

# CONSOLIDATED BALANCE SHEETS

	December 31,	
	2018	2017
	<i>(dollars in thousands)</i>	
<b>ASSETS</b>		
Investments, at estimated fair value:		
Fixed maturities, available-for-sale (amortized cost of \$9,950,773 in 2018 and \$9,551,153 in 2017)	\$ 10,043,188	\$ 9,940,670
Equity securities, available-for-sale (cost of \$2,667,661 in 2017)	—	5,967,847
Equity securities (cost of \$2,971,856 in 2018)	5,720,945	—
Short-term investments, available-for-sale (estimated fair value approximates cost)	1,077,696	2,160,974
<b>Total Investments</b>	<b>16,841,829</b>	<b>18,069,491</b>
Cash and cash equivalents	2,014,168	2,198,459
Restricted cash and cash equivalents	382,264	302,387
Receivables	1,692,526	1,567,453
Reinsurance recoverables	5,221,947	4,745,390
Deferred policy acquisition costs	474,513	465,569
Prepaid reinsurance premiums	1,331,022	1,099,757
Goodwill	2,237,975	1,777,464
Intangible assets	1,726,196	1,355,681
Other assets	1,383,823	1,223,365
<b>TOTAL ASSETS</b>	<b>\$ 33,306,263</b>	<b>\$ 32,805,016</b>
<b>LIABILITIES AND EQUITY</b>		
Unpaid losses and loss adjustment expenses	\$ 14,276,479	\$ 13,584,281
Life and annuity benefits	1,001,453	1,072,112
Unearned premiums	3,611,028	3,308,779
Payables to insurance and reinsurance companies	337,326	324,304
Senior long-term debt and other debt (estimated fair value of \$3,030,000 in 2018 and \$3,351,000 in 2017)	3,009,577	3,099,230
Other liabilities	1,796,036	1,748,460
<b>Total Liabilities</b>	<b>24,031,899</b>	<b>23,137,166</b>
Redeemable noncontrolling interests	174,062	166,269
Commitments and contingencies		
Shareholders' equity:		
Common stock	3,392,993	3,381,834
Retained earnings	5,782,310	3,776,743
Accumulated other comprehensive income (loss)	(94,650)	2,345,571
<b>Total Shareholders' Equity</b>	<b>9,080,653</b>	<b>9,504,148</b>
Noncontrolling interests	19,649	(2,567)
<b>Total Equity</b>	<b>9,100,302</b>	<b>9,501,581</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 33,306,263</b>	<b>\$ 32,805,016</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,		
	2018	2017	2016
<i>(dollars in thousands, except per share data)</i>			
<b>OPERATING REVENUES</b>			
Earned premiums	\$ 4,712,060	\$ 4,247,978	\$ 3,865,870
Net investment income	434,215	405,709	373,230
Net investment gains (losses):			
Other-than-temporary impairment losses	—	(7,589)	(18,355)
Net realized investment gains (losses), excluding other-than-temporary impairment losses	(11,974)	47,174	66,711
Change in fair value of equity securities	(425,622)	(44,888)	16,791
Net investment gains (losses)	(437,596)	(5,303)	65,147
Products revenues	1,497,523	951,012	885,473
Services and other revenues	635,083	462,263	422,306
Total Operating Revenues	6,841,285	6,061,659	5,612,026
<b>OPERATING EXPENSES</b>			
Losses and loss adjustment expenses	2,820,715	2,865,761	2,050,744
Underwriting, acquisition and insurance expenses	1,777,511	1,589,464	1,497,125
Products expenses	1,413,248	850,449	755,591
Services and other expenses	474,924	458,621	416,141
Amortization of intangible assets	115,930	80,758	68,533
Impairment of goodwill and intangible assets	199,198	—	18,723
Total Operating Expenses	6,801,526	5,845,053	4,806,857
Operating Income	39,759	216,606	805,169
Interest expense	154,212	132,451	129,896
Net foreign exchange losses (gains)	(106,598)	(3,140)	1,253
Loss on early extinguishment of debt	—	—	44,100
Income (Loss) Before Income Taxes	(7,855)	87,295	629,920
Income tax expense (benefit)	122,498	(313,463)	169,477
<b>Net Income (Loss)</b>	<b>\$ (130,353)</b>	<b>\$ 400,758</b>	<b>\$ 460,443</b>
Net income (loss) attributable to noncontrolling interests	(2,173)	5,489	4,754
<b>NET INCOME (LOSS) TO SHAREHOLDERS</b>	<b>\$ (128,180)</b>	<b>\$ 395,269</b>	<b>\$ 455,689</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Change in net unrealized gains on available-for-sale investments, net of taxes:			
Net holding gains (losses) arising during the period	\$ (241,325)	\$ 787,339	\$ 275,661
Change in unrealized other-than-temporary impairment losses on fixed maturities arising during the period	—	—	35
Reclassification adjustments for net gains (losses) included in net income (loss)	7,849	(24,296)	(33,528)
Change in net unrealized gains on available-for-sale investments, net of taxes	(233,476)	763,043	242,168
Change in foreign currency translation adjustments, net of taxes	(16,495)	10,449	(11,704)
Change in net actuarial pension loss, net of taxes	2,341	6,259	(19,100)
Total Other Comprehensive Income (Loss)	(247,630)	779,751	211,364
<b>Comprehensive Income (Loss)</b>	<b>\$ (377,983)</b>	<b>\$ 1,180,509</b>	<b>\$ 671,807</b>
Comprehensive income (loss) attributable to noncontrolling interests	(2,213)	5,535	4,760
<b>COMPREHENSIVE INCOME (LOSS) TO SHAREHOLDERS</b>	<b>\$ (375,770)</b>	<b>\$ 1,174,974</b>	<b>\$ 667,047</b>
<b>NET INCOME (LOSS) PER SHARE</b>			
Basic	\$ (9.55)	\$ 25.89	\$ 31.41
Diluted	\$ (9.55)	\$ 25.81	\$ 31.27

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2018	2017	2016
	<i>(dollars in thousands)</i>		
<b>OPERATING ACTIVITIES</b>			
Net income (loss)	\$ (130,353)	\$ 400,758	\$ 460,443
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred income tax expense (benefit)	2,729	(324,090)	63,358
Depreciation and amortization	227,846	203,871	194,147
Net investment losses (gains)	437,596	5,303	(65,147)
Loss on early extinguishment of debt	—	—	44,100
Net foreign exchange losses (gains)	(106,598)	(3,140)	1,253
Impairment of goodwill and intangible assets	199,198	—	18,723
Increase in receivables	(27,961)	(38,259)	(163,123)
Increase in deferred policy acquisition costs	(15,585)	(67,923)	(41,619)
Increase (decrease) in unpaid losses and loss adjustment expenses, net	298,796	619,305	(9,429)
Decrease in life and annuity benefits	(50,541)	(55,647)	(54,580)
Increase in unearned premiums, net	62,879	197,706	134,593
Increase (decrease) in payables to insurance and reinsurance companies	(4,313)	(40,761)	11,582
Increase (decrease) in income taxes payable	53,730	(35,968)	(16,484)
Increase (decrease) in accrued expenses	(23,756)	(71,669)	67,994
Increase (decrease) in other liabilities	(5,637)	45,051	(90,571)
Other	(25,173)	23,992	(20,617)
Net Cash Provided By Operating Activities	892,857	858,529	534,623
<b>INVESTING ACTIVITIES</b>			
Proceeds from sales of fixed maturities and equity securities	419,199	577,650	365,822
Proceeds from maturities, calls and prepayments of fixed maturities	551,808	1,129,895	963,165
Cost of fixed maturities and equity securities purchased	(1,545,913)	(1,176,281)	(2,205,939)
Net change in short-term investments	1,101,636	234,743	(689,194)
Additions to property and equipment	(106,593)	(74,652)	(63,674)
Acquisitions, net of cash acquired	(1,175,211)	(1,431,712)	(7,527)
Other	(42,165)	(4,100)	(1,134)
Net Cash Used By Investing Activities	(797,239)	(744,457)	(1,638,481)
<b>FINANCING ACTIVITIES</b>			
Additions to senior long-term debt and other debt	206,949	664,657	559,300
Repayment of senior long-term debt and other debt	(289,199)	(259,972)	(278,363)
Premiums and fees related to early extinguishment of debt	—	—	(43,691)
Repurchases of common stock	(54,007)	(110,838)	(51,142)
Payment of contingent consideration	(15,914)	(5,018)	(14,219)
Purchase of noncontrolling interests	(13,523)	(18,334)	(3,167)
Distributions to noncontrolling interests	(9,164)	(7,899)	(5,949)
Other	(4,127)	(6,281)	(10,750)
Net Cash Provided (Used) By Financing Activities	(178,985)	256,315	152,019
Effect of foreign currency rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	(21,047)	45,295	(33,138)
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	(104,414)	415,682	(984,977)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	2,500,846	2,085,164	3,070,141
<b>CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,396,432</b>	<b>\$ 2,500,846</b>	<b>\$ 2,085,164</b>

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