

Global Indemnity Ltd  
Form 10-Q  
August 09, 2018  
Table of Contents

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

**FORM 10-Q**

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

**For the Quarterly Period Ended June 30, 2018**

**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 LIMITED**

**(Exact name of registrant as specified in its charter)**

**Cayman Islands**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**98-1304287**  
**(I.R.S. Employer**  
**Identification No.)**

**27 HOSPITAL ROAD**

**GEORGE TOWN, GRAND CAYMAN**

**KY1-9008**

**CAYMAN ISLANDS**

**(Address of principal executive office including zip code)**

**Registrant's telephone number, including area code: (345) 949-0100**

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 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 No

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

Large accelerated filer ; Accelerated filer ;

Non-accelerated filer ; Smaller reporting company ;

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Edgar Filing: Global Indemnity Ltd - Form 10-Q

As of August 2, 2018, the registrant had outstanding 10,082,458 A Ordinary Shares and 4,133,366 B Ordinary Shares.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements:</u>	
<u>Consolidated Balance Sheets As of June 30, 2018 (Unaudited) and December 31, 2017</u>	2
<u>Consolidated Statements of Operations Quarters and Six Months Ended June 30, 2018 (Unaudited) and June 30, 2017 (Unaudited)</u>	3
<u>Consolidated Statements of Comprehensive Income Quarters and Six Months Ended June 30, 2018 (Unaudited) and June 30, 2017 (Unaudited)</u>	4
<u>Consolidated Statements of Changes in Shareholders' Equity Six Months Ended June 30, 2018 (Unaudited) and Year Ended December 31, 2017</u>	5
<u>Consolidated Statements of Cash Flows Six Months Ended June 30, 2018 (Unaudited) and June 30, 2017 (Unaudited)</u>	6
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	46
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	64
Item 4. <u>Controls and Procedures</u>	64
<b><u>PART II OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	65
Item 1A. <u>Risk Factors</u>	65
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	65
Item 3. <u>Defaults Upon Senior Securities</u>	65
Item 4. <u>Mine Safety Disclosures</u>	65
Item 5. <u>Other Information</u>	65
Item 6. <u>Exhibits</u>	66
<u>Signature</u>	67

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****GLOBAL INDEMNITY LIMITED****Consolidated Balance Sheets**

(In thousands, except share amounts)

	<b>(Unaudited) June 30, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
Fixed maturities:		
Available for sale, at fair value (amortized cost: \$1,308,735 and \$1,243,144)	\$ 1,283,870	\$ 1,241,437
Equity securities:		
At fair value (cost: \$137,789 and \$124,915)	137,789	140,229
Other invested assets	83,499	77,820
<b>Total investments</b>	<b>1,505,158</b>	<b>1,459,486</b>
Cash and cash equivalents	47,138	74,414
Premiums receivable, net	92,567	84,386
Reinsurance receivables, net	96,568	105,060
Funds held by ceding insurers	52,110	45,300
Federal income taxes receivable	9,991	10,332
Deferred federal income taxes	32,843	26,196
Deferred acquisition costs	65,504	61,647
Intangible assets	22,285	22,549
Goodwill	6,521	6,521
Prepaid reinsurance premiums	25,237	28,851
Receivable for securities sold		1,543
Other assets	25,897	75,384
<b>Total assets</b>	<b>\$ 1,981,819</b>	<b>\$ 2,001,669</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Liabilities:</b>		
Unpaid losses and loss adjustment expenses	\$ 613,670	\$ 634,664
Unearned premiums	304,188	285,397
Ceded balances payable	21,848	10,851
Payable for securities purchased	553	
Contingent commissions	6,496	7,984
Debt	287,324	294,713
Other liabilities	45,323	49,666
<b>Total liabilities</b>	<b>\$ 1,279,402</b>	<b>\$ 1,283,275</b>

## Commitments and contingencies (Note 10)

**Shareholders equity:**

Ordinary shares, \$0.0001 par value, 900,000,000 ordinary shares authorized; A ordinary shares issued: 10,157,242 and 10,102,927 respectively; A ordinary shares outstanding: 10,082,458 and 10,073,376, respectively; B ordinary shares issued and outstanding: 4,133,366 and 4,133,366, respectively	2	2
Additional paid-in capital	436,035	434,730
Accumulated other comprehensive income, net of taxes	(22,475)	8,983
Retained earnings	291,827	275,838
A ordinary shares in treasury, at cost: 74,784 and 29,551 shares, respectively	(2,972)	(1,159)
Total shareholders equity	702,417	718,394
Total liabilities and shareholders equity	\$ 1,981,819	\$ 2,001,669

See accompanying notes to consolidated financial statements.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Consolidated Statements of Operations**

(In thousands, except shares and per share data)

	(Unaudited) Quarters Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Revenues:</b>				
Gross premiums written	\$ 158,817	\$ 143,894	\$ 283,064	\$ 267,645
Net premiums written	\$ 136,454	\$ 123,797	\$ 244,324	\$ 235,303
Net premiums earned	\$ 113,917	\$ 107,073	\$ 221,919	\$ 220,199
Net investment income	10,954	8,840	22,358	17,484
Net realized investment gains (losses):				
Other than temporary impairment losses on investments	(371)	(578)	(371)	(688)
Other net realized investment gains (losses)	3,201	(84)	2,885	801
Total net realized investment gains (losses)	2,830	(662)	2,514	113
Other income	324	1,782	878	3,150
Total revenues	128,025	117,033	247,669	240,946
<b>Losses and Expenses:</b>				
Net losses and loss adjustment expenses	58,861	57,700	114,933	120,261
Acquisition costs and other underwriting expenses	47,513	43,457	92,516	90,008
Corporate and other operating expenses	10,918	3,361	20,178	6,415
Interest expense	4,940	4,762	9,801	7,229
Income before income taxes	5,793	7,753	10,241	17,033
Income tax benefit	(1,399)	(2,336)	(2,652)	(5,338)
Net income	\$ 7,192	\$ 10,089	\$ 12,893	\$ 22,371
<b>Per share data:</b>				
Net income				
Basic	\$ 0.51	\$ 0.58	\$ 0.92	\$ 1.29
Diluted	\$ 0.50	\$ 0.57	\$ 0.90	\$ 1.27
Weighted-average number of shares outstanding				
Basic	14,092,397	17,335,914	14,073,813	17,326,019

Edgar Filing: Global Indemnity Ltd - Form 10-Q

Diluted	14,334,600	17,690,879	14,308,264	17,670,636
Cash dividends declared per share	\$ 0.25	\$	\$ 0.50	\$

See accompanying notes to consolidated financial statements.



Table of Contents**GLOBAL INDEMNITY LIMITED****Consolidated Statements of Comprehensive Income**

(In thousands)

	<b>(Unaudited)</b> <b>Quarters Ended</b>		<b>(Unaudited)</b> <b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net income	\$ 7,192	\$ 10,089	\$ 12,893	\$ 22,371
Other comprehensive income (loss), net of tax:				
Unrealized holding gains (losses)	(5,820)	2,155	(21,008)	7,333
Portion of other-than-temporary impairment losses recognized in other comprehensive income (losses)	(7)	(1)	(8)	(1)
Reclassification adjustment for gains included in net income	611	(823)	686	(1,229)
Unrealized foreign currency translation gains (losses)	(728)	323	(1,100)	501
Other comprehensive income (loss), net of tax	(5,944)	1,654	(21,430)	6,604
Comprehensive income (loss), net of tax	\$ 1,248	\$ 11,743	\$ (8,537)	\$ 28,975

See accompanying notes to consolidated financial statements.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Consolidated Statements of Changes in Shareholders' Equity**

(In thousands, except share amounts)

	<b>(Unaudited)</b> <b>Six Months Ended</b> <b>June 30, 2018</b>	<b>Year Ended</b> <b>December 31, 2017</b>
<b>Number of A ordinary shares issued:</b>		
Number at beginning of period	10,102,927	13,436,548
Ordinary shares issued under share incentive plans	37,381	2,204
Ordinary shares issued to directors	16,934	27,121
Ordinary shares redeemed		(3,397,031)
Adjustment for shares redeemed indirectly owned by subsidiary		34,085
Number at end of period	10,157,242	10,102,927
<b>Number of B ordinary shares issued:</b>		
Number at beginning and end of period	4,133,366	4,133,366
<b>Par value of A ordinary shares:</b>		
Number at beginning and end of period	\$ 1	\$ 1
<b>Par value of B ordinary shares:</b>		
Balance at beginning and end of period	\$ 1	\$ 1
<b>Additional paid-in capital:</b>		
Balance at beginning of period	\$ 434,730	\$ 430,283
Adjustment for shares redeemed indirectly owned by subsidiary		706
Share compensation plans	1,305	3,741
Balance at end of period	\$ 436,035	\$ 434,730
<b>Accumulated other comprehensive income, net of deferred income tax:</b>		
Balance at beginning of period	\$ 8,983	\$ (618)
Other comprehensive income (loss):		
Change in unrealized holding gains (losses)	(20,322)	8,829
Change in other than temporary impairment losses recognized in		
other comprehensive income	(8)	(3)
Unrealized foreign currency translation gains (losses)	(1,100)	775
Other comprehensive income (loss)	(21,430)	9,601
	(10,028)	

Edgar Filing: Global Indemnity Ltd - Form 10-Q

Cumulative effect adjustment resulting from adoption of new  
accounting

guidance

Balance at end of period	\$	(22,475)	\$	8,983
--------------------------	----	----------	----	-------

**Retained earnings:**

Balance at beginning of period	\$	275,838	\$	368,284
--------------------------------	----	---------	----	---------

Cumulative effect adjustment resulting from adoption of new  
accounting

guidance		10,198		
Ordinary shares redeemed				(83,015)

Adjustment for gain on shares redeemed indirectly owned by subsidiary				120
--	--	--	--	-----

Net income (loss)		12,893		(9,551)
-------------------	--	--------	--	---------

Dividends to shareholders		(7,102)		
---------------------------	--	---------	--	--

Balance at end of period	\$	291,827	\$	275,838
--------------------------	----	---------	----	---------

**Number of treasury shares:**

Number at beginning of period		29,551		
-------------------------------	--	--------	--	--

A ordinary shares purchased		45,233		29,551
-----------------------------	--	--------	--	--------

Number at end of period		74,784		29,551
-------------------------	--	--------	--	--------

**Treasury shares, at cost:**

Balance at beginning of period	\$	(1,159)	\$	
--------------------------------	----	---------	----	--

A ordinary shares purchased, at cost		(1,813)		(1,159)
--------------------------------------	--	---------	--	---------

Balance at end of period	\$	(2,972)	\$	(1,159)
--------------------------	----	---------	----	---------

Total shareholders equity	\$	702,417	\$	718,394
---------------------------	----	---------	----	---------

See accompanying notes to consolidated financial statements.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Consolidated Statements of Cash Flows**

(In thousands)

	<b>(Unaudited)</b>	
	<b>Six Months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 12,893	\$ 22,371
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Amortization and depreciation	3,602	3,142
Amortization of debt issuance costs	132	99
Restricted stock and stock option expense	1,305	1,907
Deferred federal income taxes	(3,648)	(5,521)
Amortization of bond premium and discount, net	3,120	4,258
Net realized investment gains	(2,514)	(113)
Changes in:		
Premiums receivable, net	(8,181)	5,859
Reinsurance receivables, net	8,492	36,322
Funds held by ceding insurers	(7,910)	(24,938)
Unpaid losses and loss adjustment expenses	(20,994)	(35,279)
Unearned premiums	18,791	4,565
Ceded balances payable	10,997	120
Other assets and liabilities, net	44,265	(18,175)
Contingent commissions	(1,488)	(4,791)
Federal income tax receivable/payable	341	80
Deferred acquisition costs, net	(3,857)	(3,847)
Prepaid reinsurance premiums	3,614	10,535
Net cash provided by (used for) operating activities	58,960	(3,406)
<b>Cash flows from investing activities:</b>		
Proceeds from sale of fixed maturities	114,456	631,653
Proceeds from sale of equity securities	17,461	13,740
Proceeds from maturity of fixed maturities	33,041	53,478
Proceeds from limited partnerships	4,871	10,322
Amounts received (paid) in connection with derivatives	6,602	(983)
Purchases of fixed maturities	(214,937)	(781,270)
Purchases of equity securities	(17,330)	(17,517)
Purchases of other invested assets	(10,550)	(16,500)
Acquisition of business	(3,515)	
Net cash used for investing activities	(69,901)	(107,077)

**Cash flows from financing activities:**

Net borrowings (repayments) under margin borrowing facility	(7,521)	7,242
Proceeds from issuance of subordinated notes		130,000
Debt issuance cost		(4,246)
Dividends paid to shareholders	(7,001)	
Purchase of A ordinary shares	(1,813)	(1,159)
Net cash provided by (used for) financing activities	(16,335)	131,837
Net change in cash and cash equivalents	(27,276)	21,354
Cash and cash equivalents at beginning of period	74,414	75,110
Cash and cash equivalents at end of period	\$ 47,138	\$ 96,464

See accompanying notes to consolidated financial statements.

---

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

**1. Principles of Consolidation and Basis of Presentation**

Global Indemnity Limited ( Global Indemnity or the Company ) was incorporated on February 9, 2016 and is domiciled in the Cayman Islands. On November 7, 2016, Global Indemnity replaced Global Indemnity plc as the ultimate parent company as a result of a redomestication transaction. The Company's A ordinary shares are publicly traded on the NASDAQ Global Select Market under the ticker symbol GBLI. Please see Note 2 of the notes to the consolidated financial statements in Item 8 Part II of the Company's 2017 Annual Report on Form 10-K for more information on the Company's redomestication.

The Company manages its business through three business segments: Commercial Lines, Personal Lines, and Reinsurance Operations. The Company's Commercial Lines offers specialty property and casualty insurance products in the excess and surplus lines marketplace. The Company manages its Commercial Lines by differentiating them into four product classifications: Penn-America, which markets property and general liability products to small commercial businesses through a select network of wholesale general agents with specific binding authority; United National, which markets insurance products for targeted insured segments, including specialty products, such as property, general liability, and professional lines through program administrators with specific binding authority; Diamond State, which markets property, casualty, and professional lines products, which are developed by the Company's underwriting department by individuals with expertise in those lines of business, through wholesale brokers and also markets through program administrators having specific binding authority; and Vacant Express, which insures dwellings which are currently vacant, undergoing renovation, or are under construction and is distributed through aggregators, brokers, and retail agents. These product classifications comprise the Company's Commercial Lines business segment and are not considered individual business segments because each product has similar economic characteristics, distribution, and coverage. The Company's Personal Lines segment offers specialty personal lines and agricultural coverage through general and specialty agents with specific binding authority on an admitted basis. Collectively, the Company's U.S. insurance subsidiaries are licensed in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. The Commercial Lines and Personal Lines segments comprise the Company's U.S. Insurance Operations ( Insurance Operations ). The Company's Reinsurance Operations consist solely of the operations of its Bermuda-based wholly-owned subsidiary, Global Indemnity Reinsurance Company, Ltd. ( Global Indemnity Reinsurance ). Global Indemnity Reinsurance is a treaty reinsurer of specialty property and casualty insurance and reinsurance companies. The Company's Reinsurance Operations segment provides reinsurance solutions through brokers and primary writers including insurance and reinsurance companies.

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 six months ended June 30, 2018 and 2017 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 2017 Annual Report on Form 10-K.

On January 1, 2018, the Company adopted new accounting guidance which requires equity investments, except for those accounted for under the equity method of accounting or those that result in consolidation of the investee, to be measured at fair value with the changes in fair value recognized in net income. Upon adoption, the Company recorded a cumulative effect adjustment, net of tax, of \$10.0 million which reduced accumulated other comprehensive income and increased retained earnings. During the quarter and six months ended June 30, 2018, net realized investment gains (losses) included a gain of \$0.8 million and a loss of \$4.2 million, respectively, related to the change in the fair value of equity investments in accordance with this new accounting guidance. In addition, under the new guidance, equity investments, are no longer classified into different categories as either trading or available for sale. Prior to the adoption of this new guidance, equity securities were previously classified as available for sale.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

On January 1, 2018, the Company adopted new accounting guidance regarding the classification of certain cash receipts and cash payments within the statement of cash flows. Upon adoption, the Company made a policy election to use the cumulative earnings approach for presenting distributions received from equity method investees. Under this approach, distributions up to the amount of cumulative equity in earnings recognized will be treated as returns on investment and presented in operating activities and those in excess of that amount will be treated as returns of investment and presented in the investing section. Prior to adoption, all distributions received from equity method investees were presented in the investing section of the consolidated statements of cash flows. The provisions of this accounting guidance were adopted on a retrospective basis. As a result, the consolidated statement of cash flows for the six months ended June 30, 2017 that was included in the Form 10-Q for the six month period ended June 30, 2017 was restated. For the six months ended June 30, 2017, net cash flows from operating activities was increased by \$1.8 million and net cash flows from investing activities was reduced by \$1.8 million.

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. Investments**

The amortized cost and estimated fair value of investments were as follows as of June 30, 2018 and December 31, 2017:

<b>(Dollars in thousands)</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>	<b>Other than temporary impairments recognized in AOCI (1)</b>
As of June 30, 2018					
Fixed maturities:					
U.S. treasury and agency obligations	\$ 94,588	\$ 419	\$ (2,282)	\$ 92,725	\$
Obligations of states and political subdivisions	102,703	242	(754)	102,191	
Mortgage-backed securities	185,803	242	(4,148)	181,897	
Asset-backed securities	209,352	134	(1,432)	208,054	(1)
Commercial mortgage-backed securities	157,948	57	(4,396)	153,609	
Corporate bonds	435,712	208	(10,167)	425,753	
Foreign corporate bonds	122,629	7	(2,995)	119,641	
Total fixed maturities	1,308,735	1,309	(26,174)	1,283,870	(1)
Common stock	137,789			137,789	
Other invested assets	83,499			83,499	



Total	\$ 1,530,023	\$ 1,309	\$ (26,174)	\$ 1,505,158	\$ (1)
-------	--------------	----------	-------------	--------------	--------

(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 (1)
As of December 31, 2017					
Fixed maturities:					
U.S. treasury and agency obligations	\$ 105,311	\$ 562	\$ (1,193)	\$ 104,680	\$
Obligations of states and political subdivisions	94,947	441	(274)	95,114	
Mortgage-backed securities	150,237	404	(1,291)	149,350	
Asset-backed securities	203,827	267	(393)	203,701	(1)
Commercial mortgage-backed securities	140,761	101	(1,067)	139,795	
Corporate bonds	422,486	2,295	(1,391)	423,390	
Foreign corporate bonds	125,575	377	(545)	125,407	
Total fixed maturities	1,243,144	4,447	(6,154)	1,241,437	(1)
Common stock	124,915	18,574	(3,260)	140,229	
Other invested assets	77,820			77,820	
Total	\$ 1,445,879	\$ 23,021	\$ (9,414)	\$ 1,459,486	\$ (1)

(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 ).

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 6% and 5% of shareholders' equity at June 30, 2018 and December 31, 2017, respectively.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

The amortized cost and estimated fair value of the Company's fixed maturities portfolio classified as available for sale at June 30, 2018, 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	\$ 76,366	\$ 76,088
Due in one year through five years	434,414	426,933
Due in five years through ten years	232,350	224,914
Due in ten years through fifteen years	8,168	7,997
Due after fifteen years	4,334	4,378
Mortgage-backed securities	185,803	181,897
Asset-backed securities	209,352	208,054
Commercial mortgage-backed securities	157,948	153,609
<b>Total</b>	<b>\$ 1,308,735</b>	<b>\$ 1,283,870</b>

The following table contains an analysis of the Company's fixed income securities with gross unrealized losses, categorized by the period that the securities were in a continuous loss position as of June 30, 2018. Due to new accounting guidance implemented in 2018 regarding the treatment of gains and losses on equity securities, common stock is no longer included in the table:

(Dollars in thousands)	Less than 12 months		12 months or longer (1)		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities:						
U.S. treasury and agency obligations	\$ 70,067	\$ (2,050)	\$ 18,610	\$ (232)	\$ 88,677	\$ (2,282)
Obligations of states and political subdivisions	51,802	(633)	9,109	(121)	60,911	(754)
Mortgage-backed securities	160,818	(4,066)	3,700	(82)	164,518	(4,148)
Asset-backed securities	139,647	(1,305)	8,586	(127)	148,233	(1,432)
Commercial mortgage-backed securities	118,579	(3,561)	26,865	(835)	145,444	(4,396)
Corporate bonds	346,269	(9,385)	39,371	(782)	385,640	(10,167)
Foreign corporate bonds	93,274	(2,677)	16,669	(318)	109,943	(2,995)
<b>Total fixed maturities</b>	<b>\$ 980,456</b>	<b>\$ (23,677)</b>	<b>\$ 122,910</b>	<b>\$ (2,497)</b>	<b>\$ 1,103,366</b>	<b>\$ (26,174)</b>

(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, 2017:

(Dollars in thousands)	Less than 12 months		12 months or longer (1)		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities:						
U.S. treasury and agency obligations	\$ 79,403	\$ (962)	\$ 17,469	\$ (231)	\$ 96,872	\$ (1,193)
Obligations of states and political subdivisions	34,537	(149)	12,060	(125)	46,597	(274)
Mortgage-backed securities	127,991	(1,247)	1,866	(44)	129,857	(1,291)
Asset-backed securities	97,817	(371)	6,423	(22)	104,240	(393)
Commercial mortgage-backed securities	83,051	(523)	27,976	(544)	111,027	(1,067)
Corporate bonds	147,064	(754)	53,024	(637)	200,088	(1,391)
Foreign corporate bonds	53,320	(305)	20,582	(240)	73,902	(545)
Total fixed maturities	623,183	(4,311)	139,400	(1,843)	762,583	(6,154)
Common stock	32,759	(3,260)			32,759	(3,260)
Total	\$ 655,942	\$ (7,571)	\$ 139,400	\$ (1,843)	\$ 795,342	\$ (9,414)

(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.

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

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 has a 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.

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 June 30, 2018, gross unrealized losses related to U.S. treasury and agency obligations were \$2.282 million. Of this amount, \$0.232 million 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. Consideration is given to the interest rate environment, duration and yield curve management of the portfolio, sector allocation and security selection.

**Obligations of states and political subdivisions** As of June 30, 2018, gross unrealized losses related to obligations of states and political subdivisions were \$0.754 million. Of this amount, \$0.121 million have been in an unrealized loss position for twelve months or greater and are rated investment grade or better. All factors that influence performance of the municipal bond 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 June 30, 2018, gross unrealized losses related to mortgage-backed securities were \$4.148 million. Of this amount, \$0.082 million have been in an unrealized loss position for twelve months or greater. 98.3% of the unrealized losses for twelve months or greater are related to securities rated AA+ or better. Mortgage-backed

---

**Table of Contents****GLOBAL INDEMNITY LIMITED**

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. These forecasts incorporate not just national macro-economic trends, but also regional impacts to arrive at the most granular and accurate projections. These assumptions are incorporated into the model as a basis to generate delinquency probabilities, default curves, loss severity curves, and voluntary prepayment curves at the loan level within each deal. The model utilizes HPI-adjusted current LTV, payment history, loan terms, loan modification history, and borrower characteristics as inputs to generate expected cash flows and principal loss for each bond under various scenarios.

**Asset backed securities ( ABS )** - As of June 30, 2018, gross unrealized losses related to asset backed securities were \$1.432 million. Of this amount, \$0.127 million have been in an unrealized loss position for twelve months or greater. 55.6% of the unrealized losses for twelve months or greater are related to securities rated A or better. The weighted average credit enhancement for the Company's asset backed portfolio is 23.3. 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 June 30, 2018, gross unrealized losses related to the CMBS portfolio were \$4.396 million. Of this amount, \$0.835 million have been in an unrealized loss position for twelve months or greater and are rated AA+ or better. The weighted average credit enhancement for the Company's CMBS portfolio is 45.1. 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. Each loan is analyzed over time using a series of tests to determine if a credit event will occur during the life of the loan. Inherent in this process are several economic scenarios and their corresponding rent/vacancy and capital market states. The five primary credit events that frame the analysis include loan modifications, term default, balloon default, extension, and ability to pay off at balloon. The resulting output is the expected loss adjusted cash flows for each bond under the base case and distressed scenarios.

**Corporate bonds** As of June 30, 2018, gross unrealized losses related to corporate bonds were \$10.167 million. Of this amount, \$0.782 million have been in an unrealized loss position for twelve months or greater and are rated A- or better. The analysis for this asset class 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 June 30, 2018, gross unrealized losses related to foreign bonds were \$2.995 million. Of this amount, \$0.318 million have been in an unrealized loss position for twelve months or greater. 77.2% of the unrealized losses for twelve months or greater are related to securities rated investment grade or better. For this asset class, 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.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

The Company recorded the following other than temporary impairments ( OTTI ) on its investment portfolio for the quarters and six months ended June 30, 2018 and 2017:

(Dollars in thousands)	Quarters Ended June 30, Six Months Ended June 30,			
	2018	2017	2018	2017
Fixed maturities:				
OTTI losses, gross	\$ (371)	\$	\$ (371)	\$ (31)
Portion of loss recognized in other comprehensive income (pre-tax)				
Net impairment losses on fixed maturities recognized in earnings	(371)		(371)	(31)
Equity securities		(578)		(657)
Total	\$ (371)	\$ (578)	\$ (371)	\$ (688)

The following table is an analysis of the credit losses recognized in earnings on fixed maturities held by the Company for the quarters and six months ended June 30, 2018 and 2017 for which a portion of the OTTI loss was recognized in other comprehensive income.

(Dollars in thousands)	Quarters Ended June 30, Six Months Ended June 30,			
	2018	2017	2018	2017
Balance at beginning of period	\$ 13	\$ 31	\$ 13	\$ 31
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		(15)		(15)
Balance at end of period	\$ 13	\$ 16	\$ 13	\$ 16

***Accumulated Other Comprehensive Income, Net of Tax***

Accumulated other comprehensive income, net of tax, as of June 30, 2018 and December 31, 2017 was as follows:



<b>(Dollars in thousands)</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Net unrealized gains (losses)from:		
Fixed maturities	\$ (24,865)	\$ (1,707)
Common stock		15,314
Foreign currency fluctuations	(549)	551
Deferred taxes	2,939	(5,175)
Accumulated other comprehensive income, net of tax	\$ (22,475)	\$ 8,983

**Table of Contents****GLOBAL INDEMNITY LIMITED**

The following tables present the changes in accumulated other comprehensive income, net of tax, by component for the quarters and six months ended June 30, 2018 and 2017:

<b>Quarter Ended June 30, 2018</b>	<b>Unrealized Gains and Losses on Available for Sale Securities, Net of Tax</b>		<b>Foreign Currency Items, Net of Tax</b>	<b>Accumulated Other Comprehensive Income, Net of Tax</b>		
<b>(Dollars in thousands)</b>						
Beginning balance	\$	(16,710)	\$	179	\$	(16,531)
Other comprehensive income (loss) before reclassification		(5,827)		(728)		(6,555)
Amounts reclassified from accumulated other comprehensive income (loss)		611				611
Other comprehensive income (loss)		(5,216)		(728)		(5,944)
Cumulative effect adjustment						
Ending balance	\$	(21,926)	\$	(549)	\$	(22,475)

<b>Quarter Ended June 30, 2017</b>	<b>Unrealized Gains and Losses on Available for Sale Securities, Net of Tax</b>		<b>Foreign Currency Items, Net of Tax</b>	<b>Accumulated Other Comprehensive Income, Net of Tax</b>		
<b>(Dollars in thousands)</b>						
Beginning balance	\$	4,218	\$	114	\$	4,332
Other comprehensive income (loss) before reclassification		2,154		323		2,477
Amounts reclassified from accumulated other comprehensive income (loss)		(823)				(823)
		1,331		323		1,654

Other comprehensive income  
(loss)

Ending balance	\$	5,549	\$	437	\$	5,986
----------------	----	-------	----	-----	----	-------

<b>Six Months Ended June 30, 2018</b>	<b>Unrealized Gains and Losses on Available for Sale Securities, Net of Tax</b>		<b>Foreign Currency Items, Net of Tax</b>	<b>Accumulated Other Comprehensive Income, Net of Tax</b>		
<b>(Dollars in thousands)</b>						
Beginning balance	\$	8,272	\$	711	\$	8,983
Other comprehensive income (loss) before reclassification		(21,016)		(1,100)		(22,116)
Amounts reclassified from accumulated other comprehensive income (loss)		686				686
Other comprehensive income (loss)		(20,330)		(1,100)		(21,430)
Cumulative effect adjustment		(9,868)		(160)		(10,028)
Ending balance	\$	(21,926)	\$	(549)	\$	(22,475)

**Table of Contents****GLOBAL INDEMNITY LIMITED**

<b>Six Months Ended June 30, 2017</b>	<b>Unrealized Gains and Losses on</b>		<b>Accumulated Other</b>
<b>(Dollars in thousands)</b>	<b>Available for Sale Securities, Net of Tax</b>	<b>Foreign Currency Items, Net of Tax</b>	<b>Comprehensive Income, Net of Tax</b>
Beginning balance	\$ (554)	\$ (64)	\$ (618)
Other comprehensive income (loss) before reclassification	7,325	508	7,833
Amounts reclassified from accumulated other comprehensive income (loss)	(1,222)	(7)	(1,229)
Other comprehensive income (loss)	6,103	501	6,604
Ending balance	\$ 5,549	\$ 437	\$ 5,986

The reclassifications out of accumulated other comprehensive income for the quarters and six months ended June 30, 2018 and 2017 were as follows:

<b>(Dollars in thousands)</b>	<b>Amounts Reclassified from Accumulated Other Comprehensive Income Quarters Ended June 30,</b>		
<b>Details about Accumulated Other</b>	<b>Affected Line Item in the Consolidated</b>	<b>2018</b>	<b>2017</b>
<b>Comprehensive Income Components</b>	<b>Statements of Operations</b>		
Unrealized gains and losses on available for sale securities	Other net realized investment (gains) losses	\$ 361	\$ (1,739)
	Other than temporary impairment losses on investments	371	578
	Total before tax	732	(1,161)
	Income tax expense (benefit)	(121)	338
		611	\$ (823)

Edgar Filing: Global Indemnity Ltd - Form 10-Q

	Unrealized gains and losses on available for sale securities, net of tax		
Foreign currency items	Other net realized investment (gains)		\$
	Income tax expense		
	Foreign currency items, net of tax		\$
Total reclassifications	Total reclassifications, net of tax	\$ 611	\$ (823)

Table of Contents

## GLOBAL INDEMNITY LIMITED

(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 Six Months Ended June 30,	
			2018	2017
	Unrealized gains and losses on available for sale securities	Other net realized investment (gains) losses	\$ 454	\$ (2,440)
		Other than temporary impairment losses on investments	371	688
		Total before tax	825	(1,752)
		Income tax expense (benefit)	(139)	530
		Unrealized gains and losses on available for sale securities, net of tax	686	\$ (1,222)
	Foreign currency items	Other net realized investment (gains)		\$ (11)
		Income tax expense		4
		Foreign currency items, net of tax		\$ (7)
	Total reclassifications	Total reclassifications, net of tax	\$ 686	\$ (1,229)

***Net Realized Investment Gains (Losses)***

The components of net realized investment gains (losses) for the quarters and six months ended June 30, 2018 and 2017 were as follows:

(Dollars in thousands)	Quarters Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Fixed maturities:				
Gross realized gains	\$ 20	\$ 2,500	\$ 44	\$ 2,689
Gross realized losses	(752)	(1,976)	(869)	(2,059)
Net realized gains (losses)	(732)	524	(825)	630
Common stock:				

Edgar Filing: Global Indemnity Ltd - Form 10-Q

Gross realized gains	2,874	1,219	6,327	1,794
Gross realized losses	(809)	(582)	(8,636)	(661)
Net realized gains (losses)	2,065	637	(2,309)	1,133
Derivatives:				
Gross realized gains	1,966		6,767	336
Gross realized losses	(469)	(1,823)	(1,119)	(1,986)
Net realized gains (losses) (1)	1,497	(1,823)	5,648	(1,650)
Total net realized investment gains (losses)	\$ 2,830	\$ (662)	\$ 2,514	\$ 113

Includes periodic net interest settlements related to the derivatives of \$0.5 million and \$0.9 million for the quarters ended June 30, 2018 and 2017, respectively, and \$1.2 million and \$2.0 million for the six months ended June 30, 2018 and 2017, respectively.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

New accounting guidance regarding equity securities was implemented on January 1, 2018 requires companies to disclose realized gains and losses for equity securities still held at period end and gains and losses from securities sold during the period. See Note 15 for additional information regarding new accounting pronouncements. The following table shows the calculation of the portion of realized gains and losses related to common stock held as of June 30, 2018:

<b>(Dollars in thousands)</b>	<b>Quarter Ended June 30, Six Months Ended June 30,</b>	
	<b>2018</b>	<b>2018</b>
Net gains and losses recognized during the period on equity securities	\$ 2,065	\$ (2,309)
Less: Net gains and losses recognized during the period on equity securities sold during the period	1,308	1,862
Unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting date	\$ 757	\$ (4,171)

The proceeds from sales and redemptions of available for sale and equity securities resulting in net realized investment gains (losses) for the six months ended June 30, 2018 and 2017 were as follows:

<b>(Dollars in thousands)</b>	<b>Six</b>	
	<b>Months Ended June 30,</b>	<b>2017</b>
	<b>2018</b>	<b>2017</b>
Fixed maturities	\$ 114,456	\$ 631,653
Equity securities	17,461	13,740

***Net Investment Income***

The sources of net investment income for the quarters and six months ended June 30, 2018 and 2017 were as follows:

<b>(Dollars in thousands)</b>	<b>Quarters Ended June 30, Six Months Ended June 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Fixed maturities	\$ 9,188	\$ 8,334	\$ 17,716	\$ 15,012
Equity securities	1,005	844	2,004	1,834
Cash and cash equivalents	265	311	529	395



Edgar Filing: Global Indemnity Ltd - Form 10-Q

Other invested assets	1,240	76	3,563	1,768
Total investment income	11,698	9,565	23,812	19,009
Investment expense	(744)	(725)	(1,454)	(1,525)
Net investment income	\$ 10,954	\$ 8,840	\$ 22,358	\$ 17,484

The Company's total investment return on a pre-tax basis for the quarters and six months ended June 30, 2018 and 2017 were as follows:

(Dollars in thousands)	Quarters Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net investment income	\$ 10,954	\$ 8,840	\$ 22,358	\$ 17,484
Net realized investment gains (losses)	2,830	(662)	2,514	113
Change in unrealized holding gains and losses	(6,635)	2,073	(24,258)	9,090
Net realized and unrealized investment returns	(3,805)	1,411	(21,744)	9,203
Total investment return	\$ 7,149	\$ 10,251	\$ 614	\$ 26,687
Total investment return % (1)	0.5%	0.6%	0.0%	1.7%
Average investment portfolio (2)	\$ 1,546,801	\$ 1,626,877	\$ 1,543,593	\$ 1,565,015

(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.

**Table of Contents****GLOBAL INDEMNITY LIMITED*****Insurance Enhanced Asset-Backed and Credit Securities***

As of June 30, 2018, the Company held insurance enhanced commercial mortgage-backed and credit securities with a market value of approximately \$34.7 million. Approximately \$1.1 million of these securities were tax-free municipal bonds, which represented approximately 0.1% 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 AA. None of these bonds are pre-refunded with U.S. treasury securities, nor would they have carried a lower credit rating had they not been insured.

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 June 30, 2018, is as follows:

<b>(Dollars in thousands)</b>	<b>Exposure Net of Pre-refunded &amp; Government Guaranteed Securities</b>			
<b>Financial Guarantor</b>	<b>Total</b>	<b>Pre-refunded Securities</b>	<b>Government Guaranteed Securities</b>	<b>Guaranteed Securities</b>
Municipal Bond Insurance Association	\$ 1,133	\$	\$	\$ 1,133
Total backed by financial guarantors	1,133			1,133
Other credit enhanced municipal bonds				
Total	\$ 1,133	\$	\$	\$ 1,133

In addition to the tax-free municipal bonds, the Company held \$33.5 million of insurance enhanced bonds, which represented approximately 2.2% of the Company's total invested assets, net of receivable/payable for securities purchased and sold. The insurance enhanced bonds are comprised of \$23.5 million of taxable municipal bonds and \$10.0 million of commercial mortgage-backed securities. The financial guarantors of the Company's \$33.5 million of insurance enhanced commercial-mortgage-backed and taxable municipal securities include Municipal Bond Insurance Association (\$6.0 million), Assured Guaranty Corporation (\$17.5 million), and Federal Home Loan Mortgage Corporation (\$10.0 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 June 30, 2018.

***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 June 30, 2018 and December 31, 2017:

(Dollars in thousands)	Estimated Fair Value	
	June 30, 2018	December 31, 2017
On deposit with governmental authorities	\$ 25,969	\$ 26,852
Intercompany trusts held for the benefit of U.S. policyholders	276,687	328,494
Held in trust pursuant to third party requirements	97,650	94,098
Letter of credit held for third party requirements	2,317	3,944
Securities held as collateral for borrowing arrangements (1)	80,483	88,040
Total	\$ 483,106	\$ 541,428

(1) Amount required to collateralize margin borrowing facility.

***Variable Interest Entities***

A Variable Interest Entity (VIE) refers to an investment in which an investor holds a controlling interest that is not based on the majority of voting rights. Under the VIE model, the party that has the power to exercise significant management influence and maintain a controlling financial interest in the entity's economics is said to be the primary beneficiary, and is required to consolidate the entity within their results. Other entities that participate in a VIE, for which their financial interests fluctuate with changes in the fair value of the investment entity's net assets but do not have significant management influence and the ability to direct the VIE's significant economic activities are said to have a variable interest in the VIE but do not consolidate the VIE in their financial results.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

The Company has variable interests in three VIEs for which it is not the primary beneficiary. These investments are accounted for under the equity method of accounting as their ownership interest exceeds 3% of their respective investments.

The fair value of one of the Company's VIEs, which invests in distressed securities and assets, was \$20.1 million and \$26.3 million as of June 30, 2018 and December 31, 2017, respectively. The Company's maximum exposure to loss from this VIE, which factors in future funding commitments, was \$34.3 million and \$40.5 million at June 30, 2018 and December 31, 2017, respectively. The fair value of a second VIE that provides financing for middle market companies, was \$37.2 million and \$33.8 million at June 30, 2018 and December 31, 2017, respectively. The Company's maximum exposure to loss from this VIE, which factors in future funding commitments, was \$42.4 million and \$43.8 million at June 30, 2018 and December 31, 2017, respectively. The fair value of a third VIE that also invests in distressed securities and assets, was \$26.2 million and \$17.8 million as of June 30, 2018 and December 31, 2017, respectively. The Company's maximum exposure to loss from this VIE, which factors in future funding commitments, was \$51.9 million and \$51.3 million at June 30, 2018 and December 31, 2017, respectively. The Company's investment in VIEs is included in other invested assets on the consolidated balance sheet with changes in fair value recorded in the consolidated statements of operations.

**3. 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.

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 in the consolidated statements of operations. The Company is ultimately responsible for the valuation of the interest rate swaps. To aid in determining the estimated fair value of the interest rate swaps, the Company relies on the forward interest rate curve and information obtained 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 June 30, 2018 and December 31, 2017:

(Dollars in thousands)	June 30, 2018		December 31, 2017		
<b>Derivatives Not Designated as Hedging</b>	<b>Balance Sheet</b>	<b>Notional</b>			
<b>Instruments under ASC 815</b>	<b>Location</b>	<b>Amount</b>	<b>Fair Value</b>	<b>Notional</b>	<b>Fair Value</b>
Interest rate swap agreements	Other liabilities	\$ 200,000	\$ (1,201)	\$ 200,000	\$ (7,968)

The following table summarizes the net gains (losses) included in the consolidated statements of operations for changes in the fair value of the derivatives and the periodic net interest settlements under the derivatives for the

quarters and six months ended June 30, 2018 and 2017:

**Quarters Ended June 30, 2018**      **Six Months Ended June 30, 2018**  
**Consolidated Statements of**

<b>(Dollars in thousands)</b>	<b>Operations Line</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Interest rate swap agreements	Net realized investment gains (losses)	\$ 1,497	\$ (1,823)	\$ 5,648	\$ (1,650)

As of June 30, 2018 and December 31, 2017, the Company is due \$2.9 million and \$3.1 million, respectively, for funds it needed to post to execute the swap transaction and \$2.0 million and \$9.5 million, respectively, for margin calls made in connection with the interest rate swaps. These amounts are included in other assets on the consolidated balance sheets.

**Table of Contents****GLOBAL INDEMNITY LIMITED****4. 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.

The following table presents information about the Company's invested assets and derivative instruments measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

<b>As of June 30, 2018 (Dollars in thousands)</b>	<b>Fair Value Measurements</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Fixed maturities:				
U.S. treasury and agency obligations	\$ 92,725	\$	\$	\$ 92,725
Obligations of states and political subdivisions		102,191		102,191
Mortgage-backed securities		181,897		181,897
Commercial mortgage-backed securities		153,609		153,609
Asset-backed securities		208,054		208,054
Corporate bonds		425,753		425,753

Edgar Filing: Global Indemnity Ltd - Form 10-Q

Foreign corporate bonds		119,641		119,641
Total fixed maturities	92,725	1,191,145		1,283,870
Common stock	137,789			137,789
Total assets measured at fair value (1)	\$ 230,514	\$ 1,191,145	\$	\$ 1,421,659
<b>Liabilities:</b>				
Derivative instruments	\$	\$ 1,201	\$	\$ 1,201
Total liabilities measured at fair value	\$	\$ 1,201	\$	\$ 1,201

- (1) Excluded from the table above are limited partnerships of \$83.5 million at June 30, 2018 whose fair value is based on net asset value as a practical expedient.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

As of December 31, 2017 (Dollars in thousands)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Fixed maturities:				
U.S. treasury and agency obligations	\$ 104,680	\$	\$	\$ 104,680
Obligations of states and political subdivisions		95,114		95,114
Mortgage-backed securities		149,350		149,350
Commercial mortgage-backed securities		139,795		139,795
Asset-backed securities		203,701		203,701
Corporate bonds		423,390		423,390
Foreign corporate bonds		125,407		125,407
<b>Total fixed maturities</b>	<b>104,680</b>	<b>1,136,757</b>		<b>1,241,437</b>
Common stock	140,229			140,229
<b>Total assets measured at fair value (1)</b>	<b>\$ 244,909</b>	<b>\$ 1,136,757</b>	<b>\$</b>	<b>\$ 1,381,666</b>
<b>Liabilities:</b>				
Derivative instruments	\$	\$ 7,968	\$	\$ 7,968
<b>Total liabilities measured at fair value</b>	<b>\$</b>	<b>\$ 7,968</b>	<b>\$</b>	<b>\$ 7,968</b>

(1) Excluded from the table above are limited partnerships of \$77.8 million at December 31, 2017 whose fair value is based on net asset value as a practical expedient.

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 derivative instruments, consisting of interest rate swaps, is obtained from a third party financial institution that utilizes observable inputs such as the forward interest rate curve.

For the Company's material debt arrangements, the current fair value of the Company's debt at June 30, 2018 and December 31, 2017 was as follows:



(Dollars in thousands)	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Margin Borrowing Facility	\$ 64,709	\$ 64,709	\$ 72,230	\$ 72,230
7.75% Subordinated Notes due 2045 (1)	96,680	99,320	96,619	100,059
7.875% Subordinated Notes due 2047 (2)	125,935	129,782	125,864	130,429
Total	\$ 287,324	\$ 293,811	\$ 294,713	\$ 302,718

(1) As of June 30, 2018 and December 31, 2017, the carrying value and fair value of the 7.75% Subordinated Notes due 2045 are net of unamortized debt issuance cost of \$3.3 million.

(2) As of June 30, 2018 and December 31, 2017, the carrying value and fair value of the 7.875% Subordinated Notes due 2047 are net of unamortized debt issuance cost of \$4.1 million.

The fair value of the margin borrowing facility approximates its carrying value due to the facility being due on demand. The subordinated notes due 2045 and 2047 are publicly traded instruments and are classified as Level 1 in the fair value hierarchy.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

There were no transfers between Level 1 and Level 2 during the quarters ended June 30, 2018 and 2017.

***Fair Value of Alternative Investments***

Other invested assets consist of limited liability partnerships whose fair value is based on net asset value per share practical expedient. The following table provides the fair value and future funding commitments related to these investments at June 30, 2018 and December 31, 2017.

<b>(Dollars in thousands)</b>	<b>June 30, 2018</b>		<b>December 31, 2017</b>	
	<b>Fair Value</b>	<b>Future Funding Commitment</b>	<b>Fair Value</b>	<b>Future Funding Commitment</b>
Real Estate Fund, LP (1)	\$	\$	\$	\$
European Non-Performing Loan Fund, LP (2)	20,069	14,214	26,262	14,214
Private Middle Market Loan Fund, LP (3)	37,244	5,200	33,760	10,000
Distressed Debt Fund, LP (4)	26,186	25,750	17,798	33,500
<b>Total</b>	<b>\$ 83,499</b>	<b>\$ 45,164</b>	<b>\$ 77,820</b>	<b>\$ 57,714</b>

- (1) 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.
- (2) 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 by 2020.
- (3) This limited partnership provides financing for 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 investment management agreement, the Company anticipates its interest to be redeemed no later than 2024.
- (4) This limited partnership invests in stressed and distressed securities and structured products. 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 to be redeemed no later than 2027.

***Limited Liability Companies and Limited Partnerships with ownership interest exceeding 3%***

The Company uses the equity method to account for investments in limited liability companies and limited partnerships where its ownership interest exceeds 3%. The equity method of accounting for an investment in a limited liability company and limited partnership requires that its cost basis be updated to account for the income or loss earned on the investment. The investment income associated with these limited liability companies or limited partnerships, which is reflected in the consolidated statements of operations, was \$1.2 million and \$0.1 million for the quarters ended June 30, 2018 and 2017, respectively, and \$3.6 million and \$1.8 million during the six months ended June 30, 2018 and 2017, respectively.

***Pricing***

The Company's pricing vendors provide prices for all investment categories except for investments in limited partnerships whose fair value is based on net asset values as a practical expedient. Two primary vendors are utilized to 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:

Common stock prices are received from all primary and secondary exchanges.

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

Corporate and agency bonds are evaluated by utilizing terms and conditions sourced from commercial vendors. Bonds with similar characteristics are grouped into specific sectors. Both asset classes use standard inputs and utilize bid price or spread, quotes, benchmark yields, discount rates, market data feeds, and financial statements.

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 asset-backed securities, data derived from market information along with trustee and servicer reports is converted into spreads to interpolated benchmark 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 obligations of state and political subdivisions, an integrated evaluation system is used. The pricing models incorporate trades, spreads, benchmark curves, market data feeds, new issue data, and trustee reports.

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

For mortgage-backed securities, various external analytical products are utilized and purchased from commercial vendors.

The Company performs certain procedures to validate whether the pricing information received from the pricing vendors 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 provides 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 or may potentially change.

Understanding and periodically evaluating the various pricing methods and procedures used by the Company's pricing vendors 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 vendors by obtaining pricing from a second pricing vendor for a sample of securities.

During the quarters and six months ended June 30, 2018 and 2017, the Company has not adjusted quotes or prices obtained from the pricing vendors.

## **5. Income Taxes**

As of June 30, 2018, the statutory income tax rates of the countries where the Company conducts business are 21% in the United States, 0% in Bermuda, 0% in the Cayman Islands, 26.01% for companies with a registered office in Luxembourg City, 0.25% to 2.5% in Barbados, 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.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

The Company's income before income taxes from its non-U.S. subsidiaries and U.S. subsidiaries for the quarters and six months ended June 30, 2018 and 2017 were as follows:

**Quarter Ended June 30, 2018:**

(Dollars in thousands)	Non-U.S. Subsidiaries	U.S. Subsidiaries	Eliminations	Total
<b>Revenues:</b>				
Gross premiums written	\$ 20,300	\$ 138,517	\$	\$ 158,817
Net premiums written	\$ 20,300	\$ 116,154	\$	\$ 136,454
Net premiums earned	\$ 37,111	\$ 76,806	\$	\$ 113,917
Net investment income	12,293	7,036	(8,375)	10,954
Net realized investment gains (losses)	(159)	2,989		2,830
Other income (loss)	(147)	471		324
Total revenues	49,098	87,302	(8,375)	128,025
<b>Losses and Expenses:</b>				
Net losses and loss adjustment expenses	12,768	46,093		58,861
Acquisition costs and other underwriting expenses	16,147	31,366		47,513
Corporate and other operating expenses	4,915	6,003		10,918
Interest expense	1,552	11,763	(8,375)	4,940
Income (loss) before income taxes	\$ 13,716	\$ (7,923)	\$	5,793

**Quarter Ended June 30, 2017:**

(Dollars in thousands)	Non-U.S. Subsidiaries	U.S. Subsidiaries	Eliminations	Total
<b>Revenues:</b>				
Gross premiums written	\$ 60,061	\$ 126,319	\$ (42,486)	\$ 143,894
Net premiums written	\$ 60,060	\$ 63,737	\$	\$ 123,797
Net premiums earned	\$ 49,059	\$ 58,014	\$	\$ 107,073
Net investment income	14,560	5,243	(10,963)	8,840
Net realized investment gains (losses)	196	(858)		(662)
Other income	86	1,696		1,782
Total revenues	63,901	64,095	(10,963)	117,033
<b>Losses and Expenses:</b>				

Edgar Filing: Global Indemnity Ltd - Form 10-Q

Net losses and loss adjustment expenses	22,876	34,824		57,700
Acquisition costs and other underwriting expenses	20,934	22,523		43,457
Corporate and other operating expenses	1,123	2,238		3,361
Interest expense	4,650	11,075	(10,963)	4,762
Income (loss) before income taxes	\$ 14,318	\$ (6,565)	\$	\$ 7,753

**Six Months Ended June 30, 2018:**

<b>(Dollars in thousands)</b>	<b>Non-U.S. Subsidiaries</b>	<b>U.S. Subsidiaries</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenues:</b>				
Gross premiums written	\$ 30,615	\$ 252,449	\$	\$ 283,064
Net premiums written	\$ 30,614	\$ 213,710	\$	\$ 244,324
Net premiums earned	\$ 85,133	\$ 136,786	\$	\$ 221,919
Net investment income	27,514	14,224	(19,380)	22,358
Net realized investment gains (losses)	(164)	2,678		2,514
Other income (loss)	(97)	975		878
Total revenues	112,386	154,663	(19,380)	247,669
<b>Losses and Expenses:</b>				
Net losses and loss adjustment expenses	33,333	81,600		114,933
Acquisition costs and other underwriting expenses	37,287	55,229		92,516
Corporate and other operating expenses	9,313	10,865		20,178
Interest expense	6,393	22,788	(19,380)	9,801
Income (loss) before income taxes	\$ 26,060	\$ (15,819)	\$	\$ 10,241

**Table of Contents****GLOBAL INDEMNITY LIMITED****Six Months Ended June 30, 2017:**

(Dollars in thousands)	Non-U.S. Subsidiaries	U.S. Subsidiaries	Eliminations	Total
<b>Revenues:</b>				
Gross premiums written	\$ 114,163	\$ 234,255	\$ (80,773)	\$ 267,645
Net premiums written	\$ 114,147	\$ 121,156	\$	\$ 235,303
Net premiums earned	\$ 99,992	\$ 120,207	\$	\$ 220,199
Net investment income	26,888	10,202	(19,606)	17,484
Net realized investment gains (losses)	237	(124)		113
Other income	173	2,977		3,150
Total revenues	127,290	133,262	(19,606)	240,946
<b>Losses and Expenses:</b>				
Net losses and loss adjustment expenses	43,736	76,525		120,261
Acquisition costs and other underwriting expenses	43,622	46,386		90,008
Corporate and other operating expenses	2,330	4,085		6,415
Interest expense	6,974	19,861	(19,606)	7,229
Income (loss) before income taxes	\$ 30,628	\$ (13,595)	\$	\$ 17,033

For the quarter and six months ended June 30, 2017, the Company's income before income taxes from its non-U.S. subsidiaries and U.S. subsidiaries, as reported in the table above, includes the results of the quota share agreement between Global Indemnity Reinsurance and the Insurance Operations. This quota share agreement was cancelled on a runoff basis effective January 1, 2018.

The following table summarizes the components of income tax benefit:

(Dollars in thousands)	Quarters Ended June 30, Six Months Ended June 30,			
	2018	2017	2018	2017
<b>Current income tax expense:</b>				
Foreign	\$ 85	\$ 87	\$ 264	\$ 183
U.S. Federal	166		732	
Total current income tax expense	251	87	996	183
<b>Deferred income tax benefit:</b>				
U.S. Federal	(1,650)	(2,423)	(3,648)	(5,521)
Total deferred income tax benefit	(1,650)	(2,423)	(3,648)	(5,521)



Total income tax benefit \$ (1,399) \$ (2,336) \$ (2,652) \$ (5,338)

The weighted average expected tax provision has been calculated using income before income taxes in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate.

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:

(Dollars in thousands)	Quarters Ended June 30,			
	2018		2017	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Expected tax provision at weighted average rate	\$ (1,497)	(25.8%)	\$ (2,210)	(28.5%)
Adjustments:				
Tax exempt interest	(4)	(0.1)	(67)	(0.9)
Dividend exclusion	(70)	(1.2)	(73)	(0.9)
Base Erosion Anti-Abuse Tax	165	2.9		
Other	7	0.1	14	0.2
Actual tax on continuing operations	\$ (1,399)	(24.1%)	\$ (2,336)	(30.1%)

**Table of Contents****GLOBAL INDEMNITY LIMITED**

The effective income tax benefit rate for the quarter ended June 30, 2018 was 24.1%, compared with an effective income tax benefit rate of 30.1% for the quarter ended June 30, 2017. The decrease in the effective income tax benefit rate in the quarter ended June 30, 2018 compared to the quarter ended June 30, 2017 is due to the change in the U.S. statutory tax rate from 35% to 21% effective January 1, 2018 and the Base Erosion Anti-Abuse Tax ( BEAT ) that became effective upon the passage of the Tax Cuts and Jobs Act ( TCJA ). Taxes were computed using a discrete period computation because a reliable estimate of an effective tax rate could not be made.

(Dollars in thousands)	Six Months Ended June 30,			
	2018		2017	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Expected tax provision at weighted average rate	\$ (3,033)	(29.6%)	\$ (4,574)	(26.9%)
Adjustments:				
Tax exempt interest	(5)	0.0	(151)	(0.9)
Dividend exclusion	(135)	(1.3)	(266)	(1.6)
Base Erosion Anti-Abuse Tax	731	7.1		
Other	(210)	(2.1)	(347)	(1.9)
Actual tax on continuing operations	\$ (2,652)	(25.9%)	\$ (5,338)	(31.3%)

The effective income tax benefit rate for the six months ended June 30, 2018 was 25.9%, compared with an effective income tax benefit rate of 31.3% for the six months ended June 30, 2017. The decrease in the effective income tax benefit rate in the six months ended June 30, 2018 compared to the six months ended June 30, 2017 is due to the change in the U.S. statutory tax rate from 35% to 21% effective January 1, 2018 and the BEAT that became effective upon the passage of the TCJA. Taxes were computed using a discrete period computation because a reliable estimate of an effective tax rate could not be made.

Financial results for the quarter and six months ended June 30, 2018 reflect provisional tax estimates related to the TCJA. These provisional estimates are based on the Company's initial analysis and current interpretation of the legislation. Given the complexity of the legislation, anticipated guidance from the U.S. Treasury, and the potential for additional guidance from the Securities and Exchange Commission ( SEC ) or the Financial Accounting Standards Board ( FASB ), these estimates may be adjusted during 2018. During the quarter and six months ended June 30, 2018, there were no adjustments to provisional tax estimates recorded in prior periods.

The Company had an alternative minimum tax ( AMT ) credit carryforward of \$11.0 million as of December 31, 2017. The TCJA repealed the corporate AMT. The AMT credit carryforward of \$11.0 million was reclassified to federal income taxes receivable at December 31, 2017 and will be fully refunded by the end of 2021. The Company has a net operating loss ( NOL ) carryforward of \$16.6 million as of June 30, 2018, which begins to expire in 2035 based on when the original NOL was generated. The Company's NOL carryforward as of December 31, 2017 was \$16.3 million. The Company has a Section 163(j) ( 163(j) ) carryforward of \$9.6 million and \$7.9 million as of June 30, 2018 and December 31, 2017, respectively, which can be carried forward indefinitely. The 163(j) carryforward is for

disqualified interest paid or accrued.

**Table of Contents****GLOBAL INDEMNITY LIMITED****6. Liability for Unpaid Losses and Loss Adjustment Expenses**

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

(Dollars in thousands)	Quarters Ended		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance at beginning of period	\$ 615,125	\$ 622,088	\$ 634,664	\$ 651,042
Less: Ceded reinsurance receivables	92,314	102,646	97,243	130,439
Net balance at beginning of period	522,811	519,442	537,421	520,603
Purchased reserves, gross		6,465		8,961
Purchased reserves ceded		(39)		510
Purchased reserves, net of third party reinsurance		6,426		9,471
Incurring losses and loss adjustment expenses related to:				
Current year	68,448	73,003	130,447	145,694
Prior years	(9,587)	(15,303)	(15,514)	(25,433)
Total incurred losses and loss adjustment expenses	58,861	57,700	114,933	120,261
Paid losses and loss adjustment expenses related to:				
Current year	33,120	42,975	50,574	67,363
Prior years	26,279	29,075	79,507	71,454
Total paid losses and loss adjustment expenses	59,399	72,050	130,081	138,817
Net balance at end of period	522,273	511,518	522,273	511,518
Plus: Ceded reinsurance receivables	91,397	104,245	91,397	104,245
Balance at end of period	\$ 613,670	\$ 615,763	\$ 613,670	\$ 615,763

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.

During the second quarter of 2018, the Company reduced its prior accident year loss reserves by \$9.6 million, which consisted of a \$5.2 million decrease related to Commercial Lines, \$2.1 million decrease related to Personal Lines, and a \$2.3 million decrease related to Reinsurance Operations.

The \$5.2 million reduction of prior accident year loss reserves related to Commercial Lines primarily consisted of the following:

**General Liability:** A \$2.3 million reduction reflects lower than expected claims severity in the reserving segments excluding construction defect, primarily in the 2006 through 2010, 2012 through 2014, and 2016 accident years, partially offset by an increase in the 2011 and 2017 accident years.

**Commercial Auto Liability:** A \$1.1 million decrease in the 2010, 2012 and 2013 accident years recognizes lower than anticipated claims severity.

**Professional Liability:** A \$0.5 million decrease reflects lower than expected claims severity in the 2008 through 2010 and 2012 through 2014 accident years.

**Property:** A \$1.3 million decrease in aggregate with \$1.0 million of favorable development in the property excluding catastrophe reserve categories mainly due to lower than expected claims severity in the 2014 through 2016 accident years and \$0.3 million of favorable development in the property catastrophe reserve categories primarily due to lower than anticipated claims severity in the 2017 accident year.

The \$2.1 million reduction of prior accident year loss reserves related to Personal Lines primarily consisted of the following:

**Property:** A \$1.8 million reduction primarily due to lower than anticipated claims severity in the 2014 through 2016 accident years partially offset by an increase in the 2017 accident year.

**General Liability:** A \$0.3 million decrease primarily due to lower than expected claims severity in the 2012 and 2016 accident years partially offset by an increase in the 2007 and 2017 accident years.

Table of Contents

**GLOBAL INDEMNITY LIMITED**

The \$2.3 million reduction of prior accident year loss reserves related to Reinsurance Operations was from the property lines for accident years 2011 through 2016 partially offset by an increase in the 2017 accident year. The accident year changes were based on a review of the experience reported from cedants.

In the second quarter of 2017, the Company reduced its prior accident year loss reserves by \$15.3 million, which consisted of a \$13.7 million decrease related to Commercial Lines and a \$1.6 million decrease related to Reinsurance Operations.

The \$13.7 million reduction of prior accident year loss reserves related to Commercial Lines primarily consisted of the following:

**General Liability:** A \$6.6 million reduction in aggregate with \$5.0 million of favorable development in the construction defect reserve category and \$1.6 million of favorable development in the other general liability reserve categories. The favorable development in the construction defect reserve category recognizes lower than anticipated claims frequency and severity which led to reductions primarily in the 2005 through 2016 accident years. For the other general liability reserve categories, lower than expected claims severity was the primary driver of the favorable development mainly in accident years 2008 through 2011 and the 2014 and 2015 accident years.

**Professional Liability:** A \$3.5 million decrease in aggregate primarily reflects lower than expected claims severity in the 2006 through 2009 and 2011 through 2013 accident years.

**Property:** A \$3.5 million reduction in aggregate with \$3.0 million of favorable development in the property excluding catastrophe reserve categories mainly due to lower than expected claims frequency and severity in the 2011 through 2016 accident years and \$0.5 million of favorable development in the property catastrophe reserve categories primarily due to lower than anticipated claims severity in the 2013 through 2015 accident years.

The \$1.6 million reduction of prior accident year loss reserves related to Reinsurance Operations was from the property lines. Ultimate losses were lowered primarily in the 2013 through 2015 accident years based on a review of the experience reported from cedants.

During the first six months of 2018, the Company reduced its prior accident year loss reserves by \$15.5 million, which consisted of a \$7.9 million decrease related to Commercial Lines, \$3.1 million decrease related to Personal Lines, and a \$4.5 million decrease related to Reinsurance Operations.

The \$7.9 million reduction of prior accident year loss reserves related to Commercial Lines primarily consisted of the following:

**General Liability:** A \$3.4 million reduction in reserve categories excluding construction defect. Lower than expected claims severity was the primary driver of the favorable development, mainly in the 2002 through 2004, 2006 through 2010, 2012 through 2014, and 2016 accident years which was partially offset by increases in the 2005, 2011, 2015, and 2017 accident years.

**Commercial Auto Liability:** A \$2.1 million decrease in the 2010, 2012 and 2013 accident years reflects lower than anticipated claims severity.

**Professional Liability:** A \$0.7 million decrease reflects lower than expected claims severity mainly in the 2010 through 2014 accident years.

**Property:** A \$1.7 million decrease in aggregate with \$1.4 million of favorable development in the property excluding catastrophe reserve categories and \$0.3 million of favorable development in the property catastrophe reserve categories. The favorable development in the reserve categories excluding catastrophe experience mainly reflects lower than expected claims severity in the 2014 through 2017 accident years. For the property catastrophe reserve categories, lower than anticipated claims severity was the driver of the favorable development mainly in the 2017 accident year, partially offset by an increase in the 2016 accident year.

The \$3.1 million reduction of prior accident year loss reserves related to Personal Lines primarily consisted of the following:

**Property:** A \$2.7 million reduction primarily in the 2014 through 2017 accident years mainly reflects lower than anticipated claims severity.

**General Liability:** A \$0.4 million decrease primarily due to lower than expected claims severity in the 2012, 2014 and 2016 accident years partially offset by an increase in the 2007 and 2015 accident years.

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

The \$4.5 million reduction of prior accident year loss reserves related to Reinsurance Operations was from the property lines for accident years 2011, 2012, 2015 and 2016, partially offset by increases in the 2013, 2014 and 2017 accident years. Ultimate losses were adjusted in these accident years based on a review of the experience reported from cedants.

During the first six months of 2017, the Company reduced its prior accident year loss reserves by \$25.4 million, which consisted of an \$18.9 million decrease related to Commercial Lines, a \$3.2 million decrease related to Personal Lines, and a \$3.3 million decrease related to Reinsurance Operations.

The \$18.9 million reduction of prior accident year loss reserves related to Commercial Lines primarily consisted of the following:

**General Liability:** A \$10.3 million reduction in aggregate with \$5.0 million of favorable development in the construction defect reserve category and \$5.3 million of favorable development in the other general liability reserve categories. The favorable development in the construction defect reserve category recognizes lower than anticipated claims frequency and severity which led to reductions primarily in the 2005 through 2016 accident years. For the other general liability reserve categories, lower than expected claims severity was the primary driver of the favorable development mainly in the 2007 through 2015 accident years.

**Professional Liability:** A \$3.4 million decrease in aggregate primarily reflects lower than expected claims severity in the 2006 through 2009 and 2011 through 2014 accident years.

**Property:** A \$5.2 million reduction in aggregate with \$3.0 million of favorable development in the property excluding catastrophe reserve categories and \$2.2 million of favorable development in the property catastrophe reserve categories. The favorable development in the reserve categories excluding catastrophe experience reflects lower than expected claims frequency and severity in the 2011 through 2016 accident years. For the property catastrophe reserve categories, lower than anticipated claims severity was the driver of the favorable development in the 2012 through 2016 accident years.

The \$3.2 million reduction of prior accident year loss reserves related to Personal Lines primarily consisted of the following:

**Property:** A \$2.7 million reduction in the property reserve categories, both including and excluding catastrophes. The decrease reflects lower than expected case incurred emergence, primarily in the 2016 accident year.

**General Liability:** A \$0.5 million reduction in the agriculture reserve categories. Lower than expected case incurred emergence in the 2016 accident year was the driver of the favorable development.



The \$3.3 million reduction of prior accident year loss reserve related to Reinsurance Operations was from the property lines. Ultimate losses were lowered in the 2013 through 2015 accident years based on a review of the experience reported from cedants.

***Loss indemnification related to Purchase of American Reliable***

On March 8, 2018, the Company settled its final reserve calculation which resulted in \$41.5 million being due to Global Indemnity Group, Inc. in accordance with the Stock Purchase Agreement between Global Indemnity Group, Inc. and American Bankers Insurance Group, Inc. for the purchase of American Reliable. The settlement is comprised of (i) receipt of \$38.8 million for loss and loss adjustment expenses paid on or after January 1, 2015 or payable as of December 31, 2017 with respect to losses incurred prior to January 1, 2015, (ii) receipt of \$6.2 million for accrued interest and (iii) payment of \$3.5 million for the difference between the agreed upon purchase price and actual settlement on January 1, 2015. These amounts, which were included in other assets on the consolidated balance sheets as of December 31, 2017, were received on March 9, 2018.

**Table of Contents****GLOBAL INDEMNITY LIMITED****7. Debt**

The Company's outstanding debt consisted of the following at June 30, 2018 and December 31, 2017:

<b>(Dollars in thousands)</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Margin Borrowing Facility	\$ 64,709	\$ 72,230
7.75% Subordinated Notes due 2045	96,680	96,619
7.875% Subordinated Notes due 2047	125,935	125,864
<b>Total</b>	<b>\$ 287,324</b>	<b>\$ 294,713</b>

On April 25, 2018, Global Indemnity Group, Inc. ( GIGI ), an indirect wholly owned subsidiary of the Company, became a subordinated co-obligor with respect to the 7.75% Subordinated Notes due in 2045 and the 7.875% Subordinated Notes due in 2047 with the same obligations and duties as the Company under the Indenture (including the due and punctual performance and observance of all of the covenants and conditions to be performed by the Company, including, without limitation, the obligation to pay the principal of, and interest on, the Notes of either series when due whether at maturity, by acceleration, redemption or otherwise), and with the same rights, benefits and privileges of the Company thereunder. Notwithstanding the foregoing, GIGI's obligations (including the obligation to pay the principal of and interest in respect of the Notes of any series) are subject to subordination to all monetary obligations or liabilities of GIGI owing to Global Indemnity Reinsurance, Ltd., a wholly owned subsidiary of the Company, and/or any other regulated reinsurance or insurance company that is a direct or indirect subsidiary of the Company, in addition to indebtedness of GIGI for borrowed money. If the Company pays any amount with respect to the subordinated note obligations, the Company is entitled to be reimbursed by GIGI within 10 business days after a demand is made to GIGI by the Company. In consideration for becoming a subordinated co-obligor on the subordinated notes, GIGI received a promissory note from the Company with a principal amount of \$230 million due April 15, 2047 that has since been assigned to an affiliate. This promissory note is eliminated in consolidation.

Please see Note 12 of the notes to the consolidated financial statements in Item 8 Part II of the Company's 2017 Annual Report on Form 10-K for more information on the Company's 7.75% Subordinated Notes due in 2045 and the 7.875% Subordinated Notes due in 2047 as well as the Margin Borrowing Facility.

**8. Shareholders' Equity**

There were no A ordinary shares that were surrendered or repurchased during the quarter ended June 30, 2018.

The following table provides information with respect to the A ordinary shares that were surrendered or repurchased during the quarter ended June 30, 2017:

<b>Period (1)</b>	<b>Total Number of Shares</b>	<b>Average Price Paid</b>	<b>Total Number of Shares Purchased</b>	<b>Approximate Dollar Value of Shares that May</b>
-------------------	-----------------------------------	-------------------------------	---	--

Edgar Filing: Global Indemnity Ltd - Form 10-Q

	<b>Purchased</b>	<b>Per Share</b>	<b>as Part of Publicly Announced Plan or Program</b>	<b>Yet Be Purchased Under the Plans or Programs</b>
May 1 - 31, 2017	586(2)	\$ 38.49		
Total	586	\$ 38.49		

(1) Based on settlement date.

(2) Surrendered by employees as payment of taxes withheld on the vesting of restricted stock.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

The following table provides information with respect to the A ordinary shares that were surrendered or repurchased during the six months ended June 30, 2018:

<b>Period (1)</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plan or Program</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</b>
January 1-31, 2018	26,639(2)	\$ 42.02		
March 1-31, 2018	18,594(2)	\$ 37.27		
<b>Total</b>	<b>45,233</b>	<b>\$ 40.07</b>		

(1) Based on settlement date.

(2) Surrendered by employees as payment of taxes withheld on the vesting of restricted stock.

The following table provides information with respect to the A ordinary shares that were surrendered or repurchased during the six months ended June 30, 2017:

<b>Period (1)</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plan or Program</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</b>
January 1-31, 2017	13,656(2)	\$ 38.21		
February 1-28, 2017	15,309(2)	\$ 40.18		
May 1-31, 2017	586(2)	\$ 38.49		
<b>Total</b>	<b>29,551</b>	<b>\$ 39.24</b>		

(1) Based on settlement date.

(2) Surrendered by employees as payment of taxes withheld on the vesting of restricted stock.

There were no B ordinary shares that were surrendered or repurchased during the quarters or six months ended June 30, 2018 or 2017.

Please see Note 13 of the notes to the consolidated financial statements in Item 8 Part II of the Company's 2017 Annual Report on Form 10-K for more information on the Company's repurchase program.

### ***Dividends***

On March 4, 2018, the Company's Board of Directors approved a dividend payment of \$0.25 per ordinary share to all shareholders of record on the close of business on March 21, 2018. On March 29, 2018, dividends totaling \$3.5 million were paid to shareholders.

On June 3, 2018, the Company's Board of Directors approved a dividend payment of \$0.25 per ordinary share to all shareholders of record on the close of business on June 22, 2018. On June 29, 2018, dividends totaling \$3.5 million were paid to shareholders.

As of June 30, 2018, accrued dividends on unvested shares, which were included in other liabilities on the consolidated balance sheets, were \$0.1 million.

Please see Note 13 of the notes to the consolidated financial statements in Item 8 Part II of the Company's 2017 Annual Report on Form 10-K for more information on the Company's dividend program.

## **9. Related Party Transactions**

### ***Fox Paine & Company ( Fox Paine )***

As of June 30, 2018, Fox Paine beneficially owned shares having approximately 82% 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.

---

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

The Company relies on Fox Paine to provide management services and other services related to the operations of the Company, and Fox Paine may propose and negotiate transaction fees with the Company, subject to the provisions of the Company's related party transaction policies including approval of the Company's Audit Committee of the Board of Directors, for those services from time to time. The Company incurred management fees of \$0.5 million in each of the quarters ended June 30, 2018 and 2017 and \$1.0 million and \$1.1 million in the six months ended June 30, 2018 and 2017, respectively, as part of the annual management fee paid to Fox Paine. As of June 30, 2018 and December 31, 2017, unpaid management fees, which were included in other liabilities on the consolidated balance sheets, were \$7.8 million and \$6.8 million, respectively.

Fox Paine also performed advisory services for the Company in relation to a transaction whereby one of the Company's indirect wholly owned subsidiaries became a co-obligor on the Company's subordinated notes. The advisory services were performed during the first and second quarter of 2018. The total fee for these services was \$12.5 million. Advisory fees were \$6.25 million and \$12.5 million during the quarter and six months ended June 30, 2018, respectively. This advisory fee was paid during June, 2018.

**10. 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.

***Commitments***

In 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 June 30, 2018, the Company has funded \$35.8 million of this commitment leaving \$14.2 million as unfunded.

In 2016, the Company entered into a \$40 million commitment with an investment manager that provides financing for middle market companies. As of June 30, 2018, the Company has completely funded the \$40.0 million commitment. Of this amount, \$5.2 million is still recallable.

In 2017, the Company entered into a \$50 million commitment to purchase an alternative investment vehicle comprised of stressed and distressed securities and structured products. As of June 30, 2018, the Company has funded

\$24.2 million of this commitment leaving \$25.8 million as unfunded.

### **11. Share-Based Compensation Plans**

On June 13, 2018, the Company's Shareholders approved the Global Indemnity Limited 2018 Share Incentive Plan (the 2018 Plan). The purpose of the 2018 Plan is to provide the Company a competitive advantage in attracting, retaining, and motivating officers, employees, consultants and non-employee directors, and to provide the Company with a share plan providing incentives linked to the financial results of the Company's business and increases in shareholder value. Under the

2018 Plan, the Company may issue up to 2.5 million A ordinary shares pursuant to awards granted under the Plan. The 2018 Plan will replace the Global Indemnity Limited Share Incentive Plan, effective since February 2014, which was set to expire pursuant to its terms on February 9, 2019.

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

**Options**

No stock options were awarded during the quarters ended June 30, 2018 or 2017. No unvested stock options were forfeited during the quarters ended June 30, 2018 or 2017.

On March 6, 2018, the Company entered into a Chief Executive Agreement (the "Employment Agreement") with Cynthia Y. Valko, the Company's Chief Executive Officer. In accordance with the Employment Agreement, the vesting schedule on the 300,000 stock options issued in 2014 ("Tranche 2 Options") was modified. The Tranche 2 Options will now vest on each December 31 of 2018, 2019 and 2020 in an amount based on Ms. Valko's attainment of Return on Equity criteria specified in the Employment Agreement. As a result of applying modification accounting, stock based compensation was increased by \$0.4 million and \$0.01 million during the quarter and six months ended June 30, 2018, respectively.

Under the terms of the Employment Agreement, Ms. Valko was also granted an additional 300,000 Time-Based Options ("Tranche 3 Options") with an exercise price of \$50 per share. Tranche 3 Options vest 1/3 on December 31 of 2018, 2019 and 2020, if Ms. Valko remains employed and in good standing as of such date. Tranche 3 Options expire on the earlier of December 31, 2027 and 90 calendar days after Ms. Valko is neither employed by Global Indemnity nor a member of the Board of Directors.

Other than the Tranche 3 Options granted to Ms. Valko, no additional stock options were awarded during the six months ended June 30, 2018. No stock options were awarded during the six months ended June 30, 2017. No unvested stock options were forfeited during the six months ended June 30, 2018 or 2017.

**Restricted Shares**

No restricted shares were issued to employees during the quarters ended June 30, 2018 and 2017.

During the six months ended June 30, 2018, the Company granted 38,778 A ordinary shares, with a weighted average grant date value of \$40.57 per share, to key employees under the Plan. 11,843 of these shares vested immediately. The remainder will vest as follows

16.5%, 16.5%, and 17.0% of the granted stock vest on January 1, 2019, January 1, 2020, and January 1, 2021, respectively.

Subject to Board approval, 50% of granted stock vests 100%, no later than March 15, 2021, following a re-measurement of 2017 results as of December 31, 2020.

During the six months ended June 30, 2017, the Company granted 22,503 A ordinary shares, with a weighted average grant date value of \$38.21 per share, to key employees under the Plan. These shares will vest as follows:



16.5%, 16.5%, and 17.0% of the granted stock vest on January 1, 2018, January 1, 2019, and January 1, 2020, respectively.

Subject to Board approval, 50% of granted stock vests 100%, no later than March 15, 2020, following a re-measurement of 2016 results as of December 31, 2019.

During the quarters ended June 30, 2018 and 2017, the Company granted 7,792 and 6,768 A ordinary shares, respectively, at a weighted average grant date value of \$38.98 and \$38.77 per share, respectively, to non-employee directors of the Company under the Plan. During the six months ended June 30, 2018 and 2017, the Company granted 16,934 and 13,468 A ordinary shares, respectively, at a weighted average grant date value of \$36.57 and \$38.63 per share, respectively, to non-employee directors of the Company under the Plan. All of the shares granted to non-employee directors of the Company in 2018 and 2017 were fully vested but are subject to certain restrictions.

**Table of Contents****GLOBAL INDEMNITY LIMITED****12. 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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 7,192	\$ 10,089	\$ 12,893	\$ 22,371
<i>Basic earnings per share:</i>				
Weighted average shares outstanding basic	14,092,397	17,335,914	14,073,813	17,326,019
Net income per share	\$ 0.51	\$ 0.58	\$ 0.92	\$ 1.29
<i>Diluted earnings per share:</i>				
Weighted average shares outstanding diluted	14,334,600	17,690,879	14,308,264	17,670,636
Net income per share	\$ 0.50	\$ 0.57	\$ 0.90	\$ 1.27

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Weighted average shares for basic earnings per share	14,092,397	17,335,914	14,073,813	17,326,019
Non-vested restricted stock	76,775	153,471	70,244	146,992
Options	165,428	201,494	164,207	197,625
Weighted average shares for diluted earnings per share	14,334,600	17,690,879	14,308,264	17,670,636

The weighted average shares outstanding used to determine dilutive earnings per share for the quarter and six months ended June 30, 2018 does not include 600,000 shares which were deemed to be anti-dilutive. There were no anti-dilutive shares for the quarter or six months ended June 30, 2017.

**13. Segment Information**

The Company manages its business through three business segments. Commercial Lines offers specialty property and casualty products designed for product lines such as Small Business Binding Authority, Property Brokerage, and Programs. Personal Lines offers specialty personal lines and agricultural coverage. Reinsurance Operations provides reinsurance solutions through brokers and primary writers including insurance and reinsurance companies.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

The following are tabulations of business segment information for the quarters and six months ended June 30, 2018 and 2017.

**Quarter Ended June 30, 2018:**

(Dollars in thousands)	Commercial Lines (1)	Personal Lines (1)	Reinsurance Operations (2)	Total
<b>Revenues:</b>				
Gross premiums written	\$ 69,973	\$ 68,545(6)	\$ 20,299	\$ 158,817
Net premiums written	\$ 61,350	\$ 54,807	\$ 20,297	\$ 136,454
Net premiums earned	\$ 52,252	\$ 49,880	\$ 11,785	\$ 113,917
Other income (loss)		472	(148)	324
Total revenues	52,252	50,352	11,637	114,241
<b>Losses and Expenses:</b>				
Net losses and loss adjustment expenses	25,095	30,009	3,757	58,861
Acquisition costs and other underwriting expenses	21,051(3)	22,227(4)	4,235	47,513
Income (loss) from segments	\$ 6,106	\$ (1,884)	\$ 3,645	\$ 7,867
<b>Unallocated Items:</b>				
Net investment income				10,954
Net realized investment gain				2,830
Corporate and other operating expenses				(10,918)
Interest expense				(4,940)
Income before income taxes				5,793
Income tax benefit				1,399
Net income				7,192
Total assets	\$ 896,698	\$ 523,813	\$ 561,308(5)	\$ 1,981,819

(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 \$116 relating to cessions from Commercial Lines to Reinsurance Operations.

(4) Includes federal excise tax of \$137 relating to cessions from Personal Lines to Reinsurance Operations.

- (5) Comprised of Global Indemnity Reinsurance's total assets less its investment in subsidiaries.
- (6) Includes (\$989) of business written by American Reliable that was ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Quarter Ended June 30, 2017:**

<b>(Dollars in thousands)</b>	<b>Commercial Lines (1)</b>	<b>Personal Lines (1)</b>	<b>Reinsurance Operations (2)</b>	<b>Total</b>
<b>Revenues:</b>				
Gross premiums written	\$ 56,752	\$ 69,572(6)	\$ 17,570	\$ 143,894
Net premiums written	\$ 49,439	\$ 56,789	\$ 17,569	\$ 123,797
Net premiums earned	\$ 43,519	\$ 53,171	\$ 10,383	\$ 107,073
Other income	78	1,618	86	1,782
Total revenues	43,597	54,789	10,469	108,855
<b>Losses and Expenses:</b>				
Net losses and loss adjustment expenses	14,169	39,161	4,370	57,700
Acquisition costs and other underwriting expenses	18,142(3)	22,058(4)	3,257	43,457
Income (loss) from segments	\$ 11,286	\$ (6,430)	\$ 2,842	\$ 7,698
<b>Unallocated Items:</b>				
Net investment income				8,840
Net realized investment losses				(662)
Corporate and other operating expenses				(3,361)
Interest expense				(4,762)
Income before income taxes benefit				7,753
Income tax benefit				2,336
Net income				10,089
Total assets	\$ 880,084	\$ 494,079	\$ 730,191(5)	\$ 2,104,354

- (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 \$119 relating to cessions from Commercial Lines to Reinsurance Operations.
- (4) Includes federal excise tax of \$266 relating to cessions from Personal Lines to Reinsurance Operations.
- (5) Comprised of Global Indemnity Reinsurance's total assets less its investment in subsidiaries.
- (6) Includes \$191 of business written by American Reliable that was ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement.

**Six Months Ended June 30, 2018:**

(Dollars in thousands)	Commercial Lines (1)	Personal Lines (1)	Reinsurance Operations (2)	Total
<b>Revenues:</b>				
Gross premiums written	\$ 123,746	\$ 128,710(6)	\$ 30,608	\$ 283,064
Net premiums written	\$ 109,656	\$ 104,062	\$ 30,606	\$ 244,324
Net premiums earned	\$ 99,614	\$ 100,492	\$ 21,813	\$ 221,919
Other income (loss)		975	(97)	878
Total revenues	99,614	101,467	21,716	222,797
<b>Losses and Expenses:</b>				
Net losses and loss adjustment expenses	50,124	57,630	7,179	114,933
Acquisition costs and other underwriting expenses	40,256(3)	44,406(4)	7,854	92,516
Income (loss) from segments	\$ 9,234	\$ (569)	\$ 6,683	\$ 15,348
<b>Unallocated Items:</b>				
Net investment income				22,358
Net realized investment gain				2,514
Corporate and other operating expenses				(20,178)
Interest expense				(9,801)
Income before income taxes				10,241
Income tax benefit				2,652
Net income				12,893
Total assets	\$ 896,698	\$ 523,813	\$ 561,308(5)	\$ 1,981,819

- (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 \$290 relating to cessions from Commercial Lines to Reinsurance Operations.
- (4) Includes federal excise tax of \$343 relating to cessions from Personal Lines to Reinsurance Operations.
- (5) Comprised of Global Indemnity Reinsurance's total assets less its investment in subsidiaries.
- (6) Includes (\$1,856) of business written by American Reliable that was ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Six Months Ended June 30, 2017:**

<b>(Dollars in thousands)</b>	<b>Commercial Lines (1)</b>	<b>Personal Lines (1)</b>	<b>Reinsurance Operations (2)</b>	<b>Total</b>
<b>Revenues:</b>				
Gross premiums written	\$ 102,663	\$ 131,589(6)	\$ 33,393	\$ 267,645
Net premiums written	\$ 90,554	\$ 111,372	\$ 33,377	\$ 235,303
Net premiums earned	\$ 88,511	\$ 111,834	\$ 19,854	\$ 220,199
Other income	78	2,899	173	3,150
Total revenues	88,589	114,733	20,027	223,349
<b>Losses and Expenses:</b>				
Net losses and loss adjustment expenses	34,593	77,876	7,792	120,261
Acquisition costs and other underwriting expenses	37,161(3)	46,592(4)	6,255	90,008
Income (loss) from segments	\$ 16,835	\$ (9,735)	\$ 5,980	\$ 13,080
<b>Unallocated Items:</b>				
Net investment income				17,484
Net realized investment gain				113
Corporate and other operating expenses				(6,415)
Interest expense				(7,229)
Income before income taxes				17,033
Income tax benefit				5,338
Net income				22,371
Total assets	\$ 880,084	\$ 494,079	\$ 730,191(5)	\$ 2,104,354

- (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 \$239 relating to cessions from Commercial Lines to Reinsurance Operations.
- (4) Includes federal excise tax of \$559 relating to cessions from Personal Lines to Reinsurance Operations.
- (5) Comprised of Global Indemnity Reinsurance's total assets less its investment in subsidiaries.
- (6) Includes \$1,242 of business written by American Reliable that was ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement.





**Table of Contents****GLOBAL INDEMNITY LIMITED****14. Condensed Consolidating Financial Information Provided in Connection with Outstanding Debt of Subsidiaries**

The following tables present condensed consolidating balance sheets at June 30, 2018 and December 31, 2017, condensed consolidating statements of operations and condensed consolidating statements of comprehensive income for the quarters and

six months ended June 30, 2018 and 2017, and condensed consolidating statements of cash flows for the six months ended June 30, 2018 and 2017. GIGI is a 100% owned subsidiary of the Company. See Note 7 for information on the Company's debt obligations.

Condensed Consolidating Balance Sheets at June 30, 2018 (in thousands)	Global	Global	Other Global		
	Indemnity Limited (Parent co- obligor)	Indemnity Group, Inc. (Subsidiary co-obligor)	Indemnity Subsidiaries and Eliminations (non-co- obligor subsidiaries)	Consolidating Adjustments (2)	Global Indemnity Limited Consolidated
<b>ASSETS</b>					
Total investments	\$ 17,712	\$ 313,031	\$ 1,174,415	\$	\$ 1,505,158
Cash and cash equivalents	1,385	1,461	44,292		47,138
Investments in subsidiaries	1,218,698	323,017	39,581	(1,581,296)	
Due from subsidiaries and affiliates	4,507	(8,334)	3,827		
Notes receivable - affiliate		80,049	845,498	(925,547)	
Interest receivable - affiliate		3,285	29,114	(32,399)	
Premiums receivable, net			92,567		92,567
Reinsurance receivables, net			96,568		96,568
Funds held by ceding insurers			52,110		52,110
Federal income taxes receivable		9,687	304		9,991
Deferred federal income taxes		26,913	5,930		32,843
Deferred acquisition costs			65,504		65,504
Intangible assets			22,285		22,285
Goodwill			6,521		6,521
Prepaid reinsurance premiums			25,237		25,237
Receivable for securities sold					
Other assets	8,057	8,009	17,216	(7,385)	25,897
<b>Total assets</b>	<b>\$ 1,250,359</b>	<b>\$ 757,118</b>	<b>\$ 2,520,969</b>	<b>\$ (2,546,627)</b>	<b>\$ 1,981,819</b>

**LIABILITIES AND  
SHAREHOLDERS' EQUITY**

**Liabilities:**

Unpaid losses and loss adjustment expenses	\$	\$	\$ 613,670	\$	\$ 613,670
--	----	----	------------	----	------------

Edgar Filing: Global Indemnity Ltd - Form 10-Q

Unearned premiums			304,188		304,188
Ceded balances payable			21,848		21,848
Payable for securities purchased	(3,041)		3,594		553
Contingent commissions			6,496		6,496
Debt		294,709		(7,385)	287,324
Notes payable affiliates	520,498	400,000	5,049	(925,547)	
Accrued interest payable affiliates	17,335	13,594	1,470	(32,399)	
Other liabilities	10,109	12,276	22,926	12	45,323
<b>Total liabilities</b>	<b>547,942</b>	<b>717,538</b>	<b>979,241</b>	<b>(965,319)</b>	<b>1,279,402</b>

**Shareholders equity**

Total shareholders equity	702,417	39,580	1,541,728	(1,581,308)	702,417
---------------------------	---------	--------	-----------	-------------	---------

Total liabilities and shareholders equity	\$ 1,250,359	\$ 757,118	\$ 2,520,969	\$ (2,546,627)	\$ 1,981,819
---	--------------	------------	--------------	----------------	--------------

- (1) Includes all other subsidiaries of Global Indemnity Limited and eliminations  
(2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

**Table of Contents****GLOBAL INDEMNITY LIMITED**

Condensed Consolidating Balance Sheets  at December 31, 2017 (in thousands)	Global Indemnity Limited (Parent co- obligor)	Global Indemnity Group, Inc. (Subsidiary co-obligor)	Other Global Indemnity Limited Subsidiaries and Eliminations (non-co- obligor subsidiaries) (Adjustments (2))	Global Indemnity Limited Consolidated
<b>ASSETS</b>				
Total investments	\$ 13,118	\$ 309,891	\$ 1,136,477	\$ 1,459,486
Cash and cash equivalents	11,089	7,749	55,576	74,414
Investments in subsidiaries	1,207,590	321,194	62,950	(1,591,734)
Due from subsidiaries and affiliates	4,618	(6,513)	1,895	
Notes receivable affiliate		80,049	845,498	(925,547)
Interest receivable affiliate		2,721	30,642	(33,363)
Premiums receivable, net			84,386	84,386
Reinsurance receivables, net			105,060	105,060
Funds held by ceding insurers			45,300	45,300
Federal income taxes receivable		7,560	2,489	283
Deferred federal income taxes		21,533	4,833	(170)
Deferred acquisition costs			61,647	61,647
Intangible assets			22,549	22,549
Goodwill			6,521	6,521
Prepaid reinsurance premiums			28,851	28,851
Receivable for securities sold		(403)	1,946	1,543
Other assets	20,681	52,806	21,897	(20,000)
<b>Total assets</b>	<b>\$ 1,257,096</b>	<b>\$ 796,587</b>	<b>\$ 2,518,517</b>	<b>\$ (2,570,531)</b>

**LIABILITIES AND  
SHAREHOLDERS EQUITY**

**Liabilities:**

Unpaid losses and loss adjustment expenses	\$	\$	\$ 634,664	\$ 634,664
Unearned premiums			285,397	285,397
Ceded balances payable			10,851	10,851
Payable for securities purchased				
Contingent commissions			7,984	7,984
Debt	222,483	72,230		294,713
Notes payable affiliates	290,498	630,000	5,049	(925,547)
Accrued interest payable affiliates	12,465	19,574	1,324	(33,363)
Other liabilities	13,256	11,832	44,578	(20,000)
<b>Total liabilities</b>	<b>538,702</b>	<b>733,636</b>	<b>989,847</b>	<b>(978,910)</b>

**Shareholders equity**

Edgar Filing: Global Indemnity Ltd - Form 10-Q

Total shareholders equity	718,394	62,951	1,528,670	(1,591,621)	718,394
Total liabilities and shareholders equity	\$ 1,257,096	\$ 796,587	\$ 2,518,517	\$ (2,570,531)	\$ 2,001,669

- (1) Includes all other subsidiaries of Global Indemnity Limited and eliminations
- (2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

**Table of Contents****GLOBAL INDEMNITY LIMITED**

<b>Condensed Consolidating Statements of Operations for the Quarter Ended June 30, 2018 (in thousands)</b>	<b>Global Indemnity Limited Group, Inc. and Subsidiaries Eliminations (non-co- obligor subsidiaries) (1)</b>				<b>Other Global Indemnity Limited Consolidating Adjustments (2)</b>	<b>Global Indemnity Limited Consolidated</b>
	<b>Global Indemnity Limited (Parent co- obligor)</b>	<b>Global Indemnity Group, Inc. (Subsidiary co-obligor)</b>	<b>Global Indemnity Group, Inc. and Subsidiaries Eliminations (non-co- obligor subsidiaries)</b>	<b>Other Global Indemnity Limited Consolidating Adjustments</b>		
<b>Revenues:</b>						
Net premiums earned	\$	\$	\$ 113,917	\$	\$ 113,917	
Net investment income	205	2,711	20,316	(12,278)	10,954	
Net realized investment gains (losses)	(20)	3,066	(216)		2,830	
Other income		14	310		324	
Total revenues	185	5,791	134,327	(12,278)	128,025	
<b>Losses and Expenses:</b>						
Net losses and loss adjustment expenses			58,861		58,861	
Acquisition costs and other underwriting expenses			47,513		47,513	
Corporate and other operating expenses	4,719	5,927	272		10,918	
Interest expense	5,379	11,718	121	(12,278)	4,940	
Income (loss) before equity in net income (loss) of subsidiaries and income taxes	(9,913)	(11,854)	27,560		5,793	
Equity in net income (loss) of subsidiaries	17,105	3,108	(6,428)	(13,785)		
Income (loss) before income taxes	7,192	(8,746)	21,132	(13,785)	5,793	
Income tax benefit		(2,312)	913		(1,399)	
Net income (loss)	\$ 7,192	\$ (6,434)	\$ 20,219	\$ (13,785)	\$ 7,192	

(1) Includes all other subsidiaries of Global Indemnity Limited and eliminations

(2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

<b>Condensed Consolidating Statements of Operations for the Quarter Ended June 30, 2017 (in thousands)</b>	<b>Global Indemnity Limited Group, Inc. and Subsidiaries Eliminations (non-co- obligor subsidiaries) (1)</b>				<b>Other Global Indemnity Limited Consolidating Adjustments (2)</b>	<b>Global Indemnity Limited Consolidated</b>
	<b>Global Indemnity Limited (Parent co- obligor)</b>	<b>Global Indemnity Group, Inc. (Subsidiary co-obligor)</b>	<b>Global Indemnity Group, Inc. and Subsidiaries Eliminations (non-co- obligor subsidiaries)</b>	<b>Other Global Indemnity Limited Consolidating Adjustments</b>		
<b>Revenues:</b>						
Net premiums earned	\$	\$	\$ 107,073	\$	\$ 107,073	

Edgar Filing: Global Indemnity Ltd - Form 10-Q

Net investment income	142	1,183	18,959	(11,444)	8,840
Net realized investment gains (losses)	(242)	(1,026)	606		(662)
Other income		1,149	633		1,782
Total revenues	(100)	1,306	127,271	(11,444)	117,033
<b>Losses and Expenses:</b>					
Net losses and loss adjustment expenses			57,700		57,700
Acquisition costs and other underwriting expenses			43,457		43,457
Corporate and other operating expenses	920	(4,331)	6,772		3,361
Interest expense	5,051	11,075	80	(11,444)	4,762
Income (loss) before equity in net income (loss) of subsidiaries and income taxes	(6,071)	(5,438)	19,262		7,753
Equity in net income (loss) of subsidiaries	16,160	(646)	(3,982)	(11,532)	
Income (loss) before income taxes	10,089	(6,084)	15,280	(11,532)	7,753
Income tax benefit		(1,994)	(342)		(2,336)
Net income (loss)	\$ 10,089	\$ (4,090)	\$ 15,622	\$ (11,532)	\$ 10,089

- (1) Includes all other subsidiaries of Global Indemnity Limited and eliminations  
(2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

**Table of Contents****GLOBAL INDEMNITY LIMITED**

<b>Condensed Consolidating Statements of Operations for the Six Months Ended June 30, 2018 (in thousands)</b>	<b>Global Indemnity Limited (Parent co- obligor)</b>	<b>Global Indemnity Group, Inc. (Subsidiary co-obligor)</b>	<b>Other Global Indemnity Limited Subsidiaries and Eliminations (non-co- obligor subsidiaries)</b>	<b>Consolidating Adjustments (2)</b>	<b>Global Indemnity Limited Consolidated</b>
<b>Revenues:</b>					
Net premiums earned	\$	\$ 0	\$ 221,919	\$	\$ 221,919
Net investment income	337	5,912	39,940	(23,831)	22,358
Net realized investment gains (losses)	(20)	2,846	(312)		2,514
Other income		12	866		878
<b>Total revenues</b>	<b>317</b>	<b>8,770</b>	<b>262,413</b>	<b>(23,831)</b>	<b>247,669</b>
<b>Losses and Expenses:</b>					
Net losses and loss adjustment expenses			114,933		114,933
Acquisition costs and other underwriting expenses			92,516		92,516
Corporate and other operating expenses	8,977	10,645	556		20,178
Interest expense	10,698	22,738	196	(23,831)	9,801
Income (loss) before equity in net income (loss) of subsidiaries and income taxes	(19,358)	(24,613)	54,212		10,241
Equity in net income (loss) of subsidiaries	32,251	10,765	(12,901)	(30,115)	
Income (loss) before income taxes	12,893	(13,848)	41,311	(30,115)	10,241
Income tax expense (benefit)		(947)	(1,818)	113	(2,652)
<b>Net income (loss)</b>	<b>\$ 12,893</b>	<b>\$ (12,901)</b>	<b>\$ 43,129</b>	<b>\$ (30,228)</b>	<b>\$ 12,893</b>

(1) Includes all other subsidiaries of Global Indemnity Limited and eliminations

(2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

<b>Condensed Consolidating Statements of Operations</b>	<b>Global Indemnity Limited</b>	<b>Global Indemnity Group, Inc.</b>	<b>Other Global Indemnity Limited</b>	<b>Consolidating Adjustments (2)</b>	<b>Global Indemnity Limited</b>
---	---	---	---	--	---



<b>for the Six Months Ended June 30, 2017 (in thousands)</b>	<b>(Parent co- obligor)</b>	<b>(Subsidiary co-obligor)</b>	<b>Subsidiaries and Eliminations (non-co- obligor subsidiaries (1))</b>	<b>Consolidated</b>
<b>Revenues:</b>				
Net premiums earned	\$	\$ 0	\$ 220,199	\$ 220,199
Net investment income	152	2,784	34,965	(20,417) 17,484
Net realized investment gains (losses)	(249)	(601)	963	113
Other income		1,776	1,374	3,150
Total revenues	(97)	3,959	257,501	(20,417) 240,946
<b>Losses and Expenses:</b>				
Net losses and loss adjustment expenses			120,261	120,261
Acquisition costs and other underwriting expenses			90,008	90,008
Corporate and other operating expenses	1,500	(5,663)	10,578	6,415
Interest expense	7,593	19,850	203	(20,417) 7,229
Income (loss) before equity in net income (loss) of subsidiaries and income taxes	(9,190)	(10,228)	36,451	17,033
Equity in net income (loss) of subsidiaries	31,561	(1,688)	(7,959)	(21,914)
Income (loss) before income taxes	22,371	(11,916)	28,492	(21,914) 17,033
Income tax benefit		(3,846)	(1,492)	(5,338)
Net income (loss)	\$ 22,371	\$ (8,070)	\$ 29,984	\$ (21,914) \$ 22,371

- (1) Includes all other subsidiaries of Global Indemnity Limited and eliminations  
(2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

**Table of Contents****GLOBAL INDEMNITY LIMITED****Condensed Consolidating  
Statements of**

<b>Comprehensive Income for the Quarter Ended</b>	<b>Global Indemnity Limited (Parent co- obligor)</b>	<b>Global Indemnity Group, Inc. (Subsidiary co-obligor)</b>	<b>Other Global Indemnity Limited Subsidiaries and Eliminations (non-co- obligor subsidiaries (1))</b>	<b>Consolidating Adjustments (2)</b>	<b>Global Indemnity Limited Consolidated</b>
<b>June 30, 2018 (in thousands)</b>					
Net income (loss)	\$ 7,192	\$ (6,434)	\$ 20,219	\$ (13,785)	\$ 7,192
Other comprehensive income (loss), net of tax:					
Unrealized holding gains (losses)	(23)	(475)	(5,322)		(5,820)
Equity in other comprehensive income (loss) of unconsolidated subsidiaries	(5,941)	(2,517)	(2,600)	11,058	
Portion of other-than-temporary impairment losses recognized in other comprehensive income (losses)			(7)		(7)
Reclassification adjustment for gains included in net income (loss)	20	392	199		611
Unrealized foreign currency translation gains (losses)			(728)		(728)
Other comprehensive income (loss), net of tax	(5,944)	(2,600)	(8,458)	11,058	(5,944)
Comprehensive income (loss), net of tax	\$ 1,248	\$ (9,034)	\$ 11,761	\$ (2,727)	\$ 1,248

(1) Includes all other subsidiaries of Global Indemnity Limited and eliminations

(2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

**Condensed Consolidating  
Statements of**

<b>Comprehensive Income for the Quarter Ended</b>	<b>Global Indemnity Limited (Parent co- obligor)</b>	<b>Global Indemnity Group, Inc. (Subsidiary co-obligor)</b>	<b>Other Global Indemnity Limited Subsidiaries and Eliminations (non-co- obligor subsidiaries (1))</b>	<b>Consolidating Adjustments (2)</b>	<b>Global Indemnity Limited Consolidated</b>
<b>June 30, 2017 (in thousands)</b>					
Net income (loss)	\$ 10,089	\$ (4,090)	\$ 15,622	\$ (11,532)	\$ 10,089

Other comprehensive income (loss), net of tax:					
Unrealized holding gains (losses)	(235)	466	1,920	4	2,155
Equity in other comprehensive income (loss) of unconsolidated subsidiaries	1,647	625	777	(3,049)	
Portion of other-than-temporary impairment losses recognized in other comprehensive income (losses)			(1)		(1)
Reclassification adjustment for gains included in net income (loss)	242	(518)	(547)		(823)
Unrealized foreign currency translation gains (losses)		204	119		323
Other comprehensive income (loss), net of tax	1,654	777	2,268	(3,045)	1,654
Comprehensive income (loss), net of tax	\$ 11,743	\$ (3,313)	\$ 17,890	\$ (14,577)	\$ 11,743

- (1) Includes all other subsidiaries of Global Indemnity Limited and eliminations  
(2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

**Table of Contents****GLOBAL INDEMNITY LIMITED****Condensed Consolidating  
Statements of**

<b>Comprehensive Income for the Six Months Ended</b>	<b>Global Indemnity Limited (Parent co- obligor)</b>	<b>Global Indemnity Group, Inc. (Subsidiary co-obligor)</b>	<b>Other Global Indemnity Limited Subsidiaries and Eliminations (non-co- obligor subsidiaries (1))</b>	<b>Consolidating Adjustments (2)</b>	<b>Global Indemnity Limited Consolidated</b>
<b>June 30, 2018 (in thousands)</b>					
Net income (loss)	\$ 12,893	\$ (12,901)	\$ 43,129	\$ (30,228)	\$ 12,893
Other comprehensive income (loss), net of tax:					
Unrealized holding gains (losses)	(147)	(2,085)	(18,776)		(21,008)
Equity in other comprehensive income (loss) of unconsolidated subsidiaries	(21,303)	(9,030)	(10,726)	41,059	
Portion of other-than-temporary impairment losses recognized in other comprehensive income (losses)			(8)		(8)
Reclassification adjustment for gains included in net income (loss)	20	389	277		686
Unrealized foreign currency translation gains (losses)			(1,100)		(1,100)
Other comprehensive income (loss), net of tax	(21,430)	(10,726)	(30,333)	41,059	(21,430)
Comprehensive income (loss), net of tax	\$ (8,537)	\$ (23,627)	\$ 12,796	\$ 10,831	\$ (8,537)

(1) Includes all other subsidiaries of Global Indemnity Limited and eliminations

(2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

**Condensed Consolidating  
Statements of**

<b>Comprehensive Income for the Six Months Ended</b>	<b>Global Indemnity Limited (Parent co- obligor)</b>	<b>Global Indemnity Group, Inc. (Subsidiary co-obligor)</b>	<b>Other Global Indemnity Limited Subsidiaries and Eliminations (non-co- obligor subsidiaries (1))</b>	<b>Consolidating Adjustments (2)</b>	<b>Global Indemnity Limited Consolidated</b>
<b>June 30, 2017 (in thousands)</b>					
Net income (loss)	\$ 22,371	\$ (8,070)	\$ 29,984	\$ (21,914)	\$ 22,371

Other comprehensive income (loss), net of tax:					
Unrealized holding gains (losses)	(244)	3,823	3,739	15	7,333
Equity in other comprehensive income (loss) of unconsolidated subsidiaries	6,599	1,189	4,615	(12,403)	
Portion of other-than-temporary impairment losses recognized in other comprehensive income (losses)			(1)		(1)
Reclassification adjustment for gains included in net income (loss)	249	(682)	(796)		(1,229)
Unrealized foreign currency translation gains (losses)		285	216		501
Other comprehensive income (loss), net of tax	6,604	4,615	7,773	(12,388)	6,604
Comprehensive income (loss), net of tax	\$ 28,975	\$ (3,455)	\$ 37,757	\$ (34,302)	\$ 28,975

- (1) Includes all other subsidiaries of Global Indemnity Limited and eliminations  
(2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

**Table of Contents****GLOBAL INDEMNITY LIMITED**

Condensed Consolidating Statements of Cash	Global Indemnity Limited (Parent co-obligor)	Global Indemnity Group, Inc. (Subsidiary co-obligor)	Other Global Indemnity Limited Subsidiaries and Eliminations (non-co-obligor subsidiaries (1))	Global Indemnity Limited Consolidated
<b>Flows at June 30, 2018 (in thousands)</b>				
<b>Cash flows from operating activities:</b>				
Net cash provided by (used for) operating activities	\$ (16,120)	\$ 9,869	\$ 65,211	\$ 58,960
<b>Cash flows from investing activities:</b>				
Proceeds from sale of fixed maturities	15,284	24,077	75,095	114,456
Proceeds from sale of equity securities		17,461		17,461
Proceeds from maturity of fixed maturities	5,431	7,600	20,010	33,041
Proceeds from limited partnerships		(1,322)	6,193	4,871
Amounts received in connection with derivatives		6,602		6,602
Purchases of fixed maturities	(25,485)	(31,659)	(157,793)	(214,937)
Purchases of equity securities		(17,330)		(17,330)
Purchases of other invested assets		(10,550)		(10,550)
Acquisition of business		(3,515)		(3,515)
Net cash used for investing activities	(4,770)	(8,636)	(56,495)	(69,901)
<b>Cash flows from financing activities:</b>				
Net borrowings (repayments) under margin borrowing facility				
		(7,521)		(7,521)
Proceeds / (issuance) of notes to affiliates	230,000	(230,000)		
Debt restructuring	(230,000)	230,000		
Dividends paid to shareholders	(7,001)			(7,001)
Dividends from subsidiaries	20,000		(20,000)	
Capital contribution to a subsidiary				
Purchase of A ordinary shares	(1,813)			(1,813)
Net cash provided by (used for) financing activities	11,186	(7,521)	(20,000)	(16,335)
Net change in cash and cash equivalents	(9,704)	(6,288)	(11,284)	(27,276)
Cash and cash equivalents at beginning of period	11,089	7,749	55,576	74,414
Cash and cash equivalents at end of period	\$ 1,385	\$ 1,461	\$ 44,292	\$ 47,138

- (1) Includes all other subsidiaries of Global Indemnity Limited and eliminations
- (2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

**Table of Contents****GLOBAL INDEMNITY LIMITED**

<b>Condensed Consolidating Statements of Cash Flows at</b>	<b>Global Indemnity Limited (Parent co-obligor)</b>	<b>Global Indemnity Group, Inc. (Subsidiary co-obligor)</b>	<b>Other Global Indemnity Limited Subsidiaries and Eliminations (non-co-obligor subsidiaries (1))</b>	<b>Global Indemnity Limited Consolidated</b>
<b>June 30, 2017 (in thousands)</b>				
<b>Cash flows from operating activities:</b>				
Net cash provided by (used for) operating activities	\$ (4,696)	\$ (8,127)	\$ 9,417	\$ (3,406)
<b>Cash flows from investing activities:</b>				
Proceeds from sale of fixed maturities	10,392	29,043	592,218	631,653
Proceeds from sale of equity securities		13,740		13,740
Proceeds from maturity of fixed maturities	3,000	25,000	25,478	53,478
Proceeds from limited partnerships		6,629	3,693	10,322
Amounts paid in connection with derivatives		(983)		(983)
Purchases of fixed maturities	(29,215)	(158,412)	(593,643)	(781,270)
Purchases of equity securities		(17,517)		(17,517)
Purchases of other invested assets		(16,500)		(16,500)
Net cash provided by (used for) investing activities	(15,823)	(119,000)	27,746	(107,077)
<b>Cash flows from financing activities:</b>				
Net borrowings (repayments) under margin borrowing facility				
		7,242		7,242
Proceeds from issuance of subordinated notes	130,000			130,000
Debt issuance cost	(4,246)			(4,246)
Proceeds / (issuance) of notes to affiliates		120,000	(120,000)	
Dividends from subsidiaries				
Capital contribution	(96,000)		96,000	
Purchase of A ordinary shares	(1,159)			(1,159)
Net cash provided by (used for) financing activities	28,595	127,242	(24,000)	131,837
Net change in cash and cash equivalents	8,076	115	13,163	21,354
Cash and cash equivalents at beginning of period	91	5,536	69,483	75,110



Cash and cash equivalents at end of period	\$	8,167	\$	5,651	\$	82,646	\$	96,464
--	----	-------	----	-------	----	--------	----	--------

- (1) Includes all other subsidiaries of Global Indemnity Limited and eliminations
- (2) Includes Parent co-obligor and subsidiary co-obligor consolidating adjustments

### **15. New Accounting Pronouncements**

#### *Accounting Standards Adopted in 2018*

In March, 2018, the FASB issued new accounting guidance whereby the SEC provided clarification to address any uncertainty or diversity of views in practice related to the application of ASC Topic 740, Income Taxes, in situations where a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting under ASC Topic 740 for certain income tax effects of the TCJA for the reporting period in which the Act was enacted. This guidance is effective immediately. Accordingly, provisional estimates were recorded based on the Company's initial analysis and current interpretation of the legislation and disclosed in the notes above. The adoption of this new accounting guidance did not have a material impact to the Company's financial condition, results of operation, or cash flows.

In February, 2018, the FASB issued new accounting guidance which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA. The amendments in this Update also require certain disclosures related to stranded tax effects. The guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company early adopted the provisions of this new guidance on a retrospective basis as of January 1, 2018 and made an election to reclassify, in its entirety, all stranded tax effects related to TCJA. As a result, the Company recorded a cumulative effect adjustment of \$0.1 million which was reclassified from accumulated other comprehensive income to retained earnings. The adoption of this new accounting guidance did not have a material impact to the Company's financial condition, results of operation, or cash flows.

---

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

In May, 2017, the FASB issued updated accounting guidance which clarified whether changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. This guidance is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company adopted this guidance during the first quarter of 2018. The provisions of this guidance were adopted on a prospective basis. As a result of adopting this guidance, stock based compensation was increased by \$0.4 million and \$0.01 million during the quarter and six months ended June 30, 2018, respectively. The adjustment was due to the Company entering into an Employment Agreement with its Chief Executive Officer which modified the vesting schedule on 300,000 options issued in 2014. The Company did not record a cumulative effect adjustment to shareholders' equity as a result of adopting this guidance and the adoption of this new accounting guidance did not have a material impact to the Company's financial condition, results of operation, or cash flows.

In October, 2016, the FASB issued new accounting guidance regarding intra-entity transfers of assets other than inventory. Prior to adoption, the tax effects of intra-entity asset transfers (intercompany sales) were deferred until the transferred asset was sold to a third party or otherwise recovered through use. This is an exception to the principle in ASC 740, Income Taxes, that generally requires comprehensive recognition of current and deferred income taxes. The new guidance eliminates the exception for all intra-entity sales of assets other than inventory. As a result, a reporting entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. Upon adoption on January 1, 2018, the Company applied the provisions of this guidance on a modified retrospective basis resulting in a cumulative-effect adjustment which increased retained earnings by \$0.2 million. The adoption of this new accounting guidance did not have a material impact to the Company's financial condition, results of operation, or cash flows.

In August, 2016, the FASB issued new accounting guidance regarding the classification of certain cash receipts and cash payments within the statements of cash flows. The new guidance addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. This guidance is effective for public business entities for fiscal periods beginning after December 15, 2017, and interim periods within those fiscal years. Upon adoption on January 1, 2018, the Company made an accounting policy election to use the cumulative earnings approach for presenting distributions received from equity method investees. Under this approach, distributions up to the amount of cumulative equity in earnings recognized will be treated as returns on investment and presented in operating activities and those in excess of that amount will be treated as returns of investment and presented in the investing section. Prior to adoption, all distributions received from equity method investees were presented in the investing section of the consolidated statements of cash flows. The other cash flow issues addressed by the new guidance did not impact the Company. The provisions of this accounting guidance were adopted on a retrospective basis. The adoption of this new accounting guidance did not have a material impact to the Company's financial condition, results of operation, or cash flows.

In January, 2016, the FASB issued new accounting guidance surrounding the accounting for financial instruments. The new guidance addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. In particular, the guidance requires equity investments, except for those accounted for under the equity method of accounting or those that result in consolidation of the investee, to be measured at fair value with the changes in fair value recognized in net income. It also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. This guidance is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods

within those fiscal years. Upon adoption on January 1, 2018, the Company recorded a cumulative effect adjustment, net of tax, of \$10.0 million which reduced accumulated other comprehensive income and increased retained earnings. During the quarter and six months ended June 30, 2018, net realized investment gains (losses) included a gain of \$0.8 million and loss of \$4.2 million, respectively, related to the change in the fair value of equity investments in accordance with this new accounting guidance.

In May, 2014, the FASB issued new accounting guidance regarding the recognition of revenue from customers arising from the transfer of goods and services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company adopted the standard and all related amendments using the modified retrospective method. Long and short duration insurance contracts, which comprise the majority of the Company's revenues, are excluded from this accounting guidance. As such, revenue within the scope of the new guidance primarily includes fee income. The adoption of this new accounting guidance did not have a material impact to the Company's financial condition, results of operation, or cash flows. There were no material changes in the timing or measurement of revenues based upon the guidance. As a result, there is no cumulative effect on retained earnings.

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

***Recently Issued Accounting Guidance Not Yet Adopted***

In June, 2018, the FASB issued new accounting guidance which expanded the scope of Accounting Standards Codification (ASC) Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployee. This guidance is effective for fiscal years beginning after December 15, 2018 including interim periods. The Company does not anticipate the new guidance having a material impact on its financial condition, results of operations, or cash flows.

Please see Note 22 of the notes to the consolidated financial statements in Item 8 Part II of the Company's 2017 Annual Report on Form 10-K for more information on accounting pronouncements issued in 2017 which have not been implemented in 2018.

**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, 2017.

**Recent Developments**

During the quarter ended March 31, 2018, the Company received regulatory approval to terminate the quota share agreement between Global Indemnity Reinsurance and the Company's U.S. insurance companies effective January 1, 2018.

On March 4, 2018, the Company's Board of Directors approved a dividend payment of \$0.25 per ordinary share to all shareholders of record on the close of business on March 21, 2018. On March 29, 2018, dividends totaling \$3.5 million were paid to shareholders.

On April 25, 2018 the Company and Global Indemnity Group, Inc., an indirect wholly owned subsidiary of the Company, entered into an agreement pursuant to which Global Indemnity Group, Inc. agreed to become a subordinated co-obligor with respect to the 7.75% subordinated notes due 2045 and the 7.875% subordinated notes due 2047. Please see Note 7 of the notes to the consolidated financial statements in Item 1 of Part I of this report for further discussion on this transaction.

On June 4, 2018, the Company's Board of Directors approved a dividend payment of \$0.25 per ordinary share to all shareholders of record on the close of business on June 22, 2018. On June 29, 2018, dividends totaling \$3.5 million were paid to shareholders.

## Overview

The Company's Commercial Lines segment distribute property and casualty insurance products through a group of approximately 125 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; 3) Diamond State, which includes property, casualty, and professional lines products distributed through wholesale brokers and program administrators with specific binding authority; and 4) Vacant Express, which primarily insures dwellings which are currently vacant, undergoing renovation, or are under construction and is distributed through aggregators, brokers, and retail agents.

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

The Company's Personal Lines segment, via American Reliable, offers specialty personal lines and agricultural coverage through a group of approximately 260 agents, primarily comprised of wholesale general agents, with specific binding authority in the admitted marketplace.

The Company's Reinsurance Operations, consisting solely of the operations of Global Indemnity Reinsurance, currently provides reinsurance solutions through brokers and on a direct basis. 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 considering 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 related to underwriting activities. Corporate and other operating expenses are comprised primarily of outside legal fees, other professional and accounting fees, directors' fees, management fees & advisory 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.

**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 most critical accounting policies involve significant estimates and include those used in determining the liability for unpaid losses and loss adjustment expenses, recoverability of reinsurance receivables, investments, fair value measurements, goodwill and intangible assets, deferred acquisition costs, and taxation. For a detailed discussion on each of these policies, please see the Company's Annual Report on Form 10-K for the year ended December 31, 2017. There have been no significant changes to any of these policies or underlying methodologies during the current year except for the following:

The Company adopted new accounting guidance which requires equity investments, except for those accounted for under the equity method of accounting or those that result in consolidation of the investee, to be measured at fair value with the changes in fair value recognized in net income.

The Company adopted new accounting guidance regarding the classification of certain cash receipts and cash payments within the statement of cash flows. Upon adoption, the Company made a policy election to use the cumulative earnings approach for presenting distributions received from equity method investees. Under this approach, distributions up to the amount of cumulative equity in earnings recognized will be treated as returns on investment and presented in operating activities and those in excess of that amount will be treated as returns of investment and presented in the investing section.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

The Company adopted new accounting guidance regarding intra-entity transfers of assets other than inventory. Upon adoption, the Company now recognizes the tax expense from the sale of the asset in the appropriate tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises would also be recognized at the time of the transfer.

**Results of Operations**

The following table summarizes the Company's results for the quarters and six months ended June 30, 2018 and 2017:

<b>(Dollars in thousands)</b>	<b>Quarters Ended</b>			<b>Six Months Ended</b>		
	<b>June 30,</b>	<b>June 30,</b>	<b>%</b>	<b>June 30,</b>	<b>June 30,</b>	<b>%</b>
	<b>2018</b>	<b>2017</b>	<b>Change</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
Gross premiums written	\$ 158,817	\$ 143,894	10.4%	\$ 283,064	\$ 267,645	5.8%
Net premiums written	\$ 136,454	\$ 123,797	10.2%	\$ 244,324	\$ 235,303	3.8%
Net premiums earned	\$ 113,917	\$ 107,073	6.4%	\$ 221,919	\$ 220,199	0.8%
Other income	324	1,782	(81.8%)	878	3,150	(72.1%)
Total revenues	114,241	108,855	4.9%	222,797	223,349	(0.2%)
Losses and expenses:						
Net losses and loss adjustment expenses	58,861	57,700	2.0%	114,933	120,261	(4.4%)
Acquisition costs and other underwriting expenses	47,513	43,457	9.3%	92,516	90,008	2.8%
Underwriting income (loss)	7,867	7,698	2.2%	15,348	13,080	17.3%
Net investment income	10,954	8,840	23.9%	22,358	17,484	27.9%
Net realized investment gains (losses)	2,830	(662)	NM	2,514	113	NM
Corporate and other operating expenses	(10,918)	(3,361)	224.8%	(20,178)	(6,415)	214.5%
Interest expense	(4,940)	(4,762)	3.7%	(9,801)	(7,229)	35.6%
Income (loss) before income taxes	5,793	7,753	(25.3%)	10,241	17,033	(39.9%)
Income tax benefit	(1,399)	(2,336)	(40.1%)	(2,652)	(5,338)	(50.3%)
Net income (loss)	\$ 7,192	\$ 10,089	(28.7%)	\$ 12,893	\$ 22,371	(42.4%)
<b>Underwriting Ratios:</b>						
Loss ratio (1):	51.7%	53.9%		51.8%	54.6%	
Expense ratio (2)	41.7%	40.6%		41.7%	40.9%	



Combined ratio (3)	93.4%	94.5%	93.5%	95.5%
--------------------	-------	-------	-------	-------

NM not meaningful

- (1) 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.
- (2) 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.
- (3) The combined ratio is a GAAP financial measure and is the sum of the Company's loss and expense ratios.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Premiums**

The following table summarizes the change in premium volume by business segment:

(Dollars in thousands)	Quarters Ended			Six Months Ended		
	June 30, 2018	June 30, 2017	% Change	June 30, 2018	June 30, 2017	% Change
<b>Gross premiums written (1)</b>						
Commercial Lines	\$ 69,973	\$ 56,752	23.3%	\$ 123,746	\$ 102,663	20.5%
Personal Lines (3)	68,545	69,572	(1.5%)	128,710	131,589	(2.2%)
Reinsurance (5)	20,299	17,570	15.5%	30,608	33,393	(8.3%)
<b>Total gross premiums written</b>	<b>\$ 158,817</b>	<b>\$ 143,894</b>	<b>10.4%</b>	<b>\$ 283,064</b>	<b>\$ 267,645</b>	<b>5.8%</b>
<b>Ceded premiums written</b>						
Commercial Lines	\$ 8,623	\$ 7,313	17.9%	\$ 14,090	\$ 12,109	16.4%
Personal Lines	13,738	12,783	7.5%	24,648	20,217	21.9%
Reinsurance (5)	2	1	100.0%	2	16	(87.5%)
<b>Total ceded premiums written</b>	<b>\$ 22,363</b>	<b>\$ 20,097</b>	<b>11.3%</b>	<b>\$ 38,740</b>	<b>\$ 32,342</b>	<b>19.8%</b>
<b>Net premiums written (2)</b>						
Commercial Lines	\$ 61,350	\$ 49,439	24.1%	\$ 109,656	\$ 90,554	21.1%
Personal Lines	54,807	56,789	(3.5%)	104,062	111,372	(6.6%)
Reinsurance (5)	20,297	17,569	15.5%	30,606	33,377	(8.3%)
<b>Total net premiums written</b>	<b>\$ 136,454</b>	<b>\$ 123,797</b>	<b>10.2%</b>	<b>\$ 244,324</b>	<b>\$ 235,303</b>	<b>3.8%</b>
<b>Net premiums earned</b>						
Commercial Lines (4)	\$ 52,252	\$ 43,519	20.1%	\$ 99,614	\$ 88,511	12.5%
Personal Lines (4)	49,880	53,171	(6.2%)	100,492	111,834	(10.1%)
Reinsurance (5)	11,785	10,383	13.5%	21,813	19,854	9.9%
<b>Total net premiums earned</b>	<b>\$ 113,917</b>	<b>\$ 107,073</b>	<b>6.4%</b>	<b>\$ 221,919</b>	<b>\$ 220,199</b>	<b>0.8%</b>

NM not meaningful

(1) Gross premiums written represent the amount received or to be received for insurance policies written without reduction for reinsurance costs, ceded premiums, or other deductions.

(2) Net premiums written equal gross premiums written less ceded premiums written.

- (3) Includes business written by American Reliable that was ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement of (\$989) and \$191 during the quarters ended June 30, 2018 and 2017, respectively, and (\$1,856) and \$1,242 during the six months ended June 30, 2018 and 2017, respectively.
- (4) Includes business ceded to the Company's Reinsurance Operations.
- (5) External business only, excluding business assumed from affiliates.

Gross premiums written increased by 10.4% and 5.8% for the quarter and six months ended June 30, 2018, respectively, as compared to same period in 2017. Gross premiums written include business written by American Reliable that was ceded to insurance entities owned by Assurant under a 100% quota share reinsurance agreement in the amount of (\$1.0) million and \$0.2 million for the quarters ended June 30, 2018 and 2017, respectively and (\$1.9) million and \$1.2 for the six months ended June 30, 2018 and 2017, respectively. Excluding the business that is ceded 100% to insurance entities owned by Assurant, gross premiums written increased by 11.2% and 7.0% for the quarter and six months ended June 30, 2018, respectively, as compared to same period in 2017. For the quarter ended June 30, 2018, the increase is mainly due to premium growth within Commercial Lines which is primarily being driven by rate increases mainly due to catastrophe experienced in the prior year, new programs, and increased interaction with agents as well as growth within Reinsurance Operations mainly attributable to the property catastrophe treaties and professional liability portfolio. This growth was partially offset by a decline in Reinsurance Operations primarily due to the non-renewal of a treaty. For the six months ended June 30, 2018, the increase is mainly due to the premium growth within the Company's Commercial Lines partially offset by a reduction in premiums written within the Company's Reinsurance Operations. The growth experienced in Commercial Lines is primarily being driven by rate increases mainly due to catastrophes experienced in the prior year, new programs, and increased interactions with agents. The reduction in gross premiums written within the Company's Reinsurance Operations is primarily due to the non-renewal of a treaty partially offset by growth in the property catastrophe treaties and professional liability portfolio.

**Table of Contents****GLOBAL INDEMNITY LIMITED*****Net Retention***

The ratio of net premiums written to gross premiums written is referred to as the Company's net premium retention. The Company's net premium retention is summarized by segments as follows:

<b>(Dollars in thousands)</b>	<b>Quarters Ended</b>			<b>Six Months Ended</b>		
	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Point Change</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Point Change</b>
Commercial Lines	87.7%	87.1%	0.6	88.6%	88.2%	0.4
Personal Lines (1)	78.8%	81.8%	(3.0)	79.7%	85.4%	(5.7)
Reinsurance	100.0%	100.0%	0.0	100.0%	100.0%	0.0
<b>Total (1)</b>	<b>85.4%</b>	<b>86.1%</b>	<b>(0.7)</b>	<b>85.8%</b>	<b>88.3%</b>	<b>(2.5)</b>

(1) Excludes business written by American Reliable that was ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement of (\$989) and \$191 during the quarters ended June 30, 2018 and 2017, respectively, and (\$1,856) and \$1,242 during the six months ended June 30, 2018 and 2017, respectively. The net premium retention for the quarter and six months ended June 30, 2018 decreased by 0.7 points and 2.5 points, respectively, as compared to the same period in 2017. This change in retention is primarily driven by the Company's Personal Lines. The net premium retention for the quarter and six months ended June 30, 2018 decreased by 3.0 points and 5.7 points, respectively, for Personal Lines as compared to 2017 primarily due to the Property Catastrophe Quota Share Treaty that became effective on April 15, 2017. Please see the Liquidity section within Item 7 of Part II in the Company's 2017 Annual Report on Form 10-K for additional information on the Property Catastrophe Quota Share.

***Net Premiums Earned***

Net premiums earned within the Commercial Lines segment increased by 20.1% and 12.5% for the quarter and six months ended June 30, 2018, respectively, as compared to the same period in 2017. The increase in net premiums earned was primarily due to an increase in gross premiums written. Property net premiums earned were \$26.6 million and \$21.9 million for the quarters ended June 30, 2018 and 2017, respectively, and \$50.3 million and \$45.6 million for the six months ended June 30, 2018 and 2017, respectively. Casualty net premiums earned were \$25.6 million and \$21.6 million for the quarters ended June 30, 2018 and 2017, respectively, and \$49.3 million and \$42.9 million for the six months ended June 30, 2018 and 2017, respectively.

Net premiums earned within the Personal Lines segment decreased by 6.2% and 10.1% for the quarter and six months ended June 30, 2018, respectively, as compared to the same period in 2017 primarily due to a slight decline in gross premiums written as well as additional premiums being ceded due to the Property Catastrophe Quota Share Treaty that became effective on April 15, 2017. Property net premiums earned were \$42.2 million and \$45.0 million for the quarters ended June 30, 2018 and 2017, respectively, and \$84.9 million and \$95.2 million for the six months ended June 30, 2018 and 2017, respectively. Casualty net premiums earned were \$7.7 million and \$8.2 million for the

quarters ended June 30, 2018 and 2017, respectively, and \$15.6 million and \$16.6 million for the six months ended June 30, 2018 and 2017, respectively.

Net premiums earned within the Reinsurance Operations segment increased by 13.5% and 9.9% for the quarter and six months ended June 30, 2018, respectively, as compared to the same period in 2017 primarily due to growth in gross premiums written within the property and professional lines of business. Property net premiums earned were \$10.3 million and \$9.2 million for the quarters ended June 30, 2018 and 2017, respectively, and \$19.0 million and \$17.5 million for the six months ended June 30, 2018 and 2017, respectively. Casualty net premiums earned were \$1.5 million and \$1.2 million for the quarters ended June 30, 2018 and 2017, respectively, and \$2.8 million and \$2.4 million for the six months ended June 30, 2018 and 2017, respectively.

**Table of Contents****GLOBAL INDEMNITY LIMITED*****Reserves***

Management's best estimate at June 30, 2018 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 \$613.7 million and \$522.3 million, respectively, as of June 30, 2018. A breakout of the Company's gross and net reserves, as of June 30, 2018, is as follows:

<b>(Dollars in thousands)</b>	<b>Gross Reserves</b>		
	<b>Case</b>	<b>IBNR (1)</b>	<b>Total</b>
Commercial Lines	\$ 111,092	\$ 300,272	\$ 411,364
Personal Lines	34,441	79,340	113,781
Reinsurance Operations	33,415	55,110	88,525
Total	\$ 178,948	\$ 434,722	\$ 613,670

<b>(Dollars in thousands)</b>	<b>Net Reserves (2)</b>		
	<b>Case</b>	<b>IBNR (1)</b>	<b>Total</b>
Commercial Lines	\$ 88,961	\$ 251,468	\$ 340,429
Personal Lines	27,707	65,675	93,382
Reinsurance Operations	33,415	55,047	88,462
Total	\$ 150,083	\$ 372,190	\$ 522,273

(1) Losses incurred but not reported, including the expected future emergence of case reserves.

(2) Does not include reinsurance receivable on paid losses.

Each reserve category has an implicit frequency and severity for each accident year as a result of the various assumptions made. 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 reserve categories, the Company believes that frequency can be predicted with greater accuracy than severity. Therefore, the Company believes management's best estimate is more likely influenced by 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 \$130.4 million for claims occurring during the six months ended June 30, 2018:

(Dollars in thousands)	Severity Change					
		-10%	-5%	0%	5%	10%
<b>Frequency Change</b>	<b>-5%</b>	\$ (18,908)	\$ (12,714)	\$ (6,520)	\$ (326)	\$ 5,868
	<b>-3%</b>	(16,561)	(10,236)	(3,912)	2,412	8,737
	<b>-2%</b>	(15,387)	(8,998)	(2,608)	3,782	10,171
	<b>-1%</b>	(14,214)	(7,759)	(1,304)	5,151	11,606
	<b>0%</b>	(13,040)	(6,520)		6,520	13,040
	<b>1%</b>	(11,866)	(5,281)	1,304	7,889	14,474
	<b>2%</b>	(10,693)	(4,042)	2,608	9,258	15,909
	<b>3%</b>	(9,519)	(2,804)	3,912	10,628	17,343
	<b>5%</b>	(7,172)	(326)	6,520	13,366	20,212

The Company's net reserves for losses and loss adjustment expenses of \$522.3 million as of June 30, 2018 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.

**Table of Contents****GLOBAL INDEMNITY LIMITED*****Underwriting Results******Commercial Lines***

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

(Dollars in thousands)	Quarters Ended			Six Months Ended		
	June 30,		%	June 30,		%
	2018 (2)	2017 (2)	Change	2018 (2)	2017 (2)	Change
Gross premiums written	\$ 69,973	\$ 56,752	23.3%	\$ 123,746	\$ 102,663	20.5%
Net premiums written	\$ 61,350	\$ 49,439	24.1%	\$ 109,656	\$ 90,554	21.1%
Net premiums earned	\$ 52,252	\$ 43,519	20.1%	\$ 99,614	\$ 88,511	12.5%
Other income		78	(100.0%)		78	(100.0%)
Total revenues	52,252	43,597	19.9%	99,614	88,589	12.4%
Losses and expenses:						
Net losses and loss adjustment expenses	25,095	14,169	77.1%	50,124	34,593	44.9%
Acquisition costs and other underwriting expenses (1)	21,051	18,142	16.0%	40,256	37,161	8.3%
Underwriting income (loss)	\$ 6,106	\$ 11,286	(45.9%)	\$ 9,234	\$ 16,835	(45.1%)

	Quarter Ended			Six Months Ended		
	June 30,		Point	June 30,		Point
	2018	2017	Change	2018	2017	Change
Underwriting Ratios:						
Loss ratio:						
Current accident year	57.9%	64.0%	(6.1)	58.2%	60.5%	(2.3)
Prior accident year	(9.9%)	(31.4%)	21.5	(7.9%)	(21.4%)	13.5
Calendar year loss ratio	48.0%	32.6%	15.4	50.3%	39.1%	11.2
Expense ratio	40.3%	41.7%	(1.4)	40.4%	42.0%	(1.6)
Combined ratio	88.3%	74.3%	14.0	90.7%	81.1%	9.6



- (1) Includes excise tax related to cessions from the Company's Commercial Lines to its Reinsurance Operations of \$116 and \$119 for the quarters ended June 30, 2018 and 2017, respectively, and \$290 and \$239 for the six months ended June 30, 2018 and 2017, respectively.
- (2) Includes business ceded to the Company's Reinsurance Operations.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Reconciliation of non-GAAP financial measures and ratios**

The table below reconciles the non-GAAP measures or ratios, which excludes the impact of prior accident year adjustments, to its most directly comparable GAAP measure or ratio. The Company believes the non-GAAP measures or ratios are 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. These non-GAAP measures or ratios should not be considered as a substitute for its most directly comparable GAAP measure or ratio and does not reflect the overall underwriting profitability of the Company.

	Quarters Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
	Losses \$	Loss Ratio	Losses \$	Loss Ratio	Losses \$	Loss Ratio	Losses \$	Loss Ratio
<b>Property</b>								
Non catastrophe property losses and ratio excluding the effect of prior accident year (1)	\$ 12,739	47.8%	\$ 11,542	52.7%	\$ 24,531	48.7%	\$ 21,673	47.6%
Effect of prior accident year	(698)	(2.6%)	(3,432)	(15.7%)	(1,119)	(2.2%)	(3,667)	(8.0%)
Non catastrophe property losses and ratio (2)	\$ 12,041	45.2%	\$ 8,110	37.0%	\$ 23,412	46.5%	\$ 18,006	39.6%
Catastrophe losses and ratio excluding the effect of prior accident year (1)	\$ 2,948	11.1%	\$ 2,361	10.8%	\$ 4,723	9.4%	\$ 5,259	11.5%
Effect of prior accident year	(610)	(2.3%)	(89)	(0.4%)	(602)	(1.2%)	(1,548)	(3.4%)
Catastrophe losses and ratio (2)	\$ 2,338	8.8%	\$ 2,272	10.4%	\$ 4,121	8.2%	\$ 3,711	8.1%
Total property losses and ratio excluding the effect of prior accident year (1)	\$ 15,687	58.9%	\$ 13,903	63.5%	\$ 29,254	58.1%	\$ 26,932	59.1%
Effect of prior accident year	(1,308)	(4.9%)	(3,522)	(16.1%)	(1,721)	(3.4%)	(5,215)	(11.4%)
Total property losses and ratio (2)	\$ 14,379	54.0%	\$ 10,381	47.4%	\$ 27,533	54.7%	\$ 21,717	47.7%

**Casualty**

Total Casualty losses and ratio excluding the effect of prior accident year (1)	\$ 14,583	57.0%	\$ 13,936	64.4%	\$ 28,750	58.3%	\$ 26,582	61.9%
Effect of prior accident year	(3,867)	(15.1%)	(10,148)	(46.9%)	(6,159)	(12.5%)	(13,706)	(31.9%)
Total Casualty losses and ratio (2)	\$ 10,716	41.9%	\$ 3,788	17.5%	\$ 22,591	45.8%	\$ 12,876	30.0%

**Total**

Total net losses and loss adjustment expense and total loss ratio excluding the effect of prior accident year (1)	\$ 30,270	57.9%	\$ 27,839	64.0%	\$ 58,004	58.2%	\$ 53,514	60.5%
Effect of prior accident year	(5,175)	(9.9%)	(13,670)	(31.4%)	(7,880)	(7.9%)	(18,921)	(21.4%)
Total net losses and loss adjustment expense and total loss ratio (2)	\$ 25,095	48.0%	\$ 14,169	32.6%	\$ 50,124	50.3%	\$ 34,593	39.1%

(1) Non-GAAP measure / ratio

(2) Most directly comparable GAAP measure / ratio

**Premiums**

See Result of Operations above for a discussion on premiums.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Loss Ratio**

The current accident year losses and loss ratio is summarized as follows:

	Quarter Ended June 30,		%	Six Months Ended June 30,		%
	2018	2017	Change	2018	2017	Change
Property losses						
Catastrophe	\$ 2,948	\$ 2,361	24.9%	\$ 4,723	\$ 5,259	(10.2%)
Non-catastrophe	12,739	11,542	10.4%	24,531	21,673	13.2%
Property losses	15,687	13,903	12.8%	29,254	26,932	8.6%
Casualty losses	14,583	13,936	4.6%	28,750	26,582	8.2%
Total accident year losses	\$ 30,270	\$ 27,839	8.7%	\$ 58,004	\$ 53,514	8.4%

	Quarter Ended June 30,		Point	Six Months Ended June 30,		Point
	2018	2017	Change	2018	2017	Change
<b>Current accident year loss ratio:</b>						
Property						
Catastrophe	11.1%	10.8%	0.3	9.4%	11.5%	(2.1)
Non-catastrophe	47.8%	52.7%	(4.9)	48.7%	47.6%	1.1
Property loss ratio	58.9%	63.5%	(4.6)	58.1%	59.1%	(1.0)
Casualty loss ratio	57.0%	64.4%	(7.4)	58.3%	61.9%	(3.6)
Total accident year loss ratio	57.9%	64.0%	(6.1)	58.2%	60.5%	(2.3)

The current accident year catastrophe loss ratio increased by 0.3 points during the quarter ended June 30, 2018 as compared to the same period in 2017.

The current accident year catastrophe loss ratio improved by 2.1 points during the six months ended June 30, 2018 as compared to the same period in 2017. The loss ratio improvement reflects a lower claims frequency for both the first accident quarter and second accident quarter compared to last year.

The current accident year non-catastrophe property loss ratio improved by 4.9 points during the quarter ended June 30, 2018 as compared to the same period in 2017 primarily due to a lower claims frequency in the second accident quarter compared to the same quarter last year.

The current accident year non-catastrophe property loss ratio increased by 1.1 points during the six months ended June 30, 2018 as compared to the same period in 2017. The increase in the loss ratio reflects a higher claims severity compared to the first six months of last year.

The current accident year casualty loss ratio improved by 7.4 points and 3.6 points during the quarter and six months ended June 30, 2018, respectively, as compared to the same period in 2017 primarily due to lower claims severity for both the first accident quarter and second accident quarter compared to last year.

The calendar year loss ratio for the quarter and six months ended June 30, 2018 includes a decrease of \$5.2 million, or 9.9 percentage points, and a decrease of \$7.9 million, or 7.9 percentage points, respectively, related to reserve development on prior accident years. The calendar year loss ratio for the quarter and six months ended June 30, 2017 includes a decrease of \$13.7 million, or 31.4 percentage points, and a decrease of \$18.9 million, or 21.4 percentage points, respectively, related to reserve development on prior accident years. Please see Note 6 of the notes to the consolidated financial statements in Item 1 of Part I of this report for further discussion on prior accident year development.

***Expense Ratios***

The expense ratio for the Company's Commercial Lines improved by 1.4 points from 41.7% for the quarter ended June 30, 2017 to 40.3% for the quarter ended June 30, 2018 and improved by 1.6 points from 42.0% for the six months ended June 31, 2017 to 40.4% for the six months ended June 30, 2018. The improvement in the expense ratio is primarily due to an increase in the net earned premiums as discussed above.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Personal Lines**

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

(Dollars in thousands)	Quarters Ended			Six Months Ended		
	June 30,		%	June 30,		%
	2018 (3)	2017 (3)	Change	2018 (3)	2017 (3)	Change
Gross premiums written (1)	\$ 68,545	\$ 69,572	(1.5%)	\$ 128,710	\$ 131,589	(2.2%)
Net premiums written	\$ 54,807	\$ 56,789	(3.5%)	\$ 104,062	\$ 111,372	(6.6%)
Net premiums earned	\$ 49,880	\$ 53,171	(6.2%)	\$ 100,492	\$ 111,834	(10.1%)
Other income	472	1,618	(70.8%)	975	2,899	(66.4%)
Total revenues	50,352	54,789	(8.1%)	101,467	114,733	(11.6%)
Losses and expenses:						
Net losses and loss adjustment expenses	30,009	39,161	(23.4%)	57,630	77,876	(26.0%)
Acquisition costs and other underwriting expenses (2)	22,227	22,058	0.8%	44,406	46,592	(4.7%)
Underwriting income (loss)	\$ (1,884)	\$ (6,430)	(70.7%)	\$ (569)	\$ (9,735)	(94.2%)

	Quarters Ended			Six Months Ended		
	June 30,		Point	June 30,		Point
	2018	2017	Change	2018	2017	Change
Underwriting Ratios:						
Loss ratio:						
Current accident year	64.3%	73.6%	(9.3)	60.5%	72.5%	(12.0)
Prior accident year	(4.2%)		(4.2)	(3.1%)	(2.8%)	(0.3)
Calendar year loss ratio	60.1%	73.6%	(13.5)	57.4%	69.7%	(12.3)
Expense ratio	44.6%	41.5%	3.1	44.2%	41.7%	2.5
Combined ratio	104.7%	115.1%	(10.4)	101.6%	111.4%	(9.8)

(1) Includes business written by American Reliable that was ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement of (\$989) and \$191 during the quarters ended June 30, 2018 and 2017,

respectively, and (\$1,856) and \$1,242 during the six months ended June 30, 2018 and 2017, respectively.

- (2) Includes excise tax related to cessions from the Company's Personal Lines to its Reinsurance Operations of \$137 and \$266 for the quarters ended June 30, 2018 and 2017, respectively, and \$343 and \$559 for the six months ended June 30, 2018 and 2017.
- (3) Includes business ceded to the Company's Reinsurance Operations.

***Reconciliation of non-GAAP financial measures and ratios***

The table below reconciles the non-GAAP measures or ratios, which excludes the impact of prior accident year adjustments, to its most directly comparable GAAP measure or ratio. The Company believes the non-GAAP measures or ratios are 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. These non-GAAP measures or ratios should not be considered as a substitute for its most directly comparable GAAP measure or ratio and does not reflect the overall underwriting profitability of the Company.

**Table of Contents****GLOBAL INDEMNITY LIMITED**

	Quarters Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
	Losses \$	Loss Ratio	Losses \$	Loss Ratio	Losses \$	Loss Ratio	Losses \$	Loss Ratio
<b>Property</b>								
Non catastrophe property losses and ratio excluding the effect of prior accident year (1)	\$ 21,181	50.2%	\$ 21,737	48.3%	\$ 40,967	48.2%	\$ 46,394	48.7%
Effect of prior accident year	(1,125)	(2.7%)	780	1.7%	(1,584)	(1.8%)	(1,903)	(2.0%)
Non catastrophe property losses and ratio (2)	\$ 20,056	47.5%	\$ 22,517	50.0%	\$ 39,383	46.4%	\$ 44,491	46.7%
Catastrophe losses and ratio excluding the effect of prior accident year (1)	\$ 6,877	16.3%	\$ 12,073	26.8%	\$ 12,107	14.3%	\$ 23,624	24.8%
Effect of prior accident year	(682)	(1.6%)	(814)	(1.8%)	(1,168)	(1.4%)	(814)	(0.9%)
Catastrophe losses and ratio (2)	\$ 6,195	14.7%	\$ 11,259	25.0%	\$ 10,939	12.9%	\$ 22,810	23.9%
Total property losses and ratio excluding the effect of prior accident year (1)	\$ 28,058	66.5%	\$ 33,810	75.1%	\$ 53,074	62.5%	\$ 70,018	73.5%
Effect of prior accident year	(1,807)	(4.3%)	(34)	(0.1%)	(2,752)	(3.2%)	(2,717)	(2.9%)
Total property losses and ratio (2)	\$ 26,251	62.2%	\$ 33,776	75.0%	\$ 50,322	59.3%	\$ 67,301	70.6%
<b>Casualty</b>								
Total Casualty losses and ratio excluding the effect of prior accident year (1)	\$ 4,022	52.2%	\$ 5,328	65.0%	\$ 7,706	49.3%	\$ 11,043	66.5%
Effect of prior accident year	(264)	(3.4%)	57	0.7%	(398)	(2.5%)	(468)	(2.8%)
Total Casualty losses and ratio (2)	\$ 3,758	48.8%	\$ 5,385	65.7%	\$ 7,308	46.8%	\$ 10,575	63.7%
<b>Total</b>								
Total net losses and loss adjustment expense and total loss ratio excluding the effect of prior accident	\$ 32,080	64.3%	\$ 39,138	73.6%	\$ 60,780	60.5%	\$ 81,061	72.5%



year (1)

Effect of prior accident year	(2,071)	(4.2%)	23		(3,150)	(3.1%)	(3,185)	(2.8%)
-------------------------------	---------	--------	----	--	---------	--------	---------	--------

Total net losses and loss  
adjustment expense and total  
loss ratio (2)

\$ 30,009	60.1%	\$ 39,161	73.6%	\$ 57,630	57.4%	\$ 77,876	69.7%
-----------	-------	-----------	-------	-----------	-------	-----------	-------

(1) Non-GAAP measure / ratio

(2) Most directly comparable GAAP measure / ratio

**Premiums**

See Result of Operations above for a discussion on consolidated premiums.

**Other Income**

Other income was \$0.5 million and \$1.6 million for the quarters ended June 30, 2018 and 2017, respectively, and \$1.0 million and \$2.9 million for the six months ended June 30, 2018 and 2017, respectively. In 2018, other income is primarily comprised of fee income. In 2017, other income is primarily comprised of fee income, commission income and accrued interest on the anticipated indemnification of unpaid loss and loss adjustment expense reserves. In accordance with a dispute resolution agreement between Global Indemnity Group, Inc. and American Bankers Group, Inc., any variance paid related to the loss indemnification was subjected to interest of 5% compounded semi-annually. The reduction in other income is primarily due to the Company settling its final reserve calculation with American Bankers Group, Inc. with an effective date of December 31, 2017 resulting in no interest on the loss indemnification being accrued in 2018.

Table of Contents**GLOBAL INDEMNITY LIMITED*****Loss Ratio***

The current accident year losses and loss ratio is summarized as follows:

(Dollars in thousands)	Quarters Ended			Six Months Ended		
	June 30, 2018	June 30, 2017	% Change	June 30, 2018	June 30, 2017	% Change
Property losses						
Catastrophe	\$ 6,877	\$ 12,073	(43.0%)	\$ 12,107	\$ 23,624	(48.8%)
Non-catastrophe	21,181	21,737	(2.6%)	40,967	46,394	(11.7%)
Property losses	28,058	33,810	(17.0%)	53,074	70,018	(24.2%)
Casualty losses	4,022	5,328	(24.5%)	7,706	11,043	(30.2%)
Total accident year losses	\$ 32,080	\$ 39,138	(18.0%)	\$ 60,780	\$ 81,061	(25.0%)

	Quarters Ended			Six Months Ended		
	June 30, 2018	June 30, 2017	Point Change	June 30, 2018	June 30, 2017	Point Change
<b><u>Current accident year loss ratio:</u></b>						
Property						
Catastrophe	16.3%	26.8%	(10.5)	14.3%	24.8%	(10.5)
Non-catastrophe	50.2%	48.3%	1.9	48.2%	48.7%	(0.5)
Property loss ratio	66.5%	75.1%	(8.6)	62.5%	73.5%	(11.0)
Casualty loss ratio	52.2%	65.0%	(12.8)	49.3%	66.5%	(17.2)
Total accident year loss ratio	64.3%	73.6%	(9.3)	60.5%	72.5%	(12.0)

The current accident year catastrophe loss ratio improved by 10.5 points during both the quarter and six months ended June 30, 2018, respectively, as compared to the same period in 2017. The loss ratio improvement reflects a lower claims frequency for both the first accident quarter and second accident quarter compared to last year.

The current accident year casualty loss ratio improved by 12.8 points and 17.2 points during the quarter and six months ended June 30, 2018, respectively, as compared to the same period in 2017 primarily due to a lower claims frequency for both the first accident quarter and second accident quarter compared to last year.

The calendar year loss ratio for the quarter and six months ended June 30, 2018 includes a decrease of \$2.1 million, or 4.2 percentage points, and a decrease of \$3.2 million, or 3.1 percentage points, respectively, related to reserve development on prior accident years. The calendar year loss ratio for the quarter and six months ended June 30, 2017 includes a decrease of less than \$0.1 million, or 0.0 percentage points, and a decrease of \$3.2 million, or 2.8

percentage points, respectively, related to reserve development on prior accident years. Please see Note 6 of the notes to the consolidated financial statements in Item 1 of Part I of this report for further discussion on prior accident year development.

***Expense Ratios***

The expense ratio for the Company's Personal Lines increased 3.1 points from 41.5% for the quarter ended June 30, 2017 to 44.6% for the quarter ended June 30, 2018 and increased 2.5 points from 41.7% for the six months ended June 30, 2017 to 44.2% for the six months ended June 30, 2018. The increase in the expense ratio is primarily due to a reduction in net earned premiums which is the result of additional premiums being ceded due to the Property Catastrophe Quota Share Treaty that became effective on April 15, 2017.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Reinsurance Operations**

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

	Quarters Ended June 30,			Six Months Ended June 30,		
	2018 (1)	2017 (1)	Change	2018 (1)	2017 (1)	Change
Gross premiums written	\$ 20,299	\$ 17,570	15.5%	\$ 30,608	\$ 33,393	(8.3%)
Net premiums written	\$ 20,297	\$ 17,569	15.5%	\$ 30,606	\$ 33,377	(8.3%)
Net premiums earned	\$ 11,785	\$ 10,383	13.5%	\$ 21,813	\$ 19,854	9.9%
Other income	(148)	86	(272.1%)	(97)	173	(156.1%)
Total revenues	11,637	10,469	11.2%	21,716	20,027	8.4%
Losses and expenses:						
Net losses and loss adjustment expenses	3,757	4,370	(14.0%)	7,179	7,792	(7.9%)
Acquisition costs and other underwriting expenses	4,235	3,257	30.0%	7,854	6,255	25.6%
Underwriting income (loss)	\$ 3,645	\$ 2,842	28.3%	\$ 6,683	\$ 5,980	11.8%

	Quarters Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	2018	2017	Change
Underwriting Ratios:						
Loss ratio:						
Current accident year	51.7%	58.0%	(6.3)	53.5%	56.0%	(2.5)
Prior accident year	(19.9%)	(15.9%)	(4.0)	(20.6%)	(16.8%)	(3.8)
Calendar year loss ratio	31.8%	42.1%	(10.3)	32.9%	39.2%	(6.3)
Expense ratio	35.9%	31.4%	4.5	36.0%	31.5%	4.5
Combined ratio	67.7%	73.5%	(5.8)	68.9%	70.7%	(1.8)

(1) External business only, excluding business assumed from affiliates.

***Reconciliation of non-GAAP financial measures and ratios***

Edgar Filing: Global Indemnity Ltd - Form 10-Q

The table below reconciles the non-GAAP measures or ratios, which excludes the impact of prior accident year adjustments, to its most directly comparable GAAP measure or ratio. The Company believes the non-GAAP measures or ratios are 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. These non-GAAP measures or ratios should not be considered as a substitute for its most directly comparable GAAP measure or ratio and does not reflect the overall underwriting profitability of the Company.

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Loss ratio excluding the effect of prior accident year (1)	51.7%	58.0%	53.5%	56.0%
Effect of prior accident year	(19.9%)	(15.9%)	(20.6%)	(16.8%)
Loss ratio (2)	31.8%	42.1%	32.9%	39.2%

(1) Non-GAAP measure / ratio

(2) Most directly comparable GAAP measure / ratio

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

***Premiums***

See Result of Operations above for a discussion on premiums.

***Other Income***

The Company recognized a loss of \$0.1 million and income of \$0.1 million for the quarters ended June 30, 2018 and 2017, respectively, and a loss of \$0.1 million and income of \$0.2 million for the six months ended June 30, 2018 and 2017, respectively. Other income is comprised of foreign exchange gains and losses.

***Loss Ratio***

The current accident year loss ratio improved by 6.3 points and 2.5 points during the quarter and six months ended June 30, 2018, respectively, as compared to the same period in 2017. The decrease was mainly attributable to lower loss ratios in the property contracts excluding catastrophes.

The calendar year loss ratio for the quarter and six months ended June 30, 2018 includes a decrease of \$2.3 million, or 19.9 percentage points, and a decrease of \$4.5 million or 20.6 percentage points, respectively, related to reserve development on prior accident years. The calendar year loss ratio for the quarter and six months ended June 30, 2017 includes a decrease of \$1.7 million, or 15.9 percentage points, and a decrease of \$3.3 million, or 16.8 percentage points, respectively, related to reserve development on prior accident years. Please see Note 6 of the notes to the consolidated financial statements in Item 1 of Part I of this report for further discussion on prior accident year development.

***Expense Ratio***

The expense ratio for the Company's Reinsurance Operations increased by 4.5 points from 31.4% for the quarter ended June 30, 2017 to 35.9% for the quarter ended June 30, 2018. The expense ratio for the Company's Reinsurance Operations increased by 4.5 points from 31.5% for the six months ended June 30, 2017 to 36.0% for the six months ended June 30, 2018. This was primarily due to the expense ratio for 2017 being lower than it otherwise would have been due to receiving a federal excise tax refund related to prior years of \$0.7 million and \$1.1 million during the quarter and six months ended June 30, 2017, respectively.

**Unallocated Corporate Items**

The Company's investments are managed distinctly according to assets supporting future insurance obligations and assets in excess of those supporting future insurance obligations. Assets supporting insurance obligations are referred to as the Insurance Obligations Portfolio. The Insurance Obligations Portfolio consists of cash and high-quality fixed income investments. Assets in excess of insurance obligations are referred to as the Surplus Portfolio. The Surplus Portfolio targets higher returns and is comprised of cash, fixed income, common stocks, and alternative investments.

The Insurance Obligations Portfolio has a market value of \$843.7 million and the fixed income securities excluding cash have a credit quality of AA- and duration of 3.1 years. The Surplus Reserve Portfolio has a market value of \$708.0 million and the fixed income securities within have a credit quality of A- and duration of 3.5 years.

The Insurance Obligations Portfolio returned (1.1%) for the six months ended June 30, 2018 with net investment income of \$10.1 million, offset by realized losses of \$0.2 million and unrealized losses of \$14.5 million. The Surplus Portfolio returned (0.1%) for the six months ended June 30, 2018 with net investment income of \$12.2 million, offset by realized losses of \$2.9 million and unrealized losses of \$9.8 million.

**Table of Contents****GLOBAL INDEMNITY LIMITED****Net Investment Income**

(Dollars in thousands)	Quarters Ended			Six Months Ended		
	June 30, 2018	2017	% Change	June 30, 2018	2017	% Change
Gross investment income (1)	\$ 11,698	\$ 9,565	22.3%	\$ 23,812	\$ 19,009	25.3%
Investment expenses	(744)	(725)	2.6%	(1,454)	(1,525)	(4.7%)
Net investment income	\$ 10,954	\$ 8,840	23.9%	\$ 22,358	\$ 17,484	27.9%

(1) Excludes realized gains and losses

Gross investment income increased by 22.3% and 25.3% for the quarter and six months ended June 30, 2018, respectively, as compared to the same period in 2017. The increase was primarily due to an increase in yield within the fixed maturities portfolio due to extending duration in 2017 and increased returns from alternative investments.

Investment expenses increased by 2.6% for the quarter ended June 30, 2018 and decreased 4.7% for the six months ended June 30, 2018, respectively, as compared to the same period in 2017. The increase for the quarter ended was primarily due to increased service fees related to the Company's equity portfolio during 2018. The decrease for the six months ended was primarily due to reduced fees related to the custody of the Company's investment portfolio during 2018.

At June 30, 2018, the Company held agency mortgage-backed securities with a market value of \$75.4 million. Excluding the agency mortgage-backed securities, the average duration of the Company's fixed maturities portfolio was 3.2 years as of June 30, 2018, compared with 3.3 years as of June 30, 2017. Including cash and short-term investments, the average duration of the Company's fixed maturities portfolio, excluding agency mortgage-backed securities, was 3.1 years as of June 30, 2018, compared with 3.0 years as of June 30, 2017. Changes in interest rates can cause principal payments on certain investments to extend or shorten which can impact duration. At June 30, 2018, the Company's embedded book yield on its fixed maturities, not including cash, was 2.9% compared with 2.7% at June 30, 2017. The embedded book yield on the \$102.2 million of municipal bonds in the Company's portfolio, which includes \$101.1 million of taxable municipal bonds, was 3.1% at June 30, 2018, compared to an embedded book yield of 3.0% on the Company's municipal bond portfolio of \$123.3 million at June 30, 2017.

**Net Realized Investment Gains (Losses)**

The components of net realized investment gains (losses) for the quarters and six months ended June 30, 2018 and 2017 were as follows:



(Dollars in thousands)	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Common stock	\$ 2,065	\$ 1,215	\$ (2,309)	\$ 1,790
Fixed maturities	(361)	524	(454)	661
Interest rate swap	1,497	(1,823)	5,648	(1,650)
Other than temporary impairment losses	(371)	(578)	(371)	(688)
Net realized investment gains (losses)	\$ 2,830	\$ (662)	\$ 2,514	\$ 113

See Note 2 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 and six months ended June 30, 2018 and 2017.

### *Corporate and Other Operating Expenses*

Corporate and other operating expenses consist of outside legal fees, other professional fees, directors' fees, management fees & advisory 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 \$10.9 million and \$3.4 million during the quarters ended June 30, 2018 and 2017, respectively, and \$20.2 million and \$6.4 million during the six months ended June 30, 2018 and 2017, respectively. The increase is primarily due to incurring an advisory fee related to the co-obligor transaction of \$6.3 million and \$12.5 million for the quarter and six months ended June 30, 2018, respectively. For additional information on the co-obligor transaction, see Note 7 of the notes to the consolidated financial statements in Item 1 of Part I of this report.

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

***Interest Expense***

Interest expense increased 3.7% during the quarter ended June 30, 2018 as compared to the same period in 2017. This increase is primarily due to higher interest rates on the Margin Borrowing Facility.

Interest expense increased 35.6% during the six months ended June 30, 2018 as compared to the same period in 2017. This increase is primarily due to the Company's \$130 million debt offering in March, 2017.

***Income Tax Benefit***

The income tax benefit was \$1.4 million for the quarter ended June 30, 2018 compared with income tax benefit of \$2.3 million for the quarter ended June 30, 2017. The income tax benefit was \$2.7 million for the six months ended June 30, 2018 compared with income tax benefit of \$5.3 million for the six months ended June 30, 2017. The decrease in the income tax benefit for both the quarter and six months ended June 30, 2018 as compared to the same periods in 2017 is primarily due to the change in the U.S. statutory tax rate from 35% to 21% effective January 1, 2018 and the Base Erosion Anti-Abuse Tax that became effective upon the passage of the Tax Cuts and Jobs Act.

See Note 5 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 (Loss)***

The factors described above resulted in a net income of \$7.2 million and \$10.1 million for the quarters ended June 30, 2018 and 2017, respectively, and net income of \$12.9 million and \$22.4 million for the six months ended June 30, 2018 and 2017, respectively.

**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, Penn-America Insurance Company, Penn-Star Insurance Company, Penn-Patriot Insurance Company, and American Reliable Insurance Company; and its Reinsurance Operations: Global Indemnity Reinsurance.

Global Indemnity's short term and long term liquidity needs include the payment of corporate expenses, debt service payments, dividend payments to shareholders, and share repurchases. In order to meet their short term and long term needs, the Company's principal sources of cash includes dividends from subsidiaries, 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. In addition, the Company

periodically reviews opportunities related to business acquisitions and as a result, liquidity may be needed in the future.

As of June 30, 2018, the Company also had future funding commitments of \$45.2 million related to investments. The timing of commitments related to investments is uncertain.

The future liquidity of Global Indemnity is dependent on the ability of its subsidiaries to pay dividends. 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

**Table of Contents****GLOBAL INDEMNITY LIMITED**

Regulation Statutory Accounting Principles in Item 1 of Part I of the Company's 2017 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. See Note 19 of the notes to the consolidated financial statements in Item 8 of Part II of the Company's 2017 Annual Report on Form 10-K for further information on dividend limitations related to the U.S. Insurance Companies. The U.S. Insurance Companies did not declare or pay any dividends during the quarter or six months ended June 30, 2018.

For 2018, 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 2017 Annual Report on Form 10-K. Global Indemnity Reinsurance did not declare or pay any dividends during the quarter ended June 30, 2017. During the six months ended June 30, 2018, Global Indemnity Reinsurance paid a \$20.0 million dividend, which was previously declared in 2017, to its parent company, Global Indemnity Limited.

***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 provided by (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.

Net cash provided by (used for) operating activities was \$59.0 million and (\$3.4) million for the six months ended June 30, 2018 and 2017, respectively. The increase in operating cash flows of approximately \$64.1 million from the prior year was primarily a net result of the following items:

<b>(Dollars in thousands)</b>	<b>Six Months Ended</b>		
	<b>June 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>Change</b>
Net premiums collected	\$ 239,668	\$ 225,896	\$ 13,772

Edgar Filing: Global Indemnity Ltd - Form 10-Q

Net losses paid	(127,435)	(128,689)	1,254
Underwriting and corporate expenses	(118,991)	(113,702)	(5,289)
Recovery on loss indemnification <b>(1)</b>	45,045		45,045
Net investment income	30,983	17,544	13,439
Net federal income taxes paid	(655)	(103)	(552)
Interest paid	(9,655)	(4,352)	(5,303)
Net cash provided by (used for) operating activities <b>(1)</b>	\$ 58,960	\$ (3,406)	\$ 62,366

**(1)** Excludes a \$3.5 million payment related to a purchase price adjustment for American Reliable. This payment is included in the net cash used in investing activities on the Company's Consolidated Statement of Cash Flows. The recovery on loss indemnification, net of the purchase price adjustment, is \$41.5 million. For additional information on the loss indemnification, please see Note 6 of the notes to the consolidated financial statements in Item 1 of Part I of this report.

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.

---

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

***Liquidity***

On March 4, 2018, the Company's Board of Directors approved a dividend payment of \$0.25 per ordinary share to all shareholders of record on the close of business on March 21, 2018. On March 29, 2018, dividends totaling \$3.5 million were paid to shareholders.

On March 8, 2018, the Company settled its final reserve calculation which resulted in the recovery of \$41.5 million in accordance with the Stock Purchase Agreement between Global Indemnity Group, Inc. and American Bankers Insurance Group, Inc. for the purchase of American Reliable.

On June 3, 2018, the Company's Board of Directors approved a dividend payment of \$0.25 per ordinary share to all shareholders of record on the close of business on June 22, 2018. On June 29, 2018, dividends totaling \$3.5 million were paid to shareholders.

Other than the items discussed in the preceding paragraphs, there have been no material changes to the Company's liquidity during the six months ended June 30, 2018. Please see Item 7 of Part II in the Company's 2017 Annual Report on Form 10-K for information regarding the Company's liquidity.

***Capital Resources***

On April 25, 2018 the Company and Global Indemnity Group, Inc., an indirect wholly owned subsidiary of the Company, entered into an agreement pursuant to which Global Indemnity Group, Inc. agreed to become a subordinated co-obligor with respect to the 7.75% subordinated notes due 2045 and the 7.875% subordinated notes due 2047. Global Indemnity Group, Inc. has agreed to pay all amounts due and payable in respect of the subordinated note obligations, including, without limitation, the payment of principal of and interest on each series of notes. In consideration for becoming a subordinated co-obligor on the subordinated notes, Global Indemnity Group, Inc. received a promissory note from the Company with a principal amount of \$230 million at an interest rate of 7.825% per annum and due on April 15, 2047. Global Indemnity Group, Inc. assigned the \$230 million promissory note from the Company to U.A.I. (Luxembourg) Investment S.à.r.l. as payment on \$230 million of the outstanding debt owed to U.A.I. (Luxembourg) Investment S.à.r.l. by Global Indemnity Group, Inc.

In July, 2018, U.A.I. (Luxembourg) Investment S.à.r.l. declared and paid a dividend totaling \$430.4 million. The ultimate recipient of this dividend was GBLI (Barbados) Limited. This dividend was satisfied by the assignment of intercompany note receivables totaling \$412.5 million, \$11.6 million in accrued interest receivables on the intercompany notes, and \$6.3 million in fixed income securities. The \$412.5 million in intercompany notes were then converted into interest free loans. GBLI (Barbados) Limited subsequently declared and paid a dividend to its parent, Global Indemnity Reinsurance, in the amount of \$17.9 million which consisted of the accrued interest receivable and fixed income securities. These transactions all eliminate in consolidation and have no impact on the consolidating financial statements.

Other than the items discussed in the preceding paragraph, there have been no material changes to the Company's capital resources during the six months ended June 30, 2018. Please see Item 7 of Part II in the Company's 2017 Annual Report on Form 10-K for information regarding the Company's capital resources.

**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 within the meaning of Section 21E of the Security Exchange Act of 1934, as amended, that reflect the Company's current views with respect to future events and financial performance. 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, seek, intend, or anticipate or the negative thereof 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.

---

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

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. See "Risk Factors" in Item 1A of Part I in the Company's 2017 Annual Report on Form 10-K for risks, uncertainties and other factors that could cause actual results and experience to differ from those projected. 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**

For the quarter ending June 30, 2018, global equities rebounded from their first decline. Trade concerns escalated, as US President Donald Trump threatened tariffs on European autos in response to the European Union's (EU) retaliatory tariffs on US products. The US also imposed additional levies on Chinese goods, and China vowed retaliatory tariffs. On the monetary front, strong US economic data gave the Federal Reserve (Fed) confidence to raise interest rates in June and signal the potential for two additional hikes later this year. The European Central Bank (ECB) announced that quantitative easing will end in December 2018, but its June meeting had a very dovish undertone, as the Governing Council pledged to keep policy rates unchanged at least through the summer of 2019. Within the S&P 500 Index, seven of the 11 sectors posted positive results for the quarter. The best-performing sector was energy, as the petroleum complex rallied on fears of global supply disruptions and strong demand, despite OPEC's decision to increase production.

Global fixed income markets posted slightly positive returns in US dollar terms during the second quarter, while the US fixed income market returns were slightly negative. Global monetary policies diverged during the period. The Fed raised its target rate by 25 basis point spread, as expected, and forecasted two additional hikes this year—one more than was projected at the March Federal Open Market Committee meeting. The Committee upgraded growth and employment projections and shifted inflation expectations higher. Sovereign yield movements were somewhat limited across most developed markets, as higher inflation pressures balanced heightened political uncertainty. The US treasury curve continued to flatten as short-term yields rose on tightening monetary policy, while longer yields fell on a flight to quality caused by elevated political uncertainty.

The Company's investment grade fixed income portfolio continues to maintain high quality with an A+ average rating and a duration of 3.2 years. The Insurance Obligations Portfolio has a credit quality of AA- and duration of 3.0 years. The portion of the Surplus Portfolio comprised of cash and fixed income securities has a credit quality of A and duration of 3.5 years. Portfolio purchases were focused within investment grade credit, asset backed securities (ABS), and commercial mortgage backed securities (CMBS). These purchases were funded primarily through sales of ABS and U.S. credit, as well as maturities and paydowns. During the second quarter, the portfolio's allocation to taxable municipals and CMBS increased and cash and equivalents decreased.

There have been no other material changes to the Company's market risk since December 31, 2017. Please see Item 7A of Part II in the Company's 2017 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 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 June 30, 2018. Based upon that evaluation, and subject to the foregoing, the Company s Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2018, the design and operation of the Company s disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

**Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls 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 2017 Annual Report on Form 10-K, filed with the SEC on March 9, 2018. The risk factors identified therein have not materially changed.

**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. There were no shares surrendered by the Company's employees during the quarter ended June 30, 2018. All A ordinary shares surrendered by the employees by the Company are held as treasury stock and recorded at cost until formally retired.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None

65

---

**Table of Contents**

**GLOBAL INDEMNITY LIMITED**

**Item 6. Exhibits**

- 10.1 Global Indemnity Limited 2018 Share Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated June 14, 2018 (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 Limited's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 formatted in XBRL: (i) Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017; (ii) Consolidated Statements of Operations for the quarters and six months ended June 30, 2018 and 2017; (iii) Consolidated Statements of Comprehensive Income for the quarters and six months ended June 30, 2018 and 2017; (iv) Consolidated Statements of Changes in Shareholders' Equity for the six months ended June 30, 2018 and the year ended December 31, 2017; (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017; and (vi) Notes to Consolidated Financial Statements.

+ Filed or furnished herewith, as applicable.

Table of Contents

**GLOBAL INDEMNITY LIMITED**

**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 LIMITED

Registrant

August 9, 2018  
Date: August 9, 2018

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