RENAISSANCERE HOLDINGS LTD
Form 10-Q
August 01, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
Q QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 001-14428
RENAISSANCERE HOLDINGS LTD.
(Exact Name Of Registrant As Specified In Its Charter)

Bermuda	98-014-1974
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

Renaissance House, 12 Crow Lane, Pembroke HM 19 Bermuda
(Address of Principal Executive Offices)
(441) 295-4513
(Registrant's telephone number)

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 Q No o

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 the registrant was required to submit and post such files). Yes Q No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, as defined in Rule 12b-2 of the Act. Large accelerated filer Q, Accelerated filer o, Non-accelerated filer o, Smaller reporting company o

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

The number of Common Shares, par value US $1.00 per share, outstanding at July 30, 2013 was 44,606,311.

RENAISSANCERE HOLDINGS LTD.
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Balance Sheets
(in thousands of United States Dollars, except per share amounts)

	June 30, 2013	December 31, 2012
Assets	(Unaudited)	(Audited)
Fixed maturity investments trading, at fair value (Amortized cost $4,388,031 and $4,554,362 at June 30, 2013 and December 31, 2012, respectively)	$4,371,306	$4,665,421
Fixed maturity investments available for sale, at fair value (Amortized cost $36,094 and $71,445 at June 30, 2013 and December 31, 2012, respectively)	40,785	83,442
Short term investments, at fair value	924,843	821,163
Equity investments trading, at fair value	108,620	58,186
Other investments, at fair value	630,606	644,711
Investments in other ventures, under equity method	93,049	87,724
Total investments	6,169,209	6,360,647
Cash and cash equivalents	285,594	325,358
Premiums receivable	954,142	491,365
Prepaid reinsurance premiums	214,804	77,082
Reinsurance recoverable	175,103	192,512
Accrued investment income	26,658	33,478
Deferred acquisition costs	125,682	52,622
Receivable for investments sold	311,783	168,673
Other assets	196,126	218,405
Goodwill and other intangible assets	8,282	8,486
Total assets	$8,467,383	$7,928,628
Liabilities, Noncontrolling Interests and Shareholders' Equity		
Liabilities		
Reserve for claims and claim expenses	$1,710,408	$1,879,377
Unearned premiums	970,017	399,517
Debt	250,411	351,775
Reinsurance balances payable	387,425	290,419
Payable for investments purchased	463,923	278,787
Other liabilities	216,086	253,438
Total liabilities	3,998,270	3,453,313
Commitments and Contingencies		
Redeemable noncontrolling interest	897,123	968,259
Shareholders' Equity		
Preference Shares: $1.00 par value – 16,000,000 shares issued and outstanding at June 30, 2013 (December 31, 2012 – 16,000,000)	400,000	400,000
Common shares: $1.00 par value – 44,385,324 shares issued and outstanding at June 30, 2013 (December 31, 2012 – 45,542,203)	44,385	45,542
Accumulated other comprehensive income	4,909	13,622
Retained earnings	3,119,003	3,043,901
Total shareholders' equity attributable to RenaissanceRe	3,568,297	3,503,065
Noncontrolling interest	3,693	3,991

Total shareholders’ equity	3,571,990	3,507,056
Total liabilities, noncontrolling interests and shareholders’ equity	$8,467,383	$7,928,628

See accompanying notes to the consolidated financial statements

3

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Operations
For the three and six months ended June 30, 2013 and 2012
(in thousands of United States Dollars, except per share amounts) (Unaudited)

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenues				
Gross premiums written	$703,223	$667,336	$1,338,641	$1,331,487
Net premiums written	$559,109	$427,630	$995,922	$920,205
Increase in unearned premiums	(267,220)	(183,214)	(432,778)	(397,124)
Net premiums earned	291,889	244,416	563,144	523,081
Net investment income	27,324	17,673	70,518	83,149
Net foreign exchange (losses) gains	(1,085)	2,410	671	950
Equity in earnings of other ventures	3,772	6,846	9,607	12,316
Other income (loss)	631	11,289	7,635	(27,805)
Net realized and unrealized (losses) gains on investments	(69,544)	28,073	(55,273)	75,681
Total other-than-temporary impairments	—	(234)	—	(395)
Portion recognized in other comprehensive income, before taxes	—	25	—	52
Net other-than-temporary impairments	—	(209)	—	(343)
Total revenues	252,987	310,498	596,302	667,029
Expenses				
Net claims and claim expenses incurred	103,962	49,551	131,213	65,103
Acquisition expenses	31,767	25,608	56,776	49,719
Operational expenses	42,819	41,407	88,833	83,790
Corporate expenses	21,588	4,067	26,117	8,878
Interest expense	4,300	5,716	9,334	11,434
Total expenses	204,436	126,349	312,273	218,924
Income from continuing operations before taxes	48,551	184,149	284,029	448,105
Income tax expense	(247)	(898)	(369)	(861)
Income from continuing operations	48,304	183,251	283,660	447,244
Income from discontinued operations	—	1,393	—	1,220
Net income	48,304	184,644	283,660	448,464
Net income attributable to noncontrolling interests	(14,015)	(33,624)	(52,622)	(87,265)
Net income attributable to RenaissanceRe	34,289	151,020	231,038	361,199
Dividends on preference shares	(7,483)	(8,750)	(13,758)	(17,500)
Net income available to RenaissanceRe common shareholders	$26,806	$142,270	$217,280	$343,699
Income from continuing operations available to RenaissanceRe common shareholders per common share – basic	$0.61	$2.75	$4.93	$6.70
Income from discontinued operations available to RenaissanceRe common shareholders per common share – basic	—	0.03	—	0.02
Net income available to RenaissanceRe common shareholders per common share – basic	$0.61	$2.78	$4.93	$6.72
Income from continuing operations available to RenaissanceRe common shareholders per common	$0.60	$2.72	$4.83	$6.61

share – diluted				
Income from discontinued operations available to RenaissanceRe common shareholders per common share – diluted	—	0.03	—	0.02
Net income available to RenaissanceRe common shareholders per common share – diluted	$0.60	$2.75	$4.83	$6.63
Dividends per common share	$0.28	$0.27	$0.56	$0.54

See accompanying notes to the consolidated financial statements

4

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three and six months ended June 30, 2013 and 2012
(in thousands of United States Dollars) (Unaudited)

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Comprehensive income				
Net income	$48,304	$184,644	$283,660	$448,464
Change in net unrealized gains on investments	(1,141)	(432)	(8,713)	823
Portion of other-than-temporary impairments recognized in other comprehensive income	—	(25)	—	(52)
Comprehensive income	47,163	184,187	274,947	449,235
Net income attributable to noncontrolling interests	(14,015)	(33,624)	(52,622)	(87,265)
Comprehensive income attributable to noncontrolling interests	(14,015)	(33,624)	(52,622)	(87,265)
Comprehensive income attributable to RenaissanceRe	$33,148	$150,563	$222,325	$361,970
Disclosure regarding net unrealized gains				
Total realized and net unrealized holding gains (losses) on investments and net other-than-temporary impairments	$178	$105	$(1,533)	$2,529
Net realized gains on fixed maturity investments available for sale	(1,319)	(746)	(7,180)	(2,049)
Net other-than-temporary impairments recognized in earnings	—	209	—	343
Change in net unrealized gains on investments	$(1,141)	$(432)	$(8,713)	$823

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2013 and 2012
(in thousands of United States Dollars) (Unaudited)

	Six months ended	
	June 30, 2013	June 30, 2012
Preference shares		
Balance – January 1	$400,000	$550,000
Issuance of shares	275,000	—
Repurchase of shares	(275,000)	—
Balance – June 30	400,000	550,000
Common shares		
Balance – January 1	45,542	51,543
Repurchase of shares	(1,498)	(1,229)
Exercise of options and issuance of restricted stock awards	341	295
Balance – June 30	44,385	50,609
Additional paid-in capital		
Balance – January 1	—	—
Repurchase of shares	(2,978)	(12,350)
Offering expenses	(9,345)	—
Change in noncontrolling interests	499	7,056
Exercise of options and issuance of restricted stock awards	11,824	5,294
Balance – June 30	—	—
Accumulated other comprehensive income		
Balance – January 1	13,622	11,760
Change in net unrealized gains on investments	(8,713)	823
Portion of other-than-temporary impairments recognized in other comprehensive income	—	(52)
Balance – June 30	4,909	12,531
Retained earnings		
Balance – January 1	3,043,901	2,991,890
Net income	283,660	448,464
Net income attributable to noncontrolling interests	(52,622)	(87,265)
Repurchase of shares	(117,520)	(78,046)
Dividends on common shares	(24,658)	(27,673)
Dividends on preference shares	(13,758)	(17,500)
Balance – June 30	3,119,003	3,229,870
Noncontrolling interest	3,693	3,911
Total shareholders' equity	$3,571,990	$3,846,921

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the six months ended June 30, 2013 and 2012
(in thousands of United States Dollars) (Unaudited)

	Six months ended	
	June 30, 2013	June 30, 2012
Cash flows provided by operating activities		
Net income	$283,660	$448,464
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization, accretion and depreciation	26,721	28,785
Equity in undistributed earnings of other ventures	(6,468)	(8,868)
Net realized and unrealized losses (gains) on investments	55,273	(75,681)
Net other-than-temporary impairments	—	343
Net unrealized gains included in net investment income	(10,959)	(21,935)
Net unrealized losses (gains) included in other income (loss)	11,206	(2,987)
Change in:		
Premiums receivable	(462,777)	(499,668)
Prepaid reinsurance premiums	(137,722)	(219,720)
Reinsurance recoverable	17,409	205,252
Deferred acquisition costs	(73,060)	(62,306)
Reserve for claims and claim expenses	(168,969)	(191,107)
Unearned premiums	570,500	616,844
Reinsurance balances payable	97,006	139,786
Other	(24,401)	(53,425)
Net cash provided by operating activities	177,419	303,777
Cash flows provided by (used in) investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	4,448,449	4,792,702
Purchases of fixed maturity investments trading	(4,225,188)	(5,312,902)
Proceeds from sales and maturities of fixed maturity investments available for sale	41,338	37,530
Net purchases of equity investments trading	(35,958)	—
Net (purchases) sales of short term investments	(110,562)	183,605
Net sales of other investments	42,935	18,681
Net purchases of investments in other ventures	(2,500)	—
Net sales (purchases) of other assets	598	(166)
Net cash provided by (used in) investing activities	159,112	(280,550)
Cash flows (used in) provided by financing activities		
Dividends paid – RenaissanceRe common shares	(24,658)	(27,673)
Dividends paid – preference shares	(13,758)	(17,500)
RenaissanceRe common share repurchases	(121,996)	(90,111)
Net repayment of debt	(101,410)	—
Redemption of 6.08% Series C preference shares	(125,000)	—
Redemption of 6.60% Series D preference shares	(150,000)	—
Issuance of 5.375% Series E preference shares, net of expenses	265,655	—
Net third party DaVinciRe share transactions	(113,633)	160,864
Third party investment in redeemable noncontrolling interest	8,000	—
Net cash (used in) provided by financing activities	(376,800)	25,580
Effect of exchange rate changes on foreign currency cash	505	(1,559)
Net (decrease) increase in cash and cash equivalents	(39,764)	47,248

Cash and cash equivalents, beginning of period	325,358	216,984
Cash and cash equivalents, end of period	$285,594	$264,232

See accompanying notes to the consolidated financial statements

RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013
(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages) (Unaudited)

NOTE 1. ORGANIZATION

This report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

RenaissanceRe Holdings Ltd. ("RenaissanceRe") was formed under the laws of Bermuda on June 7, 1993. Together with its wholly owned and majority-owned subsidiaries and DaVinciRe (as defined below), which are collectively referred to herein as the "Company", RenaissanceRe provides reinsurance and insurance coverages and related services to a broad range of customers.

- Renaissance Reinsurance Ltd. ("Renaissance Reinsurance"), the Company's principal reinsurance subsidiary, provides property catastrophe and specialty reinsurance coverages to insurers and reinsurers on a worldwide basis.
- The Company also manages property catastrophe and specialty reinsurance business written on behalf of joint ventures, which principally include Top Layer Reinsurance Ltd. ("Top Layer Re"), recorded under the equity method of accounting, and DaVinci Reinsurance Ltd. ("DaVinci"). Because the Company owns a noncontrolling equity interest in, but controls a majority of the outstanding voting power of DaVinci's parent, DaVinciRe Holdings Ltd. ("DaVinciRe"), the results of DaVinci and DaVinciRe are consolidated in the Company's financial statements. Redeemable noncontrolling interest – DaVinciRe represents the interests of external parties with respect to the net income and shareholders' equity of DaVinciRe. Renaissance Underwriting Managers, Ltd. ("RUM"), a wholly owned subsidiary, acts as exclusive underwriting manager for these joint ventures in return for fee-based income and profit participation.
- RenaissanceRe Syndicate 1458 ("Syndicate 1458") is the Company's Lloyd's syndicate. RenaissanceRe Corporate Capital (UK) Limited ("RenaissanceRe CCL"), a wholly owned subsidiary of RenaissanceRe, is Syndicate 1458's sole corporate member and RenaissanceRe Syndicate Management Ltd. ("RSML"), a wholly owned subsidiary of RenaissanceRe, is the managing agent for Syndicate 1458.
- RenaissanceRe Specialty Risks Ltd., formerly known as Glencoe Insurance Ltd. ("RenaissanceRe Specialty Risks"), is a Bermuda domiciled excess and surplus lines insurance company that is currently eligible to do business on an excess and surplus lines basis in 49 U.S. states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.
- RenaissanceRe Underwriting Managers U.S. LLC, a specialty reinsurance agency domiciled in Connecticut, provides specialty treaty reinsurance solutions on both a quota share and excess of loss basis; and writes business on behalf of RenaissanceRe Specialty U.S. Ltd., a Bermuda-domiciled reinsurer launched in June 2013 which operates subject to U.S. federal income tax, and RenaissanceRe Syndicate 1458.
- The Company, principally through Renaissance Trading Ltd. ("Renaissance Trading") and RenRe Energy Advisors Ltd. ("REAL"), offers certain derivative-based risk management products primarily to address weather and energy risk and engages in hedging and trading activities related to those transactions.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to our significant accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2012.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States ("GAAP") for interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these statements.

Certain comparative information has been reclassified to conform to the current presentation. Because of the seasonality of the Company's business, the results of operations and cash flows for any interim period will not necessarily be indicative of the results of operations and cash flows for the full fiscal year or subsequent quarters.

USE OF ESTIMATES IN FINANCIAL STATEMENTS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The major estimates reflected in the Company's consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses; reinsurance recoverables, including allowances for reinsurance recoverables deemed uncollectible; estimates of written and earned premiums; fair value, including the fair value of investments, financial instruments and derivatives; impairment charges and the Company's deferred tax valuation allowance.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Disclosures About Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2011-11, Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). The objective of ASU 2011-11 is to enhance disclosures by requiring improved information about financial instruments and derivative instruments in relation to netting arrangements. ASU 2011-11 became effective for interim and annual periods beginning on or after January 1, 2013, with retrospective presentation of the new disclosure required. The Company adopted ASU 2011-11 effective January 1, 2013; since this update is disclosure-related only, the adoption of this guidance did not have a material impact on the Company's consolidated statements of operations and financial position.

In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities ("ASU 2013-01"). The guidance clarified that the disclosures in ASU 2011-11 would apply only to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and securities lending transactions, each to the extent that they met specific conditions provided in the initial accounting standard. ASU 2013-01 became effective for interim and annual periods beginning on or after January 1, 2013, with retrospective presentation of the new disclosure required. As this guidance is disclosure-related only, the adoption of this guidance did not have a material impact on the Company's consolidated statements of operations and financial position.

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued ASU No. 2012-02, Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment ("ASU 2012-02"). ASU 2012-02 simplifies the guidance for testing the decline in the realizable value of indefinite-lived intangible assets other than goodwill. ASU 2012-02 allows an organization the option to first assess the qualitative factors to determine whether it is necessary to perform the quantitative impairment test. An organization electing to perform a qualitative assessment is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the organization determines, based on a qualitative assessment, that it is "more likely than not" that the asset is impaired. ASU 2012-02 became effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption was permitted. The Company adopted ASU 2012-02 effective January 1, 2013 and the adoption of this guidance did not have a material impact on the Company's consolidated statements of operations and financial position.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). The objective of ASU 2013-02 is to improve the reporting of classifications out of accumulated other comprehensive income by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional details about those amounts. ASU 2013-02 became effective for interim and annual reporting periods beginning after December 15, 2012. The Company prospectively adopted ASU 2013-02 effective January 1, 2013; since this update is disclosure-related only, the adoption of this guidance did not have a material impact on the Company's consolidated statements of operations and financial position.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). The objective of ASU 2013-11 is to improve the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 seeks to reduce the diversity in practice by providing guidance on the presentation of unrecognized tax benefits to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. ASU 2013-11 is effective for annual and interim reporting periods beginning after December 15, 2013, with both early adoption and retrospective application permitted. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

NOTE 3. INVESTMENTS

Fixed Maturity Investments Trading

The following table summarizes the fair value of fixed maturity investments trading:

	June 30, 2013	December 31, 2012
U.S. treasuries	$1,200,408	$1,259,800
Agencies	227,017	315,154
Non-U.S. government (Sovereign debt)	265,033	133,198
Non-U.S. government-backed corporate	238,254	349,514
Corporate	1,497,411	1,607,233
Agency mortgage-backed	429,155	399,619
Non-agency mortgage-backed	217,824	230,747
Commercial mortgage-backed	287,298	361,645
Asset-backed	8,906	8,511
Total fixed maturity investments trading	$4,371,306	$4,665,421

Fixed Maturity Investments Available For Sale

The following table summarizes the amortized cost, fair value and related unrealized gains and losses and non-credit other-than-temporary impairments of fixed maturity investments available for sale:

		Included in Accumulated Other Comprehensive Income			
June 30, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit Other-Than-Temporary Impairments (1)
Corporate	$2,847	$370	$(52)	$3,165	$(62)
Agency mortgage-backed	5,689	395	(6)	6,078	—
Non-agency mortgage-backed	13,073	2,580	(9)	15,644	(787)
Commercial mortgage-backed	10,568	1,130	—	11,698	—
Asset-backed	3,917	283	—	4,200	—
Total fixed maturity investments available for sale	$36,094	$4,758	$(67)	$40,785	$(849)

		Included in Accumulated Other Comprehensive Income			
December 31, 2012	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit Other-Than-Temporary Impairments (1)
Corporate	$7,065	$1,002	$(93)	$7,974	$(85)
Agency mortgage-backed	8,280	632	—	8,912	—
Non-agency mortgage-backed	14,613	2,989	(10)	17,592	(835)
Commercial mortgage-backed	37,292	7,229	—	44,521	—
Asset-backed	4,195	248	—	4,443	—

Total fixed maturity investments available for sale	$71,445	$12,100	$(103)	$83,442	$(920)

(1) Represents the non-credit component of other-than-temporary impairments recognized in accumulated other comprehensive income since the adoption of guidance related to the recognition and presentation of other-than-temporary impairments under FASB ASC Topic Financial Instruments – Debt and Equity Securities, during the second quarter of 2009, adjusted for subsequent sales of securities. It does not include the change in fair value subsequent to the impairment measurement date.

Contractual maturities of fixed maturity investments are as follows. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Trading		Available for Sale		Total Fixed Maturity Investments	
June 30, 2013	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$202,283	$200,706	$—	$—	$202,283	$200,706
Due after one through five years	2,597,123	2,582,090	1,660	1,839	2,598,783	2,583,929
Due after five through ten years	541,365	530,047	647	677	542,012	530,724
Due after ten years	110,405	115,280	539	649	110,944	115,929
Mortgage-backed	928,169	934,277	29,329	33,420	957,498	967,697
Asset-backed	8,686	8,906	3,919	4,200	12,605	13,106
Total	$4,388,031	$4,371,306	$36,094	$40,785	$4,424,125	$4,412,091

Equity Investments Trading
The following table summarizes the fair value of equity investments trading:

	June 30, 2013	December 31, 2012
Consumer	$37,946	$—
Financials	20,034	58,186
Industrial, utilities and energy	22,399	—
Basic materials	11,477	—
Health care	13,199	—
Communications and technology	3,565	—
Total	$108,620	$58,186

Pledged Investments
At June 30, 2013, $1,653.7 million of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to the Company's principal letter of credit facility. Of this amount, $644.3 million is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities.
Reverse Repurchase Agreements
At June 30, 2013, the Company held $122.5 million (December 31, 2012 - $74.8 million) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of short term investments on the Company's consolidated balance sheets. The required collateral for these loans typically include high-quality, readily marketable instruments at a minimum rate of 102% of the loan principal. Upon maturity, the Company receives principal and interest income.

Net Investment Income, Net Realized and Unrealized Gains on Investments and Net Other-Than-Temporary Impairments

The components of net investment income are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Fixed maturity investments	$22,842	$25,366	$46,731	$50,204
Short term investments	374	234	692	734
Equity investments	344	181	344	351
Other investments				
Hedge funds and private equity investments	2,237	(10,413)	17,117	18,060
Other	4,354	4,975	11,349	19,145
Cash and cash equivalents	9	54	61	80
	30,160	20,397	76,294	88,574
Investment expenses	(2,836)	(2,724)	(5,776)	(5,425)
Net investment income	$27,324	$17,673	$70,518	$83,149

Net realized and unrealized gains on investments and net other-than-temporary impairments are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Gross realized gains	$17,548	$19,458	$51,628	$55,744
Gross realized losses	(14,601)	(3,294)	(19,155)	(10,244)
Net realized gains on fixed maturity investments	2,947	16,164	32,473	45,500
Net unrealized (losses) gains on fixed maturity investments trading	(95,695)	12,538	(118,760)	26,795
Net realized and unrealized gains (losses) on investments-related derivatives	20,510	(2,930)	20,931	(1,435)
Net realized gains on equity investments trading	74	—	17,635	—
Net unrealized gains (losses) on equity investments trading	2,620	2,301	(7,552)	4,821
Net realized and unrealized (losses) gains on investments	$(69,544)	$28,073	$(55,273)	$75,681
Total other-than-temporary impairments	$—	$(234)	$—	$(395)
Portion recognized in other comprehensive income, before taxes	—	25	—	52
Net other-than-temporary impairments	$—	$(209)	$—	$(343)

The following table provides an analysis of the components of other comprehensive income and reclassifications out of accumulated other comprehensive income.

	Three months ended June 30, 2013		
	Investments in other ventures	Fixed maturity investments available for sale	Total
Beginning balance	$120	$5,930	$6,050
Other comprehensive income before reclassifications	98	80	178
Amounts reclassified from accumulated other comprehensive income by statement of operations line item:			
Realized losses reclassified from accumulated other comprehensive income to net realized and unrealized (losses) gains on investments	—	(1,319)	(1,319)
Net current-period other comprehensive income (loss)	98	(1,239)	(1,141)
Ending balance	$218	$4,691	$4,909

	Six months ended June 30, 2013		
	Investments in other ventures	Fixed maturity investments available for sale	Total
Beginning balance	$1,625	$11,997	$13,622
Other comprehensive loss before reclassifications	(1,407)	(126)	(1,533)
Amounts reclassified from accumulated other comprehensive income by statement of operations line item:			
Realized losses reclassified from accumulated other comprehensive income to net realized and unrealized (losses) gains on investments	—	(7,180)	(7,180)
Net current-period other comprehensive loss	(1,407)	(7,306)	(8,713)
Ending balance	$218	$4,691	$4,909

The following table provides an analysis of the length of time the Company's fixed maturity investments available for sale in an unrealized loss have been in a continual unrealized loss position.

	Less than 12 Months		12 Months or Greater		Total	
At June 30, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate	$277	$(12)	$83	$(40)	$360	$(52)
Agency mortgage-backed	807	(6)	—	—	807	(6)
Non-agency mortgage-backed	—	—	98	(9)	98	(9)
Total	$1,084	$(18)	$181	$(49)	$1,265	$(67)

	Less than 12 Months		12 Months or Greater		Total	
At December 31, 2012	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses

Corporate	$598	$(30)	$440	$(63)	$1,038	$(93)
Non-agency mortgage-backed	—	—	101	(10)	101	(10)
Total	$598	$(30)	$541	$(73)	$1,139	$(103)

At June 30, 2013, the Company held nine fixed maturity investments available for sale securities that were in an unrealized loss position (December 31, 2012 - 28), including six fixed maturity investments available for sale securities that were in an unrealized loss position for twelve months or greater (December 31, 2012 - 11). The Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before the anticipated recovery of the remaining amortized cost basis. The Company performed reviews of its fixed maturity investments available for sale for the six months ended June 30, 2013 and 2012, respectively, in order to determine whether declines in the fair value below the amortized cost basis were considered other-than-temporary in accordance with the applicable guidance, as discussed below.

Other-Than-Temporary Impairment Process

The Company's process for assessing whether declines in the fair value of its fixed maturity investments available for sale represent impairments that are other-than-temporary includes reviewing each fixed maturity investment available for sale that is impaired and determining: (i) if the Company has the intent to sell the debt security or (ii) if it is more likely than not that the Company will be required to sell the debt security before its anticipated recovery; and (iii) whether a credit loss exists, that is, where the Company expects that the present value of the cash flows expected to be collected from the security are less than the amortized cost basis of the security.

In assessing the Company’s intent to sell securities, the Company’s procedures may include actions such as discussing planned sales with its third party investment managers, reviewing sales that have occurred shortly after the balance sheet date, and consideration of other qualitative factors that may be indicative of the Company’s intent to sell or hold the relevant securities. For the six months ended June 30, 2013, the Company recognized $Nil other-than-temporary impairments due to the Company’s intent to sell these securities as of June 30, 2013 (2012 – $Nil).

In assessing whether it is more likely than not that the Company will be required to sell a security before its anticipated recovery, the Company considers various factors including its future cash flow forecasts and requirements, legal and regulatory requirements, the level of its cash, cash equivalents, short term investments, fixed maturity investments trading and fixed maturity investments available for sale in an unrealized gain position, and other relevant factors. For the six months ended June 30, 2013, the Company recognized $Nil of other-than-temporary impairments due to required sales (2012 – $Nil).

In evaluating credit losses, the Company considers a variety of factors in the assessment of a security including: (i) the time period during which there has been a significant decline below cost; (ii) the extent of the decline below cost and par; (iii) the potential for the security to recover in value; (iv) an analysis of the financial condition of the issuer; (v) the rating of the issuer; (vi) the implied rating of the issuer based on an analysis of option adjusted spreads; (vii) the absolute level of the option adjusted spread for the issuer; and (viii) an analysis of the collateral structure and credit support of the security, if applicable.

Once the Company determines that it is possible that a credit loss may exist for a security, the Company performs a detailed review of the cash flows expected to be collected from the issuer. The Company estimates expected cash flows by applying estimated default probabilities and recovery rates to the contractual cash flows of the issuer, with such default and recovery rates reflecting long-term historical averages adjusted to reflect current credit, economic and market conditions, giving due consideration to collateral and credit support, if applicable, and discounting the expected cash flows at the purchase yield on the security. In instances in which a determination is made that an impairment exists but the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before the anticipated recovery of its remaining amortized cost basis, the impairment is separated into: (i) the amount of the total other-than-temporary impairment related to the credit loss; and (ii) the amount of the total other-than-temporary impairment related to all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the other-than-temporary impairment related to all other factors is recognized in other comprehensive income. For the six months ended June 30, 2013, the Company recognized $Nil of other-than-temporary impairments which were recognized in earnings and $Nil related to other factors which were recognized in other comprehensive income (2012 – $0.3 million and $52 thousand, respectively).

The following table provides a rollforward of the amount of other-than-temporary impairments related to credit losses recognized in earnings for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income:

	Three months ended June 30,	
	2013	2012
Beginning balance	$811	$2,188
Additions:		
Amount related to credit loss for which an other-than-temporary impairment was not previously recognized	—	8
Amount related to credit loss for which an other-than-temporary impairment was previously recognized	—	44
Reductions:		
Securities sold during the period	(20)	(836)
Securities for which the amount previously recognized in other comprehensive income was recognized in earnings, because the Company intends to sell the security or is more likely than not the Company will be required to sell the security	—	—
Increases in cash flows expected to be collected that are recognized over the remaining life of the security	—	—
Ending balance	$791	$1,404

	Six months ended June 30,	
	2013	2012
Beginning balance	$838	$2,370
Additions:		
Amount related to credit loss for which an other-than-temporary impairment was not previously recognized	—	8
Amount related to credit loss for which an other-than-temporary impairment was previously recognized	—	110
Reductions:		
Securities sold during the period	(47)	(1,084)
Securities for which the amount previously recognized in other comprehensive income was recognized in earnings, because the Company intends to sell the security or is more likely than not the Company will be required to sell the security	—	—
Increases in cash flows expected to be collected that are recognized over the remaining life of the security	—	—
Ending balance	$791	$1,404

NOTE 4. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's financial statements. Fair value is defined under accounting guidance currently applicable to the Company to be the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations, with the exception of changes in unrealized gains and losses on its fixed maturity investments available for sale, which are recognized as a component of accumulated other comprehensive income in shareholders' equity.

FASB ASC Topic Fair Value Measurements and Disclosures prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

- Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access. The fair value is determined by multiplying the quoted price by the quantity held by the Company;
- Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices; and
- Level 3 inputs are based all or in part on significant unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

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 in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

In order to determine if a market is active or inactive for a security, the Company considers a number of factors, including, but not limited to, the spread between what a seller is asking for a security and what a buyer is bidding for the same security, the volume of trading activity for the security in question, the price of the security compared to its par value (for fixed maturity investments), and other factors that may be indicative of market activity.

There have been no material changes in the Company's valuation techniques, nor have there been any transfers between Level 1 and Level 2, or Level 2 and Level 3, respectively, during the periods represented by these consolidated financial statements.

Below is a summary of the assets and liabilities that are measured at fair value on a recurring basis and also represents the carrying amount on the Company's consolidated balance sheet:

At June 30, 2013	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$1,200,408	$1,200,408	$—	$—
Agencies	227,017	—	227,017	—
Non-U.S. government (Sovereign debt)	265,033	—	265,033	—
Non-U.S. government-backed corporate	238,254	—	238,254	—
Corporate	1,500,576	—	1,474,895	25,681
Agency mortgage-backed	435,233	—	435,233	—
Non-agency mortgage-backed	233,468	—	233,468	—
Commercial mortgage-backed	298,996	—	298,996	—
Asset-backed	13,106	—	13,106	—
Total fixed maturity investments	4,412,091	1,200,408	3,186,002	25,681
Short term investments	924,843	—	924,843	—
Equity investments trading	108,620	108,620	—	—
Other investments				
Private equity partnerships	335,732	—	—	335,732
Senior secured bank loan funds	178,040	—	155,860	22,180
Catastrophe bonds	81,042	—	81,042	—
Hedge funds	4,683	—	—	4,683
Miscellaneous other investments	31,109	—	—	31,109
Total other investments	630,606	—	236,902	393,704
Other assets and (liabilities)				
Derivatives (1)	148	(232)	(1,463)	1,843
Other	(5,574)	—	(6,199)	625
Total other assets and (liabilities)	(5,426)	(232)	(7,662)	2,468
	$6,070,734	$1,308,796	$4,340,085	$421,853

(1) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

December 31, 2012	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$1,259,800	$1,259,800	$—	$—
Agencies	315,154	—	315,154	—
Non-U.S. government (Sovereign debt)	133,198	—	133,198	—
Non-U.S. government-backed corporate	349,514	—	349,514	—
Corporate	1,615,207	—	1,587,415	27,792
Agency mortgage-backed	408,531	—	408,531	—
Non-agency mortgage-backed	248,339	—	248,339	—
Commercial mortgage-backed	406,166	—	406,166	—
Asset-backed	12,954	—	12,954	—
Total fixed maturity investments	4,748,863	1,259,800	3,461,271	27,792
Short term investments	821,163	—	821,163	—
Equity investments trading	58,186	58,186	—	—
Other investments				
Private equity partnerships	344,669	—	—	344,669
Senior secured bank loan funds	202,929	—	172,334	30,595
Catastrophe bonds	91,310	—	91,310	—
Hedge funds	5,803	—	—	5,803
Total other investments	644,711	—	263,644	381,067
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts	2,647	—	—	2,647
Derivatives (1)	19,123	(125)	14,821	4,427
Other	7,315	—	(11,551)	18,866
Total other assets and (liabilities)	29,085	(125)	3,270	25,940
	$6,302,008	$1,317,861	$4,549,348	$434,799

(1) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

Level 1 and Level 2 Assets and Liabilities Measured at Fair Value

Fixed Maturity Investments

Fixed maturity investments included in Level 1 consist of the Company's investments in U.S. treasuries. Fixed maturity investments included in Level 2 are agencies, non-U.S. government, non-U.S. government-backed corporate, corporate, agency mortgage-backed, non-agency mortgage-backed, commercial mortgage-backed and asset-backed. The Company’s fixed maturity investment portfolios are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing, however models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as

benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third party data. Securities which are priced by an index provider are generally included in the index.
In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets.
The Company considers these Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.
U.S. treasuries
Level 1 - At June 30, 2013, the Company’s U.S. treasuries fixed maturity investments are primarily priced by pricing services and had a weighted average effective yield of 0.8% and a weighted average credit quality of AA (December 31, 2012 - 0.4% and AA, respectively). When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.
Agencies
Level 2 - At June 30, 2013, the Company’s agency fixed maturity investments had a weighted average effective yield of 1.2% and a weighted average credit quality of AA (December 31, 2012 - 0.7% and AA, respectively). The issuers of the Company’s agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.
Non-U.S. government (Sovereign debt)
Level 2 - Non-U.S. government fixed maturity investments held by the Company at June 30, 2013, had a weighted average effective yield of 1.6% and a weighted average credit quality of AA (December 31, 2012 - 1.9% and AA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.
Non-U.S. government-backed corporate
Level 2 - Non-U.S. government-backed corporate fixed maturity investments had a weighted average effective yield of 0.9% and a weighted average credit quality of AAA at June 30, 2013 (December 31, 2012 - 0.7% and AAA, respectively). Non-U.S. government-backed fixed maturity investments are primarily priced by pricing services who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low,

the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Corporate

Level 2 - At June 30, 2013, the Company’s corporate fixed maturity investments principally consist of U.S. and international corporations and had a weighted average effective yield of 3.0% and a weighted average credit quality of A (December 31, 2012 - 2.6% and A, respectively). The Company’s corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

Agency mortgage-backed

Level 2 - At June 30, 2013, the Company’s agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average effective yield of 2.7%, a weighted average credit quality of AA and a weighted average life of 5.3 years (December 31, 2012 - 1.3%, AA and 3.3 years, respectively). The Company’s agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced ("TBA") market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes.

Non-agency mortgage-backed

Level 2 - The Company’s non-agency mortgage-backed fixed maturity investments include non-agency prime residential mortgage-backed and non-agency Alt-A fixed maturity investments. The Company has no fixed maturity investments classified as sub-prime held in its fixed maturity investments portfolio. At June 30, 2013, the Company’s non-agency prime residential mortgage-backed fixed maturity investments have a weighted average effective yield of 4.0%, a weighted average credit quality of BBB, and a weighted average life of 4.4 years (December 31, 2012 - 3.6%, BBB and 4.5 years, respectively). The Company’s non-agency Alt-A fixed maturity investments held at June 30, 2013 have a weighted average effective yield of 5.0%, a weighted average credit quality of non-investment grade and a weighted average life of 4.7 years (December 31, 2012 - 5.2%, non-investment grade and 4.7 years, respectively). Securities held in these sectors are primarily priced by pricing services using an option adjusted spread (”OAS”) model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

Commercial mortgage-backed

Level 2 - The Company’s commercial mortgage-backed fixed maturity investments held at June 30, 2013 have a weighted average effective yield of 2.5%, a weighted average credit quality of AA, and a weighted average life of 3.7 years (December 31, 2012 - 1.7%, AA and 3.7 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bid and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

Asset-backed

Level 2 - At June 30, 2013, the Company’s asset-backed fixed maturity investments had a weighted average effective yield of 1.8%, a weighted average credit quality of AAA and a weighted average life of 3.6 years (December 31, 2012 - 1.8%, AAA and 3.5 years, respectively). The underlying collateral for the Company’s asset-backed fixed maturity investments primarily consists of student loans, credit card receivables, auto loans and other receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short Term Investments

Level 2 - The fair value of the Company's portfolio of short term investments are generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company’s fixed maturity investments noted above.

Equity Investments, Classified as Trading

Level 1 - The fair value of the Company's portfolio of equity investments, classified as trading are primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the pricing services utilize daily data from many real time market sources, including applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source was used for each security.

Other investments

Senior secured bank loan funds

Level 2 - At