
Net cash used for operating activities	(1,206)	(7,061)
Cash flows from investing activities:		
Cash release from escrow for business acquisition	113,696	
Acquisition of business, net of cash acquired	(92,336)	
Proceeds from sale of fixed maturities	290,580	350,179
Proceeds from sale of equity securities	34,161	181,203
Proceeds from sale of preferred stock	1,540	
Proceeds from maturity of fixed maturities	146,870	66,281
Proceeds from limited partnership distribution	4,287	
Proceeds from other invested assets		12
Amounts paid in connection with derivatives	(7,072)	(13,182)
Purchases of fixed maturities	(485,153)	(525,935)

Purchases of equity securities	(32,434)	(34,033)
Purchases of other invested assets	(2,250)	(18,475)
Net cash provided by (used for) investing activities	(28,111)	6,050
Cash flows from financing activities:		
Net borrowings (repayments) under margin borrowing facilities	21,114	(37,726)
Proceeds from issuance of subordinated notes	100,000	
Debt issuance cost	(3,659)	
Tax benefit on share-based compensation expense	58	
Purchase of A ordinary shares	(333)	(139)
Net cash provided by (used for) financing activities	117,180	(37,865)
Net change in cash and cash equivalents	87,863	(38,876)
Cash and cash equivalents at beginning of period	58,823	105,492
Cash and cash equivalents at end of period	$ 146,686	$ 66,616

See accompanying notes to consolidated financial statements.

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1. Principles of Consolidation and Basis of Presentation

Global Indemnity plc (Global Indemnity or the Company) was incorporated on March 9, 2010 and is domiciled in Ireland. Global Indemnity replaced the Company s predecessor, United America Indemnity, Ltd., as the ultimate parent company as a result of a re-domestication transaction in July, 2010. The Company s A ordinary shares are publicly traded on the NASDAQ Global Select Market under the trading symbol GBLI.

Starting in the 1st quarter of 2015, the Company manages its business through three business segments: Commercial Lines, managed in Bala Cynwyd, offers specialty property and casualty products designed for product lines such as Small Business Binding Authority, Property Brokerage, and Programs; Personal Lines, managed in Scottsdale, AZ, offers specialty personal lines and agricultural coverage; and Reinsurance Operations, managed in Bermuda, provides reinsurance solutions through brokers and primary writers including insurance and reinsurance companies. The Commercial Lines and Personal Lines segments comprise the Company s U.S. Insurance Operations. See Note 14 for additional information regarding segments.

The interim consolidated financial statements are unaudited, but have been prepared in conformity with United States of America generally accepted accounting principles (GAAP), which differs in certain respects from those principles followed in reports to insurance regulatory authorities. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The unaudited consolidated financial statements include all adjustments that are, in the opinion of management, of a normal recurring nature and are necessary for a fair statement of results for the interim periods. Results of operations for the quarters and nine months ended September 30, 2015 and 2014 are not necessarily indicative of the results of a full year. The accompanying notes to the unaudited consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in the Company s 2014 Annual Report on Form 10-K.

The consolidated financial statements include the accounts of Global Indemnity and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

2. Acquisition

On January 1, 2015, Global Indemnity Group, Inc., a subsidiary of the Company, acquired 100% of the voting equity interest of American Reliable Insurance Company (American Reliable) from American Bankers Insurance Group, Inc. by paying $113.7 million in cash and assuming $283.3 million of customary insurance related liabilities, obligations, and mandates. Per the American Reliable Stock Purchase Agreement Stock Purchase Agreement), the ultimate purchase price is subject to (i) accounting procedures that were performed in 2015 to determine GAAP book value and (ii) indemnification on future development on recorded loss and loss adjustment expenses as of December 31, 2014. In accordance with the Stock Purchase Agreement, on the third calendar year following the calendar year of the closing, if loss and loss adjustment expenses for accident years 2014 and prior are lower than recorded unpaid loss and loss adjustment expenses as of December 31, 2014, Global Indemnity Group, Inc. will pay the variance to American Bankers Group, Inc. Conversely, if loss and loss adjustment expenses for accident years 2014 and prior exceed

recorded unpaid loss and loss adjustment expenses as of December 31, 2014, American Bankers Group, Inc. will pay the variance to Global Indemnity Group, Inc. The Company s current estimate of the purchase price, based on available financial information, is approximately $99.8 million.

The results of American Reliable s operations have been included in the Company s consolidated financial statements since the date of the acquisition on January 1, 2015.

The purchase of American Reliable expanded Global Indemnity s product offerings. American Reliable is a specialty company that distributes personal lines products written on an admitted basis that are unusual and harder to place. It complements Global Indemnity s existing US Insurance Operations that primarily distribute commercial lines products on an excess and surplus lines basis.

American Reliable is domiciled in Arizona and as such is subject to its state insurance department regulations.

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For the quarter and nine months ended September 30, 2015, American Reliable had total revenues of $63.5 million and $196.1 million, respectively, and pre-tax loss of $11.2 million and $8.5 million, respectively. These amounts are included in the Company s results of operations for the quarter and nine months ended September 30, 2015.

The following table presents the Company s unaudited pro forma consolidated results of operations for the quarters and nine months ended September 30, 2015 and 2014 as if the acquisition had occurred on January 1, 2014 instead of January 1, 2015.

	Pro Forma			
	Quarters Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands except per share data)	2015	2014	2015	2014
Total Revenue	$ 124,060	$ 141,902	$ 402,347	$ 462,164
Net Income (Loss)	$ (3,746)	$ 13,782	$ 19,560	$ 57,224
Net Income (Loss) per share (diluted)	$ (0.15)	$ 0.54	$ 0.76	$ 2.24

The pro forma results were calculated by applying the Company s accounting policies and adjusting the result of American Reliable to reflect (i) impact of intercompany reinsurance with Global Indemnity Reinsurance Company, Ltd. (Global Indemnity Reinsurance), (ii) the impact on interest expense resulting from changes to the Company s capital structure in connection with the acquisition, (iii) impact on investment income from the acquisition date adjustments to fair value of investments, (iv) impact on underwriting expenses from the acquisition date adjustments to fair value of deferred acquisition costs and intangible assets, (v) impact of excluding transaction costs related to the acquisition and (vi) the tax effects of the above adjustments.

The pro forma results do not include any anticipated cost synergies or other effects of the integration of American Reliable. Such pro forma amounts are not indicative of the results that actually would have occurred had the acquisition been completed on January 1, 2014, nor are they indicative of the future operating results of the combined company.

The Company is still in the process of valuing the assets acquired and liabilities assumed. As a result, the allocation of the acquisition consideration is subject to change. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of the acquisition as of September 30, 2015 compared to June 30, 2015 along with changes in estimates made during the quarter.

	As of		
(Dollars in thousands)	September 30, 2015	June 30, 2015	Change
ASSETS:			
Investments	$ 226,458	$ 226,458	$
Cash and cash equivalents	21,360	21,360	
Premiums receivables, net	25,941	25,941	
Accounts receivable	11,311	17,129	(5,818)
Reinsurance receivables	13,842	12,723	1,119

Prepaid reinsurance premiums	43,506	43,506	
Intangible assets	32,000	32,000	
Deferred federal income taxes	1,139	1,246	(107)
Other assets	6,550	6,550	
Total assets	382,107	386,913	(4,806)
LIABILITIES:			
Unearned premiums	172,234	172,234	
Unpaid losses and loss adjustment expenses	89,489	88,370	1,119
Reinsurance balances payable	13,219	13,219	
Contingent commissions	3,876	3,876	
Other liabilities	5,608	5,685	(77)
Total liabilities	284,426	283,384	1,042
Estimated fair value of net assets acquired	97,681	103,529	(5,848)
Purchase price	99,797	105,843	6,046
Goodwill	$ 2,116	$ 2,314	$ (198)

Pursuant to the Stock Purchase Agreement, the Company and American Bankers Group, Inc. have performed procedures to finalize the closing balance sheet for purposes of determining the purchase price. However, the Company and American Bankers Group, Inc. were unable to come to an agreement on the carrying value of unpaid loss and loss adjustment expense reserves. As a result, the Company entered into a dispute resolution with American Bankers Group, Inc. for the carried

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amount of unpaid loss and loss adjustment reserves as of the acquisition date. This dispute resolution is consistent with the Stock Purchase Agreement that includes indemnification to both the Company and American Bankers Group, Inc. on future development on recorded loss and loss adjustment expenses as of December 31, 2014. On the third calendar year following the acquisition date of January 1, 2015, if loss and loss adjustment expenses for accident years 2014 and prior are lower than recorded unpaid loss and loss adjustment expenses as of December 31, 2014, Global Indemnity Group, Inc. will pay the variance plus interest of 5% compounding semi-annually to American Bankers Group, Inc. Conversely, if loss and loss adjustment expenses for accident years 2014 and prior exceed recorded unpaid loss and loss adjustment expenses as of December 31, 2014, American Bankers Group, Inc. will pay the variance plus interest of 5% compounding semi-annually to Global Indemnity Group, Inc.

As a result of the structure of this dispute resolution on unpaid loss and loss adjustment expenses, American Reliable s accounts receivable declined by $5.8 million for amounts due from American Bankers Group, Inc. and Global Indemnity Group, Inc. s accounts receivable due from American Bankers Group, Inc. increased by $6.5 million. This consolidated net increase in accounts receivable due from American Bankers Group, Inc. of $0.7 million is related to accrued interest on the anticipated indemnification of unpaid loss and loss adjustment expense reserves.

The transaction is being accounted for using the purchase method of accounting. The assets and liabilities acquired by the Company were adjusted to estimated fair value. The $2.1 million excess of cash and acquisition cost over the estimated fair value of assets acquired was recognized as goodwill. Under the purchase method of accounting, goodwill is not amortized but is tested for impairment at least annually.

Goodwill of $2.1 million, arising from the acquisition, consists largely of the synergies and economies of scales expected from combining the operations of Global Indemnity and American Reliable. The Company has determined that the goodwill of $2.1 million will be assigned to the Personal Lines segment. There is no tax goodwill.

An identification and valuation of intangible assets was performed that resulted in the recognition of intangible assets of $32.0 million with values assigned as follows:

(Dollars in thousands)

Description	Useful Life	Amount
State insurance licenses	Indefinite	$ 5,000
Value of business acquired	< 1 year	25,500
Agent relationships	10 years	900
Trade name	7 - 8 years	600
		$ 32,000

Intangible assets arising from the acquisition will be deductible for income tax purposes over 15 years.

The following table presents details of the Company s intangible assets arising from the American Reliable acquisition as of September 30, 2015:

(Dollars in thousands)

Description	Useful Life	Cost	Accumulated Amortization	Net Value
State insurance licenses	Indefinite	$ 5,000	$	$ 5,000
Value of business acquired	< 1 year	25,500	22,823	2,677
Agent relationships	10 years	900	67	833
Trade name	7 - 8 years	600	64	536
		$ 32,000	$ 22,954	$ 9,046

Amortization related to the Company s definite lived intangible assets resulting from American Reliable acquisition was $4.1 million and $23.0 million for the quarter and nine months ended September 30, 2015.

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The Company expects that amortization expense for the next five years related to the American Reliable acquisition will be as follows:

(Dollars in thousands)	
October 1, 2015 to September 30, 2016	$ 2,853
October 1, 2016 to September 30, 2017	176
October 1, 2017 to September 30, 2018	176
October 1, 2018 to September 30, 2019	176
October 1, 2019 to September 30, 2020	176

The fair value, gross contractual amounts due, and contractual cash flows not expected to be collected of acquired receivables are as follows:

(Dollars in thousands)	Fair Value	Gross Contractual Amounts Due	Contractual cash flows not expected to be collected
Premium receivables	$ 25,941	$ 26,896	$ 955
Accounts receivable	11,311	11,311	
Reinsurance receivables	12,723	12,723	

In connection with the acquisition, the Company agreed to pay to Fox Paine & Company, LLC (Fox Paine) an investment banking fee of 3% of the amount paid plus the additional capital required to operate American Reliable on a standalone basis and a $1.5 million investment advisory fee, which in the aggregate, totaled $6.5 million. This amount is included in corporate and other operating expenses on the Company s Consolidated Statements of Operations during the nine months ended September 30, 2015. As payment for these fees, 267,702 A ordinary shares of Global Indemnity were issued under the Global Indemnity plc Share Incentive Plan in May, 2015. These shares will be registered but cannot be sold until the earlier of five years or a change of control. See Note 12 for additional information on the Global Indemnity plc Share Incentive Plan.

Additional costs, mainly professional fees, of $5.1 million were incurred in connection with the acquisition of American Reliable. Of this amount, $3.3 million was recorded as corporate and other operating expenses on the Company s Consolidated Statements of Operations during the year ended December 31, 2014 and $1.8 million was recorded as corporate and other operating expenses on the Company s Consolidated Statements of Operation during the nine months ended September 30, 2015.

During the nine months ended September 30, 2015, the Company paid approximately $1.6 million in employee compensation related cost, which were related to periods prior to the Acquisition. These costs were accrued by American Reliable and were included in the fair value of net assets acquired by Global Indemnity Group, Inc. on January 1, 2015.

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Geographic Concentration

The following table sets forth the geographic distribution of American Reliable s gross premiums written, excluding business that is ceded under a 100% quota share reinsurance agreement to American Bankers Insurance Company of Florida, for the year ended December 31, 2014:

	Year Ended December 31, 2014	
(Dollars in thousands)	**Amount**	**Percent**
Texas	$ 32,760	12.3%
California	25,556	9.6
North Carolina	23,040	8.7
Arizona	17,722	6.7
Louisiana	17,522	6.6
New York	13,408	5.0
Florida	12,361	4.6
Oklahoma	9,977	3.7
Georgia	8,768	3.3
New Jersey	6,925	2.6
Subtotal	168,039	63.1
All other states	98,264	36.9
Total	$ 266,303	100.0%

Marketing and Distribution

American Reliable distributes its insurance products primarily through a group of approximately 290 general and specialty agents and 332 retail agents in Arizona and New Mexico. Of the Company s non-affiliated general and specialty agents, the top five accounted for 23.9% of American Reliable s gross premiums written for the year ended December 31, 2014. One agency represented 6.8% of American Reliable s gross premiums written for the year ended December 31, 2014. There is no agency which accounted for more than 10.0% of American Reliable s revenue for the year ended December 31, 2014.

Dividend Limitations

The maximum amount of dividends, which can be paid by Arizona domiciled insurance companies without prior approval of the Insurance Commissioner, is subject to certain regulatory restrictions relating to statutory surplus. Specifically, an insurance company may pay dividends equal to the lesser of net income or 10% of its statutory surplus without specific approval from the Insurance Commissioner. At December 31, 2014, the maximum dividend, which may be distributed without approval in 2015, is zero. Dividends in excess of this amount are considered extraordinary.

Reinsurance

As a result of the acquisition, the following reinsurance treaties were entered into:

Earthquake Property Catastrophe Excess of Loss Effective January 1, 2015, the Company purchased an earthquake property catastrophe excess of loss treaty which provides occurrence coverage for earthquake catastrophe losses of $30 million in excess of $5 million for American Reliable property business. This treaty provides for one full reinstatement of coverage at 100% additional premium as to time and pro rata as to amount of limit reinstated. This treaty was cancelled on May 31, 2015 and rolled into a new combined master catastrophe treaty which was effective June 1, 2015.

American Reliable Property Per Risk Excess of Loss Effective January 1, 2015, American Reliable renewed its property per risk excess of loss treaty covering business underwritten by American Reliable. This treaty provides coverage in two layers: $1 million per risk in excess of $1 million per risk, and $3 million per risk in excess of $2 million per risk. The first layer is subject to a $2 million limit of liability for all risks involved in one loss occurrence, and the second layer is subject to a $6 million limit for all risks involved in one loss occurrence.

100% Ceded Quota Share to American Bankers Effective December 1, 2014, American Reliable entered into four treaties to cede 100% of its liabilities related to certain businesses to American Bankers Insurance Company that were not included in the acquisition of American Reliable. For the quarter and nine months ended September 30, 2015, American Reliable recorded ceded written premiums of $18.7 million and $41.7 million, respectively, and ceded earned premiums of $13.3 million and $50.8 million, respectively, to American Bankers Insurance Company.

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100% Assumed Quota Share from American Bankers Effective December 1, 2014, American Reliable entered into two treaties to assume 100% of its liabilities from various insurers owned by Assurant, Inc. for business included in the acquisition but not written directly by American Reliable. For the quarter and nine months ended September 30, 2015, American Reliable recorded assumed written premiums of $21.4 million and $69.3 million, respectively, and assumed earned premiums of $22.8 million and $69.8 million, respectively, from insurance companies owned by Assurant, Inc.

The effect of reinsurance on premiums written and earned by American Reliable is as follows:

(Dollars in thousands)	Written	Earned
For the quarter ended September 30, 2015:		
Direct business	$ 65,824	$ 57,825
Reinsurance assumed	21,525	22,927
Reinsurance ceded	24,047	18,620
Net premiums	$ 63,302	$ 62,132

(Dollars in thousands)	Written	Earned
For the nine months ended September 30, 2015:		
Direct business	$ 179,979	$ 182,851
Reinsurance assumed	69,585	70,120
Reinsurance ceded	52,779	61,499
Net premiums	$ 196,785	$ 191,472

Commitments

As a result of the acquisition, the Company assumed operating leases related to the operations of American Reliable. Rental expense under these operating leases was $0.3 million and $0.8 million for the quarter and nine months ended September 30, 2015, respectively. At September 30, 2015, future minimum cash payments under non-cancelable operating leases related to the operations of American Reliable were as follows:

(Dollars in thousands)	
October 1, 2015 to September 30, 2016	$ 1,032
October 1, 2016 to September 30, 2017	941
October 1, 2017 to September 30, 2018	937
October 1, 2018 to September 30, 2019	143

Total	$ 3,053

At the time of the acquisition, one of the Company s policy administration systems was under development. In April, 2015, the Company entered into an agreement with an unrelated third party to build out a rate, quote, bind and issue application for the Company s agriculture products. This project has an estimated cost of approximately $2.6 million plus reimbursable travel and related expenses.

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3. Investments

The amortized cost and estimated fair value of investments were as follows as of September 30, 2015 and December 31, 2014:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Other than temporary impairments recognized in AOCI (1)
As of September 30, 2015					
Fixed maturities:					
U.S. treasury and agency obligations	$ 95,312	$ 1,972	$ (9)	$ 97,275	$
Obligations of states and political subdivisions	232,532	3,538	(670)	235,400	
Mortgage-backed securities	185,359	3,203	(159)	188,403	
Asset-backed securities	278,059	1,391	(616)	278,834	(10)
Commercial mortgage-backed securities	160,829	74	(827)	160,076	
Corporate bonds	459,840	2,526	(1,072)	461,294	
Foreign corporate bonds	127,261	573	(231)	127,603	
Total fixed maturities	1,539,192	13,277	(3,584)	1,548,885	(10)
Common stock	99,257	12,359	(4,950)	106,666	
Other invested assets	31,137	2,418		33,555	
Total	$ 1,669,586	$ 28,054	$ (8,534)	$ 1,689,106	$ (10)

(1) Represents the total amount of other than temporary impairment losses relating to factors other than credit losses recognized in accumulated other comprehensive income (AOCI).

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Other than temporary impairments recognized in AOCI (2)

As of December 31, 2014					
Fixed maturities:					
U.S. treasury and agency obligations	$ 78,569	$ 2,281	$ (83)	$ 80,767	$
Obligations of states and political subdivisions	188,452	3,718	(697)	191,473	
Mortgage-backed securities	205,814	3,709	(764)	208,759	(4)
Asset-backed securities	177,853	713	(303)	178,263	(13)
Commercial mortgage-backed securities	133,984	21	(847)	133,158	
Corporate bonds	380,704	3,421	(709)	383,416	
Foreign corporate bonds	107,572	625	(558)	107,639	
Total fixed maturities	1,272,948	14,488	(3,961)	1,283,475	(17)
Common stock	99,297	25,689	(2,938)	122,048	
Other invested assets	33,174	489		33,663	
Total	$ 1,405,419	$ 40,666	$ (6,899)	$ 1,439,186	$ (17)

(2) Represents the total amount of other than temporary impairment losses relating to factors other than credit losses recognized in accumulated other comprehensive income (AOCI).

Excluding U.S. treasuries and agency bonds, the Company did not hold any debt or equity investments in a single issuer that was in excess of 4% of shareholders equity at September 30, 2015 or December 31, 2014.

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The amortized cost and estimated fair value of the Company s fixed maturities portfolio classified as available for sale at September 30, 2015, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 142,231	$ 143,283
Due in one year through five years	701,239	705,430
Due in five years through ten years	49,986	50,812
Due in ten years through fifteen years	3,799	4,277
Due after fifteen years	17,690	17,770
Mortgage-backed securities	185,359	188,403
Asset-backed securities	278,059	278,834
Commercial mortgage-backed securities	160,829	160,076
Total	$ 1,539,192	$ 1,548,885

The following table contains an analysis of the Company s securities with gross unrealized losses, categorized by the period that the securities were in a continuous loss position as of September 30, 2015:

	Less than 12 months		12 months or longer (1)		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities:						
U.S. treasury and agency obligations	$	$	$ 3,413	$ (9)	$ 3,413	$ (9)
Obligations of states and political subdivisions	43,194	(573)	9,510	(97)	52,704	(670)
Mortgage-backed securities	23,004	(114)	255	(45)	23,259	(159)
Asset-backed securities	107,361	(588)	4,531	(28)	111,892	(616)
Commercial mortgage-backed securities	110,702	(687)	15,453	(140)	126,155	(827)
Corporate bonds	145,181	(1,051)	2,974	(21)	148,155	(1,072)
Foreign corporate bonds	42,441	(231)			42,441	(231)
Total fixed maturities	471,883	(3,244)	36,136	(340)	508,019	(3,584)
Common stock	38,128	(4,950)			38,128	(4,950)
Total	$ 510,011	$ (8,194)	$ 36,136	$ (340)	$ 546,147	$ (8,534)

(1) Fixed maturities in a gross unrealized loss position for twelve months or longer are primarily comprised of non-credit losses on investment grade securities where management does not intend to sell, and it is more likely than not that the Company will not be forced to sell the security before recovery. The Company has analyzed these securities and has determined that they are not other than temporarily impaired.

The following table contains an analysis of the Company s securities with gross unrealized losses, categorized by the period that the securities were in a continuous loss position as of December 31, 2014:

	Less than 12 months		12 months or longer (1)		Total	
(Dollars in thousands)	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Fixed maturities:						
U.S. treasury and agency obligations	$ 11,728	$ (9)	$ 3,343	$ (74)	$ 15,071	$ (83)
Obligations of states and political subdivisions	28,684	(314)	28,061	(383)	56,745	(697)
Mortgage-backed securities	2,818	(7)	51,203	(757)	54,021	(764)
Asset-backed securities	92,123	(283)	1,683	(20)	93,806	(303)
Commercial mortgage-backed securities	92,664	(525)	26,280	(322)	118,944	(847)
Corporate bonds	144,505	(656)	3,216	(53)	147,721	(709)
Foreign corporate bonds	60,518	(558)			60,518	(558)
Total fixed maturities	433,040	(2,352)	113,786	(1,609)	546,826	(3,961)
Common stock	20,002	(2,808)	1,577	(130)	21,579	(2,938)
Total	$ 453,042	$ (5,160)	$ 115,363	$ (1,739)	$ 568,405	$ (6,899)

(1) Fixed maturities in a gross unrealized loss position for twelve months or longer are primarily comprised of non-credit losses on investment grade securities where management does not intend to sell, and it is more likely than not that the Company will not be forced to sell the security before recovery. The Company has analyzed these securities and has determined that they are not other than temporarily impaired.

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The Company regularly performs various analytical valuation procedures with respect to its investments, including reviewing each fixed maturity security in an unrealized loss position to assess whether the security is a candidate for credit loss. Specifically, the Company considers credit rating, market price, and issuer specific financial information, among other factors, to assess the likelihood of collection of all principal and interest as contractually due. Securities for which the Company determines that a credit loss is likely are subjected to further analysis through discounted cash flow testing to estimate the credit loss to be recognized in earnings, if any. The specific methodologies and significant assumptions used by asset class are discussed below. Upon identification of such securities and periodically thereafter, a detailed review is performed to determine whether the decline is considered other than temporary. This review includes an analysis of several factors, including but not limited to, the credit ratings and cash flows of the securities and the magnitude and length of time that the fair value of such securities is below cost.

For fixed maturities, the factors considered in reaching the conclusion that a decline below cost is other than temporary include, among others, whether:

(1) the issuer is in financial distress;

(2) the investment is secured;

(3) a significant credit rating action occurred;

(4) scheduled interest payments were delayed or missed;

(5) changes in laws or regulations have affected an issuer or industry;

(6) the investment has an unrealized loss and was identified by the Company s investment manager as an investment to be sold before recovery or maturity; and

(7) the investment failed cash flow projection testing to determine if anticipated principal and interest payments will be realized.

According to accounting guidance for debt securities in an unrealized loss position, the Company is required to assess whether it has the intent to sell the debt security or more likely than not will be required to sell the debt security before the anticipated recovery. If either of these conditions is met, the Company must recognize an other than temporary impairment with the entire unrealized loss being recorded through earnings. For debt securities in an unrealized loss position not meeting these conditions, the Company assesses whether the impairment of a security is other than temporary. If the impairment is deemed to be other than temporary, the Company must separate the other than temporary impairment into two components: the amount representing the credit loss and the amount related to all

other factors, such as changes in interest rates. The credit loss represents the portion of the amortized book value in excess of the net present value of the projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment. The credit loss component of the other than temporary impairment is recorded through earnings, whereas the amount relating to factors other than credit losses is recorded in other comprehensive income, net of taxes.

For equity securities, management carefully reviews all securities with unrealized losses to determine if a security should be impaired and further focuses on securities that have either:

(1) persisted with unrealized losses for more than twelve consecutive months or

(2) the value of the investment has been 20% or more below cost for six continuous months or more.

The amount of any write-down, including those that are deemed to be other than temporary, is included in earnings as a realized loss in the period in which the impairment arose.

The following is a description, by asset type, of the methodology and significant inputs that the Company used to measure the amount of credit loss recognized in earnings, if any:

U.S. treasury and agency obligations As of September 30, 2015, gross unrealized losses related to U.S. treasury and agency obligations were $0.009 million. All unrealized losses have been in an unrealized loss position for twelve months or greater and are rated AA+. Macroeconomic and market analysis is conducted in evaluating these securities. The analysis is driven by moderate interest rate anticipation, yield curve management, and security selection.

Obligations of states and political subdivisions As of September 30, 2015, gross unrealized losses related to obligations of states and political subdivisions were $0.670 million. Of this amount, $0.097 million have been in an unrealized loss position for twelve months or greater and are rated A or better. All factors that influence performance of the municipal bond

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market are considered in evaluating these securities. The aforementioned factors include investor expectations, supply and demand patterns, and current versus historical yield and spread relationships. The analysis relies on the output of fixed income credit analysts, as well as dedicated municipal bond analysts who perform extensive in-house fundamental analysis on each issuer, regardless of their rating by the major agencies.

Mortgage-backed securities (MBS) As of September 30, 2015, gross unrealized losses related to mortgage-backed securities were $0.159 million. Of this amount, $0.045 million have been in an unrealized loss position for twelve months or greater and are rated CC. Mortgage-backed securities are modeled to project principal losses under downside, base, and upside scenarios for the economy and home prices. The primary assumption that drives the security and loan level modeling is the Home Price Index (HPI) projection. The model first projects HPI at the national level, then at the zip-code level based on the historical relationship between the individual zip code HPI and the national HPI. The model utilizes loan level data and borrower characteristics including FICO score, geographic location, original and current loan size, loan age, mortgage rate and type (fixed rate / interest-only / adjustable rate mortgage), issuer / originator, residential type (owner occupied / investor property), dwelling type (single family / multi-family), loan purpose, level of documentation, and delinquency status as inputs. The model also includes the explicit treatment of silent second liens, utilization of loan modification history, and the application of roll rate adjustments.

Asset-backed securities (ABS) As of September 30, 2015, gross unrealized losses related to asset backed securities were $0.616 million. Of this amount, $0.028 million has been in an unrealized loss position for 12 months or greater and are rated AAA. The weighted average credit enhancement for the Company s asset backed portfolio is 21.9. This represents the percentage of pool losses that can occur before an asset backed security will incur its first dollar of principal losses. Every ABS transaction is analyzed on a stand-alone basis. This analysis involves a thorough review of the collateral, prepayment, and structural risk in each transaction. Additionally, the analysis includes an in-depth credit analysis of the originator and servicer of the collateral. The analysis projects an expected loss for a deal given a set of assumptions specific to the asset type. These assumptions are used to calculate at what level of losses the deal will incur its first dollar of principal loss. The major assumptions used to calculate this ratio are loss severities, recovery lags, and no advances on principal and interest.

Commercial mortgage-backed securities (CMBS) As of September 30, 2015, gross unrealized losses related to the CMBS portfolio were $0.827 million. Of this amount, $0.140 million have been in an unrealized loss position for twelve months or greater, of which, 81.0% are rated AA- or better. The weighted average credit enhancement for the Company s CMBS portfolio is 35.7. This represents the percentage of pool losses that can occur before a mortgage-backed security will incur its first dollar of principal loss. For the Company s CMBS portfolio, a loan level analysis is utilized where every underlying CMBS loan is re-underwritten based on a set of assumptions reflecting expectations for the future path of the economy. In the analysis, the focus is centered on stressing the significant variables that influence commercial loan defaults and collateral losses in CMBS deals. These variables include: (1) a projected drop in occupancies; (2) capitalization rates that vary by property type and are forecasted to return to more normalized levels as the capital markets repair and capital begins to flow again; and (3) property value stress testing using projected property performance and projected capitalization rates. Term risk is triggered if the projected debt service coverage rate falls below 1x. Balloon risk is triggered if a property s projected performance does not satisfy new tighter mortgage standards.

Corporate bonds As of September 30, 2015, gross unrealized losses related to corporate bonds were $1.072 million. Of this amount, $0.021 million have been in an unrealized loss position for twelve months or greater and are rated BBB or better. The analysis for this sector includes maintaining detailed financial models that include a projection of each issuer s future financial performance, including prospective debt servicing capabilities, capital structure composition, and the value of the collateral. The analysis incorporates the macroeconomic environment, industry conditions in which the issuer operates, the issuer s current competitive position, its vulnerability to changes in the competitive and regulatory environment, issuer liquidity, issuer commitment to bondholders, issuer creditworthiness, and asset protection. Part of the process also includes running downside scenarios to evaluate the expected likelihood of default as well as potential losses in the event of default.

Foreign bonds As of September 30, 2015, gross unrealized losses related to foreign bonds were $0.231 million. All unrealized losses have been in an unrealized loss position for less than twelve months. For this sector, detailed financial models are maintained that include a projection of each issuer s future financial performance, including prospective debt servicing capabilities, capital structure composition, and the value of the collateral. The analysis incorporates the macroeconomic environment, industry conditions in which the issuer operates, the issuer s current competitive position, its vulnerability to changes in the competitive and regulatory environment, issuer liquidity, issuer commitment to bondholders, issuer creditworthiness, and asset protection. Part of the process also includes running downside scenarios to evaluate the expected likelihood of default as well as potential losses in the event of default.

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Common stock As of September 30, 2015, gross unrealized losses related to common stock were $4.950 million. All unrealized losses have been in an unrealized loss position for less than 12 months. To determine if an other than temporary impairment of an equity security has occurred, the Company considers, among other things, the severity and duration of the decline in fair value of the equity security. The Company also examines other factors to determine if the equity security could recover its value in a reasonable period of time.

The Company recorded the following other than temporary impairments (OTTI) on its investment portfolio for the quarters and nine months ended September 30, 2015 and 2014:

	Quarters Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2015**	**2014**	**2015**	**2014**
Fixed maturities:				
OTTI losses, gross	$	$ (6)	$ (23)	$ (31)
Portion of loss recognized in other comprehensive income (pre-tax)				
Net impairment losses on fixed maturities recognized in earnings		(6)	(23)	(31)
Equity securities	(4,641)		(6,856)	(37)
Total	$ (4,641)	$ (6)	$ (6,879)	$ (68)

The following table is an analysis of the credit losses recognized in earnings on fixed maturities held by the Company for the quarters and nine months ended September 30, 2015 and 2014 for which a portion of the OTTI loss was recognized in other comprehensive income.

	Quarters Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2015**	**2014**	**2015**	**2014**
Balance at beginning of period	$ 31	$ 50	$ 50	$ 54
Additions where no OTTI was previously recorded				
Additions where an OTTI was previously recorded				
Reductions for securities for which the company intends to sell or more likely than not will be required to sell before recovery				
Reductions reflecting increases in expected cash flows to be collected				
Reductions for securities sold during the period			(19)	(4)
Balance at end of period	$ 31	$ 50	$ 31	$ 50

Accumulated Other Comprehensive Income, Net of Tax

Accumulated other comprehensive income, net of tax, as of September 30, 2015 and December 31, 2014 was as follows:

(Dollars in thousands)	**September 30, 2015**	**December 31, 2014**
Net unrealized gains from:		
Fixed maturities	$ 9,693	$ 10,527
Common stock	7,409	22,751
Other	970	369
Deferred taxes	(4,827)	(10,263)
Accumulated other comprehensive income, net of tax	$ 13,245	$ 23,384

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The following tables present the changes in accumulated other comprehensive income, net of tax, by component for the quarters and nine months ended September 30, 2015 and 2014:

Quarter Ended September 30, 2015 (Dollars in thousands)	Unrealized Gains and Losses on Available for Sale Securities, Net of Tax	Foreign Currency Items, Net of Tax	Accumulated Other Comprehensive Income, Net of Tax
Beginning balance	$ 20,201	$ (99)	$ 20,102
Other comprehensive income (loss) before reclassification	(9,009)	(47)	(9,056)
Amounts reclassified from accumulated other comprehensive income (loss)	2,129	70	2,199
Other comprehensive income (loss)	(6,880)	23	(6,857)
Ending balance	$ 13,321	$ (76)	$ 13,245

Quarter Ended September 30, 2014 (Dollars in thousands)	Unrealized Gains and Losses on Available for Sale Securities, Net of Tax	Foreign Currency Items, Net of Tax	Accumulated Other Comprehensive Income, Net of Tax
Beginning balance	$ 33,928	$ 73	$ 34,001
Other comprehensive income (loss) before reclassification	(7,295)	(228)	(7,523)
Amounts reclassified from accumulated other comprehensive income (loss)	(1,523)	(1)	(1,524)
Other comprehensive income (loss)	(8,818)	(229)	(9,047)
Ending balance	$ 25,110	$ (156)	$ 24,954

Nine Months Ended September 30, 2015 (Dollars in thousands)	Unrealized Gains and Losses on Available for Sale Securities, Net of Tax	Foreign Currency Items, Net of Tax	Accumulated Other Comprehensive Income, Net of Tax
Beginning balance	$ 23,647	$ (263)	$ 23,384
Other comprehensive income (loss) before reclassification	(9,413)	(209)	(9,622)
Amounts reclassified from accumulated other comprehensive income (loss)	(913)	396	(517)
Other comprehensive income (loss)	(10,326)	187	(10,139)
Ending balance	$ 13,321	$ (76)	$ 13,245

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Nine Months Ended September 30, 2014 (Dollars in thousands)	Unrealized Gains and Losses on Available for Sale Securities, Net of Tax	Foreign Currency Items, Net of Tax	Accumulated Other Comprehensive Income, Net of Tax
Beginning balance	$ 53,950	$ 78	$ 54,028
Other comprehensive income (loss) before reclassification	6,396	(158)	6,238
Amounts reclassified from accumulated other comprehensive income (loss)	(35,236)	(76)	(35,312)
Other comprehensive income (loss)	(28,840)	(234)	(29,074)
Ending balance	$ 25,110	$ (156)	$ 24,954

The reclassifications out of accumulated other comprehensive income for the quarters and nine months ended September 30, 2015 and 2014 were as follows:

(Dollars in thousands) Details about Accumulated Other Comprehensive Income Components	Affected Line Item in the Consolidated Statements of Operations	Amounts Reclassified from Accumulated Other Comprehensive Income Quarters Ended September 30, 2015	2014
Unrealized gains and losses on available for sale securities	Other net realized investment (gains)	$ (2,042)	$ (2,355)
	Other than temporary impairment losses on investments	4,641	6

	Total before tax	2,599	(2,349)
	Income tax expense (benefit)	(470)	826
	Net of tax	$ 2,129	$ (1,523)
Foreign Currency Items	Other net realized investment (gains) losses	$ 108	$ (1)
	Income tax (benefit)	(38)	
	Net of tax	$ 70	$ (1)
Total reclassifications	Net of tax	$ 2,199	$ (1,524)

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(Dollars in thousands) Details about Accumulated Other Comprehensive Income Components	Affected Line Item in the Consolidated Statements of Operations	Amounts Reclassified from Accumulated Other Comprehensive Income Nine Months Ended September 30, 2015	2014
Unrealized gains and losses on available for sale securities	Other net realized investment (gains)	$ (9,168)	$ (53,729)
	Other than temporary impairment losses on investments	6,879	68
	Total before tax	(2,289)	(53,661)
	Income tax expense	1,376	18,425
	Net of tax	$ (913)	$ (35,236)
Foreign Currency Items	Other net realized investment (gains) losses	$ 609	$ (117)
	Income tax expense (benefit)	(213)	41
	Net of tax	$ 396	$ (76)
Total reclassifications	Net of tax	$ (517)	$ (35,312)

Net Realized Investment Gains (Losses)

Net realized gains and losses on investments are determined based on the specific identification method.

The components of net realized investment gains (losses) for the quarters and nine months ended September 30, 2015 and 2014 were as follows:

	Quarters Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2015**	**2014**	**2015**	**2014**
Fixed maturities:				
Gross realized gains	$ 110	$ 262	$ 1,589	$ 2,651
Gross realized losses	(1,451)	(471)	(1,692)	(697)
Net realized gains/ (losses)	(1,341)	(209)	(103)	1,954
Common stock:				
Gross realized gains	3,494	2,559	9,418	52,434
Gross realized losses	(4,860)		(7,731)	(610)
Net realized gains/ (losses)	(1,366)	2,559	1,687	51,824
Preferred stock:				
Gross realized gains			96	
Gross realized losses				
Net realized gains			96	
Derivatives:				
Gross realized gains		147		
Gross realized losses	(8,071)	(1,339)	(8,896)	(13,552)
Net realized (losses)	(8,071)	(1,192)	(8,896)	(13,552)
Total net realized investment gains/ (losses)	$ (10,778)	$ 1,158	$ (7,216)	$ 40,226

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The proceeds from sales of available-for-sale securities resulting in net realized investment gains (losses) for the nine months ended September 30, 2015 and 2014 were as follows:

	Nine Months Ended September 30,	
(Dollars in thousands)	**2015**	**2014**
Fixed maturities	$ 290,580	$ 350,179
Equity securities	34,161	181,203
Preferred stock	1,540	

Net Investment Income

The sources of net investment income for the quarters and nine months ended September 30, 2015 and 2014 were as follows:

	Quarters Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2015**	**2014**	**2015**	**2014**
Fixed maturities	$ 8,673	$ 6,791	$ 24,709	$ 20,843
Equity securities	703	780	2,419	4,861
Cash and cash equivalents	32	14	59	42
Other invested assets	193		1,535	87
Total investment income	9,601	7,585	28,722	25,833
Investment expense	(749)	(1,058)	(2,488)	(3,345)
Net investment income	$ 8,852	$ 6,527	$ 26,234	$ 22,488

The Company s total investment return on a pre-tax basis for the quarters and nine months ended September 30, 2015 and 2014 were as follows:

	Quarters Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2015**	**2014**	**2015**	**2014**
Net investment income	$ 8,852	$ 6,527	$ 26,234	$ 22,488
Net realized investment gains (losses)	(10,778)	1,158	(7,216)	40,226
Change in unrealized holding gains and losses	(10,420)	(11,876)	(15,575)	(43,650)

Net realized and unrealized investment returns	(21,198)	(10,718)	(22,791)	(3,424)
Total investment return	$ (12,346)	$ (4,191)	$ 3,443	$ 19,064
Total investment return % **(1)**	(0.7%)	(0.3%)	0.2%	1.2%
Average investment portfolio **(2)**	$ 1,800,993	$ 1,558,501	$ 1,788,777	$ 1,541,336

(1) Not annualized.

(2) Average of total cash and invested assets, net of receivable/payable for securities purchased and sold, as of the beginning and end of the period.

Insurance Enhanced Asset Backed and Credit Securities

As of September 30, 2015, the Company held insurance enhanced asset backed and credit securities with a market value of approximately $45.5 million. Approximately $19.0 million of these securities were tax free municipal bonds, which represented approximately 1.0% of the Company s total cash and invested assets, net of payable/receivable for securities purchased and sold. These securities had an average rating of A+. Approximately $8.3 million of these bonds are pre-refunded with U.S. treasury securities, of which $0.1 million are backed by financial guarantors, meaning that funds have been set aside in escrow to satisfy the future interest and principal obligations of the bond. Of the remaining $10.7 million of insurance enhanced municipal bonds, $0.5 million would have carried a lower credit rating had they not been insured.

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The following table provides a breakdown of the ratings for these municipal bonds with and without insurance.

(Dollars in thousands) Rating	Ratings with Insurance	Ratings without Insurance
AA	$ 511	$
BB		511
Total	$ 511	$ 511

A summary of the Company s insurance enhanced municipal bonds that are backed by financial guarantors, including the pre-refunded bonds that are escrowed in U.S. government obligations, as of September 30, 2015, is as follows:

(Dollars in thousands) Financial Guarantor	Total	Pre-refunded Securities	Government Guaranteed Securities	Exposure Net of Pre-refunded & Government Guaranteed Securities
Ambac Financial Group	$ 1,686	$ 136	$	$ 1,550
Assured Guaranty Corporation	3,661			3,661
Municipal Bond Insurance Association	4,920			4,920
Gov t National Housing Association	553		553	
Total backed by financial guarantors	10,820	136	553	10,131
Other credit enhanced municipal bonds	8,185	8,185		
Total	$ 19,005	$ 8,321	$ 553	$ 10,131

In addition to the tax-free municipal bonds, the Company held $26.5 million of insurance enhanced asset-backed and taxable municipal bonds, which represented approximately 1.4% of the Company s total invested assets, net of receivable/payable for securities purchased and sold. The financial guarantors of the Company s $26.5 million of insurance enhanced asset-backed and taxable municipal securities include Municipal Bond Insurance Association ($8.4 million), Ambac Financial Group ($1.4 million), Assured Guaranty Corporation ($14.5 million), Financial Guaranty Insurance Group ($0.2 million) and Build America Mutual ($2.0 million).

The Company had no direct investments in the entities that have provided financial guarantees or other credit support to any security held by the Company at September 30, 2015.

Bonds Held on Deposit

Certain cash balances, cash equivalents, equity securities and bonds available for sale were deposited with various governmental authorities in accordance with statutory requirements, were held as collateral pursuant to borrowing arrangements, or were held in trust pursuant to intercompany reinsurance agreements. The fair values were as follows as of September 30, 2015 and December 31, 2014:

	Estimated Fair Value	
(Dollars in thousands)	**September 30, 2015**	**December 31, 2014**
On deposit with governmental authorities	$ 39,763	$ 32,790
Intercompany trusts held for the benefit of U.S. policyholders	555,859	495,301
Held in trust pursuant to third party requirements	69,153	95,828
Letter of credit held for third party requirements	6,112	9,340
Securities held as collateral for borrowing arrangements (1)	248,486	222,809
Total	$ 919,373	$ 856,068

(1) Amount required to collateralize margin borrowing facilities.

4. Derivative Instruments

Interest rate swaps are used by the Company primarily to reduce risks from changes in interest rates. Under the terms of the interest rate swaps, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional amount.

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The Company accounts for the interest rate swaps as non-hedge instruments and recognizes the fair value of the interest rate swaps in other assets or other liabilities on the consolidated balance sheets with the changes in fair value recognized as net realized investment gains (losses) in the consolidated statement of operations. The estimated fair value of the interest rate swaps, which is primarily derived from the forward interest rate curve, is based on the valuation received from a third party financial institution.

The following table summarizes information on the location and the gross amount of the derivatives fair value on the consolidated balance sheets as of September 30, 2015 and December 31, 2014:

(Dollars in thousands)		September 30, 2015		December 31, 2014	
Derivatives Not Designated as Hedging Instruments under ASC 815	**Balance Sheet Location**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Interest rate swap agreements	Other liabilities	$ 200,000	$ (18,522)	$ 200,000	$ (13,675)

The following table summarizes the net gains and losses included in the consolidated statement of operations for changes in the fair value of the derivatives and the periodic net interest settlements under the derivatives for the quarters and nine months ended September 30, 2015 and 2014:

		Quarters Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**Statement of Operations Line**	**2015**	**2014**	**2015**	**2014**
Interest rate swap agreements	Net realized investment gain(losses)	$ (8,071)	$ (1,192)	$ (8,896)	$ (13,552)

As of September 30, 2015, the Company is due receivables of $4.8 million for collateral posted and $18.8 million for margin calls made in connection with the interest rate swaps. These amounts are included in other assets on the consolidated balance sheets.

5. Fair Value Measurements

The accounting standards related to fair value measurements define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. These standards do not change existing guidance as to whether or not an instrument is carried at fair value. The Company has determined that its fair value measurements are in accordance with the requirements of these accounting standards.

The Company s invested assets and derivative instruments are carried at their fair value and are categorized based upon a fair value hierarchy:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets that the Company has the ability to access at the measurement date.

Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for similar assets, either directly or indirectly.

Level 3 inputs are unobservable for the asset, and include situations where there is little, if any, market activity for the asset.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset.

Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains and losses for invested assets within the Level 3 category presented in the tables below may include changes in fair value that are attributed to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

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The following table presents information about the Company s invested assets and derivative instruments measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

As of September 30, 2015	Fair Value Measurements			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities:				
U.S. treasury and agency obligations	$ 91,341	$ 5,934	$	$ 97,275
Obligations of states and political subdivisions		235,400		235,400
Mortgage-backed securities		188,403		188,403
Commercial mortgage-backed securities		160,076		160,076
Asset-backed securities		278,834		278,834
Corporate bonds		461,294		461,294
Foreign corporate bonds		127,603		127,603
Total fixed maturities	91,341	1,457,544		1,548,885
Common stock	106,666			106,666
Other invested assets			33,555	33,555
Total assets measured at fair value	$ 198,007	$ 1,457,544	$ 33,555	$ 1,689,106
Liabilities:				
Derivative instruments	$	$ 18,522	$	$ 18,522
Total liabilities measured at fair value	$	$ 18,522	$	$ 18,522

As of December 31, 2014	Fair Value Measurements			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities:				
U.S. treasury and agency obligations	$ 74,765	$ 6,002	$	$ 80,767
Obligations of states and political subdivisions		191,473		191,473
Mortgage-backed securities		208,759		208,759
Commercial mortgage-backed securities		133,158		133,158
Asset-backed securities		178,263		178,263
Corporate bonds		383,416		383,416
Foreign corporate bonds		107,639		107,639
Total fixed maturities	74,765	1,208,710		1,283,475

Common stock	122,048			122,048
Other invested assets			33,663	33,663
Total assets measured at fair value	$ 196,813	$ 1,208,710	$ 33,663	$ 1,439,186
Liabilities:				
Derivative instruments	$	$ 13,675	$	$ 13,675
Total liabilities measured at fair value	$	$ 13,675	$	$ 13,675

The securities classified as Level 1 in the above table consist of U.S. Treasuries and equity securities actively traded on an exchange.

The securities classified as Level 2 in the above table consist primarily of fixed maturity securities and derivative instruments. Based on the typical trading volumes and the lack of quoted market prices for fixed maturities, security prices are derived through recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. If there are no recent reported trades, matrix or model processes are used to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Included in the pricing of asset-backed securities, collateralized mortgage obligations, and mortgage-backed securities are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and prepayment speeds previously experienced at the interest rate levels projected for the underlying collateral. The estimated fair value of the interest rate swaps is obtained from a third party financial institution who utilizes observable inputs such as the forward interest rate curve.

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For the Company s material debt arrangements, the current fair value of the Company s debt was as follows:

(Dollars in thousands)	Carrying Value	Fair Value
Margin Borrowing Facilities	$ 195,787	$ 195,787
7.75% Subordinated Notes due 2045 (1)	96,357	90,117
Total	$ 292,144	$ 285,904

(1) As of September 30, 2015, the carrying value and fair value of the 7.75% Subordinated Notes due 2045 are net of unamortized debt issuance cost of $3.6 million.

The fair value of the margin borrowing facilities approximates its carrying value due to the facilities being due on demand. The 7.75% subordinated notes due 2045 are publicly traded instruments and are classified as Level 1 in the fair value hierarchy.

There were no transfers between Level 1 and Level 2 during the quarters and nine months ended September 30, 2015 or 2014.

The following table presents changes in Level 3 investments measured at fair value on a recurring basis for the quarters and nine months ended September 30, 2015 and 2014:

	Quarters Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Beginning balance	$ 31,176	$ 15,034	$ 33,663	$ 3,489
Total gains (losses) (realized / unrealized):				
Included in accumulated other comprehensive income (loss)	23	(404)	481	(834)
Investment Income:				
Equity in Limited Partnership	106		1,448	
Purchases	2,250	6,500	2,250	18,475
Distributions		(12)	(4,287)	(12)
Ending balance	$ 33,555	$ 21,118	$ 33,555	$ 21,118

The investments classified as Level 3 in the above table relate to investments in limited partnerships. The Company does not have access to daily valuations; therefore, the estimated fair values of the limited partnerships are measured utilizing net asset value, typically on a quarter lag, as a practical expedient for the limited partnerships.

The Company uses the equity method to account for an investment in a limited partnership where its ownership interest exceeds 3%. The equity method of accounting for an investment in a limited partnership requires changes in fair market value to be reflected in the income statement. The Company records the changes in fair market value for investments in limited partnerships accounted for under the equity method to investment income. The change in fair market value included in investment income for this limited partnership was $0.1 million during the quarter ended September 30, 2015 and $1.4 million during the year ended September 30, 2015.

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Fair Value of Alternative Investments

Included in Other invested assets in the fair value hierarchy at September 30, 2015 and December 31, 2014 are limited liability partnerships measured at fair value. The following table provides the fair value and future funding commitments related to these investments at September 30, 2015 and December 31, 2014.

	September 30, 2015		December 31, 2014	
(Dollars in thousands)	**Fair Value**	**Future Funding Commitment**	**Fair Value**	**Future Funding Commitment**
Equity Fund, LP **(1)**	$ 3,348	$ 2,391	$ 3,401	$ 2,436
Real Estate Fund, LP **(2)**				
European Non-Performing Loan Fund, LP **(3)**	30,207	21,314	30,262	20,064
Total	$ 33,555	$ 23,705	$ 33,663	$ 22,500

(1) This limited partnership invests in companies from various business sectors whereby the partnership has acquired control of the operating business as a lead or organizing investor. The Company does not have the ability to sell or transfer its limited partnership interest without consent from the general partner. The Company does not have the contractual option to redeem its limited partnership interest but receives distributions based on the liquidation of the underlying assets. The Company anticipates its interest in this partnership to be redeemed during the 4th quarter of 2015.

(2) This limited partnership invests in real estate assets through a combination of direct or indirect investments in partnerships, limited liability companies, mortgage loans, and lines of credit. The Company does not have the contractual option to redeem its limited partnership interest but receives distributions based on the liquidation of the underlying assets. The Company does not have the ability to sell or transfer its limited partnership interest without consent from the general partner. The Company continues to hold an investment in this limited partnership and has written the fair value down to zero.

(3) This limited partnership invests in distressed securities and assets through senior and subordinated, secured and unsecured debt and equity, in both public and private large-cap and middle-market companies. The Company does not have the ability to sell or transfer its limited partnership interest without consent from the general partner. The Company does not have the contractual option to redeem its limited partnership interest but receives distributions based on the liquidation of the underlying assets. Based on the terms of the partnership agreement, the Company anticipates its interest in this partnership to be redeemed in 2020.

Pricing

The Company s pricing vendors provide prices for all investment categories except for investments in limited partnerships which are measured utilizing net asset values as a practical expedient. Two vendors provide prices for equity and fixed maturity securities.

The following is a description of the valuation methodologies used by the Company s pricing vendors for investment securities carried at fair value:

Equity prices are received from all primary and secondary exchanges.

Corporate and agency bonds are evaluated by utilizing a multi-dimensional relational model. For bonds with early redemption options, an option adjusted spread model is utilized. Both asset classes use standard inputs and incorporate security set up, defined sector breakdown, benchmark yields, apply base spreads, yield to maturity, and adjust for corporate actions.

Data from commercial vendors is aggregated with market information, then converted into a prepayment/spread/LIBOR curve model used for commercial mortgage obligations (CMO). CMOs are categorized with mortgage-backed securities in the tables listed above. For ABS s, data derived from market information along with trustee and servicer reports is converted into spreads to interpolated swap yield curve. For both asset classes, evaluations utilize standard inputs plus new issue data, monthly payment information, and collateral performance. The evaluated pricing models incorporate discount rates, loan level information, prepayment speeds, treasury benchmarks, and LIBOR and swap curves.

For municipals, a multi-dimensional relational model is used to evaluate securities within this asset class. The evaluated pricing models for this asset class incorporate security set-up, benchmark yields, apply base spreads, yield to worst or market convention, ratings updates, prepayment schedules and adjustments for material events notices.

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U.S. treasuries are evaluated by obtaining feeds from a number of live data sources including active market makers and inter-dealer brokers.

For MBSs, a matrix model correlation to TBA (a forward MBS trade) or benchmarking is utilized to value a security.

The Company performs certain procedures to validate whether the pricing information received from the pricing vendor is reasonable, to ensure that the fair value determination is consistent with accounting guidance, and to ensure that its assets are properly classified in the fair value hierarchy. The Company s procedures include, but are not limited to:

Reviewing periodic reports provided by the Investment Manager that provide information regarding rating changes and securities placed on watch. This procedure allows the Company to understand why a particular security s market value may have changed.

Understanding and periodically evaluating the various pricing methods and procedures used by the Company s pricing vendor to ensure that investments are properly classified within the fair value hierarchy.

On a quarterly basis, the Company corroborates investment security prices received from its pricing vendor by obtaining pricing from a second pricing vendor for a sample of securities.

During the quarters and nine months ended September 30, 2015 and 2014, the Company has not adjusted quotes or prices obtained from the pricing vendor.

6. Income Taxes

The statutory income tax rates of the countries where the Company does business are 35% in the United States, 0% in Bermuda, 0% in the Cayman Islands, 0% in Gibraltar, 29.22% in the Duchy of Luxembourg, and 25% on non-trading income, 33% on capital gains and 12.5% on trading income in the Republic of Ireland. The statutory income tax rate of each country is applied against the expected annual taxable income of the Company in each country to estimate the annual income tax expense. Generally, during interim periods, the Company will divide total estimated annual income tax expense by total estimated annual pre-tax income to determine the expected annual income tax rate used to compute the income tax provision. The expected annual income tax rate is then applied against interim pre-tax income, excluding net realized gains and losses and limited partnership distributions, and that amount is then added to the actual income taxes on net realized gains and losses, discrete items and limited partnership distributions. However, when there is significant volatility in the expected effective tax rate, the Company records its actual income tax provision in lieu of the estimated effective income tax rate. In 2015, the Company recorded its income tax provision using a discrete period computation because a reliable estimate of an effective tax rate could not be made.

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The Company s income before income taxes from its non-U.S. subsidiaries and U.S. subsidiaries, including the results of the quota share and stop-loss agreements between Global Indemnity Reinsurance and the Insurance Operations, for the quarters and nine months ended September 30, 2015 and 2014 were as follows:

Quarter Ended September 30, 2015:

(Dollars in thousands)	Non-U.S. Subsidiaries	U.S. Subsidiaries	Eliminations	Total
Revenues:				
Gross premiums written	$ 67,543	$ 140,268	$ (57,663)	$ 150,148
Net premiums written	$ 67,534	$ 54,963	$	$ 122,497
Net premiums earned	$ 70,532	$ 54,175	$	$ 124,707
Net investment income	10,644	4,783	(6,575)	8,852
Net realized investment losses	(1,256)	(9,522)		(10,778)
Other income	(11)	1,290		1,279
Total revenues	79,909	50,726	(6,575)	124,060
Losses and Expenses:				
Net losses and loss adjustment expenses	39,849	37,842		77,691
Acquisition costs and other underwriting expenses	30,504	20,430		50,934
Corporate and other operating expenses	1,648	1,919		3,567
Interest expense	1,501	6,669	(6,575)	1,595
Income (loss) before income taxes	$ 6,407	$ (16,134)	$	$ (9,727)

Quarter Ended September 30, 2014:

(Dollars in thousands)	Non-U.S. Subsidiaries	U.S. Subsidiaries	Eliminations	Total
Revenues:				
Gross premiums written	$ 38,387	$ 56,491	$ (27,780)	$ 67,098
Net premiums written	$ 38,366	$ 24,896	$	$ 63,262
Net premiums earned	$ 43,238	$ 24,790	$	$ 68,028
Net investment income	7,713	3,655	(4,841)	6,527
Net realized investment gains (losses)	(10)	1,168		1,158
Other income (loss)	(38)	164		126

Total revenues	50,903	29,777	(4,841)	75,839
Losses and Expenses:				
Net losses and loss adjustment expenses	18,939	17,715		36,654
Acquisition costs and other underwriting expenses	17,762	9,696		27,458
Corporate and other operating expenses	1,156	2,325		3,481
Interest expense	193	4,766	(4,841)	118
Income before income taxes	$ 12,853	$ (4,725)	$	$ 8,128

Nine Months Ended September 30, 2015:

(Dollars in thousands)	Non-U.S. Subsidiaries	U.S. Subsidiaries	Eliminations	Total
Revenues:				
Gross premiums written	$ 289,940	$ 411,310	$ (241,718)	$ 459,532
Net premiums written	$ 289,892	$ 104,714	$	$ 394,606
Net premiums earned	$ 214,667	$ 166,254	$	$ 380,921
Net investment income	32,146	13,594	(19,506)	26,234
Net realized investment losses	(1,643)	(5,573)		(7,216)
Other income (loss)	(77)	2,485		2,408
Total revenues	245,093	176,760	(19,506)	402,347
Losses and Expenses:				
Net losses and loss adjustment expenses	115,654	111,216		226,870
Acquisition costs and other underwriting expenses	92,368	57,750		150,118
Corporate and other operating expenses	3,395	16,046		19,441
Interest expense	2,325	19,816	(19,506)	2,635
Income (loss) before income taxes	$ 31,351	$ (28,068)	$	$ 3,283

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Nine Months Ended September 30, 2014:

(Dollars in thousands)	Non-U.S. Subsidiaries	U.S. Subsidiaries	Eliminations	Total
Revenues:				
Gross premiums written	$ 139,714	$ 170,038	$ (82,552)	$ 227,200
Net premiums written	$ 138,677	$ 73,818	$	$ 212,495
Net premiums earned	$ 126,551	$ 75,038	$	$ 201,589
Net investment income	22,947	13,980	(14,439)	22,488
Net realized investment gains	1,017	39,209		40,226
Other income (loss)	(41)	490		449
Total revenues	150,474	128,717	(14,439)	264,752
Losses and Expenses:				
Net losses and loss adjustment expenses	51,818	61,678		113,496
Acquisition costs and other underwriting expenses	52,637	28,477		81,114
Corporate and other operating expenses	4,034	5,580		9,614
Interest expense	647	14,420	(14,439)	628
Income before income taxes	$ 41,338	$ 18,562	$	$ 59,900

The following table summarizes the components of income tax expense (benefit):

	Quarters Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2015	2014	2015	2014
Current income tax expense:				
Foreign	$ 67	$ 39	$ 228	$ 164
U.S. Federal	(579)	(1,571)	(2,126)	5,980
Total current income tax expense (benefit)	(512)	(1,532)	(1,898)	6,144
Deferred income tax expense (benefit):				
U.S. Federal	(5,469)	(101)	(8,984)	1,964
Total deferred income tax expense (benefit)	(5,469)	(101)	(8,984)	1,964
Total income tax expense (benefit)	$ (5,981)	$ (1,633)	$ (10,882)	$ 8,108

The following table summarizes the differences between the tax provision for financial statement purposes and the expected tax provision at the weighted average tax rate:

	Quarters Ended September 30,			
	2015		2014	
(Dollars in thousands)	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Expected tax provision at weighted average rate	$ (5,580)	(57.4%)	$ (1,614)	(19.9%)
Adjustments:				
Tax exempt interest	(107)	(1.1)	(120)	(1.5)
Dividend exclusion	(175)	(1.8)	(229)	(2.8)
Effective tax rate adjustment		0.0	288	3.5
Other	(119)	(1.2)	42	0.6
Actual tax on continuing operations	$ (5,981)	(61.5%)	$ (1,633)	(20.1%)

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The effective income tax benefit rate for the quarter ended September 30, 2015 was 61.5%, compared to an effective income tax benefit rate of 20.1%, for the quarter ended September 30, 2014. The increase in the effective tax benefit rate is primarily due to capital losses in the quarter ended September 30, 2015. Taxes were computed using a discrete period computation because a reliable estimate of an effective tax rate could not be made.

	Nine Months Ended September 30,			
	2015		2014	
(Dollars in thousands)	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Expected tax provision at weighted average rate	$ (9,595)	(292.3%)	$ 6,649	11.1%
Adjustments:				
Tax exempt interest	(326)	(9.9)	(490)	(0.8)
Dividend exclusion	(588)	(17.9)	(1,186)	(2.0)
Effective tax rate adjustment		0.0	2,600	4.3
Other	(373)	(11.4)	535	0.9
Actual tax on continuing operations	$ (10,882)	(331.5%)	$ 8,108	13.5%

The effective income tax benefit rate for the nine months ended September 30, 2015 was 331.5%, compared to an effective income tax expense rate of 13.5% for the nine months ended September 30, 2014. The decrease in the effective tax rate is primarily due to expenses related to the acquisition of American Reliable Insurance Company in 2015 and large capital gains in 2014. Taxes were computed using a discrete period computation because a reliable estimate of an effective tax rate could not be made.

The tax effects of temporary differences that give rise to significant portions of the net deferred tax assets at September 30, 2015 and December 31, 2014 are presented below:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Deferred tax assets:		
Discounted unpaid losses and loss adjustment expenses	$ 8,739	$ 7,492
Unearned premiums	8,117	3,409
Alternative minimum tax credit carryover	10,587	10,473
Net operating loss carryforward	6,264	
Partnership K1 basis differences	245	145
Capital gain on derivative instruments	6,483	4,786
Investment impairments	2,709	379
Stock options	2,578	2,048

Deferred acquisition costs	149	187
Stat-to-GAAP reinsurance reserve	1,364	1,424
Intercompany transfers	1,738	1,919
Depreciation and amortization	93	
Other	4,115	3,050
Total deferred tax assets	53,181	35,312
Deferred tax liabilities:		
PGAAP adjustment for American Reliable	6,095	
Intangible assets	4,615	3,220
Unrealized gain on securities available-for-sale and investments in limited partnerships included in accumulated other comprehensive income	4,827	10,263
Investment basis differences	1,066	692
Depreciation and amortization		16
Other	769	871
Total deferred tax liabilities	17,372	15,062
Total net deferred tax assets	$ 35,809	$ 20,250

Management believes it is more likely than not that the deferred tax assets will be fully utilized in future years. As a result, the Company has not recorded a valuation allowance at September 30, 2015 and December 31, 2014.

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The Company has an alternative minimum tax credit carry forward of $10.6 million and $10.5 million as of September 30, 2015 and December 31, 2014, respectively, which can be carried forward indefinitely. The company has a net operating loss (NOL) carryforward of $6.3 million as of September 30, 2015. The company has no NOL carryforward as of December 31, 2014.

7. Liability for Unpaid Losses and Loss Adjustment Expenses

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	Quarters Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2015**	**2014**	**2015**	**2014**
Balance at beginning of period	$ 769,299	$ 754,595	$ 675,472	$ 779,466
Less: Ceded reinsurance receivables	138,497	178,998	123,201	192,491
Net balance at beginning of period	630,802	575,597	552,271	586,975
Purchased reserves, gross	1,119		89,489	
Less: Purchased reserves ceded	(1,119)		(12,800)	
Purchased reserves, net			76,689	
Incurred losses and loss adjustment expenses related to:				
Current year	86,203	36,501	244,041	119,464
Prior years	(8,512)	153	(17,171)	(5,969)
Total incurred losses and loss adjustment expenses	77,691	36,654	226,870	113,495
Paid losses and loss adjustment expenses related to:				
Current year	53,512	15,480	113,573	39,472
Prior years	56,385	28,704	143,661	92,931
Total paid losses and loss adjustment expenses	109,897	44,184	257,234	132,403
Net balance at end of period	598,596	568,067	598,596	568,067
Plus: Ceded reinsurance receivables	130,913	171,864	130,913	171,864
Balance at end of period	$ 729,509	$ 739,931	$ 729,509	$ 739,931

When analyzing loss reserves and prior year development, the Company considers many factors, including the frequency and severity of claims, loss trends, case reserve settlements that may have resulted in significant development, and any other additional or pertinent factors that may impact reserve estimates.

In the third quarter of 2015, the Company decreased its prior accident year loss reserves by $8.5 million, which consisted of a $7.3 million decrease related to Commercial Lines and a $1.2 million decrease related to Reinsurance Operations.

The $7.3 million decrease related to Commercial Lines primarily consisted of the following:

Professional: A $3.5 million decrease in aggregate primarily related to better than anticipated loss emergence in accident years 2006 through 2012.

General Liability: A $3.8 million decrease in aggregate primarily related to accident years 1999 through 2013 primarily due to better than anticipated frequency and severity in construction defect.

The $1.2 million decrease in aggregate related to Reinsurance Operations was primarily due to improved results reported by the Company s cedants on property catastrophe contracts for accident years 2009 to 2013.

In the third quarter of 2014, the Company increased its prior accident year loss reserves by $0.2 million, which consisted of a $0.02 million increase related to Commercial Lines and a $0.1 million increase related to Reinsurance Operations.

The $0.02 million increase related to Commercial Lines primarily consisted of the following:

General Liability: A $5.4 million increase primarily due to higher than anticipated loss emergence in recent accident years.

Professional: A $6.4 million reduction is primarily due to lower than expected severity from accident years 2007 through 2011.

Property: A $0.5 million increase primarily due to increased severity in accident years 2011 through 2013.

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Asbestos: $0.2 million increase primarily related to accident years prior to 1990 due to recent development on several claims.

Other: A $0.3 million increase primarily due to accident years 2011 through 2013.

The $0.1 million increase related to Reinsurance Operations primarily consisted of the following:

Property: A $3.4 million reduction is due to less catastrophe losses than anticipated primarily from accident year 2013.

Commercial Auto: A $0.5 million increase due to increased severity primarily from accident years 2009 and 2010.

Marine: A $3.0 million increase is primarily related to increased severity on accident years 2011 and 2012. These treaties are in runoff. Several claims have recently settled for amounts higher than expected.

In the first nine months of 2015, the Company decreased its prior accident year loss reserves by $17.2 million, which consisted of a $12.9 million decrease related to Commercial Lines and a $4.3 million decrease related to Reinsurance Operations.

The $12.9 million decrease related to Commercial Lines primarily consisted of the following:

Property: A $0.8 million decrease in aggregate primary related to better than anticipated loss emergence in the 2011 through 2014 accident years.

Umbrella: $0.3 million decrease primarily related to accident years 2003 through 2005 as a result of better than anticipated loss emergence.

Professional: $6.4 million decrease in aggregate primarily related to better than anticipated frequency in accident years 2006 through 2012.

General Liability: A $5.7 million decrease in aggregate primarily related to accident years prior to 2013 due to better than anticipated frequency and severity in construction defect.

The $4.3 million decrease in aggregate related to Reinsurance Operations was primarily due to improved results reported by the Company s cedants on property contracts for accident years 2009 through 2014.

In the first nine months of 2014, the Company reduced its prior accident year loss reserves by $6.0 million, which consisted of a $5.0 million decrease related to Commercial Lines and a $1.0 million decrease related to Reinsurance Operations.

The $5.0 million decrease related to Commercial Lines primarily consisted of the following:

Property: A $0.7 million increase primarily due to increased severity in accident years 2007, 2012, and 2013.

General Liability: A $5.3 million increase primarily due to higher than anticipated loss emergence in recent accident years.

Professional: A $18.1 million reduction due to lower than expected severity primarily from accident years 2007 through 2011.

Asbestos: $7.1 million increase primarily related to accident years prior to 1990 due to recent development on several claims.

The $1.0 million decrease related to Reinsurance Operations primarily consisted of the following:

Property: A $4.7 million reduction driven by less catastrophe losses than anticipated primarily from accident years 2012 and 2013.

Marine: A $3.0 million increase primarily related to increased severity from accident years 2011 and 2012. These treaties are in runoff. Several claims have recently settled for amounts higher than expected.

Commercial Auto: $0.7 million increase is primarily due to increased severity primarily from accident years 2009 and 2010.

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8. Debt

The Company s outstanding debt consisted of the following at September 30, 2015 and December 31, 2014:

(Dollars in thousands)	September 30, 2015	December 31, 2014
Margin Borrowing Facilities	$ 195,787	$ 174,673
7.75% Subordinated Notes due 2045	96,357	
Total	$ 292,144	$ 174,673

Margin Borrowing Facilities

The amount outstanding on the Company s margin borrowing facilities was $195.8 million and $174.7 million as of September 30, 2015 and December 31, 2014, respectively. The borrowing rate for each facility is tied to LIBOR and is currently approximately 1% as of September 30, 2015. These facilities are due on demand. The borrowings are subject to maintenance margin, which is a minimum account balance that must be maintained. A decline in market conditions could require an additional deposit of collateral. As of September 30, 2015, approximately $248.5 million in securities were deposited as collateral to support the borrowing.

The Company recorded interest expense of approximately $0.5 million and $0.1 million during the quarter ended September 30, 2015 and 2014, respectively, and $1.6 million and $0.5 million during the nine months ended September 30, 2015 and 2014, respectively, related to the Margin Borrowing Facilities.

7.75% Subordinated Notes due 2045

On August 12, 2015, the Company issued $100.0 million in aggregate principal amount of its 2045 Subordinated Notes through an underwritten public offering.

The notes bear interest at an annual rate equal to 7.75%, payable quarterly in arrears on February 15, May 15, August 15, and November 15 of each year, commencing November 15, 2015. The notes mature on August 15, 2045. The Company has the right to redeem the notes in $25 increments, in whole or in part, on and after August 15, 2020, or on any interest payments date thereafter, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to, but not including, the date of redemption.

The notes are subordinated unsecured obligations and rank (i) senior to the Company s existing and future capital stock, (ii) senior in right of payment to future junior subordinated debt, (iii) equally in right of payment with any unsecured, subordinated debt that the Company incurs in the future that ranks equally with the notes, and (iv) subordinate in right of payment to any of the Company s existing and future senior debt. In addition, the notes are structurally subordinated to all existing and future indebtedness, liabilities and other obligations of the Company s subsidiaries.

The Company incurred $3.6 million in deferred issuance costs associated with the notes, which is being amortized over the term of the notes. Interest expense, including amortization of deferred issuance costs, recognized on the notes was $1.1 million during both the quarter and nine months ended September 30, 2015.

The following tables represent the amounts recorded for the margin borrowing facilities and 7.75% subordinated notes as of September 30, 2015 and December 31, 2014:

	September 30, 2015		
	Outstanding Principal	Unamortized Debt Issuance Costs	Net Carrying Amount
Margin Borrowing Facilities	$ 195,787	$	$ 195,787
7.75% Subordinated Notes due 2045	100,000	(3,643)	96,357
	$ 295,787	$ (3,643)	$ 292,144

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	December 31, 2014		
	Outstanding Principal	Unamortized Debt Issuance Costs	Net Carrying Amount
Margin Borrowing Facilities	$ 174,673	$	$ 174,673
7.75% Subordinated Notes due 2045			
	$ 174,673	$	$ 174,673

9. Shareholders Equity

Repurchases of the Company s A ordinary shares

No shares were repurchased during the quarters ended September 30, 2015 and 2014. During the nine months ended September 30, 2015 and 2014, the Company repurchased 11,895 share and 5,444 shares, respectively, with an average price paid of $28.03 per share and $ 25.46 per share, respectively.

Please see Note 11 of the notes to the consolidated financial statements in Item 8 Part II of the Company s 2014 Annual Report on Form 10-K for more information on the Company s repurchase program.

10. Related Party Transactions

Fox Paine & Company

As of September 30, 2015, Fox Paine beneficially owned shares having approximately 93% of the Company s total outstanding voting power. Fox Paine has the right to appoint a number of the Company s Directors equal in aggregate to the pro rata percentage of the voting shares of the Company beneficially held by Fox Paine for so long as Fox Paine holds an aggregate of 25% or more of the voting power in the Company. Fox Paine controls the election of all of the Company s Directors due to its controlling share ownership. The Company s Chairman is a member of Fox Paine. The Company relies on Fox Paine to provide management services and other services related to the operations of the Company.

At September 30, 2015 and December 31, 2014, Global Indemnity Reinsurance was a limited partner in Fox Paine Capital Fund, II, which is managed by Fox Paine. This investment was originally made by United National Insurance Company in June 2000 and pre-dates the September 5, 2003 acquisition by Fox Paine of Wind River Investment Corporation, which was the predecessor holding company for United National Insurance Company. The Company s investment in this limited partnership was valued at $3.3 million and $3.4 million at September 30, 2015 and December 31, 2014, respectively. At September 30, 2015, the Company had an unfunded capital commitment of $2.4 million to the partnership. There were no distributions received from the limited partnership during the third quarter of 2015 or 2014. During the nine months ended September 30, 2015, the Company received a distribution of $0.8 million. There were no distributions received from the limited partnership during the nine months ended September 30, 2014.

The Company relies on Fox Paine to provide management services and other services related to the operations of the Company. The Company incurred management fees of $0.4 million and $0.5 million during the quarters ended September 30, 2015 and 2014, respectively, and $1.4 million and $1.5 million during the nine months ended September 30, 2015 and 2014, respectively, as part of the annual management fee paid to Fox Paine. As of September 30, 2015 and December 31, 2014, unpaid management fees, which were included in other liabilities on the consolidated balance sheets, were $2.1 million and $0.6 million, respectively.

In connection with the acquisition, the Company agreed to pay to Fox Paine an investment banking fee of 3% of the amount paid plus the additional capital required to operate American Reliable on a standalone basis and a $1.5 million investment advisory fee, which in the aggregate, totaled $6.5 million. This amount is included in corporate and other operating expenses on the Company s Consolidated Statements of Operations during the nine months ended September 30, 2015. As payment for these fees, 267,702 A ordinary shares of Global Indemnity were issued under the Global Indemnity plc Share Incentive Plan in May, 2015. These shares will be registered but cannot be sold until the earlier of five years or a change of control. See Note 12 for additional information on the Global Indemnity plc Share Incentive Plan.

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Cozen O Connor

The Company incurred $0.2 million and $0.02 million for legal services rendered by Cozen O Connor during the quarters ended September 30, 2015 and 2014, respectively. The Company incurred $0.6 million and $0.1 million for legal services rendered by Cozen O Connor during the nine months ended September 30, 2015 and 2014, respectively. Stephen A. Cozen, the chairman of Cozen O Connor, is a member of the Company s Board of Directors.

Crystal & Company

The Company incurred brokerage fees with Crystal & Company, an insurance broker, of $0.1 million during each of the quarters ended September 30, 2015 and 2014 and $0.2 million during each of the nine months ended September 30, 2015 and 2014. James W. Crystal, the chairman and chief executive officer of Crystal & Company, is a member of the Company s Board of Directors.

Hiscox Insurance Company (Bermuda) Ltd.

Global Indemnity Reinsurance was a participant in two reinsurance agreements with Hiscox Insurance Company (Bermuda) Ltd. (Hiscox Bermuda) while Steve Green, the President of Global Indemnity Reinsurance, was a member of Hiscox Bermuda s Board of Directors. Steve Green was a member of Hiscox Bermuda s Board of Directors until May, 2014. The Company estimated that the following earned premium and incurred losses related to these agreements have been assumed by Global Indemnity Reinsurance from Hiscox Bermuda:

	Quarters Ended September 30,	
(Dollars in thousands)	**2015**	**2014**
Assumed earned premium	$ 47	$ 1,823
Assumed losses and loss adjustment expenses	(167)	504

	Nine Months Ended September 30,	
(Dollars in thousands)	**2015**	**2014**
Assumed earned premium	$ 2,294	$ 4,639
Assumed losses and loss adjustment expenses	476	1,349

Net balances due to Global Indemnity Reinsurance under this agreement are as follows:

	September 30,	December 31,
(Dollars in thousands)	**2015**	**2014**
Net receivable (payable) balance	$ (61)	$ 2,897

11. Commitments and Contingencies

Legal Proceedings

The Company is, from time to time, involved in various legal proceedings in the ordinary course of business. The Company maintains insurance and reinsurance coverage for such risks in amounts that it considers adequate. However, there can be no assurance that the insurance and reinsurance coverage that the Company maintains is sufficient or will be available in adequate amounts or at a reasonable cost. The Company does not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material adverse effect on its business, results of operations, cash flows, or financial condition.

There is a greater potential for disputes with reinsurers who are in runoff. Some of the Company s reinsurers have operations that are in runoff, and therefore, the Company closely monitors those relationships. The Company anticipates that, similar to the rest of the insurance and reinsurance industry, it will continue to be subject to litigation and arbitration proceedings in the ordinary course of business.

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Commitments

During 2014, the Company entered into a $50 million commitment to purchase an alternative investment vehicle which is comprised of European non-performing loans. As of September 30, 2015, the Company has funded $28.7 million of this commitment leaving $21.3 million as unfunded.

At September 30, 2015, the Company had an unfunded capital commitment of $2.4 million related to its investment in Fox Paine Capital Fund, II. See Note 10 for additional information on the Company s investment in Fox Paine Capital Fund, II.

12. Share-Based Compensation Plans

Options

No stock options were awarded during the quarters ended September 30, 2015 and 2014. No unvested stock options were forfeited during the quarter ended September 30, 2015. Unvested stock options of 75,000 were forfeited during the quarter ended September 30, 2014.

During the nine months ended September 30, 2015, the company awarded 200,000 time based options with a strike price of $28.37 per share which vest one third on each of December 31, 2015, December 31, 2016, and December 31, 2017. During the nine months ended September 30, 2014, the company awarded 25,000 time based options with a strike price of $24.00 per share which vest in February, 2017. Unvested stock options of 75,000, which include the 25,000 shares issued during the nine months ended September 30, 2014, were forfeited during the nine months ended September 30, 2014.

Restricted Shares

No restricted shares were issued to employees during the quarter ended September 30, 2015 and 2014.

During the nine months ended September 30, 2015, the Company issued 138,507 A ordinary shares, with a weighted average grant date value of $28.37 per share, to key employees under the Plan.

Of the shares issued during the nine months ended September 30, 2015, 10,574 were issued to the Company s Chief Executive Officer and vest 33 1/3 on each subsequent anniversary date of the grant for a period of three years subject to an accident year true-up of bonus year underwriting results as of the third anniversary of the grant and an additional 44,058 were issued to the Company s Chief Executive Officer and other key employees which vest 100% on January 1, 2018. The remaining 83,875 shares were issued to key employees and will vest as follows:

16.5%, 16.5%, and 17.0% of the granted stock vest on the first, second, and third anniversary of the grant, respectively.

50% of granted stock vests 100% on the anniversary of the third year subject to accident year true-up of bonus year underwriting results and are subject to Board approval.

During the nine months ended September 30, 2014, the Company issued 95,694 A ordinary shares, with a weighted average grant date value of $25.37 per share, to key employees under the 2014 Plan. Of the shares issued in 2014, 11,857 were granted to the Company s Chief Executive Officer and vest 33 1/3 on each subsequent anniversary date of the grant for a period of three years subject to an accident year true-up of bonus year underwriting results as of the third anniversary of the grant. 5,671 were issued to a key employee and vest 33 1/3% on each subsequent anniversary date of the award for a period of three years. The remaining 78,166 shares were issued to key employees and will vest as follows:

16.5%, 16.5%, and 17.0% of the granted stock vest on the first, second, and third anniversary of the grant, respectively.

50% of granted stock vests 100% on the anniversary of the third year subject to accident year true-up of bonus year underwriting results and are subject to Board approval.

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During the quarters ended September 30, 2015 and 2014, the Company issued 9,392 and 9,498 A ordinary shares, respectively, at a weighted average grant date value of $26.17 and $25.23 per share, respectively, to non-employee directors of the Company under the Plan. During the nine months ended September 30, 2015 and 2014, the Company issued 27,437 and 27,676 A ordinary shares, respectively, at a weighted average grant date value of $27.31 and $25.84 per share, respectively, to non-employee directors of the Company under the Plan. All of the shares issued to non-employee directors of the Company in 2015 and 2014 were fully vested but subject to certain restrictions. An additional 18,838 A ordinary shares were granted to non-employee directors on June 11, 2014. These shares were issued to non-employee directors prior to January 1, 2014 on the condition that the shareholders approve the Company s revised share incentive plan at the Company s 2014 annual shareholder meeting which occurred on June 11, 2014.

13. Earnings Per Share

Earnings per share have been computed using the weighted average number of ordinary shares and ordinary share equivalents outstanding during the period.

The following table sets forth the computation of basic and diluted earnings per share:

(Dollars in thousands, except share and per share data)	Quarters Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss)	$ (3,746)	$ 9,761	$ 14,165	$ 51,792
Basic earnings per share:				
Weighted average shares outstanding basic	25,463,994	25,137,531	25,452,991	25,126,684
Net income (loss) per share	$ (0.15)	$ 0.39	$ 0.56	$ 2.06
Diluted earnings per share:				
Weighted average shares outstanding diluted	25,704,931	25,334,716	25,684,931	25,323,187
Net income (loss) per share	$ (0.15)	$ 0.39	$ 0.55	$ 2.05

A reconciliation of weighted average shares for basic earnings per share to weighted average shares for diluted earnings per share is as follows:

Quarters Ended September 30,Nine Months Ended September 30,

	2015	2014	2015	2014
Weighted average shares for basic earnings per share	25,463,994	25,137,531	25,452,991	25,126,684
Non-vested restricted stock	138,261	89,114	128,942	88,710
Options	102,676	108,071	102,998	107,793
Weighted average shares for diluted earnings per share	25,704,931	25,334,716	25,684,931	25,323,187

The weighted average shares outstanding used to determine dilutive earnings per share for the quarters ended September 30, 2015 and 2014 do not include 512,500 and 12,500 options, respectively, which were deemed to be anti-dilutive. The weighted average shares outstanding used to determine dilutive earnings per share for the nine months ended September 30, 2015 and 2014 do not include 512,500 and 12,500 options, respectively, which were deemed to be anti-dilutive.

The following table summarizes options which are deemed to be anti-dilutive at September 30, 2015:

Grant Date	Expiration Date	Outstanding Options	Strike Price
February 9, 2014	February 10, 2024	300,000	32.38
January 1, 2015	January 1, 2025	200,000	28.37
November 2, 2005 (1)	November 3, 2015	12,500	37.70
		512,500	

(1) Represents anti-dilutive options at September 30, 2014.

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14. Segment Information

The acquisition of American Reliable has impacted the way the Company manages and analyzes its operating results. The business acquired from American Reliable is considered to be a separate segment, Personal Lines. The Company now manages its business through three business segments: Commercial Lines, managed in Bala Cynwyd, PA, offers specialty property and casualty products designed for product lines such as Small Business Binding Authority, Property Brokerage, and Programs; Personal Lines, managed in Scottsdale, AZ, offers specialty personal lines and agricultural coverage; and Reinsurance Operations, managed in Bermuda, provides reinsurance solutions through brokers and primary writers including insurance and reinsurance companies.

The following are tabulations of business segment information for the quarters and nine months ended September 30, 2015 and 2014.

Quarter Ended September 30, 2015:				
(Dollars in thousands)	**Commercial Lines (1)**	**Personal Lines (1)**	**Reinsurance Operations (2)**	**Total**
Revenues:				
Gross premiums written	$ 52,920	$ 87,349	$ 9,879	$ 150,148
Net premiums written	$ 49,325	$ 63,302	$ 9,870	$ 122,497
Net premiums earned	$ 48,916	$ 62,132	$ 13,659	$ 124,707
Other income (loss)	102	1,188	(11)	1,279
Total revenues	49,018	63,320	13,648	125,986
Losses and Expenses:				
Net losses and loss adjustment expenses	22,832	48,899	5,960	77,691
Acquisition costs and other underwriting expenses	20,686**(3)**	25,779**(4)**	4,469	50,934
Income (loss) from segments	$ 5,500	$ (11,358)	$ 3,219	$ (2,639)
Unallocated Items:				
Net investment income				8,852
Net realized investment losses				(10,778)
Corporate and other operating expenses				(3,567)
Interest expense				(1,595)
Income before income taxes				(9,727)
Income tax benefit				5,981

Net income				(3,746)
Total assets	$ 1,005,435	$ 572,807	$ 740,377**(5)**	$ 2,318,619

(1) Includes business ceded to the Company s Reinsurance Operations.
(2) External business only, excluding business assumed from affiliates.
(3) Includes federal excise tax of $258 relating to cessions from Commercial Lines to Reinsurance Operations.
(4) Includes federal excise tax of $310 relating to cessions from Personal Lines to Reinsurance Operations.
(5) Comprised of Global Indemnity Reinsurance s total assets less its investment in subsidiaries.

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Quarter Ended September 30, 2014:

(Dollars in thousands)	Commercial Lines (1)	Reinsurance Operations (2)	Total
Revenues:			
Gross premiums written	$ 56,489	$ 10,609	$ 67,098
Net premiums written	$ 52,674	$ 10,588	$ 63,262
Net premiums earned	$ 52,462	$ 15,566	$ 68,028
Other income (loss)	164	(38)	126
Total revenues	52,626	15,528	68,154
Losses and Expenses:			
Net losses and loss adjustment expenses	29,575	7,079	36,654
Acquisition costs and other underwriting expenses	21,790**(3)**	5,668	27,458
Income (loss) from segments	$ 1,261	$ 2,781	4,042
Unallocated Items:			
Net investment income			6,527
Net realized investment gains			1,158
Corporate and other operating expenses			(3,481)
Interest expense			(118)
Income before income taxes			8,128
Income tax expense			1,633
Net income			$ 9,761
Total assets	$ 1,229,463	$ 650,352**(4)**	$ 1,879,815

(1) Includes business ceded to the Company s Reinsurance Operations.
(2) External business only, excluding business assumed from affiliates.
(3) Includes federal excise tax of $277 relating to cessions from Commercial Lines to Reinsurance Operations.
(4) Comprised of Global Indemnity Reinsurance s total assets less its investment in subsidiaries.

Nine Months Ended September 30, 2015:

(Dollars in thousands)	Commercial Lines (1)	Personal Lines (1)	Reinsurance Operations (2)	Total
Revenues:				

Gross premiums written	$ 161,746	$ 249,564	$ 48,222	$ 459,532
Net premiums written	$ 149,647	$ 196,785	$ 48,174	$ 394,606
Net premiums earned	$ 149,244	$ 191,472	$ 40,205	$ 380,921
Other income (loss)	420	2,065	(77)	2,408
Total revenues	149,664	193,537	40,128	383,329
Losses and Expenses:				
Net losses and loss adjustment expenses	82,474	129,997	14,399	226,870
Acquisition costs and other underwriting expenses	61,317**(3)**	74,590**(4)**	14,211	150,118
Income from segments	$ 5,873	$ (11,050)	$ 11,518	$ 6,341
Unallocated Items:				
Net investment income				26,234
Net realized investment losses				(7,216)
Corporate and other operating expenses				(19,441)
Interest expense				(2,635)
Income before income taxes				3,283
Income tax benefit				10,882
Net income				14,165
Total assets	$ 1,005,435	$ 572,807	$ 740,377**(5)**	$ 2,318,619

(1) Includes business ceded to the Company s Reinsurance Operations.
(2) External business only, excluding business assumed from affiliates.
(3) Includes federal excise tax of $787 relating to cessions from Commercial Lines to Reinsurance Operations.
(4) Includes federal excise tax of $957 relating to cessions from Personal Lines to Reinsurance Operations.
(5) Comprised of Global Indemnity Reinsurance s total assets less its investment in subsidiaries.

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Nine Months Ended September 30, 2014:

(Dollars in thousands)	Commercial Lines (1)	Reinsurance Operations (2)	Total
Revenues:			
Gross premiums written	$ 170,037	$ 57,163	$ 227,200
Net premiums written	$ 156,369	56,126	$ 212,495
Net premiums earned	$ 158,809	$ 42,780	$ 201,589
Other income (loss)	490	(41)	449
Total revenues	159,299	42,739	202,038
Losses and Expenses:			
Net losses and loss adjustment expenses	97,047	16,449	113,496
Acquisition costs and other underwriting expenses	66,068**(3)**	15,046	81,114
Income (loss) from segments	$ (3,816)	$ 11,244	7,428
Unallocated Items:			
Net investment income			22,488
Net realized investment gains			40,226
Corporate and other operating expenses			(9,614)
Interest expense			(628)
Income before income taxes			59,900
Income tax expense			(8,108)
Net income			$ 51,792
Total assets	$ 1,229,463	$ 650,352**(4)**	$ 1,879,815

(1) Includes business ceded to the Company s Reinsurance Operations.
(2) External business only, excluding business assumed from affiliates.
(3) Includes federal excise tax of $838 relating to cessions from Commercial Lines to Reinsurance Operations.
(4) Comprised of Global Indemnity Reinsurance s total assets less its investment in subsidiaries.

15. New Accounting Pronouncements

In September, 2015, the Financial Accounting Standards Board (FASB) issued new accounting guidance surrounding business combinations. The new guidance requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment is determined. It also requires that the acquirer record, in the same period s financial statements, the effect on earnings of changes in

depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. This guidance is effective for public entities for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. This guidance should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this guidance with earlier application permitted for financial statements that have not been issued. This guidance will be applicable to the Company if there is any material adjustments to amounts previously recorded during the measurement period related to the American Reliable acquisition. This guidance may also be applicable to future acquisitions. The Company plans to adopt this guidance in the first quarter of 2016.

In May, 2015, the FASB issued new accounting guidance surrounding investments in certain entities that calculate net asset value per share. The new guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. This guidance is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company plans to adopt this guidance in the first quarter of 2016 which will result in the Company s other invested assets, that are measured utilizing net asset value, being removed from the fair value hierarchy.

In May, 2015, the FASB issued new accounting guidance surrounding short-duration contracts. The new guidance requires additional disclosure surrounding the liability for unpaid claims and claim adjustment expenses. This guidance is effective for public business entities for annual periods beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. The Company plans to include these disclosures in its year ended December 31, 2016 financial statements.

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In April 2015, the FASB issued new accounting guidance which requires that debt issuance costs be presented in the balance sheet as a direct reduction from the carrying amount of the recognized debt liability, consistent with the treatment of debt discounts or premiums. Amortization of debt issuance costs is to be reported as interest expense. The recognition and measurement guidance for debt issuance costs are not affected by this new guidance. For public entities, the guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted. The Company adopted this guidance in the third quarter, 2015.

The Company does not expect any of these four new accounting pronouncements to have a material impact on the Company s consolidated statements of financial position or results of operations.

16. Subsequent Events

On October 29, 2015, Global Indemnity entered into a redemption agreement with certain affiliates of Fox Paine & Company, LLC and agreed to redeem 8,260,870 of its ordinary shares for $190 million in the aggregate from affiliates of Fox Paine & Company, LLC. Global Indemnity also acquired rights, expiring year end 2019, to redeem an additional 3,376,561 Ordinary Shares for $77,660,903, which amount is subject to an annual 3% increase. The Company is in discussions with affiliates of Fox Paine to acquire rights to redeem a further 1,146,716 ordinary shares on the same terms as the 3,376,561 share redemption rights. After giving effect to the share redemptions and regardless of whether or not the additional redemption rights are exercised, affiliates of Fox Paine will continue to have the ability to cast a majority of votes on matters submitted to Global Indemnity shareholders for approval.

Had the redemption occurred on or prior to September 30, 2015, outstanding shares would have been 17,472,318 as of September 30, 2015.

In connection with the redemption, the Company sold $279.9 million of securities from its consolidated investment portfolio during October, 2015, which resulted in a realized gain of $1.6 million. $102.0 million was used to pay down margin debt, with the remainder being used to fund a portion of the redemption transaction.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company s financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes of Global Indemnity included elsewhere in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to the Company s plans and strategy, constitutes forward-looking statements that involve risks and uncertainties. Please see Cautionary Note Regarding Forward-Looking Statements at the end of this Item 2 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained herein. For more information regarding the Company s business and operations, please see the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

Recent Developments

On October 29, 2015, Global Indemnity entered into a redemption agreement with certain affiliates of Fox Paine & Company, LLC and agreed to redeem 8,260,870 of its ordinary shares for $190 million in the aggregate from affiliates of Fox Paine & Company, LLC. Global Indemnity also acquired rights, expiring year end 2019, to redeem an additional 3,376,561 Ordinary Shares for $77,660,903, which amount is subject to an annual 3% increase. The Company is in discussions with affiliates of Fox Paine to acquire rights to redeem a further 1,146,716 ordinary shares on the same terms as the 3,376,561 share redemption rights. After giving effect to the share redemptions and regardless of whether or not the additional redemption rights are exercised, affiliates of Fox Paine will continue to have the ability to cast a majority of votes on matters submitted to Global Indemnity shareholders for approval.

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On August 12, 2015, the Company issued $100.0 million in aggregate principal amount of its 2045 Subordinated Notes through an underwritten public offering. See Note 8 of the notes to the consolidated financial statements in Item 1 of Part I for additional information on this debt issuance.

On June 12, 2015, A.M. Best affirmed the financial strength rating of A (Excellent) for Global Indemnity Reinsurance and its U.S. insurance subsidiaries. Global Indemnity Reinsurance and subsidiaries have a financial size category of XII with A.M. Best, which represents an adjusted policyholder s surplus of $1 billion to $1.25 billion.

On January 1, 2015, Global Indemnity Group, Inc. completed its acquisition of American Reliable. The results of American Reliable s operations are included in the Company s consolidated financial statements since the date of acquisition on January 1, 2015. The business acquired from American Reliable is considered to be a separate segment, Personal Lines. For additional information related to the acquisition of American Reliable, see Note 2 and Note 14 of the notes to the consolidated financial statements in Item 1 of Part I as well as the Overview and Results of Operations sections below.

Overview

In connection with the acquisition of American Reliable, the Company reevaluated segment classifications and determined that the Company will operate and manage its business through three business segments: Commercial Lines, Personal Lines, and Reinsurance Operations.

The Company s Commercial Lines segment distribute property and casualty insurance products through a group of approximately 110 professional general agencies that have limited quoting and binding authority, as well as a number of wholesale insurance brokers who in turn sell the Company s insurance products to insureds through retail insurance brokers. Commercial Lines operates predominantly in the excess and surplus lines marketplace. The Company manages its Commercial Lines segment via product classifications. These product classifications are: 1) Penn-America, which includes property and general liability products for small commercial businesses distributed through a select network of wholesale general agents with specific binding authority; 2) United National, which includes property, general liability, and professional lines products distributed through program administrators with specific binding authority; and 3) Diamond State, which includes property, casualty, and professional lines products distributed through wholesale brokers and program administrators with specific binding authority.

The Company s Personal Lines segment, via the American Reliable product classification, offers specialty personal lines and agricultural coverage through general and specialty agents.

The Company s Reinsurance Operations consisting solely of the operations of Global Indemnity Reinsurance, provides reinsurance solutions through brokers and on a direct basis. In prior years, the Company provided reinsurance solutions through program managers and primary writers, including regional insurance companies. Global Indemnity Reinsurance is a Bermuda based treaty reinsurer for specialty property and casualty insurance and reinsurance companies. Global Indemnity Reinsurance conducts business in Bermuda and is focused on using its capital capacity to write catastrophe-oriented placements and other niche or specialty-focused treaties meeting the Company s risk tolerance and return thresholds.

The Company derives its revenues primarily from premiums paid on insurance policies that it writes and from income generated by its investment portfolio, net of fees paid for investment management services. The amount of insurance premiums that the Company receives is a function of the amount and type of policies it writes, as well as prevailing market prices.

The Company s expenses include losses and loss adjustment expenses, acquisition costs and other underwriting expenses, corporate and other operating expenses, interest, investment expenses, and income taxes. Losses and loss adjustment expenses are estimated by management and reflect the Company s best estimate of ultimate losses and costs arising during the reporting period and revisions of prior period estimates. The Company records its best estimate of losses and loss adjustment expenses based on both internal and external actuarial analyses of the estimated losses the Company expects to incur on the insurance policies it writes. The ultimate losses and loss adjustment expenses will depend on the actual costs to resolve claims. Acquisition costs consist principally of commissions and premium taxes that are typically a percentage of the premiums on the insurance policies the Company writes, net of ceding commissions earned from reinsurers. Other underwriting expenses consist primarily of personnel expenses and general operating expenses. Corporate and other operating expenses are comprised primarily of outside legal fees, other professional and accounting fees, directors fees, management fees and salaries and benefits for company personnel whose services relate to the support of corporate activities. Interest expense is primarily comprised of amounts due on outstanding debt.

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Critical Accounting Estimates and Policies

The Company s consolidated financial statements are prepared in conformity with GAAP, which require it to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates and assumptions.

The Company believes that of the Company s significant accounting policies, the following may involve a higher degree of judgment and estimation.

Liability for Unpaid Losses and Loss Adjustment Expenses

Although variability is inherent in estimates, the Company believes that the liability for unpaid losses and loss adjustment expenses reflects its best estimate for future amounts needed to pay losses and related loss adjustment expenses and the impact of its reinsurance coverage with respect to insured events.

In developing loss and loss adjustment expense (loss or losses) reserve estimates for the Company s Insurance Operations, its actuaries perform detailed reserve analyses each quarter. To perform the analysis, the data is organized at a reserve category level. Management is responsible for the final determination of loss reserve selections. A reserve category can be a line of business such as commercial automobile liability, or it can be a particular type of claim such as construction defect. The reserves within a reserve category level are characterized as short-tail and long-tail. For long-tail business, it will generally be several years between the time the business is written and the time when all claims are settled. The Company s long-tail exposures include general liability, professional liability, products liability, commercial automobile liability, and excess and umbrella. Short-tail exposures include property, commercial automobile physical damage, and equine mortality. To manage its insurance operations, the Company differentiates by product classifications, which are Penn-America, United National, Diamond State and American Reliable. For further discussion about the Company s product classifications, see General Business Segments - Insurance Operations in Item 1 of Part I of the Company s 2014 Annual Report on Form 10-K. Each of the Company s product classifications contain both long-tail and short-tail exposures. Every reserve category is analyzed by the Company s actuaries each quarter. The analyses generally include reviews of losses, gross of reinsurance and net of reinsurance.

Loss reserve estimates for the Company s Reinsurance Operations are developed by independent, external actuaries at least annually and are regularly monitored by management. Management is responsible for the final determination of loss reserve selections. The data for this analysis is organized by treaty and treaty year. As with the Company s reserves for its Insurance Operations, reserves for its Reinsurance Operations are characterized as short-tail and long-tail. Long-tail exposures include workers compensation, professional liability, and excess and umbrella liability. Short-tail exposures are primarily catastrophe exposed property and marine accounts. Management reviews each treaty each quarter both gross and net of reinsurance.

In addition to the Company s internal reserve analysis, independent external actuaries perform a full, detailed review of the Insurance and Reinsurance Operations reserves annually. The Company reviews both the internal and external actuarial analyses in determining its reserve position.

The methods used to project ultimate losses for both long-tail and short-tail exposures include, but are not limited to, the following:

- Paid Development method;
- Incurred Development method;
- Expected Loss Ratio method;
- Bornhuetter-Ferguson method using premiums and paid loss;
- Bornhuetter-Ferguson method using premiums and incurred loss; and
- Average Loss method.

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The Paid Development method estimates ultimate losses by reviewing paid loss patterns and applying them to accident years with further expected changes in paid loss. Selection of the paid loss pattern requires analysis of several factors including the impact of inflation on claims costs, the rate at which claims professionals make claim payments and close claims, the impact of judicial decisions, the impact of underwriting changes, the impact of large claim payments and other factors. Claim cost inflation itself requires evaluation of changes in the cost of repairing or replacing property, changes in the cost of medical care, changes in the cost of wage replacement, judicial decisions, legislative changes and other factors. Because this method assumes that losses are paid at a consistent rate, changes in any of these factors can impact the results. Since the method does not rely on case reserves, it is not directly influenced by changes in the adequacy of case reserves.

For many reserve categories, paid loss data for recent periods may be too immature or erratic for accurate predictions. This situation often exists for long-tail exposures. In addition, changes in the factors described above may result in inconsistent payment patterns. Finally, estimating the paid loss pattern subsequent to the most mature point available in the data analyzed often involves considerable uncertainty for long-tail reserve categories.

The Incurred Development method is similar to the Paid Development method, but it uses case incurred losses instead of paid losses. Since this method uses more data (case reserves in addition to paid losses) than the Paid Development method, the incurred development patterns may be less variable than paid development patterns. However, selection of the incurred loss pattern requires analysis of all of the factors listed in the description of the Paid Development method. In addition, the inclusion of case reserves can lead to distortions if changes in case reserving practices have taken place and the use of case incurred losses may not eliminate the issues associated with estimating the incurred loss pattern subsequent to the most mature point available.

The Expected Loss Ratio method multiplies premiums by an expected loss ratio to produce ultimate loss estimates for each accident year. This method may be useful if loss development patterns are inconsistent, losses emerge very slowly, or there is relatively little loss history from which to estimate future losses. The selection of the expected loss ratio requires analysis of loss ratios from earlier accident years or pricing studies and analysis of inflationary trends, frequency trends, rate changes, underwriting changes, and other applicable factors.

The Bornhuetter-Ferguson method using premiums and paid losses is a combination of the Paid Development method and the Expected Loss Ratio method. This method normally determines expected loss ratios similar to the method used for the Expected Loss Ratio method and requires analysis of the same factors described above. The method assumes that only future losses will develop at the expected loss ratio level. The percent of paid loss to ultimate loss implied from the Paid Development method is used to determine what percentage of ultimate loss is yet to be paid. The use of the pattern from the Paid Development method requires consideration of all factors listed in the description of the Paid Development method. The estimate of losses yet to be paid is added to current paid losses to estimate the ultimate loss for each year. This method will react very slowly if actual ultimate loss ratios are different from expectations due to changes not accounted for by the expected loss ratio calculation.

The Bornhuetter-Ferguson method using premiums and incurred losses is similar to the Bornhuetter-Ferguson method using premiums and paid losses except that it uses case incurred losses. The use of case incurred losses instead of paid losses can result in development patterns that are less variable than paid development patterns. However, the inclusion of case reserves can lead to distortions if changes in case reserving practices have taken place. The method requires analysis of all the factors that need to be reviewed for the Expected Loss Ratio and Incurred Development methods.

The Average Loss method multiplies a projected number of ultimate claims by an estimated ultimate average loss for each accident year to produce ultimate loss estimates. Since projections of the ultimate number of claims are often less variable than projections of ultimate loss, this method can provide more reliable results for reserve categories where loss development patterns are inconsistent or too variable to be relied on exclusively. In addition, this method can more directly account for changes in coverage that impact the number and size of claims. However, this method can be difficult to apply to situations where very large claims or a substantial number of unusual claims result in volatile average claim sizes. Projecting the ultimate number of claims requires analysis of several factors including the rate at which policyholders report claims to the Company, the impact of judicial decisions, the impact of underwriting changes and other factors. Estimating the ultimate average loss requires analysis of the impact of large losses and claim cost trends based on changes in the cost of repairing or replacing property, changes in the cost of medical care, changes in the cost of wage replacement, judicial decisions, legislative changes and other factors.

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For many exposures, especially those that can be considered long-tail, a particular accident year may not have a sufficient volume of paid losses to produce a statistically reliable estimate of ultimate losses. In such a case, the Company s actuaries typically assign more weight to the Incurred Development method than to the Paid Development method. As claims continue to settle and the volume of paid losses increases, the actuaries may assign additional weight to the Paid Development method. For most of the Company s reserve categories, even the incurred losses for accident years that are early in the claim settlement process will not be of sufficient volume to produce a reliable estimate of ultimate losses. In these cases, the Company will not assign any weight to the Paid and Incurred Development methods and will use the Bornhuetter-Ferguson and Expected Loss Ratio methods. For short-tail exposures, the Paid and Incurred Development methods can often be relied on sooner primarily because the Company s history includes a sufficient number of years to cover the entire period over which paid and incurred losses are expected to change. However, the Company may also use the Expected Loss Ratio, Bornhuetter-Ferguson and Average Loss methods for short-tail exposures.

Generally, reserves for long-tail lines give more weight to the Expected Loss Ratio method in the more recent immature years. As the accident years mature, weight shifts to the Bornhuetter-Ferguson methods and eventually to the Incurred and/or Paid Development method. Claims related to umbrella business are usually reported later than claims for other long-tail lines. For umbrella business, the shift from the Expected Loss Ratio method to the Bornhuetter-Ferguson methods to the Loss Development method may be more protracted than for most long tailed lines. Reserves for short-tail lines tend to make the shift across methods more quickly than the long tail lines.

For other more complex reserve categories where the above methods may not produce reliable indications, the Company uses additional methods tailored to the characteristics of the specific situation. Such reserve categories include losses from construction defects and asbestos and environmental (A&E).

For construction defect losses, the Company s actuaries organize losses by the year in which they were reported to develop an IBNR provision for development on known cases. To estimate losses from claims that have not been reported (pure IBNR), various extrapolation techniques are applied to the pattern of claims that have been reported to estimate the number of claims yet to be reported. This process requires analysis of several factors including the rate at which policyholders report claims to the Company, the impact of judicial decisions, the impact of underwriting changes and other factors. An average claim size is determined from past experience and applied to the number of unreported claims to estimate reserves for these claims.

Establishing reserves for A&E and other mass tort claims involves considerably more judgment than other types of claims due to, among other things, inconsistent court decisions, an increase in bankruptcy filings as a result of asbestos-related liabilities, and judicial interpretations that often expand theories of recovery and broaden the scope of coverage. The insurance industry continues to receive a substantial number of asbestos-related bodily injury claims, with an increasing focus being directed toward other parties, including installers of products containing asbestos rather than against asbestos manufacturers. This shift has resulted in significant insurance coverage litigation implicating applicable coverage defenses or determinations, if any, including but not limited to, determinations as to whether or not an asbestos-related bodily injury claim is subject to aggregate limits of liability found in most comprehensive general liability policies. The Company continues to closely monitor its asbestos exposure and make adjustments where they are warranted.

In 2009, one of the Company s insurance companies entered into a settlement agreement to resolve asbestos related coverage litigation related to approximately 3,900 existing asbestos-related bodily injury claims and future claims. The settlement was approved by the Court and a final order was issued in September 2014.

In addition, the Company has exposure to other asbestos related matters. In 2013, three claims were reported on an excess policy that was written in 1985. These claims were settled in April, 2014. Management will continue to monitor the developments of the litigation noted above as well as the new claims that have been reported to determine if any additional financial exposure is present.

Reserve analyses performed by the Company s internal and external actuaries result in actuarial point estimates. The results of the detailed reserve reviews were summarized and discussed with the Company s senior management to determine the best estimate of reserves. This group considered many factors in making this decision. The factors included, but were not limited to, the historical pattern and volatility of the actuarial indications, the sensitivity of the actuarial indications to changes in paid and incurred loss patterns, the consistency of claims handling processes, the consistency of case reserving practices, changes in the Company s pricing and underwriting, and overall pricing and underwriting trends in the insurance market.

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Management s best estimate at September 30, 2015 was recorded as the loss reserve. Management s best estimate is as of a particular point in time and is based upon known facts, the Company s actuarial analyses, current law, and the Company s judgment. This resulted in carried gross and net reserves of $729.5 million and $598.6 million, respectively, as of September 30, 2015. A breakout of the Company s gross and net reserves, excluding the effects of the Company s intercompany pooling arrangements and intercompany stop loss and quota share reinsurance agreements, as of September 30, 2015 is as follows:

	Gross Reserves		
(Dollars in thousands)	**Case**	**IBNR (1)**	**Total**
Commercial Lines	$ 145,388	$ 412,056	$ 557,444
Personal Lines	47,330	58,817	106,147
Reinsurance Operations	18,608	47,310	65,918
Total	$ 211,326	$ 518,183	$ 729,509

	Net Reserves (2)		
(Dollars in thousands)	**Case**	**IBNR (1)**	**Total**
Commercial Lines	$ 109,018	$ 330,265	$ 439,283
Personal Lines	41,524	52,218	93,742
Reinsurance Operations	18,608	46,963	65,571
Total	$ 169,150	$ 429,446	$ 598,596

(1) Losses incurred but not reported, including the expected future emergence of case reserves.
(2) Does not include reinsurance receivable on paid losses.

The Company continually reviews these estimates and, based on new developments and information, includes adjustments of the estimated ultimate liability in the operating results for the periods in which the adjustments are made. The establishment of loss and loss adjustment expense reserves makes no provision for the possible broadening of coverage by legislative action or judicial interpretation, or the emergence of new types of losses not sufficiently represented in the Company s historical experience or that cannot yet be quantified or estimated. The Company regularly analyzes its reserves and reviews pricing and reserving methodologies so that future adjustments to prior year reserves can be minimized. However, given the complexity of this process, reserves require continual updates and the ultimate liability may be higher or lower than previously indicated. Changes in estimates for loss and loss adjustment expense reserves are recorded in the period that the change in these estimates is made. See Note 7 of the notes to the consolidated financial statements in Item 1 of Part I of this report for details concerning the changes in the estimate for incurred loss and loss adjustment expenses related to prior accident years.

The detailed reserve analyses that the Company s internal and external actuaries complete use a variety of generally accepted actuarial methods and techniques to produce a number of estimates of ultimate loss. The Company determines its best estimate of ultimate loss by reviewing the various estimates and assigning weight to each estimate given the characteristics of the reserve category being reviewed. The reserve estimate is the difference between the estimated ultimate loss and the losses paid to date. The difference between the estimated ultimate loss and the case incurred loss (paid loss plus case reserve) is considered to be losses incurred but not reported (IBNR). IBNR calculated as such includes a provision for development on known cases (supplemental development) as well as a provision for claims that have occurred but have not yet been reported (pure IBNR).

In light of the many uncertainties associated with establishing the estimates and making the assumptions necessary to establish reserve levels, the Company reviews its reserve estimates on a regular basis and makes adjustments in the period that the need for such adjustments is determined. The anticipated future loss emergence continues to be reflective of historical patterns, and the selected development patterns have not changed significantly from those underlying the Company s most recent analyses.

The key assumptions fundamental to the reserving process are often different for various reserve categories and accident years. Some of these assumptions are explicit assumptions that are required of a particular method, but most of the assumptions are implicit and cannot be precisely quantified. An example of an explicit assumption is the pattern employed in the Paid Development method. However, the assumed pattern is itself based on several implicit assumptions such as the impact of inflation on medical costs and the rate at which claim professionals close claims. Loss frequency is a measure of the number of claims per unit of insured exposure, and loss severity is a measure of the average size of claims. Each reserve segment has an implicit frequency and severity for each accident year as a result of the various assumptions made.

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Previous reserve analyses have resulted in the Company s identification of information and trends that have caused it to increase or decrease frequency and severity assumptions in prior periods and could lead to the identification of a need for additional material changes in loss and loss adjustment expense reserves, which could materially affect results of operations, equity, business and insurer financial strength and debt ratings. Factors affecting loss frequency include, among other things, the effectiveness of loss controls and safety programs and changes in economic activity or weather patterns. Factors affecting loss severity include, among other things, changes in policy limits and deductibles, rate of inflation and judicial interpretations. Another factor affecting estimates of loss frequency and severity is the loss reporting lag, which is the period of time between the occurrence of a loss and the date the loss is reported to the Company. The length of the loss reporting lag affects the Company s ability to accurately predict loss frequency (loss frequencies are more predictable for short-tail lines) as well as the amount of reserves needed for IBNR.

If the actual levels of loss frequency and severity are higher or lower than expected, the ultimate losses will be different than management s best estimate. For most of its reserving classes, the Company believes that frequency can be predicted with greater accuracy than severity. Therefore, the Company believes management s best estimate is more sensitive to changes in severity than frequency. The following table, which the Company believes reflects a reasonable range of variability around its best estimate based on historical loss experience and management s judgment, reflects the impact of changes (which could be favorable or unfavorable) in frequency and severity on the Company s current accident year net loss estimate of $244.0 million for claims occurring during the nine months ended September 30, 2015:

(Dollars in thousands)		**Severity Change**				
		-10%	**-5%**	**0%**	**5%**	**10%**
Frequency Change	**-5%**	$ (35,380)	$ (23,790)	$ (12,200)	$ (610)	$ 10,980
	-3%	(30,988)	(19,154)	(7,320)	4,514	16,348
	-2%	(28,792)	(16,836)	(4,880)	7,076	19,032
	-1%	(26,596)	(14,518)	(2,440)	9,638	21,716
	0%	(24,400)	(12,200)		12,200	24,400
	1%	(22,204)	(9,882)	2,440	14,762	27,084
	2%	(20,008)	(7,564)	4,880	17,324	29,768
	3%	(17,812)	(5,246)	7,320	19,886	32,452
	5%	(13,420)	(610)	12,200	25,010	37,820

The Company s net reserves for losses and loss expenses of $598.6 million as of September 30, 2015 relate to multiple accident years. Therefore, the impact of changes in frequency and severity for more than one accident year could be higher or lower than the amounts reflected above.

Recoverability of Reinsurance Receivables

The Company regularly reviews the collectability of its reinsurance receivables and includes adjustments resulting from this review in earnings in the period in which the adjustment arises. A.M. Best ratings, financial history, available collateral and payment history with the reinsurers are several of the factors that the Company considers when judging collectability. Changes in loss reserves can also affect the valuation of reinsurance receivables if the

change is related to loss reserves that are ceded to reinsurers. Certain amounts may be uncollectible if the Company s reinsurers dispute a loss or if the reinsurer is unable to pay. If its reinsurers do not pay, the Company remains legally obligated to pay the loss.

Investments

The carrying amount of the Company s investments approximates their fair value. The Company regularly performs various analytical valuation procedures with respect to investments, including reviewing each fixed maturity security in an unrealized loss position to determine the amount of unrealized loss related to credit loss and the amount related to all other factors, such as changes in interest rates. The credit loss represents the portion of the amortized book value in excess of the net present value of the projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment. The credit loss component of the other than temporary impairment is recorded through earnings, whereas the amount relating to factors other than credit losses are recorded in other comprehensive income, net of taxes. During its review, the Company considers credit rating, market price, and issuer specific financial information, among other factors, to assess the likelihood of collection of all principal and interest as contractually due. Securities for which the Company

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determines that a credit loss is likely are subjected to further analysis to estimate the credit loss to be recognized in earnings, if any. See Note 3 of the notes to consolidated financial statements in Item 1 of Part I of this report for the specific methodologies and significant assumptions used by asset class. Upon identification of such securities and periodically thereafter, a detailed review is performed to determine whether the decline is considered other than temporary. This review includes an analysis of several factors, including but not limited to, the credit ratings and cash flows of the securities and the magnitude and length of time that the fair value of such securities is below cost.

For an analysis of the Company s securities with gross unrealized losses as of September 30, 2015 and December 31, 2014, and for other than temporary impairment losses that the Company recorded for the quarters ended September 30, 2015 and 2014, please see Note 3 of the notes to the consolidated financial statements in Item 1 of Part I of this report.

Fair Value Measurements

The Company categorizes its invested assets and derivative instruments that are accounted for at fair value in the consolidated statements into a fair value hierarchy. The fair value hierarchy is directly related to the amount of subjectivity associated with the inputs utilized to determine the fair value of these assets.

The reported value of financial instruments not carried at fair value, principally cash and cash equivalents and margin borrowing facility, approximates fair value.

See Note 5 of the notes to the consolidated financial statements in Item 1 of Part I of this report for further information about the fair value hierarchy and the Company s assets that are accounted for at fair value.

Goodwill and Intangible Assets

The Company tests for impairment of goodwill at least annually and more frequently as circumstances warrant in accordance with applicable accounting guidance. Accounting guidance allows for the testing of goodwill for impairment using both qualitative and quantitative factors. Impairment of goodwill is recognized only if the carrying amount of the reporting unit, including goodwill, exceeds the fair value of the reporting unit. The amount of the impairment loss would be equal to the excess carrying value of the goodwill over the implied fair value of the reporting unit goodwill.

Impairment of intangible assets with indefinite useful lives is tested at least annually and more frequently as circumstances warrant in accordance with applicable accounting guidance. Accounting guidance allows for the testing of intangible assets for impairment using both qualitative and quantitative factors. Impairment of indefinite lived intangible assets is recognized only if the carrying amount of the intangible assets exceeds the fair value of said assets. The amount of the impairment loss would be equal to the excess carrying value of the assets over the fair value of said assets.

Intangible assets that are not deemed to have an indefinite useful life are amortized over their estimated useful lives. The carrying amounts of definite lived intangible assets are regularly reviewed for indicators of impairment in accordance with applicable accounting guidance. Impairment is recognized only if the carrying amount of the intangible asset is in excess of its undiscounted projected cash flows. The impairment is measured as the difference

between the carrying amount and the estimated fair value of the asset.

Deferred Acquisition Costs

The costs of acquiring new and renewal insurance and reinsurance contracts include commissions, premium taxes and certain other costs that vary with and are directly related to the successful acquisition of new and renewal insurance and reinsurance contracts. The excess of the Company s costs of acquiring new and renewal insurance and reinsurance contracts over the related ceding commissions earned from reinsurers is capitalized as deferred acquisition costs and amortized over the period in which the related premiums are earned.

In accordance with accounting guidance for insurance enterprises, the method followed in computing such amounts limits them to their estimated realizable value that gives effect to the premium to be earned, related investment income, losses and loss adjustment expenses, and certain other costs expected to be incurred as the premium is earned. A premium deficiency charge is recognized if the sum of expected loss and loss adjustment expenses and unamortized acquisition costs exceeds related unearned premium. This evaluation is done at a product line level in Insurance Operations and at a treaty level in

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Reinsurance Operations. Any future expected loss on the related unearned premium is recorded first by impairing the unamortized acquisition costs on the related unearned premium followed by an increase to loss and loss adjustment expense reserves on additional expected loss in excess of unamortized acquisition costs. The Company calculates deferred acquisition costs for Insurance Operations separately by product lines and for its Reinsurance Operations separately for each treaty.

Taxation

The Company provides for income taxes in accordance with applicable accounting guidance. The Company s deferred tax assets and liabilities primarily result from temporary differences between the amounts recorded in the consolidated financial statements and the tax basis of the Company s assets and liabilities.

At each balance sheet date, management assesses the need to establish a valuation allowance that reduces deferred tax assets when it is more likely than not that all, or some portion, of the deferred tax assets will not be realized. A valuation allowance would be based on all available information including the Company s assessment of uncertain tax positions and projections of future taxable income from each tax-paying component in each jurisdiction, principally derived from business plans and available tax planning strategies. There are no valuation allowances as of September 30, 2015 or December 31, 2014. The deferred tax asset balance is analyzed regularly by management. This assessment requires significant judgment and considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of carryforward periods, and tax planning strategies and/or actions. Based on these analyses, the Company has determined that its deferred tax asset is recoverable. Projections of future taxable income incorporate several assumptions of future business and operations that are apt to differ from actual experience. If, in the future, the Company s assumptions and estimates that resulted in the forecast of future taxable income for each tax-paying component prove to be incorrect, a valuation allowance may be required. This could have a material adverse effect on the Company s financial condition, results of operations, and liquidity.

On an interim basis, the Company generally records its tax provision using the expected full year effective tax rate. Forecasts which compute taxable income and taxes expected to be incurred in the jurisdictions where the Company does business are prepared several times per year. The effective tax rate is computed by dividing forecasted income tax expense not including tax on net realized investment gains (losses) and discrete items by forecasted pre-tax income not including net realized investment gains (losses) and discrete items. Changes in pre-tax and taxable income in the jurisdictions where the Company does business can change the effective tax rate. To compute the Company s income tax expense on an interim basis, the Company generally applies its expected full year effective tax rate against its pre-tax income excluding net realized investment gains (losses) and discrete items and then adds actual tax on net realized investment gains (losses) and discrete items to that result. However, when there is significant volatility in the expected tax rate, the Company records its actual income tax provision in lieu of the estimated effective income tax rate.

The Company applies a more likely than not recognition threshold for all tax uncertainties, only allowing the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities.

Business Segments

The Company manages its business through three business segments: Personal Lines, Commercial Lines, and Reinsurance Operations.

The Company evaluates the performance of these three segments based on gross and net premiums written, revenues in the form of net premiums earned and expenses in the form of net losses and loss adjustment expenses, acquisition costs, and other underwriting expenses.

For a description of the Company s segments, see Note 14 of the notes to the consolidated financial statements in Item 1 of Part I.

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The following table sets forth an analysis of financial data for the Company s segments during the periods indicated:

(Dollars in thousands)	Quarters Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Personal Lines premium written:				
Gross premiums written	$ 87,349	$	$ 249,564	$
Ceded premiums written	24,047		52,779	
Net premiums written	$ 63,302	$	$ 196,785	$
Commercial Lines premiums written:				
Gross premiums written	$ 52,920	$ 56,489	$ 161,746	$ 170,037
Ceded premiums written	3,595	3,815	12,099	13,668
Net premiums written	$ 49,325	$ 52,674	$ 149,647	$ 156,369
Reinsurance Operations premiums written:				
Gross premiums written	$ 9,879	$ 10,609	$ 48,222	$ 57,163
Ceded premiums written	9	21	48	1,037
Net premiums written	$ 9,870	$ 10,588	$ 48,174	$ 56,126
Revenues: **(1)**				
Personal Lines	$ 63,320	$	$ 193,537	$
Commercial Lines	49,018	52,626	149,664	159,299
Reinsurance Operations	13,648	15,528	40,128	42,739
Total revenues	$ 125,986	$ 68,154	$ 383,329	$ 202,038
Expenses: **(2)**				
Personal Lines **(3)**	$ 74,678	$	$ 204,587	$
Commercial Lines **(4)**	43,518	51,365	143,791	163,115
Reinsurance Operations	10,429	12,747	28,610	31,495
Total expenses	$ 128,625	$ 64,112	$ 376,988	$ 194,610
Income (loss) from segments:				
Personal Lines	$ (11,358)	$	$ (11,050)	$
Commercial Lines	5,500	1,261	5,873	(3,816)
Reinsurance Operations	3,219	2,781	11,518	11,244
Total income (loss) from segments	$ (2,639)	$ 4,042	$ 6,341	$ 7,428

Insurance combined ratio analysis: **(5)**				
Personal Lines				
Loss ratio	78.7		67.9	
Expense ratio	41.5		39.0	
Combined ratio	120.2		106.9	
Commercial Line				
Loss ratio	46.7	56.3	55.2	61.2
Expense ratio	42.3	41.5	41.1	41.6
Combined ratio	89.0	97.8	96.3	102.8
Reinsurance Operations				
Loss ratio	43.6	45.4	35.8	38.4
Expense ratio	32.7	36.4	35.3	35.2
Combined ratio	76.3	81.8	71.1	73.6
Consolidated				
Loss ratio	62.3	53.9	59.6	56.3
Expense ratio	40.8	40.4	39.4	40.2
Combined ratio	103.1	94.3	99.0	96.5

(1) Excludes net investment income and net realized investment gains (losses), which are not allocated to the Company s segments.

(2) Excludes corporate and other operating expenses and interest expense, which are not allocated to the Company s segments.

(3) Includes excise tax of $310 and $0 for the quarters ended September 30, 2015 and 2014, respectively, and excise tax of $957 and $0 for the nine months ended September 30, 2015 and 2014, respectively, related to cessions from the Company s Personal Lines to the Company s Reinsurance Operations.

(4) Includes excise tax of $258 and $277 for the quarters ended September 30, 2015 and 2014, respectively, and excise tax of $787 and $838 for the nine months ended September 30, 2015 and 2014, respectively, related to cessions from the Company s Commercial Lines to the Company s Reinsurance Operations.

(5) The Company s insurance combined ratios are GAAP financial measures that are generally viewed in the insurance industry as indicators of underwriting profitability. The loss ratio is the ratio of net losses and loss adjustment expenses to net premiums earned. The expense ratio is the ratio of acquisition costs and other underwriting expenses to net premiums earned. The combined ratio is the sum of the loss and expense ratios.

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Results of Operations

All percentage and dollar changes included in the text below have been calculated using the corresponding amounts from the applicable tables.

Quarter Ended September 30, 2015 Compared with the Quarter Ended September 30, 2014

Personal Lines

The components of income from the Company s Personal Lines segment and corresponding underwriting ratios are as follows:

(Dollars in thousands)	Quarters Ended September 30, 2015	2014 (1)	Increase / (Decrease) $	%
Gross premiums written	$ 87,349	$ 94,306	$ (6,957)	(7.4%)
Net premiums written	$ 63,302	$ 62,766	$ 536	0.9%
Net premiums earned	$ 62,132	$ 63,744	$ (1,612)	(2.5%)
Other income	1,188	413	775	187.7%
Total revenues	63,320	64,157	(837)	(1.3%)
Losses and expenses:				
Net losses and loss adjustment expenses	48,899	36,605	12,294	33.6%
Acquisition costs and other underwriting expenses **(2)**	25,779	25,757	22	0.1%
Income (loss) from segment	$ (11,358)	$ 1,795	$ (13,153)	(732.8%)
Underwriting Ratios:				
Loss ratio:				
Current accident year	78.7	55.1	23.6	
Prior accident year	0.0	2.3	(2.3)	
Calendar year loss ratio	78.7	57.4	21.3	
Expense ratio	41.5	40.4	1.1	
Combined ratio	120.2	97.8	22.4	

Reconciliation of Non-GAAP Measures		
Loss ratio excluding the effect of prior accident year **(3) (4)**	78.7	55.1
Effect of prior accident year	0.0	2.3
Loss ratio	78.7	57.4
Non catastrophe loss ratio excluding the effect of prior accident year **(4) (5)**	56.7	50.2
Effect of prior accident year	0.0	2.3
Non catastrophe loss ratio	56.7	52.5
Non catastrophe losses excluding the effect of prior accident year **(4) (6)**	$ 35,236	$ 31,976
Effect of prior accident year	0	1,497
Non catastrophe losses	$ 35,236	$ 33,473

(1) Represent unaudited pro forma results of operation for the quarter ended September 30, 2014 as if the acquisition had occurred on January 1, 2014 as opposed to January 1, 2015.

(2) Includes excise tax of $310 and $319 related to cessions from the Company s Personal Lines to its Reinsurance Operations for the quarters ended September 30, 2015 and 2014, respectively.

(3) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the loss ratio.

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(4) The Company believes that this non-GAAP ratio or measure is useful to investors when evaluating the Company s underwriting performance as trends in the Company s Personal Lines may be obscured by prior accident year adjustments. This non-GAAP ratio should not be considered as a substitute for its most directly comparable GAAP measure and does not reflect the overall underwriting profitability of the Company.

(5) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the non-catastrophe loss ratio.

(6) This is a non-GAAP measure that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the non-catastrophe losses.

Gross premiums written, which represent the amount received or to be received for insurance policies written without reduction for reinsurance costs or other deductions, were $87.3 million for the quarter ended September 30, 2015, compared with $94.3 million for the quarter ended September 30, 2014, a decrease of $7.0 million or 7.4%. The decrease is primarily due to a decrease in premiums on business written by American Reliable that is ceded to insurance entities owned by Assurant under a 100% quota share reinsurance agreement.

Net premiums written, which equal gross premiums written less ceded premiums written, were $63.3 million for the quarter ended September 30, 2015, compared with $62.8 million for the quarter ended September 30, 2014, an increase of $0.5 million or 0.9%. The ratio of net premiums written to gross premiums written was 72.5% for the quarter ended September 30, 2015 and 66.6% for the quarter ended September 30, 2014, an increase of 5.9 points.

Net premiums earned were $62.1 million for the quarter ended September 30, 2015, compared with $63.7 million for the quarter ended September 30, 2014, a decrease of $1.6 million or 2.5%. Property net premiums earned for the quarters ended September 30, 2015 and 2014 were $53.4 million and $54.8 million, respectively. Casualty net premiums earned were $8.8 million and $8.9 million for the quarters ended September 30, 2015 and 2014, respectively.

Other Income

Other income was $1.2 million for the quarter ended September 30, 2015, compared with $0.4 million for the quarter ended September 30, 2014. Other income is primarily comprised of fee income on policies issued and commission income and accrued interest on the anticipated indemnification of unpaid loss and loss adjustment expense reserves.

Net Losses and Loss Adjustment Expenses

The loss ratio for the Company s Personal Lines was 78.7% for the quarter ended September 30, 2015 compared with 57.4% for the quarter ended September 30, 2014. The loss ratio is a GAAP financial measure that is generally viewed in the insurance industry as an indicator of underwriting profitability and is calculated by dividing net losses and loss adjustment expenses by net premiums earned.

The current accident year loss ratio for the quarter ended September 30, 2015 was 78.7%, an increase of 23.6 points from 55.1%, for the quarter ended September 30, 2014:

The non-catastrophe loss ratio increased 4.2 points from 52.5% in the quarter ended September 30, 2014 to 56.7% in the quarter ended September 30, 2015. Non-catastrophe losses were $35.2 million and $33.5 million for the quarters ended September 30, 2015 and 2014, respectively.

The catastrophe loss ratio increased 17.1 points from 4.9% in the quarter ended September 30, 2014 to 22.0% in the quarter ended September 30, 2015 mainly due to wild fires in California. Catastrophe losses were $13.7 million and $3.1 million for the quarters ended September 30, 2015 and 2014, respectively.

In the third quarter of 2015, the Company had no changes to prior accident year losses in Personal Lines. In 2014, losses related to prior years resulted in an increase in the loss ratio by 2.3 points. When analyzing loss reserves and prior year development, the Company considers many factors, including the frequency and severity of claims, loss trends, case reserve settlements that may have resulted in significant development, and any other additional or pertinent factors that may impact reserve estimates.

Acquisition Costs and Other Underwriting Expenses

Acquisition costs and other underwriting expenses were $25.8 million for both the quarters ended September 30, 2015 and 2014.

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Expense and Combined Ratios

The expense ratio for the Company s Personal Lines was 41.5% for the quarter ended September 30, 2015, compared with 40.4% for the quarter ended September 30, 2014. The expense ratio is a GAAP financial measure that is calculated by dividing the sum of acquisition costs and other underwriting expenses by net premiums earned.

The combined ratio for the Company s Personal Lines was 120.2% for the quarter ended September 30, 2015, compared with 97.8% for the quarter ended September 30, 2014. The combined ratio is a GAAP financial measure and is the sum of the Company s loss and expense ratios. See discussion of loss ratio included in Net Losses and Loss Adjustment Expenses above and discussion of expense ratio in preceding paragraph for an explanation of the increase.

Income (loss) from Segment

The factors described above resulted in loss from the Company s Personal Lines of $11.4 million for the quarter ended September 30, 2015, compared to income of $1.8 million for the quarter ended September 30, 2014.

Commercial Lines

The components of income (loss) from the Company s Commercial Lines segment and corresponding underwriting ratios are as follows:

(Dollars in thousands)	Quarters Ended September 30,		Increase / (Decrease)	
	2015	2014	$	%
Gross premiums written	$ 52,920	$ 56,489	$ (3,569)	(6.3%)
Net premiums written	$ 49,325	$ 52,674	$ (3,349)	(6.4%)
Net premiums earned	$ 48,916	$ 52,462	$ (3,546)	(6.8%)
Other income	102	164	(62)	(37.8%)
Total revenues	49,018	52,626	(3,608)	(6.9%)
Losses and expenses:				
Net losses and loss adjustment expenses	22,832	29,575	(6,743)	(22.8%)
Acquisition costs and other underwriting expenses **(1)**	20,686	21,790	(1,104)	(5.1%)
Income from segment	$ 5,500	$ 1,261	$ 4,239	336.1%
Underwriting Ratios:				
Loss ratio:				
Current accident year	61.6	56.3	5.3	
Prior accident year	(14.9)	0.0	(14.9)	

Calendar year loss ratio	46.7	56.3	(9.6)
Expense ratio	42.3	41.5	0.8
Combined ratio	89.0	97.8	(8.8)

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	Quarters Ended September 30, 2015	2014
Reconciliation of Non-GAAP Measures		
Combined ratio excluding the effect of prior accident year **(2) (7)**	103.9	97.8
Effect of prior accident year	(14.9)	0.0
Combined ratio	89.0	97.8
Loss ratio excluding the effect of prior accident year **(3) (7)**	61.6	56.3
Effect of prior accident year	(14.9)	0.0
Loss ratio	46.7	56.3
Property loss ratio excluding the effect of prior accident year **(4) (7)**	54.0	45.0
Effect of prior accident year	0.2	1.6
Property loss ratio	54.2	46.6
Casualty loss ratio excluding the effect of prior accident year **(5) (7)**	72.3	73.4
Effect of prior accident year	(36.1)	(2.2)
Casualty loss ratio	36.2	71.2
Non catastrophe property loss ratio excluding the effect of prior accident year **(7) (8)**	52.2	39.4
Effect of prior accident year	0.1	0.7
Non catastrophe property loss ratio	52.3	40.1
Catastrophe property loss ratio excluding the effect of prior accident year **(7) (9)**	1.8	5.7
Effect of prior accident year	0.2	0.8
Catastrophe property loss ratio	2.0	6.5
Non catastrophe property losses excluding the effect of prior accident year **(7) (10)**	$ 14,878	$ 12,424
Effect of prior accident year	14	221
Non catastrophe property losses	$ 14,892	$ 12,645

Catastrophe property losses excluding the effect of prior accident year **(7) (11)**	$	509	$	1,787
Effect of prior accident year		43		267
Catastrophe property losses	$	552	$	2,054
Net losses and loss adjustment expenses excluding the effects of prior accident year **(6) (7)**	$	30,143	$	29,552
Effect of prior accident year		(7,311)		23
Net losses and loss adjustment expenses	$	22,832	$	29,575

(1) Includes excise tax of $258 and $277 related to cessions from the Company s Commercial Lines to its Reinsurance Operations for the quarters ended September 30, 2015 and 2014, respectively.

(2) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the combined ratio.

(3) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the loss ratio.

(4) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the property loss ratio.

(5) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the casualty loss ratio.

(6) This is a non-GAAP measure that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the net losses and loss adjustment expenses.

(7) The Company believes that this non-GAAP ratio or measure is useful to investors when evaluating the Company s underwriting performance as trends in the Company s Commercial Lines may be obscured by prior accident year adjustments. This non-GAAP ratio should not be considered as a substitute for its most directly comparable GAAP measure and does not reflect the overall underwriting profitability of the Company.

(8) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the non-catastrophe property loss ratio.

(9) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the catastrophe property loss ratio.

(10) This is a non-GAAP measure that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the non-catastrophe property losses.

(11) This is a non-GAAP measure that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the catastrophe property losses.

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Premiums

The Company s Commercial Lines gross written, net written, and net earned premiums by product line are as follows:

(Dollars in thousands)	Quarter Ended September 30, 2015			Quarter Ended September 30, 2014		
	Gross Written	Net Written	Net Earned	Gross Written	Net Written	Net Earned
Small Business Binding Authority	$ 30,038	$ 29,272	$ 27,077	$ 31,180	$ 29,811	$ 27,663
Property Brokerage	7,003	5,220	7,444	9,028	7,775	8,149
Programs	14,985	13,878	13,276	15,060	14,032	14,160
Other	894	955	1,119	1,221	1,056	2,490
Total	$ 52,920	$ 49,325	$ 48,916	$ 56,489	$ 52,674	$ 52,462

Gross premiums written, which represent the amount received or to be received for insurance policies written without reduction for reinsurance costs or other deductions, was $52.9 million for the quarter ended September 30, 2015, compared with $56.5 million for the quarter ended September 30, 2014, a decrease of $3.6 million or 6.3%. The decrease is due to underwriting actions taken to improve profitability as well as the impact of a more competitive marketplace.

Net premiums written, which equal gross premiums written less ceded premiums written, were $49.3 million for the quarter ended September 30, 2015, compared with $52.7 million for the quarter ended September 30, 2014, a decrease of $3.3 million or 6.4%. The decrease in net premiums written is being driven by the reduction in gross premiums written, as noted above. The ratio of net premiums written to gross premiums written was 93.2% for both the quarters ended September 30, 2015 and September 30, 2014.

Net premiums earned were $48.9 million for the quarter ended September 30, 2015, compared with $52.5 million for the quarter ended September 30, 2014, a decrease of $3.5 million or 6.8%. The decline in net premiums earned was primarily due to a reduction of gross premiums written as noted above. Property net premiums earned for the quarters ended September 30, 2015 and 2014 were $28.5 million and $31.6 million, respectively. Casualty net premiums earned for the quarters ended September 30, 2015 and 2014 were $20.4 million and $20.9 million, respectively.

Other Income

Other income was $0.1 million and $0.2 million for the quarters ended September 30, 2015 and 2014, respectively. Other income is primarily comprised of fee income.

Net Losses and Loss Adjustment Expenses

The loss ratio for the Company s Commercial Lines was 46.7% for the quarter ended September 30, 2015, an improvement of 9.6 points from 56.3% for the quarter ended September 30, 2014.

The current accident year loss ratio for the quarter ended September 30, 2015 was 61.6%, an increase of 5.3 points from 56.3%, for the quarter ended September 30, 2014:

The current accident year property loss ratio increased 9.0 points from 45.0% in the quarter ended September 30, 2014 to 54.0% in the quarter ended September 30, 2015.

The non-catastrophe loss ratio increased 12.8 points from 39.4% in the quarter ended September 30, 2014 to 52.2% in the quarter ended September 30, 2015 which is mainly attributable to one large fire loss in Florida. Non-catastrophe losses were $14.9 million and $12.4 million for the quarters ended September 30, 2015 and 2014, respectively.

The catastrophe loss ratio improved by 3.9 points from 5.7% in the quarter ended September 30, 2014 to 1.8% in the quarter ended September 30, 2015. Catastrophe losses were $0.5 million and $1.8 million for the quarters ended September 30, 2015 and 2014, respectively.

The current accident year casualty loss ratio improved 1.1 points from 73.4% in the quarter ended September 30, 2014 to 72.3% in the quarter ended September 30, 2015 which was driven by an effort to trim unprofitable business.

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In the third quarter of 2015, the Company decreased its prior accident year loss reserves by $7.3 million, which primarily consisted of the following:

Professional: A $3.5 million decrease in aggregate primarily related to better than anticipated loss emergence in accident years 2006 through 2012.

General Liability: A $3.8 million decrease in aggregate primarily related to accident years 1999 through 2013 primarily due to better than anticipated frequency and severity in construction defect.

In the third quarter of 2014, the Company increased its prior accident year loss reserves by $0.02 million, which primarily consisted of the following:

General Liability: A $5.4 million increase primarily due to higher than anticipated loss emergence in recent accident years.

Professional: A $6.4 million reduction is primarily due to lower than expected severity from accident years 2007 through 2011.

Property: A $0.5 million increase primarily due to increased severity in accident years 2011 through 2013.

Asbestos: $0.2 million increase primarily related to accident years prior to 1990 due to recent development on several claims.

Other: A $0.3 million increase primarily due to accident years 2011 through 2013.

Net losses and loss adjustment expenses were $22.8 million for the quarter ended September 30, 2015, compared with $29.6 million for the quarter ended September 30, 2014, a decrease of $6.7 million or 22.8%. Excluding the impact of prior year adjustments, the current accident year net losses and loss adjustment expenses were $30.1 million and $29.6 million for the quarters ended September 30, 2015 and 2014, respectively, an increase of $0.6 million or 2.0%.

Acquisition Costs and Other Underwriting Expenses

Acquisition costs and other underwriting expenses were $20.7 million for the quarter ended September 30, 2015, compared with $21.8 million for the quarter ended September 30, 2014, a decrease of $1.1 million or 5.1%. This decrease is primarily due to certain costs which were allocated solely to Commercial Lines in 2014 now being allocated to both Commercial Lines and Personal Lines. In addition, commission expense is lower due to a reduction in net premiums earned as noted above.

Expense and Combined Ratios

The expense ratio for the Company s Commercial Lines was 42.3% for the quarter ended September 30, 2015, compared with 41.5% for the quarter ended September 30, 2014.

The combined ratio for the Company s Commercial Lines was 89.0% for the quarter ended September 30, 2015, compared with 97.8% for the quarter ended September 30, 2014. Excluding the impact of prior year adjustments, the current accident year combined ratio increased from 97.8% for the quarter ended September 30, 2014 to 103.9% for the quarter ended September 30, 2015. See discussion of loss ratio included in Net Losses and Loss Adjustment Expenses above and discussion of expense ratio in preceding paragraph for an explanation of the variance.

Income from Segment

The factors described above resulted in income from the Company s Commercial Lines of $5.5 million for the quarter ended September 30, 2015, compared to income of $1.3 million for the quarter ended September 30, 2014.

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Reinsurance Operations

The components of income from the Company s Reinsurance Operations segment and corresponding underwriting ratios are as follows:

(Dollars in thousands)	Quarters Ended September 30, 2015	2014	Increase / (Decrease) $	%
Gross premiums written	$ 9,879	$ 10,609	$ (730)	(6.9%)
Net premiums written	$ 9,870	$ 10,588	$ (718)	(6.8%)
Net premiums earned	$ 13,659	$ 15,566	$ (1,907)	(12.3%)
Other loss	(11)	(38)	27	(71.1%)
Total revenues	13,648	15,528	(1,880)	(12.1%)
Losses and expenses:				
Net losses and loss adjustment expenses	5,960	7,079	(1,119)	(15.8%)
Acquisition costs and other underwriting expenses	4,469	5,668	(1,199)	(21.2%)
Income from segment	$ 3,219	$ 2,781	$ 438	15.8%
Underwriting Ratios:				
Loss ratio:				
Current accident year	52.4	44.6	7.8	
Prior accident year	(8.8)	0.8	(9.6)	
Calendar year loss ratio	43.6	45.4	(1.8)	
Expense ratio	32.7	36.4	(3.7)	
Combined ratio	76.3	81.8	(5.5)	

Reconciliation of Non-GAAP Measures		
Combined ratio excluding the effect of prior accident year **(1)** **(4)**	85.1	81.0
Effect of prior accident year	(8.8)	0.8
Combined ratio	76.3	81.8
Loss ratio excluding the effect of prior accident year **(2)** **(4)**	52.4	44.6
Effect of prior accident year	(8.8)	0.8

Loss ratio	43.6	45.4
Property loss ratio excluding the effect of prior accident year **(4) (5)**	51.4	42.7
Effect of prior accident year	(9.6)	(22.4)
Property loss ratio	41.8	20.3
Net losses and loss adjustment expenses excluding the effects of prior accident year **(3) (4)**	$ 7,161	$ 6,949
Effect of prior accident year	(1,201)	130
Net losses and loss adjustment expenses	$ 5,960	$ 7,079

(1) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the combined ratio.

(2) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the loss ratio.

(3) This is a non-GAAP measure that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the net losses and loss adjustment expenses.

(4) The Company believes that this non-GAAP ratio or measure is useful to investors when evaluating the Company s underwriting performance as trends in the Company s reinsurance operations may be obscured by prior accident year adjustments. This non-GAAP ratio should not be considered as a substitute for its most directly comparable GAAP measure and does not reflect the overall underwriting profitability of the Company.

(5) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the property loss ratio.

Premiums

Gross premiums written, which represent the amount received or to be received for reinsurance agreements written without reduction for reinsurance costs or other deductions, were $9.9 million for the quarter ended September 30, 2015, compared

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with $10.6 million for the quarter ended September 30, 2014, a decrease of $0.7 million or 6.9%. This decrease is mainly due to competition in the property catastrophe reinsurance marketplace. The market is still very competitive due to excess capital resulting in property rates declining and smaller portfolios.

Net premiums written, which equal gross premiums written less ceded premiums written, were $9.9 million for the quarter ended September 30, 2015, compared with $10.6 million for the quarter ended September 30, 2014, a decrease of $0.7 million or 6.8%. This decrease is due to a decline in gross premiums written as noted above.

Net premiums earned were $13.7 million for the quarter ended September 30, 2015, compared with $15.6 million for the quarter ended September 30, 2014, a decrease of $1.9 million or 12.3%. Property net premiums earned for the quarters ended September 30, 2015 and 2014 were $12.5 million and $15.0 million, respectively. Casualty net premiums earned for the quarters ended September 30, 2015 and 2014 were $1.1 million and $0.5 million, respectively.

Other Loss

Other loss was comprised of losses of $0.01 million and $0.04 for the quarters ended September 30, 2015 and 2014, respectively. Other income (loss) represents foreign exchange gains and losses.

Net Losses and Loss Adjustment Expenses

The loss ratio for the Company s Reinsurance Operations was 43.6% for the quarter ended September 30, 2015 compared with 45.4% for the quarter ended September 30, 2014.

The current accident year loss ratio increased 7.8 points from 44.6% for the quarter ended September 30, 2014 to 52.4% for the quarter ended September 30, 2015 primarily due to an increase in catastrophe losses as a result of the Tianjin explosion in China during the third quarter of 2015 which increased the loss ratio by 8.9 points. This increase was partially offset by an improvement in the casualty loss ratio.

There was a decrease in net losses and loss adjustment expenses for prior accident years of $1.2 million in the quarter ended September 30, 2015, which improved the loss ratio by 8.8 points, compared to an increase in net losses and loss adjustment expenses for prior accident years of $0.1 million in the quarter ended September 30, 2014 which increased the loss ratio by 0.8 points.

In the third quarter of 2015, the $1.2 million decrease in prior accident year loss reserves was primarily due improved results reported by the Company s cedants on property catastrophe contracts for accident years 2009 to 2013.

In the third quarter of 2014, the $0.1 million increase in prior accident loss reserves primarily consisted of the following:

Property: A $3.4 million reduction is due to less catastrophe losses than anticipated primarily from accident year 2013.

Auto Liability: A $0.5 million increase due to increased severity primarily from accident years 2009 and 2010.

Marine: A $3.0 million increase is primarily related to increased severity on accident years 2011 and 2012. These treaties are in runoff. Several claims have recently settled for amounts higher than expected.

Net losses and loss adjustment expenses were $6.0 million for the quarter ended September 30, 2015, compared with $7.1 million for the quarter ended September 30, 2014, a decrease of $1.1 million or 15.8%. Excluding the impact of prior year adjustments, the current accident year net losses and loss adjustment expenses increased from $6.9 million for the quarter ended September 30, 2014 to $7.2 million for the quarter ended September 30, 2015.

Acquisition Costs and Other Underwriting Expenses

Acquisition costs and other underwriting expenses were $4.5 million for the quarter ended September 30, 2015, compared with $5.7 million for the quarter ended September 30, 2014, a decrease of $1.2 million or 21.2%. This decrease is primarily due to a reduction in commission expense as a result of a slight decline in net premiums written as well as a reduction in contingent commissions as a result of higher losses during the quarter.

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Expense and Combined Ratios

The expense ratio for the Company s Reinsurance Operations was 32.7% for the quarter ended September 30, 2015, compared to 36.4% for the quarter ended September 30, 2014. The improvement in the expense ratio is primarily due to a reduction in contingent commissions.

The combined ratio for the Company s Reinsurance Operations was 76.3% for the quarter ended September 30, 2015, compared with 81.8% for the quarter ended September 30, 2014. Excluding the impact of prior accident year adjustments, the current accident year combined ratio increased from 81.0% for the quarter ended September 30, 2014 to 85.1% for the quarter ended September 30, 2015. See discussion of loss ratio included in Net Losses and Loss Adjustment Expenses above and discussion of expense ratio in preceding paragraph for an explanation of the increase.

Income from Segment

The factors described above resulted in income from the Company s Reinsurance Operations of $3.2 million for the quarter ended September 30, 2015 compared to income of $2.8 million for the quarter ended September 30, 2014, an increase of $0.4 million.

Unallocated Corporate Items

The following items are not allocated to the Company s Commercial Lines, Personal Lines, or Reinsurance Operations segments:

(Dollars in thousands)	Quarters Ended September 30, 2015	2014	Increase / (Decrease) $	%
Net investment income	$ 8,852	$ 6,527	$ 2,325	35.6%
Net realized investment gains (losses)	(10,778)	1,158	(11,936)	NM
Corporate and other operating expenses	(3,567)	(3,481)	86	2.5%
Interest expense	(1,595)	(118)	1,477	NM
Income tax (expense) benefit	5,981	1,633	4,348	266.3%

NM not meaningful

Net Investment Income

Net investment income, which is gross investment income less investment expenses, was $8.9 million for the quarter ended September 30, 2015, compared with $6.5 million for the quarter ended September 30, 2014, an increase of $2.3 million or 35.6%.

Gross investment income, which excludes realized gains and losses, was $9.6 million for the quarter ended September 30, 2015, compared with $7.6 million for the quarter ended September 30, 2014, an increase of

$2.0 million or 26.6%. The increase was primarily due to the acquisition of American Reliable s fixed income portfolio.

Investment expenses were $0.7 million for the quarter ended September 30, 2015, compared with $1.1 million for the quarter ended September 30, 2014, a decrease of $0.3 million or 29.2%. The decrease is primarily due to a reduction of the Company s equity portfolio during 2014.

At September 30, 2015, the Company held agency mortgage-backed securities with a book value of $121.9 million. Excluding the agency mortgage-backed securities, the average duration of the Company s fixed maturities portfolio was 2.1 years as of September 30, 2015, compared with 2.0 years as of September 30, 2014. Including cash and short-term investments, the average duration of the Company s fixed maturities portfolio, excluding agency mortgage-backed securities, was 1.9 years as of September 30, 2015 and September 30, 2014. Changes in interest rates can cause principal payments on certain investments to extend or shorten which can impact duration. The Company s embedded book yield on its fixed maturities, not including cash, was 2.1% at September 30, 2015 and September 30, 2014. The embedded book yield on the $235.4 million of municipal bonds in the Company s portfolio was 2.7% at September 30, 2015, compared to an embedded book yield of 2.8% on the Company s municipal bond portfolio of $196.4 million at September 30, 2014.

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Net Realized Investment Gains (losses)

Net realized investment losses were $10.8 million for the quarter ended September 30, 2015, compared with gains of $1.2 million for the quarter ended September 30, 2014. The net realized investment losses for 2015 consist primarily of net losses of $1.3 million relative to the Company s fixed maturities, $8.1 million relative to its interest rate swaps, other than temporary impairment losses of $4.6 million, offset by gains of $3.2 million relative to its equity securities. The net realized investment gains for 2014 consist primarily of net gains of $2.6 million relative to the Company s equity securities, offset by losses of $0.2 million relative to its fixed maturities and $1.2 million relative to its interest rate swaps.

See Note 3 of the notes to the consolidated financial statements in Item 1 of Part I of this report for an analysis of total investment return on a pre-tax basis for the quarters ended September 30, 2015 and 2014.

Corporate and Other Operating Expenses

Corporate and other operating expenses consist of outside legal fees, other professional fees, directors fees, management fees, salaries and benefits for holding company personnel, development costs for new products, and taxes incurred which are not directly related to operations. Corporate and other operating expenses were $3.6 million for the quarter ended September 30, 2015, compared with $3.5 million for the quarter ended September 30, 2014, an increase of $0.1 million or 2.5%.

Interest Expense

Interest expense was $1.6 million and $0.1 million for the quarters ended September 30, 2015 and 2014, respectively, an increase of $1.5 million. This is primarily due to the new debt offering in August, 2015 as well as higher balances outstanding under the margin borrowing facilities in 2015 as compared to 2014. See Note 10 of the notes to the consolidated financial statements in Item 8 of Part II of the Company s 2014 Annual Report on Form 10-K for details on the Company s debt.

Income Tax Expense / Benefit

The income tax benefit was $6.0 million for the quarter ended September 30, 2015 compared to an income tax benefit of $1.6 million for the quarter ended September 30, 2014. See Note 6 of the notes to the consolidated financial statements in Item 1 of Part I of this report for a comparison of income tax benefit between periods.

Net Income (Loss)

The factors described above resulted in net loss of $3.7 million and net income of $9.8 million for the quarters ended September 30, 2015 and 2014, respectively, a decrease of $13.5 million or 138.4%.

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Nine Months Ended September 30, 2015 Compared with the Nine Months Ended September 30, 2014

Personal Lines

The components of income from the Company s Personal Lines segment and corresponding underwriting ratios are as follows:

(Dollars in thousands)	Nine Months Ended September 30,		Increase / (Decrease)	
	2015	2014 (1)	$	%
Gross premiums written	$ 249,564	$ 260,680	$ (11,116)	(4.3%)
Net premiums written	$ 196,785	$ 196,386	$ 399	0.2%
Net premiums earned	$ 191,472	$ 190,556	$ 916	0.5%
Other income	2,065	1,195	870	72.8%
Total revenues	193,537	191,751	1,786	0.9%
Losses and expenses:				
Net losses and loss adjustment expenses	129,997	109,351	20,646	18.9%
Acquisition costs and other underwriting expenses **(2)**	74,590	79,036	(4,446)	(5.6%)
Income (loss) from segment	$ (11,050)	$ 3,364	$ (14,414)	(428.5%)
Underwriting Ratios:				
Loss ratio:				
Current accident year	67.9	58.6	9.3	
Prior accident year	0.0	(1.2)	1.2	
Calendar year loss ratio	67.9	57.4	10.5	
Expense ratio	39.0	41.5	(2.5)	
Combined ratio	106.9	98.9	8.0	

Reconciliation of Non-GAAP Measures		
Loss ratio excluding the effect of prior accident year **(3) (4)**	67.9	58.6
Effect of prior accident year	0.0	(1.2)
Loss ratio	67.9	57.4

Non catastrophe loss ratio excluding the effect of prior accident year **(4) (5)**	52.4	52.2
Effect of prior accident year	0.0	(1.2)
Non catastrophe loss ratio	52.4	51.0
Non catastrophe losses excluding the effect of prior accident year **(4) (6)**	$ 100,258	$ 99,448
Effect of prior accident year	0	(2,307)
Non catastrophe losses	$ 100,258	$ 97,141

(1) Represent unaudited pro forma results of operation for the nine months ended September 30, 2014 as if the acquisition had occurred on January 1, 2014 as opposed to January 1, 2015.

(2) Includes excise tax of $957 and $953 related to cessions from the Company s Personal Lines to its Reinsurance Operations for the quarters ended September 30, 2015 and 2014, respectively.

(3) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the loss ratio.

(4) The Company believes that this non-GAAP ratio or measure is useful to investors when evaluating the Company s underwriting performance as trends in the Company s Personal Lines may be obscured by prior accident year adjustments. This non-GAAP ratio should not be considered as a substitute for its most directly comparable GAAP measure and does not reflect the overall underwriting profitability of the Company.

(5) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the non-catastrophe loss ratio.

(6) This is a non-GAAP measure that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the non-catastrophe losses.

Gross premiums written, which represent the amount received or to be received for insurance policies written without reduction for reinsurance costs or other deductions, were $249.6 million for the nine months ended September 30, 2015, compared with $260.7 million for the nine months ended September 30, 2014, a decrease of $11.1 million or 4.3%. The decrease is primarily due to a reduction in premiums on business written by American Reliable that is ceded to insurance entities owned by Assurant under a 100% quota share reinsurance agreement.

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Net premiums written, which equal gross premiums written less ceded premiums written, were $196.8 million for the nine months ended September 30, 2015, compared with $196.4 million for the nine months ended September 30, 2014, an increase of $0.4 million or 0.2%. The ratio of net premiums written to gross premiums written was 78.9% for the nine months ended September 30, 2015 and 75.3% for the nine month ended September 30, 2014, an increase of 3.6 points.

Net premiums earned were $191.5 million for the nine months ended September 30, 2015, compared with $190.6 million for the nine months ended September 30, 2014, an increase of $0.9 million or 0.5%. The growth in net premiums earned was primarily due to increases in net premiums written within the previous year. Property net premiums earned for the nine months ended September 30, 2015 and 2014 were $164.7 million and $163.9 million, respectively. Casualty net premiums earned were $26.8 million and $26.7 million for the nine month ended September 30, 2015 and 2014, respectively.

Other Income

Other income was $2.1 million and $1.2 million for the nine month ended September 30, 2015 and 2014, respectively. Other income is primarily comprised of fee income on policies issued and commission income and accrued interest on the anticipated indemnification of unpaid loss and loss adjustment expense reserves.

Net Losses and Loss Adjustment Expenses

The loss ratio for the Company s Personal Lines was 67.9% for the nine months ended September 30, 2015 compared with 57.4% for the nine months ended September 30, 2014.

The current accident year loss ratio for the nine months ended September 30, 2015 was 67.9%, an increase of 9.3 points from 58.6%, for the nine months ended September 30, 2014:

- The non-catastrophe loss ratio increased 0.2 points from 52.2% in the nine months ended September 30, 2014 to 52.4% in the nine months ended September 30, 2015. Non-catastrophe losses were $100.3 million and $99.4 million for the nine months ended September 30, 2015 and 2014, respectively.

- The catastrophe loss ratio increased 9.1 points from 6.4% in the nine months ended September 30, 2014 to 15.5% in the nine months ended September 30, 2015 mainly due to wild fires in California. Catastrophe losses were $29.7 million and $12.2 million for the nine months ended September 30, 2015 and 2014, respectively.

For the nine months ended September 30, 2015, the Company had no changes to prior accident year losses. In 2014, losses related to prior years resulted in a decrease in the loss ratio by 1.2 points.

Acquisition Costs and Other Underwriting Expenses

Acquisition costs and other underwriting expenses were $74.6 million for the nine months ended September 30, 2015, compared with $79.0 million for the nine months ended September 30, 2014, a decrease of $4.4 million or 5.6%. The decrease is primarily due to impact on underwriting expenses from the acquisition date adjustments to fair value of deferred acquisition costs and intangible assets.

Expense and Combined Ratios

The expense ratio for the Company s Personal Lines was 39.0% for the nine months ended September 30, 2015, compared with 41.5% for the nine months ended September 30, 2014. The decrease in the expense ratio is primarily due to impact on underwriting expenses from the acquisition date adjustments to fair value of deferred acquisition costs and intangible assets.

The combined ratio for the Company s Personal Lines was 106.9% for the nine months ended September 30, 2015, compared with 98.9% for the nine months ended September 30, 2014. See discussion of loss ratio included in Net Losses and Loss Adjustment Expenses above and discussion of expense ratio in preceding paragraph for an explanation of the increase.

Income (loss) from Segment

The factors described above resulted in loss from the Company s Personal Lines of $11.1 million for the nine months ended September 30, 2015, compared to income of $3.4 million for the nine months ended September 30, 2014.

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Commercial Lines

The components of income (loss) from the Company s Commercial Lines segment and corresponding underwriting ratios are as follows:

(Dollars in thousands)	Nine Months Ended September 30,		Increase / (Decrease)	
	2015	2014	$	%
Gross premiums written	$ 161,746	$ 170,037	$ (8,291)	(4.9%)
Net premiums written	$ 149,647	$ 156,369	$ (6,722)	(4.3%)
Net premiums earned	$ 149,244	$ 158,809	$ (9,565)	(6.0%)
Other income	420	490	(70)	(14.3%)
Total revenues	149,664	159,299	(9,635)	(6.0%)
Losses and expenses:				
Net losses and loss adjustment expenses	82,474	97,047	(14,573)	(15.0%)
Acquisition costs and other underwriting expenses **(1)**	61,317	66,068	(4,751)	(7.2%)
Income (loss) from segment	$ 5,873	$ (3,816)	$ 9,689	(253.9%)
Underwriting Ratios:				
Loss ratio:				
Current accident year	63.9	64.3	(0.4)	
Prior accident year	(8.7)	(3.1)	(5.6)	
Calendar year loss ratio	55.2	61.2	(6.0)	
Expense ratio	41.1	41.6	(0.5)	
Combined ratio	96.3	102.8	(6.5)	

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	Nine Months Ended September 30,	
	2015	2014
Reconciliation of Non-GAAP Measures		
Combined ratio excluding the effect of prior accident year **(2) (7)**	105.0	105.9
Effect of prior accident year	(8.7)	(3.1)
Combined ratio	96.3	102.8
Loss ratio excluding the effect of prior accident year **(3) (7)**	63.9	64.3
Effect of prior accident year	(8.7)	(3.1)
Loss ratio	55.2	61.2
Property loss ratio excluding the effect of prior accident year **(4) (7)**	58.9	58.2
Effect of prior accident year	(0.9)	0.6
Property loss ratio	58.0	58.8
Casualty loss ratio excluding the effect of prior accident year **(5) (7)**	71.5	73.2
Effect of prior accident year	(20.4)	(8.8)
Casualty loss ratio	51.1	64.4
Non catastrophe property loss ratio excluding the effect of prior accident year **(7) (8)**	46.7	42.4
Effect of prior accident year	(1.1)	0.2
Non catastrophe property loss ratio	45.6	42.6
Catastrophe property loss ratio excluding the effect of prior accident year **(7) (9)**	12.2	15.8
Effect of prior accident year	0.3	0.4
Catastrophe property loss ratio	12.5	16.2
Non catastrophe property losses excluding the effect of prior accident year **(7) (10)**	$ 41,899	$ 40,184
Effect of prior accident year	(1,012)	156
Non catastrophe property losses	$ 40,887	$ 40,340

Catastrophe property losses excluding the effect of prior accident year **(7) (11)**	$ 10,917	$ 14,947
Effect of prior accident year	249	455
Catastrophe property losses	$ 11,166	$ 15,402
Net losses and loss adjustment expenses excluding the effects of prior accident year **(6) (7)**	$ 95,392	$ 102,044
Effect of prior accident year	(12,918)	(4,997)
Net losses and loss adjustment expenses	$ 82,474	$ 97,047

(1) Includes excise tax of $787 and $838 related to cessions from the Company s Commercial Lines to its Reinsurance Operations for the nine months ended September 30, 2015 and 2014, respectively.

(2) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the combined ratio.

(3) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the loss ratio.

(4) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the property loss ratio.

(5) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the casualty loss ratio.

(6) This is a non-GAAP measure that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the net losses and loss adjustment expenses.

(7) The Company believes that this non-GAAP ratio or measure is useful to investors when evaluating the Company s underwriting performance as trends in the Company s Commercial Lines may be obscured by prior accident year adjustments. This non-GAAP ratio should not be considered as a substitute for its most directly comparable GAAP measure and does not reflect the overall underwriting profitability of the Company.

(8) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the non-catastrophe property loss ratio.

(9) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the catastrophe property loss ratio.

(10) This is a non-GAAP measure that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the non-catastrophe property losses.

(11) This is a non-GAAP measure that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the catastrophe property losses.

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Premiums

The Company s Commercial Lines gross written, net written, and net earned premiums by product line are as follows:

(Dollars in thousands)	Nine Months Ended September 30, 2015			Nine Months Ended September 30, 2014		
	Gross Written	Net Written	Net Earned	Gross Written	Net Written	Net Earned
Small Business Binding Authority	$ 86,434	$ 83,083	$ 81,287	$ 87,321	$ 82,775	$ 80,517
Property Brokerage	28,697	23,501	24,638	31,264	26,311	24,664
Programs	43,566	40,142	39,908	47,115	43,397	42,455
Other	3,049	2,921	3,411	4,337	3,886	11,173
Total	$ 161,746	$ 149,647	$ 149,244	$ 170,037	$ 156,369	$ 158,809

Gross premiums written, which represent the amount received or to be received for insurance policies written without reduction for reinsurance costs or other deductions, were $161.7 million for the nine months ended September 30, 2015, compared with $170.0 million for the nine months ended September 30, 2014, a decrease of $8.3 million or 4.9%. The decrease is the result of underwriting actions taken to improve profitability as well as the impact of a more competitive marketplace.

Net premiums written, which equal gross premiums written less ceded premiums written, were $149.6 million for the nine months ended September 30, 2015, compared with $156.4 million for the nine months ended September 30, 2014, a decrease of $6.7 million or 4.3%. The decrease was primarily due to the reduction in gross premiums written as noted above partially offset by a slight increase in retention. The ratio of net premiums written to gross premiums written was 92.5% for the nine month ended September 30, 2015 and 92.0% for the nine months ended September 30, 2014, an increase of 0.5%.

Net premiums earned were $149.2 million for the nine months ended September 30, 2015, compared with $158.8 million for the nine months ended September 30, 2014, a decrease of $9.6 million or 6.0%. The decline in net premiums earned was primarily due to a reduction of gross premiums written as noted above. Property net premiums earned for the nine months ended September 30, 2015 and 2014 were $89.7 million and $94.7 million, respectively. Casualty net premiums earned for the nine months ended September 30, 2015 and 2014 were $59.6 million and $64.1 million, respectively.

Other Income

Other income was $0.4 million and $0.5 million for the nine months ended September 30, 2015 and 2014, respectively. Other income is primarily comprised of fee income.

Net Losses and Loss Adjustment Expenses

The loss ratio for the Company s Commercial Lines was 55.2% for the nine months ended September 30, 2015 compared with 61.2% for the nine months ended September 30, 2014.

The current accident year loss ratio for the nine months ended September 30, 2015 was 63.9%, a decrease of 0.4 points from 64.3%, for the nine months ended September 30, 2014:

The current accident year property loss ratio increased by 0.7 points from 58.2% in the nine months ended September 30, 2014 to 58.9% in the nine months ended September 30, 2015.

The non-catastrophe loss ratio increased 4.3 points from 42.4% in the nine months ended September 30, 2014 to 46.7% in the nine months ended September 30, 2015 which is mainly attributable to one large fire loss in Florida. Non-catastrophe losses were $41.9 million and $40.2 million for the nine months ended September 30, 2015 and 2014, respectively.

The catastrophe loss ratio improved by 3.6 points from 15.8% in the nine months ended September 30, 2014 to 12.2% in the nine months ended September 30, 2015. Catastrophe losses were $10.9 million and $14.9 million for the nine months ended September 30, 2015 and 2014, respectively.

The current accident year casualty loss ratio improved by 1.7 points from 73.2% in the nine months ended September 30, 2014 to 71.5% in the nine months ended September 30, 2015. During the last several years, rates were increased and unprofitable business was not renewed contributing to this improvement.

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In the first nine months of 2015, the Company reduced its prior accident year loss reserves by $12.9 million, which primarily consisted of the following:

Property: A $0.8 million decrease in aggregate primary related to better than anticipated loss emergence in the 2011 through 2014 accident years.

Umbrella: $0.3 million decrease primarily related to accident years 2003 through 2005 as a result of better than anticipated loss emergence.

Professional: $6.4 million decrease in aggregate primarily related to better than anticipated frequency in accident years 2006 through 2012.

General Liability: A $5.7 million decrease in aggregate primarily related to accident years prior to 2013 due to better than anticipated frequency and severity in construction defect.

In the first nine months of 2014, the Company reduced its prior accident year loss reserves by $5.0 million, which primarily consisted of the following:

Property: A $0.7 million increase primarily due to increased severity in accident years 2007, 2012, and 2013.

General Liability: A $5.3 million increase primarily due to higher than anticipated loss emergence in recent accident years.

Professional: A $18.1 million reduction due to lower than expected severity primarily from accident years 2007 through 2011.

Asbestos: $7.1 million increase primarily related to accident years prior to 1990 due to recent development on several claims.

Net losses and loss adjustment expenses were $82.5 million for the nine months ended September 30, 2015, compared with $97.0 million for the nine months ended September 30, 2014, a decrease of $14.6 million or 15.0%. Excluding the impact of prior year adjustments, the current accident year net losses and loss adjustment expenses were $95.4 million and $102.0 million for the nine months ended September 30, 2015 and 2014, respectively, a decrease of $6.7 million or 6.5%. This decrease is primarily attributable to a reduction in earned premium volume for commercial automobile. In addition, catastrophe losses are lower in 2015 due to a decrease in the severity of the storms compared

to 2014.

Acquisition Costs and Other Underwriting Expenses

Acquisition costs and other underwriting expenses were $61.3 million for the nine months ended September 30, 2015, compared with $66.1 million for the nine months ended September 30, 2014, a decrease of $4.8 million or 7.2%. This decrease is primarily due to certain costs which were allocated solely to Commercial Lines in 2014 now being allocated to both Commercial Lines and Personal Lines. In addition, commission expense is lower due to a reduction in net premiums earned as noted above.

Expense and Combined Ratios

The expense ratio for the Company s Commercial Lines was 41.1% for the nine months ended September 30, 2015, compared with 41.6% for the nine months ended September 30, 2014. This decrease is primarily due to certain costs which were allocated solely to Commercial Lines in 2014 now being allocated to both Commercial Lines and Personal Lines.

The combined ratio for the Company s Commercial Lines was 96.3% for the nine months ended September 30, 2015, compared with 102.8% for the nine months ended September 30, 2014. Excluding the impact of prior year adjustments, the current accident year combined ratio improved from 105.9% for the nine months ended September 30, 2014 to 105.0% for the nine months ended September 30, 2015. See discussion of loss ratio included in Net Losses and Loss Adjustment Expenses above and discussion of expense ratio in preceding paragraph for an explanation of the decrease.

Income (Loss) from Segment

The factors described above resulted in income from the Company s Commercial Lines of $5.9 million for the nine months ended September 30, 2015, compared to a loss of $3.8 million for the nine months ended September 30, 2014.

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Reinsurance Operations

The components of income from the Company s Reinsurance Operations segment and corresponding underwriting ratios are as follows:

(Dollars in thousands)	Nine Months Ended September 30, 2015	2014	Increase / (Decrease) $	%
Gross premiums written	$ 48,222	$ 57,163	$ (8,941)	(15.6%)
Net premiums written	$ 48,174	$ 56,126	$ (7,952)	(14.2%)
Net premiums earned	$ 40,205	$ 42,780	$ (2,575)	(6.0%)
Other loss	(77)	(41)	(36)	87.8%
Total revenues	40,128	42,739	(2,611)	(6.1%)
Losses and expenses:				
Net losses and loss adjustment expenses	14,399	16,449	(2,050)	(12.5%)
Acquisition costs and other underwriting expenses	14,211	15,046	(835)	(5.5%)
Income from segment	$ 11,518	$ 11,244	$ 274	2.4%
Underwriting Ratios:				
Loss ratio:				
Current accident year	46.4	40.7	5.7	
Prior accident year	(10.6)	(2.3)	(8.3)	
Calendar year loss ratio	35.8	38.4	(2.6)	
Expense ratio	35.3	35.2	0.1	
Combined ratio	71.1	73.6	(2.5)	

	Nine Months Ended September 30, 2015	2014
Reconciliation of Non-GAAP Measures		
Combined ratio excluding the effect of prior accident year **(1)** **(4)**	81.7	75.9
Effect of prior accident year	(10.6)	(2.3)

Combined ratio	71.1	73.6
Loss ratio excluding the effect of prior accident year **(2) (4)**	46.4	40.7
Effect of prior accident year	(10.6)	(2.3)
Loss ratio	35.8	38.4
Property loss ratio excluding the effect of prior accident year **(4) (5)**	43.3	38.9
Effect of prior accident year	(10.8)	(11.5)
Property loss ratio	32.5	27.4
Net losses and loss adjustment expenses excluding the effects of prior accident year **(3) (4)**	$ 18,652	$ 17,421
Effect of prior accident year	(4,253)	(972)
Net losses and loss adjustment expenses	$ 14,399	$ 16,449

(1) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the combined ratio.

(2) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the loss ratio.

(3) This is a non-GAAP measure that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the net losses and loss adjustment expenses.

(4) The Company believes that this non-GAAP ratio or measure is useful to investors when evaluating the Company s underwriting performance as trends in the Company s reinsurance operations may be obscured by prior accident year adjustments. This non-GAAP ratio should not be considered as a substitute for its most directly comparable GAAP measure and does not reflect the overall underwriting profitability of the Company.

(5) This is a non-GAAP ratio that excludes the impact of prior accident year adjustments. The most directly comparable GAAP measure is the property loss ratio.

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Premiums

Gross premiums written, which represent the amount received or to be received for reinsurance agreements written without reduction for reinsurance costs or other deductions, were $48.2 million for the nine months ended September 30, 2015, compared with $57.2 million for the nine months ended September 30, 2014, a decrease of $8.9 million or 15.6%. This decrease is mainly due to competition in the property catastrophe reinsurance marketplace. The market is still very competitive due to excess capital resulting in property rates declining and smaller portfolios.

Net premiums written, which equal gross premiums written less ceded premiums written, were $48.2 million for the nine months ended September 30, 2015, compared with $56.1 million for the nine months ended September 30, 2014, a decrease of $8.0 million or 14.2%. This decrease is due to a decline in gross premiums written as noted above.

Net premiums earned were $40.2 million for the nine months ended September 30, 2015, compared with $42.8 million for the nine months ended September 30, 2014, a decrease of $2.6 million or 6.0%. Property net premiums earned for the nine months ended September 30, 2015 and 2014 were $38.3 million and $41.1 million, respectively. Casualty net premiums earned for the nine months ended September 30, 2015 and 2014 were $1.9 million and $1.6 million, respectively.

Other Loss

The Company recognized losses of $0.08 million and $0.04 million for the nine months ended September 30, 2015 and 2014, respectively. Other loss is comprised of foreign exchange gains and losses.

Net Losses and Loss Adjustment Expenses

The loss ratio for the Company s Reinsurance Operations was 35.8% for the nine months ended September 30, 2015 compared with 38.4% for the nine months ended September 30, 2014.

The current accident year loss ratio increased 5.7 points from 40.7% for the nine months ended September 30, 2014 to 46.4% for the nine months ended September 30, 2015 primarily due to slightly higher premium volume in professional lines which has a higher loss ratio than property as well as higher catastrophe losses due to the Tianjin explosion in China. The property lines current accident year loss ratio increased to 43.3% for the nine months ended September 30, 2015 from 38.9% for the nine months ended September 30, 2014.

There was a decrease in net losses and loss adjustment expenses for prior accident years of $4.3 million in the nine months ended September 30, 2015 which decreased the loss ratio by 10.6 points compared to a decrease in net losses and loss adjustment expenses for prior accident years of $1.0 million in the nine months ended September 30, 2014 which decreased the loss ratio 2.3 points.

The $4.3 million reduction in prior accident year loss reserves in 2015 was primarily due to improved results reported by the Company s cedants on property contracts for accident years 2009 through 2014.

In the first nine months of 2014, the Company reduced its prior accident year loss reserves by $1.0 million, which primarily consisted of the following:

Property: A $4.7 million reduction driven by less catastrophe losses than anticipated primarily from accident years 2012 and 2013.

Marine: A $3.0 million increase primarily related to increased severity from accident years 2011 and 2012. These treaties are in runoff. Several claims have recently settled for amounts higher than expected.

Commercial Auto: $0.7 million increase is primarily due to increased severity primarily from accident years 2009 and 2010.

Net losses and loss adjustment expenses were $14.4 million for the nine months ended September 30, 2015, compared with $16.4 million for the nine months ended September 30, 2014, a decrease of $2.1 million or 12.5%. Excluding the impact of prior year adjustments, the current accident year net losses and loss adjustment expenses increased from $17.4 million for the nine months ended September 30, 2014 to $18.7 million for the nine months ended September 30, 2015. This is primarily attributable to a slight change in business mix.

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Acquisition Costs and Other Underwriting Expenses

Acquisition costs and other underwriting expenses were $14.2 million for the nine months ended September 30, 2015 compared with $15.0 million for the nine months ended September 30, 2014, a decrease of $0.8 million or 5.5%. The decrease is primarily due to a lower premium base and a reduction in contingent commissions due to an increase in current accident year losses.

Expense and Combined Ratios

The expense ratio for the Company s Reinsurance Operations was 35.3% for the nine months ended September 30, 2015, compared with 35.2% for the nine months ended September 30, 2014.

The combined ratio for the Company s Reinsurance Operations was 71.1% for the nine months ended September 30, 2015, compared with 73.6% for the nine months ended September 30, 2014. Excluding the impact of prior accident year adjustments, the current accident year combined ratio increased from 75.9% for the nine months ended September 30, 2014 to 81.7% for the nine months ended September 30, 2015. See discussion of loss ratio included in Net Losses and Loss Adjustment Expenses above and a discussion of expense ratio in preceding paragraph for an explanation of the variance.

Income from Segment

The factors described above resulted in income from the Company s Reinsurance Operations of $11.5 million for the nine months ended September 30, 2015 compared to income of $11.2 million for the nine months ended September 30, 2014, an increase of $0.3 million or 2.4%.

Unallocated Corporate Items

The following items are not allocated to the Company s Personal Lines, Commercial Lines, or Reinsurance Operations segments:

	Nine Months Ended September 30,		Increase / (Decrease)	
(Dollars in thousands)	**2015**	**2014**	**$**	**%**
Net investment income	$ 26,234	$ 22,488	$ 3,746	16.7%
Net realized investment gains (losses)	(7,216)	40,226	(47,442)	(117.9%)
Corporate and other operating expenses	(19,441)	(9,614)	9,827	102.2%
Interest expense	(2,635)	(628)	2,007	319.6%
Income tax (expense) benefit	10,882	(8,108)	(18,990)	(234.2%)

Net Investment Income

Net investment income, which is gross investment income less investment expenses, was $26.2 million for the nine months ended September 30, 2015, compared with $22.5 million for the nine months ended September 30, 2014, an increase of $3.7 million or 16.7%.

Gross investment income, which excludes realized gains and losses, was $28.7 million for the nine months ended September 30, 2015, compared with $25.8 million for the nine months ended September 30, 2014, an increase of $2.9 million or 11.2%. The increase was primarily due to gross investment income related to limited partnership investments and the acquisition of American Reliable s fixed income portfolio.

Investment expenses were $2.5 million for the nine months ended September 30, 2015, compared with $3.3 million for the nine months ended September 2014, a decrease of $0.9 million or 25.6%. The decrease is primarily due to a reduction of the Company s equity portfolio during 2014.

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Please see the discussion of Net Investment Income in the quarter to quarter comparison above for a discussion of average duration and embedded book yield.

Net Realized Investment Gains (Losses)

Net realized investment losses were $7.2 million for the nine months ended September 30, 2015, compared with gains of $40.2 million for the nine months ended September 30, 2014. The net realized investment losses for 2015 consist primarily of net losses of $0.1 million relative to the Company s fixed maturities, $8.9 million related to its interest rate swaps, other than temporary impairment losses of $6.9 million, offset by gains of $8.7 million relative to its equity securities. The net realized investment gains for 2014 consist primarily of net gains of $2.0 million relative to the Company s fixed maturities, $51.8 million relative to its equity securities, offset by losses of $13.6 million related to its interest rate swaps.

See Note 3 of the notes to the consolidated financial statements in Item 1 of Part I of this report for an analysis of total investment return on a pre-tax basis for the nine months ended September 30, 2015 and 2014.

Corporate and Other Operating Expenses

Corporate and other operating expenses consist of outside legal fees, other professional fees, directors fees, management fees, salaries and benefits for holding company personnel, development costs for new products, and taxes incurred which are not directly related to operations. Corporate and other operating expenses were $19.4 million for the nine months ended September 30, 2015, compared with $9.6 million for the nine months ended September 30, 2014, an increase of $9.8 million or 102.2%. The increase is primarily due to incurring cost of approximately $8.3 million in connection with the acquisition of American Reliable Insurance Company.

Interest Expense

Interest expense was $2.6 million and $0.6 million for the nine months ended September 30, 2015 and 2014, respectively, an increase of $2.0 million or 319.6 %. This is primarily due to the new debt offering in August, 2015 as well as higher balances outstanding under the margin borrowing facilities in 2015 as compared to 2014. See Note 13 of the notes to the consolidated financial statements in Item 8 of Part II of the Company s 2014 Annual Report on Form 10-K for details on the Company s debt.

Income Tax Expense (Benefit)

The income tax benefit was $10.9 million for the nine months ended September 30, 2015 compared to an income tax expense of $8.1 million for the nine months ended September 30, 2014. See Note 6 of the notes to the consolidated financial statements in Item 1 of Part I of this report for a comparison of income tax between periods.

Net Income

The factors described above resulted in net income of $14.2 million and $51.8 million for the nine months ended September 30, 2015 and 2014, respectively, a decrease of $37.6 million or 72.7%.

Liquidity and Capital Resources

Sources and Uses of Funds

Global Indemnity is a holding company. Its principal asset is its ownership of the shares of its direct and indirect subsidiaries, including those of its U.S. insurance companies: United National Insurance Company, Diamond State Insurance Company, United National Specialty Insurance Company, Penn-America Insurance Company, Penn-Star Insurance Company, Penn-Patriot Insurance Company, and American Reliable Insurance Company; and its Reinsurance Operations: Global Indemnity Reinsurance.

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The principal source of cash that Global Indemnity requires to meet its short term and long term liquidity needs, including the payment of corporate expenses and share repurchases includes dividends, other permitted disbursements from its direct and indirect subsidiaries, reimbursement for equity awards granted to employees and intercompany borrowings. The principal sources of funds at these direct and indirect subsidiaries include underwriting operations, investment income, and proceeds from sales and redemptions of investments. Funds are used principally by these operating subsidiaries to pay claims and operating expenses, to make debt payments, fund margin requirements on interest rate swap agreements, to purchase investments, and to make dividend payments. The future liquidity of Global Indemnity is dependent on the ability of its subsidiaries to pay dividends.

On October 29, 2015, Global Indemnity entered into a redemption agreement with certain affiliates of Fox Paine & Company, LLC and agreed to redeem 8,260,870 of its ordinary shares for $190 million in the aggregate from affiliates of Fox Paine & Company, LLC. Global Indemnity also acquired rights, expiring year end 2019, to redeem an additional 3,376,561 Ordinary Shares for $77,660,903, which amount is subject to an annual 3% increase. The Company is in discussions with affiliates of Fox Paine to acquire rights to redeem a further 1,146,716 ordinary shares on the same terms as the 3,376,561 share redemption rights. Other than these redemption requirements, Global Indemnity has no commitments that could have a material impact on its short-term or long-term liquidity needs.

Global Indemnity s U.S. insurance companies are restricted by statute as to the amount of dividends that they may pay without the prior approval of regulatory authorities. The dividend limitations imposed by state laws are based on the statutory financial results of each insurance company within the Insurance Operations that are determined by using statutory accounting practices that differ in various respects from accounting principles used in financial statements prepared in conformity with GAAP. See Regulation Statutory Accounting Principles in Item 1 of Part I of the Company s 2014 Annual Report on Form 10-K. Key differences relate to, among other items, deferred acquisition costs, limitations on deferred income taxes, reserve calculation assumptions and surplus notes. On January 23, 2014, the U.S. insurance companies paid an extraordinary dividend to Global Indemnity Group, Inc. that aggregated to $200 million. The U.S. insurance companies, excluding American Reliable, were restricted from paying a dividend until after January 23, 2015 without regulatory approval. No dividends were declared or paid during the quarter or nine months ended September 30, 2015. See Note 17 of the notes to the consolidated financial statements in Item 8 of Part II of the Company s 2014 Annual Report on Form 10-K for further information on dividend limitations related to the U.S. Insurance Companies, excluding American Reliable. See Note 2 of the notes to consolidated financial statements in Item 1 of Part I of this report for dividend limitations related to American Reliable.

For 2015, the Company believes that Global Indemnity Reinsurance, including distributions it could receive from its subsidiaries, should have sufficient liquidity and solvency to pay dividends. Global Indemnity Reinsurance is prohibited, without the approval of the Bermuda Monetary Authority (BMA), from reducing by 15% or more its total statutory capital as set out in its previous year s statutory financial statements, and any application for such approval must include such information as the BMA may require. See Regulation Bermuda Insurance Regulation in Item 1 of Part I of the Company s 2014 Annual Report on Form 10-K. Global Indemnity Reinsurance did not declare or pay any dividends during the quarter or nine months ended September 30, 2015.

Cash Flows

Sources of operating funds consist primarily of net premiums written and investment income. Funds are used primarily to pay claims and operating expenses and to purchase investments.

The Company s reconciliation of net income to cash used for operations is generally influenced by the following:

- the fact that the Company collects premiums, net of commissions, in advance of losses paid;
- the timing of the Company s settlements with its reinsurers; and
- the timing of the Company s loss payments.

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Net cash used by operating activities was $1.2 million for the nine months ended September 30, 2015 and the net cash used for operating activities was $7.1 million for the nine months ended September 30, 2014. The increase in operating cash flows of approximately $5.8 million from the prior year was primarily a net result of the following items:

(Dollars in thousands)	Nine Months Ended September 30, 2015	2014	Change
Net premiums collected	$ 404,157	$ 195,238	$ 208,919
Net losses paid	(256,949)	(133,337)	(123,612)
Underwriting and corporate expenses	(181,893)	(90,820)	(91,073)
Net investment income	35,057	28,683	6,374
Net federal income taxes paid	(94)	(6,171)	6,077
Interest paid	(1,484)	(654)	(830)
Net cash used for operating activities	$ (1,206)**(1)**	$ (7,061)	$ 5,855

(1) The net cash used for operating activities for the nine months ended September 30, 2015 was negatively impacted in the amount of $23.8 million due to the commutation of a policy with one of Global Indemnity Reinsurance s cedants. The commutation of this policy had no impact on net income.

See the consolidated statement of cash flows in the consolidated financial statements in Item 1 of Part I of this report for details concerning the Company s investing and financing activities.

Liquidity

On August 12, 2015, the Company issued Subordinated Notes due in 2045 in the aggregate principal amount of $100.0 million through an underwritten public offering. See Note 8 of the notes to the consolidated financial statements in Item 1 of Part I for additional information on this debt issuance.

On October 29, 2015, Global Indemnity entered into a redemption agreement with certain affiliates of Fox Paine & Company, LLC and agreed to redeem 8,260,870 of its ordinary shares for $190 million in the aggregate from affiliates of Fox Paine & Company, LLC. Global Indemnity also acquired rights, expiring year end 2019, to redeem an additional 3,376,561 Ordinary Shares for $77,660,903, which amount is subject to an annual 3% increase. The Company is in discussions with affiliates of Fox Paine to acquire rights to redeem a further 1,146,716 ordinary shares on the same terms as the 3,376,561 share redemption rights. After giving effect to the share redemptions and regardless of whether or not the additional redemption rights are exercised, affiliates of Fox Paine will continue to have the ability to cast a majority of votes on matters submitted to Global Indemnity shareholders for approval.

In connection with the redemption, the Company sold $279.9 million of securities from its consolidated investment portfolio during October, 2015, which resulted in a realized gain of $1.6 million. $102.0 million was used to pay down margin debt, with the remainder being used to fund a portion of the redemption transaction.

Other than the items discussed in the preceding paragraphs, there have been no material changes to the Company s liquidity during the nine months ended September 30, 2015. Please see Item 7 of Part II in the Company s 2014 Annual Report on Form 10-K for information regarding the Company s liquidity.

Capital Resources

On July 2, 2015, the Company filed a registration statement on Form S-3 that allows the Company to offer and sell stock, debt, and other instruments that have an aggregate initial offering price of up to $500 million in one or more offerings. The Company may from time to time issue securities pursuant to the shelf registration statement or otherwise pursuant to private offerings. The issuance of debt or equity securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur.

In August, 2015, Global Indemnity plc advanced an interest free loan to Global Indemnity (Cayman) Limited in the amount of $96.9 million. This loan is due on demand.

In September, 2015, U.A.I. (Luxembourg) Investment S.à.r.l. increased the demand line of credit that it previously issued to Global Indemnity (Cayman) Limited from $125.0 million to $225.0 million. As of September 30, 2015, Global Indemnity (Cayman) Limited owed U.A.I. (Luxembourg) Investment S.à.r.l. $102.5 million under this arrangement, with accrued interest of $4.3 million.

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Global Indemnity (Cayman) Limited made a capital contribution in the amount of $100.0 million during the fourth quarter of 2015. Through a series of capital contributions, the ultimate recipient of this capital contribution of $100.0 million was U.A.I. (Luxembourg) Investment S.à.r.l.

U.A.I. (Luxembourg) Investment S.à.r.l. issued a promissory note in the amount of $100.0 million to Global Indemnity Group, Inc. during the fourth quarter of 2015. This note bears interest at a rate of 8.06% and mature in 2045.

Other than the items discussed in the preceding paragraphs, there have been no material changes to the Company s capital resources during the nine months ended September 30, 2015. Please see Item 7 of Part II in the Company s 2014 Annual Report on Form 10-K for information regarding the Company s capital resources.

Contractual Obligations

The Company has commitments in the form of operating leases, commitments to fund limited partnerships, subordinated notes, and unpaid losses and loss expense obligations. As of September 30, 2015, contractual obligations related to Global Indemnity s commitments, including any principal and interest payments, were as follows:

(Dollars in thousands)		Payment Due by Period			
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Operating leases **(1)**	$ 12,792	$ 3,336	$ 6,349	$ 3,082	$ 25
Commitments to fund limited partnerships	23,705	23,705			
Subordinated notes due 2045 **(2)**	332,500	7,750	15,500	15,500	293,750
Unpaid losses and loss adjustment expenses obligations **(3)**	729,509	254,440	248,084	117,516	109,469
Total	$ 1,098,506	$ 289,231	$ 269,933	$ 136,098	$ 403,244

(1) The Company leases office space and equipment as part of its normal operations. The amounts shown above represent future commitments under such operating leases.

(2) On August 12, 2015, the Company issued Subordinated Notes due in 2045 in the aggregate principal amount of $100.0 million through an underwritten public offering. The notes bear interest at an annual rate equal to 7.75% payable quarterly. The notes mature on August 15, 2045. The Company has the right to redeem the notes in $25 increments, in whole or in part, on and after August 15, 2020, or on any interest payments date thereafter, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to, but not including, the date of redemption.

(3)

These amounts represent the gross future amounts needed to pay losses and related loss adjustment expenses and do not reflect amounts that are expected to be recovered from the Company s reinsurers. See discussion in Liability for Unpaid Losses and Loss Adjustment Expenses for more details.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Cautionary Note Regarding Forward-Looking Statements

Some of the statements under Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report may include forward-looking statements that reflect the Company s current views with respect to future events and financial performance that are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. These statements can be identified by the use of forward-looking terminology such as believe, expect, may, will, should, project, plan, seek, intend, or anticipate or or comparable terminology, and include discussions of strategy, financial projections and estimates and their underlying assumptions, statements regarding plans, objectives, expectations or consequences of identified transactions or natural disasters, and statements about the future performance, operations, products and services of the companies.

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The Company s business and operations are and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experience may materially differ from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the following: (1) the ineffectiveness of the Company s business strategy due to changes in current or future market conditions; (2) the effects of competitors pricing policies, and of changes in laws and regulations on competition, including industry consolidation and development of competing financial products; (3) greater frequency or severity of claims and loss activity than the Company s underwriting, reserving or investment practices have anticipated; (4) decreased level of demand for the Company s insurance products or increased competition due to an increase in capacity of property and casualty insurers; (5) risks inherent in establishing loss and loss adjustment expense reserves; (6) uncertainties relating to the financial ratings of the Company s insurance subsidiaries; (7) uncertainties arising from the cyclical nature of the Company s business; (8) changes in the Company s relationships with, and the capacity of, its general agents, brokers, insurance companies and reinsurance companies from which the Company derives its business; (9) the risk that the Company s reinsurers may not be able to fulfill obligations; (10) investment performance and credit risk; (11) new tax legislation or interpretations that could lead to an increase in the Company s tax burden; (12) uncertainties relating to governmental and regulatory policies, both domestically and internationally; (13) foreign currency fluctuations; (14) the impact of catastrophic events; (15) the Company s subsidiaries ability to pay dividends; (16) deterioration of debt and equity markets; (17) interest rate changes; (18) uncertainties relating to ongoing or future litigation matters; and (19) uncertainties and risks related to the acquisition of American Reliable.

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 set forth in Risk Factors in Item 1A and elsewhere in the Company s 2014 Annual Report on Form 10-K. The Company s forward-looking statements speak only as of the date of this report or as of the date they were made. The Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the quarter ended September 30, 2015, global equities posted their worst quarterly return in four years. US equities retreated for the first time in 11 quarters, falling into negative territory year to date. The S&P 500 Index experienced its first correction, a 10% decline from its recent high (May 21), since October 2011. Financial markets came under significant pressure in the third quarter amid fresh worries over the global economic outlook. The unexpected devaluation in China s currency negatively impacted financial markets, deepening fears about the Chinese economic slowdown and potential spillover effects. Falling commodity prices and uncertainty over the timing of the first Fed rate hike further complicated financial outlooks. Most global government bond yields declined, credit spreads widened, and the US dollar appreciated, particularly versus commodity-linked and Asian currencies. Despite these global headwinds, overall, the US economy remained on solid footing, with a sharp rebound in gross domestic product, a seven-year low in unemployment, and a healthy housing market.

The Company s investment grade fixed income portfolio continues to maintain high quality with an AA- average rating and a low duration of 2.0 years. Portfolio purchases during the quarter were focused within US Corporate bonds, commercial mortgage-backed securities, and asset-backed securities. These purchases were funded primarily through maturities and paydowns. During the third quarter of 2015, the portfolio s asset allocation was relatively

unchanged.

There have been no other material changes to the Company s market risk since December 31, 2014. Please see Item 7A of Part II in the Company s 2014 Annual Report on Form 10-K for information regarding the Company s market risk.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) that are designed to ensure that information required to be disclosed in the Company s reports under the Exchange Act is recorded, processed, summarized and reported within the time periods

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specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company s disclosure controls and procedures as of September 30, 2015. Based upon that evaluation and subject to the foregoing, the Company s Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2015, the design and operation of the Company s disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Controls

During the quarter ended September 30, 2015 there have been no changes in the Company s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

The Company is, from time to time, involved in various legal proceedings in the ordinary course of business. The Company maintains insurance and reinsurance coverage for risks in amounts that it considers adequate. However, there can be no assurance that the insurance and reinsurance coverage that the Company maintains is sufficient or will be available in adequate amounts or at a reasonable cost. The Company does not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material adverse effect on its business, results of operations, cash flows, or financial condition.

There is a greater potential for disputes with reinsurers who are in runoff. Some of the Company s reinsurers have operations that are in runoff, and therefore, the Company closely monitors those relationships. The Company anticipates that, similar to the rest of the insurance and reinsurance industry, it will continue to be subject to litigation and arbitration proceedings in the ordinary course of business.

Item 1A. Risk Factors

The Company s results of operations and financial condition are subject to numerous risks and uncertainties described in Item 1A of Part I in the Company s 2014 Annual Report on Form 10-K, filed with the SEC on March 16, 2015. The risk factors identified therein have not materially changed except as follows:

The Subordinated Notes could adversely affect the Company s financial flexibility and a failure to make periodic payments related to the Subordinated Notes could adversely affect the Company.

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The Company sold $100 million aggregate principal amount of its 7.75% Subordinated Notes due in 2045. The level of debt outstanding could adversely affect the Company s financial flexibility, including:

- increasing vulnerability to changing economic, regulatory and industry conditions;
- limiting the ability to borrow additional funds; and
- requiring the Company to dedicate a substantial portion of cash flow from operations to debt payments, thereby, reducing funds available for working capital, capital expenditures, acquisitions and other purposes.

Further, failure by the Company to make periodic payments related to the Subordinated Notes could impact rating agencies and regulators assessment of the Company s capital position, adequacy and flexibility and therefore, the financial strength ratings of rating agencies, and regulators assessment of the solvency of the Company and its subsidiaries.

The Company previously identified a material weakness in internal control over financial reporting which has been remediated, and the Company s business may be adversely affected if it fails to maintain effective controls over financial reporting.

Global Indemnity identified a material weakness in internal control over financial reporting at December 31, 2014 related to an element of the design of its estimation process for Unpaid Losses and Loss Adjustment Expenses. Specifically, the design of the Company s control relating to Unpaid Losses and Loss Adjustment Expenses that exceeded the central estimates of both the internal and external actuaries in the process of establishing management s final determination of loss reserve selections was not adequate. This deficiency did not result in a material misstatement in the consolidated financial statements; however, this deficiency could have resulted in a material misstatement of the aforementioned accounts and disclosures of the annual or interim consolidated financial statements that would not have been prevented or detected.

The Company has completed its testing of both the design and operating effectiveness of the controls over the estimation process and concluded that the material weakness identified at December 31, 2014 was remediated as of March 31, 2015. Global Indemnity faces the risk that, notwithstanding efforts to date to identify and remedy the material weakness in internal control over financial reporting, the Company may discover other material weaknesses in the future and the cost of remediating the material weakness could be high and could have a material adverse effect on the Company s financial condition and results of operations.

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

The Company s Share Incentive Plan allows employees to surrender the Company s A ordinary shares as payment for the tax liability incurred upon the vesting of restricted stock that was issued under either the 2003 or 2014 Plan. There were no shares purchased from the Company s employees during the quarter ended September 30, 2015. All A

ordinary shares purchased from employees by the Company are held as treasury stock and recorded at cost.

See Note 9 to the consolidated financial statements in Item 1 of Part I of this report for tabular disclosure of the Company s share repurchases by month.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

On November 5, 2015, Stephen A. Cozen informed the Company that he will resign from the Board of Directors effective December 31, 2015. Mr. Cozen s decision to resign was not the result of any disagreement with the Company.

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Item 6. Exhibits

4.1	Indenture, dated as of August 12, 2015, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated herein by reference to Exhibit 4.1 of the Company s Current Report on Form 8-K dated August 12, 2015 File No. 001-34809).
4.2	Officers Certificate, dated August 12, 2015 (incorporated herein by reference to Exhibit 4.2 of the Company s Current Report on Form 8-K dated August 12, 2015 File No. 001-34809).
4.3	Form of 7.75% Subordinated Notes due 2045 (included in Exhibit 4.2) (incorporated herein by reference to Exhibit 4.3 of the Company s Current Report on Form 8-K dated August 12, 2015 File No. 001-34809).
31.1+	Certification of Chief Executive Officer pursuant to Rule 13a-14 (a) / 15d-14 (a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Chief Financial Officer pursuant to Rule 13a-14 (a) / 15d-14 (a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1+	The following financial information from Global Indemnity plc s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 formatted in XBRL: (i) Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014; (ii) Consolidated Statements of Operations for the quarters and nine months September 30, 2015 and 2014; (iii) Consolidated Statements of Comprehensive Income for the quarters and nine months ended September 30, 2015 and 2014; (iv) Consolidated Statements of Changes in Shareholders Equity for the nine months ended September 30, 2015 and the year ended December 31, 2014; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014; and (vi) Notes to Consolidated Financial Statements.

+ Filed or furnished herewith, as applicable.

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GLOBAL INDEMNITY PLC

SIGNATURE

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

GLOBAL INDEMNITY PLC
Registrant

November 9, 2015
Date: November 9, 2015

By: /s/ Thomas M. McGeehan
Thomas M. McGeehan
Chief Financial Officer
(Authorized Signatory and Principal Financial and Accounting Officer)

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