

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2019	2018
	<i>(dollars in thousands)</i>	
ASSETS		
Investments, at estimated fair value:		
Fixed maturities, available-for-sale (amortized cost of \$9,448,840 in 2019 and \$9,950,773 in 2018)	\$ 9,970,909	\$ 10,043,188
Equity securities (cost of \$3,266,735 in 2019 and \$2,971,856 in 2018)	7,590,755	5,720,945
Short-term investments, available-for-sale (estimated fair value approximates cost)	1,196,248	1,077,696
Total Investments	18,757,912	16,841,829
Cash and cash equivalents	3,072,807	2,014,168
Restricted cash and cash equivalents	427,546	382,264
Receivables	1,847,802	1,692,526
Reinsurance recoverables	5,432,712	5,221,947
Deferred policy acquisition costs	566,042	474,513
Prepaid reinsurance premiums	1,415,857	1,331,022
Goodwill	2,308,548	2,237,975
Intangible assets	1,738,474	1,726,196
Other assets	1,906,115	1,383,823
TOTAL ASSETS	\$ 37,473,815	\$ 33,306,263
LIABILITIES AND EQUITY		
Unpaid losses and loss adjustment expenses	\$ 14,728,676	\$ 14,276,479
Life and annuity benefits	985,729	1,001,453
Unearned premiums	4,057,727	3,611,028
Payables to insurance and reinsurance companies	406,720	337,326
Senior long-term debt and other debt (estimated fair value of \$3,907,000 in 2019 and \$3,030,000 in 2018)	3,534,183	3,009,577
Other liabilities	2,504,802	1,796,036
Total Liabilities	26,217,837	24,031,899
Redeemable noncontrolling interests	177,562	174,062
Commitments and contingencies		
Shareholders' equity:		
Common stock	3,404,919	3,392,993
Retained earnings	7,457,176	5,782,310
Accumulated other comprehensive income (loss)	208,772	(94,650)
Total Shareholders' Equity	11,070,867	9,080,653
Noncontrolling interests	7,549	19,649
Total Equity	11,078,416	9,100,302
TOTAL LIABILITIES AND EQUITY	\$ 37,473,815	\$ 33,306,263

See accompanying notes to consolidated financial statements.

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

	Years Ended December 31,		
	2019	2018	2017
	<i>(dollars in thousands, except per share data)</i>		
OPERATING REVENUES			
Earned premiums	\$ 5,049,793	\$ 4,712,060	\$ 4,247,978
Net investment income	451,888	434,215	405,709
Net investment gains (losses):			
Other-than-temporary impairment losses	—	—	(7,589)
Net realized investment gains (losses), excluding other-than-temporary impairment losses	(1,482)	(11,974)	47,174
Change in fair value of equity securities	1,603,204	(425,622)	(44,888)
Net investment gains (losses)	1,601,722	(437,596)	(5,303)
Products revenues	1,609,586	1,497,523	951,012
Services and other revenues	813,202	635,083	462,263
Total Operating Revenues	9,526,191	6,841,285	6,061,659
OPERATING EXPENSES			
Losses and loss adjustment expenses	2,891,190	2,820,715	2,865,761
Underwriting, acquisition and insurance expenses	1,878,093	1,777,511	1,589,464
Products expenses	1,455,245	1,413,248	850,449
Services and other expenses	675,679	474,924	458,621
Amortization of intangible assets	148,638	115,930	80,758
Impairment of goodwill and intangible assets	—	199,198	—
Total Operating Expenses	7,048,845	6,801,526	5,845,053
Operating Income	2,477,346	39,759	216,606
Interest expense	(171,687)	(154,212)	(132,451)
Net foreign exchange gains (losses)	(2,265)	106,598	3,140
Loss on early extinguishment of debt	(17,586)	—	—
Income (Loss) Before Income Taxes	2,285,808	(7,855)	87,295
Income tax (expense) benefit	(486,346)	(122,498)	313,463
Net Income (Loss)	\$ 1,799,462	\$ (130,353)	\$ 400,758
Net (income) loss attributable to noncontrolling interests	(8,996)	2,173	(5,489)
NET INCOME (LOSS) TO SHAREHOLDERS	\$ 1,790,466	\$ (128,180)	\$ 395,269
OTHER COMPREHENSIVE INCOME (LOSS)			
Change in net unrealized gains on available-for-sale investments, net of taxes:			
Net holding gains (losses) arising during the period	\$ 299,125	\$ (241,325)	\$ 787,339
Reclassification adjustments for net gains (losses) included in net income (loss)	(1,148)	7,849	(24,296)
Change in net unrealized gains on available-for-sale investments, net of taxes	297,977	(233,476)	763,043
Change in foreign currency translation adjustments, net of taxes	382	(16,495)	10,449
Change in net actuarial pension loss, net of taxes	5,042	2,341	6,259
Total Other Comprehensive Income (Loss)	303,401	(247,630)	779,751
Comprehensive Income (Loss)	\$ 2,102,863	\$ (377,983)	\$ 1,180,509
Comprehensive (income) loss attributable to noncontrolling interests	(8,975)	2,213	(5,535)
COMPREHENSIVE INCOME (LOSS) TO SHAREHOLDERS	\$ 2,093,888	\$ (375,770)	\$ 1,174,974
NET INCOME (LOSS) PER SHARE			
Basic	\$ 129.25	\$ (9.55)	\$ 25.89
Diluted	\$ 129.07	\$ (9.55)	\$ 25.81

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2019	2018	2017
	<i>(dollars in thousands)</i>		
OPERATING ACTIVITIES			
Net income (loss)	\$ 1,799,462	\$ (130,353)	\$ 400,758
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred income tax expense (benefit)	323,385	2,729	(324,090)
Depreciation and amortization	269,239	227,846	203,871
Net investment losses (gains)	(1,601,722)	437,596	5,303
Net foreign exchange losses (gains)	2,265	(106,598)	(3,140)
Impairment of goodwill and intangible assets	—	199,198	—
Increase in receivables	(103,982)	(27,961)	(38,259)
Increase in deferred policy acquisition costs	(93,015)	(15,585)	(67,923)
Increase in unpaid losses and loss adjustment expenses, net	226,263	298,796	619,305
Decrease in life and annuity benefits	(52,159)	(50,541)	(55,647)
Increase in unearned premiums, net	354,116	62,879	197,706
Increase (decrease) in payables to insurance and reinsurance companies	65,460	(4,313)	(40,761)
Increase (decrease) in income taxes payable	36,938	53,730	(35,968)
Increase (decrease) in accrued expenses	24,432	(23,756)	(71,669)
Increase (decrease) in other liabilities	(9,528)	(5,637)	45,051
Other	32,966	(25,173)	23,992
Net Cash Provided By Operating Activities	1,274,120	892,857	858,529
INVESTING ACTIVITIES			
Proceeds from sales of fixed maturities and equity securities	353,918	419,199	577,650
Proceeds from maturities, calls and prepayments of fixed maturities	772,336	551,808	1,129,895
Cost of fixed maturities and equity securities purchased	(955,970)	(1,545,913)	(1,176,281)
Net change in short-term investments	(95,867)	1,101,636	234,743
Cost of equity method investments	(257,663)	(8,864)	(13,023)
Additions to property and equipment	(123,376)	(106,593)	(74,652)
Acquisitions, net of cash acquired	(245,332)	(1,175,211)	(1,431,712)
Other	16,795	(33,301)	8,923
Net Cash Used By Investing Activities	(535,159)	(797,239)	(744,457)
FINANCING ACTIVITIES			
Additions to senior long-term debt and other debt	1,645,182	206,949	664,657
Repayment of senior long-term debt and other debt	(1,103,674)	(289,199)	(259,972)
Premiums and fees related to early extinguishment of debt	(27,073)	—	—
Repurchases of common stock	(116,307)	(54,007)	(110,838)
Payment of contingent consideration	(14,113)	(15,914)	(5,018)
Purchase of noncontrolling interests	(9,754)	(13,523)	(18,334)
Distributions to noncontrolling interests	(8,992)	(9,164)	(7,899)
Other	(5,952)	(4,127)	(6,281)
Net Cash Provided (Used) By Financing Activities	359,317	(178,985)	256,315
Effect of foreign currency rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	5,643	(21,047)	45,295
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	1,103,921	(104,414)	415,682
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	2,396,432	2,500,846	2,085,164
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS AT END OF YEAR	\$ 3,500,353	\$ 2,396,432	\$ 2,500,846

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