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 March 31, 2018

OR

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

For the Transition Period from _________ to _________

Commission File Number 001-34809

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 ☒

As of May 2, 2018, the registrant had outstanding 10,075,346 A Ordinary Shares and 4,133,366 B Ordinary Shares.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

GLOBAL INDEMNITY LIMITED

Consolidated Balance Sheets

(In thousands, except share amounts)

	(Unaudited) March 31, 2018	December 31, 2017
ASSETS		
Fixed maturities:		
Available for sale, at fair value (amortized cost: $1,281,954 and $1,243,144)	$ 1,262,996	$ 1,241,437
Equity securities:		
At fair value (cost: $133,911 and $124,915)	133,911	140,229
Other invested assets	82,159	77,820
Total investments	1,479,066	1,459,486
Cash and cash equivalents	73,522	74,414
Premiums receivable, net	77,274	84,386
Reinsurance receivables, net	97,647	105,060
Funds held by ceding insurers	49,096	45,300
Federal income taxes receivable	10,157	10,332
Deferred federal income taxes	30,502	26,196
Deferred acquisition costs	61,425	61,647
Intangible assets	22,417	22,549
Goodwill	6,521	6,521
Prepaid reinsurance premiums	24,642	28,851
Receivable for securities sold	—	1,543
Other assets	31,445	75,384
Total assets	$ 1,963,714	$ 2,001,669
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 615,125	$ 634,664
Unearned premiums	281,062	285,397
Ceded balances payable	11,928	10,851
Payable for securities purchased	10,729	—
Contingent commissions	3,892	7,984
Debt	286,567	294,713
Other liabilities	50,659	49,666
Total liabilities	$ 1,259,962	1,283,275
Commitments and contingencies (Note 9)	—	—
Shareholders' equity:		
Ordinary shares, $0.0001 par value, 900,000,000 ordinary shares authorized; A ordinary shares issued: 10,150,130 and 10,102,927 respectively; A ordinary shares outstanding: 10,075,346 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	435,066	434,730
Accumulated other comprehensive income, net of taxes	(16,531)	8,983
Retained earnings	288,187	275,838
A ordinary shares in treasury, at cost: 74,784 and 29,551 shares, respectively	(2,972)	(1,159)
Total shareholders' equity	703,752	718,394
Total liabilities and shareholders' equity	$ 1,963,714	$ 2,001,669

See accompanying notes to consolidated financial statements.

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GLOBAL INDEMNITY LIMITED

Consolidated Statements of Operations
(In thousands, except shares and per share data)

	(Unaudited) Quarters Ended March 31, 2018	(Unaudited) Quarters Ended March 31, 2017
Revenues:		
Gross premiums written	$ 124,247	$ 123,751
Net premiums written	$ 107,870	$ 111,506
Net premiums earned	$ 108,002	$ 113,126
Net investment income	11,404	8,644
Net realized investment gains (losses):		
Other than temporary impairment losses on investments	—	(110)
Other net realized investment gains (losses)	(316)	885
Total net realized investment gains (losses)	(316)	775
Other income	554	1,368
Total revenues	119,644	123,913
Losses and Expenses:		
Net losses and loss adjustment expenses	56,072	62,561
Acquisition costs and other underwriting expenses	45,003	46,551
Corporate and other operating expenses	9,260	3,054
Interest expense	4,861	2,467
Income before income taxes	4,448	9,280
Income tax benefit	(1,253)	(3,002)
Net income	$ 5,701	$ 12,282
Per share data:		
Net income		
Basic	$ 0.41	$ 0.71
Diluted	$ 0.40	$ 0.70
Weighted-average number of shares outstanding		
Basic	14,055,022	17,316,015
Diluted	14,285,837	17,646,080
Cash dividends declared per share	$ 0.25	$ —

See accompanying notes to consolidated financial statements.

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GLOBAL INDEMNITY LIMITED

Consolidated Statements of Comprehensive Income
(In thousands)

	(Unaudited) Quarters Ended March 31,	
	2018	**2017**
Net income	$ 5,701	$ 12,282
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses)	(15,188)	5,178
Portion of other-than-temporary impairment losses recognized in other comprehensive income (losses)	(1)	—
Reclassification adjustment for gains included in net income	75	(406)
Unrealized foreign currency translation gains (losses)	(372)	178
Other comprehensive income, net of tax	(15,486)	4,950
Comprehensive income (loss), net of tax	$ (9,785)	$ 17,232

See accompanying notes to consolidated financial statements.

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GLOBAL INDEMNITY LIMITED

Consolidated Statements of Changes in Shareholders' Equity
(In thousands, except share amounts)

	(Unaudited) Quarter Ended March 31, 2018	Year Ended December 31, 2017
Number of A ordinary shares issued:		
Number at beginning of period	10,102,927	13,436,548
Ordinary shares issued under share incentive plans	38,061	2,204
Ordinary shares issued to directors	9,142	27,121
Ordinary shares redeemed	—	(3,397,031)
Adjustment for shares redeemed indirectly owned by subsidiary	—	34,085
Number at end of period	10,150,130	10,102,927
Number of B ordinary shares issued:		
Number at beginning and end of period	4,133,366	4,133,366
Par value of A ordinary shares:		
Number at beginning and end of period	$ 1	$ 1
Par value of B ordinary shares:		
Balance at beginning and end of period	$ 1	$ 1
Additional paid-in capital:		
Balance at beginning of period	$ 434,730	$ 430,283
Adjustment for shares redeemed indirectly owned by subsidiary	—	706
Share compensation plans	336	3,741
Balance at end of period	$ 435,066	$ 434,730
Accumulated other comprehensive income, net of deferred income tax:		
Balance at beginning of period	$ 8,983	$ (618)
Other comprehensive income (loss):		
Change in unrealized holding gains (losses)	(15,113)	8,829
Change in other than temporary impairment losses recognized in other comprehensive income	(1)	(3)
Unrealized foreign currency translation gains	(372)	775
Other comprehensive income (loss)	(15,486)	9,601
Cumulative effect adjustment resulting from adoption of new accounting guidance	(10,028)	—
Balance at end of period	$ (16,531)	$ 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)	5,701	(9,551)
Dividends to shareholders ($0.25 per share)	(3,550)	—
Balance at end of period	$ 288,187	$ 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	$ 703,752	$ 718,394

See accompanying notes to consolidated financial statements.

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GLOBAL INDEMNITY LIMITED

Consolidated Statements of Cash Flows
(In thousands)

	(Unaudited) Quarters Ended March 31, 2018	2017
Cash flows from operating activities:		
Net income	$ 5,701	$ 12,282
Adjustments to reconcile net income to net cash used for operating activities:		
Amortization and depreciation	1,791	1,553
Amortization of debt issuance costs	66	34
Restricted stock and stock option expense	336	1,121
Deferred federal income taxes	(1,998)	(3,098)
Amortization of bond premium and discount, net	1,543	2,451
Net realized investment gains (losses)	316	(775)
Changes in:		
Premiums receivable, net	7,112	11,367
Reinsurance receivables, net	7,413	37,342
Funds held by ceding insurers	(4,168)	(18,651)
Unpaid losses and loss adjustment expenses	(19,539)	(28,954)
Unearned premiums	(4,335)	(11,100)
Ceded balances payable	1,077	(7,125)
Other assets and liabilities, net	45,398	(13,435)
Contingent commissions	(4,092)	(5,901)
Federal income tax receivable/payable	175	1
Deferred acquisition costs, net	222	(189)
Prepaid reinsurance premiums	4,209	9,475
Net cash provided by (used for) operating activities	41,227	(13,602)
Cash flows from investing activities:		
Proceeds from sale of fixed maturities	47,148	139,350
Proceeds from sale of equity securities	9,283	5,626
Proceeds from maturity of fixed maturities	18,281	14,418
Proceeds from limited partnerships	2,711	1,908
Amounts received in connection with derivatives	5,490	114
Purchases of fixed maturities	(93,603)	(219,345)
Purchases of equity securities	(7,340)	(8,176)
Purchases of other invested assets	(7,050)	—
Acquisition of business	(3,515)	—
Net cash used for investing activities	(28,595)	(66,105)
Cash flows from financing activities:		
Net borrowings (repayments) under margin borrowing facility	(8,212)	7,497
Proceeds from issuance of subordinated notes	—	130,000
Debt issuance cost	—	(4,220)
Dividends paid to shareholders	(3,499)	—
Purchase of A ordinary shares	(1,813)	(1,137)
Net cash provided by (used for) financing activities	(13,524)	132,140
Net change in cash and cash equivalents	(892)	52,433
Cash and cash equivalents at beginning of period	74,414	75,110
Cash and cash equivalents at end of period	$ 73,522	$ 127,543

See accompanying notes to consolidated financial statements.

GLOBAL INDEMNITY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 ended March 31, 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 ended March 31, 2018, net realized investment gains (losses) included a loss of $4.9 million 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.

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 quarter ended March 31, 2017 that was included in the Form 10-Q for the quarterly period ended March 31, 2017 was restated. For the quarter ended March 31, 2017, net cash flows from operating activities was increased by $1.7 million and net cash flows from investing activities" was reduced by $1.7 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 March 31, 2018 and December 31, 2017:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Other than temporary impairments recognized in AOCI (1)
As of March 31, 2018					
Fixed maturities:					
U.S. treasury and agency obligations	$ 99,713	$ 476	$ (2,060)	$ 98,129	$ —
Obligations of states and political subdivisions	95,708	304	(601)	95,411	—
Mortgage-backed securities	176,983	313	(3,511)	173,785	—
Asset-backed securities	203,834	115	(1,204)	202,745	(1)
Commercial mortgage-backed securities	151,337	58	(3,554)	147,841	—
Corporate bonds	431,814	417	(7,424)	424,807	—
Foreign corporate bonds	122,565	9	(2,296)	120,278	—
Total fixed maturities	1,281,954	1,692	(20,650)	1,262,996	(1)
Common stock	133,911	—	—	133,911	—
Other invested assets	82,159	—	—	82,159	—
Total	$1,498,024	$ 1,692	$ (20,650)	$1,479,066	$ (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").

GLOBAL INDEMNITY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - *(Continued)*
(Unaudited)

(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 March 31, 2018 and December 31, 2017, respectively.

The amortized cost and estimated fair value of the Company's fixed maturities portfolio classified as available for sale at March 31, 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	$ 68,903	$ 68,736
Due in one year through five years	431,430	425,571
Due in five years through ten years	240,272	235,140
Due in ten years through fifteen years	4,215	4,170
Due after fifteen years	4,980	5,008
Mortgage-backed securities	176,983	173,785
Asset-backed securities	203,834	202,745
Commercial mortgage-backed securities	151,337	147,841
Total	$1,281,954	$1,262,996

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 March 31, 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:

	Less than 12 months		12 months or longer (1)		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities:						
U.S. treasury and agency obligations	$ 69,992	$ (1,813)	$ 20,223	$ (247)	$ 90,215	$ (2,060)
Obligations of states and political subdivisions	46,524	(454)	7,711	(147)	54,235	(601)
Mortgage-backed securities	165,295	(3,453)	1,756	(58)	167,051	(3,511)
Asset-backed securities	148,609	(1,158)	6,399	(46)	155,008	(1,204)
Commercial mortgage-backed securities	113,728	(2,766)	27,292	(788)	141,020	(3,554)
Corporate bonds	320,235	(6,429)	52,303	(995)	372,538	(7,424)
Foreign corporate bonds	93,828	(1,951)	16,452	(345)	110,280	(2,296)
Total fixed maturities	$958,211	$ (18,024)	$132,136	$ (2,626)	$1,090,347	$ (20,650)

(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:

	Less than 12 months		12 months or longer (1)		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities:						
U.S. treasury and agency obligations	$ 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.

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 March 31, 2018, gross unrealized losses related to U.S. treasury and agency obligations were $2.060 million. Of this amount, $0.247 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 March 31, 2018, gross unrealized losses related to obligations of states and political subdivisions were $0.601 million. Of this amount, $0.147 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 March 31, 2018, gross unrealized losses related to mortgage-backed securities were $3.511 million. Of this amount, $0.058 million have been in an unrealized loss position for twelve months or greater. 97.3% of the unrealized losses for twelve months or greater are related to securities rated AA+ or better. Mortgage-backed securities are modeled to project principal losses under downside, base, and upside scenarios for the economy and home prices. The primary assumption that drives the security and loan level modeling is the Home Price Index ("HPI") projection. 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 March 31, 2018, gross unrealized losses related to asset backed securities were $1.204 million. Of this amount, $0.046 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 asset backed portfolio is 23.9. This represents the percentage of pool losses that can occur before an asset backed security will incur its first dollar of principal losses. Every ABS transaction is analyzed on a stand-alone basis. This analysis involves a thorough review of the collateral, prepayment, and structural risk in each transaction. Additionally, the analysis includes an in-depth credit analysis of the originator and servicer of the collateral. The analysis projects an expected loss for a deal given a set of assumptions specific to the asset type. These assumptions are used to calculate at what level of losses the deal will incur its first dollar of principal loss. The major assumptions used to calculate this ratio are loss severities, recovery lags, and no advances on principal and interest.

Commercial mortgage-backed securities ("CMBS") – As of March 31, 2018, gross unrealized losses related to the CMBS portfolio were $3.554 million. Of this amount, $0.788 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 28.4. 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 March 31, 2018, gross unrealized losses related to corporate bonds were $7.424 million. Of this amount, $0.995 million have been in an unrealized loss position for twelve months or greater and are rated investment grade 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 March 31, 2018, gross unrealized losses related to foreign bonds were $2.296 million. Of this amount, $0.345 million have been in an unrealized loss position for twelve months or greater. 78.3% 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.

The Company recorded the following other than temporary impairments ("OTTI") on its investment portfolio for the quarters ended March 31, 2018 and 2017:

(Dollars in thousands)	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017
Fixed maturities:		
OTTI losses, gross	$ —	$ (31)
Portion of loss recognized in other comprehensive income (pre-tax)	—	—
Net impairment losses on fixed maturities recognized in earnings	—	(31)
Equity securities	—	(79)
Total	$ —	$ (110)

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The following table is an analysis of the credit losses recognized in earnings on fixed maturities held by the Company as of March 31, 2018 and 2017 for which a portion of the OTTI loss was recognized in other comprehensive income.

(Dollars in thousands)	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017
Balance at beginning of period	$ 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	—	—
Balance at end of period	$ 13	$ 31

Accumulated Other Comprehensive Income, Net of Tax

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

(Dollars in thousands)	March 31, 2018	December 31, 2017
Net unrealized gains (losses) from:		
Fixed maturities	$ (18,958)	$ (1,707)
Common stock	—	15,314
Foreign currency fluctuations	179	551
Deferred taxes	2,248	(5,175)
Accumulated other comprehensive income, net of tax	$ (16,531)	$ 8,983

The following tables present the changes in accumulated other comprehensive income, net of tax, by component for the quarters ended March 31, 2018 and 2017:

Quarter Ended March 31, 2018 (Dollars in thousands)	Unrealized Gains and Losses on Available for Sale Securities, Net of Tax	Foreign Currency Items, Net of Tax	Accumulated Other Comprehensive Income, Net of Tax
Beginning balance	$ 8,272	$ 711	$ 8,983
Other comprehensive income (loss) before reclassification	(15,189)	(372)	(15,561)
Amounts reclassified from accumulated other comprehensive income (loss)	75	—	75
Other comprehensive income (loss)	(15,114)	(372)	(15,486)
Cumulative-effect adjustment	(9,868)	(160)	(10,028)
Ending balance	$ (16,710)	$ 179	$ (16,531)

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Quarter Ended March 31, 2017 (Dollars in thousands)	Unrealized Gains and Losses on Available for Sale Securities, Net of Tax	Foreign Currency Items, Net of Tax	Accumulated Other Comprehensive Income, Net of Tax
Beginning balance	$ (554)	$ (64)	$ (618)
Other comprehensive income (loss) before reclassification	5,171	185	5,356
Amounts reclassified from accumulated other comprehensive income (loss)	(399)	(7)	(406)
Other comprehensive income (loss)	4,772	178	4,950
Ending balance	$ 4,218	$ 114	$ 4,332

The reclassifications out of accumulated other comprehensive income for the quarters ended March 31, 2018 and 2017 were as follows:

(Dollars in thousands) Details about Accumulated Other Comprehensive Income Components	Affected Line Item in the Consolidated Statements of Operations	Amounts Reclassified from Accumulated Other Comprehensive Income Quarters Ended March 31, 2018	2017
Unrealized gains and losses on available for sale securities	Other net realized investment (gains) losses	$ 93	$ (701)
	Other than temporary impairment losses on investments	—	110
	Total before tax	93	(591)
	Income tax (benefit)	(18)	192
	Unrealized gains and losses on available for sale securities, net of tax	75	(399)
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	$ 75	$ (406)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - *(Continued)*
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Net Realized Investment Gains (Losses)

The components of net realized investment gains (losses) for the quarters ended March 31, 2018 and 2017 were as follows:

(Dollars in thousands)	Quarters Ended March 31, 2018	2017
Fixed maturities:		
Gross realized gains	$ 24	$ 189
Gross realized losses	(117)	(83)
Net realized gains (losses)	(93)	106
Common stock:		
Gross realized gains	3,453	575
Gross realized losses	(7,827)	(79)
Net realized gains (losses)	(4,374)	496
Derivatives:		
Gross realized gains	4,801	1,236
Gross realized losses	(650)	(1,063)
Net realized gains (1)	4,151	173
Total net realized investment gains (losses)	$ (316)	$ 775

(1) Includes $0.7 million and $1.1 million of periodic net interest settlements related to the derivatives for the quarters ended March 31, 2018 and 2017, respectively.

New accounting guidance regarding equity securities was implemented during the quarter ended March 31, 2018 which 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 13 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 being held as of March 31, 2018:

(Dollars in thousands)	Quarter Ended March 31, 2018
Net gains and losses recognized during the period on equity securities	$ (4,374)
Less: Net gains and losses recognized during the period on equity securities sold during the period	554
Unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting date	$ (4,928)

The proceeds from sales and redemptions of available for sale and equity securities resulting in net realized investment gains (losses) for the quarters ended March 31, 2018 and 2017 were as follows:

(Dollars in thousands)	Quarters Ended March 31, 2018	2017
Fixed maturities	$47,148	$139,350
Equity securities	9,283	5,626

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Net Investment Income

The sources of net investment income for the quarters ended March 31, 2018 and 2017 were as follows:

(Dollars in thousands)	Quarters Ended March 31, 2018	2017
Fixed maturities	$ 8,528	$ 6,678
Equity securities	999	990
Cash and cash equivalents	264	84
Other invested assets	2,323	1,692
Total investment income	12,114	9,444
Investment expense	(710)	(800)
Net investment income	$ 11,404	$ 8,644

The Company's total investment return on a pre-tax basis for the quarters ended March 31, 2018 and 2017 were as follows:

(Dollars in thousands)	Quarters Ended March 31, 2018	2017
Net investment income	$ 11,404	$ 8,644
Net realized investment gains (losses)	(316)	775
Change in unrealized holding gains (losses)	(17,623)	7,017
Net realized and unrealized investment returns	(17,939)	7,792
Total investment return	$ (6,535)	$ 16,436
Total investment return % (1)	(0.4%)	1.1%
Average investment portfolio (2)	$1,538,651	$1,559,965

(1) Not annualized.
(2) Average of total cash and invested assets, net of receivable/payable for securities purchased and sold, as of the beginning and end of the period.

Insurance Enhanced Asset-Backed and Credit Securities

As of March 31, 2018, the Company held insurance enhanced asset-backed, commercial mortgage-backed, and credit securities with a market value of approximately $33.0 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 March 31, 2018, is as follows:

(Dollars in thousands) Financial Guarantor	Total	Pre-refunded Securities	Government Guaranteed Securities	Exposure Net of Pre-refunded & Government Guaranteed Securities
Municipal Bond Insurance Association	$1,136	$ —	$ —	$ 1,136
Total backed by financial guarantors	1,136	—	—	1,136
Other credit enhanced municipal bonds	—	—	—	—
Total	$1,136	$ —	$ —	$ 1,136

In addition to the tax-free municipal bonds, the Company held $31.9 million of insurance enhanced bonds, which represented approximately 2.1% of the Company's total invested assets, net of receivable/payable for securities purchased and sold. The insurance enhanced bonds are comprised of $21.6 million of taxable municipal bonds, $10.2 million of commercial mortgage-backed securities, and $0.1 million of asset-backed securities. The financial guarantors of the Company's $31.9 million of insurance enhanced asset-backed, commercial-mortgage-backed, and taxable municipal securities include Municipal Bond Insurance Association ($6.3 million), Assured Guaranty Corporation ($15.4 million), and Federal Home Loan Mortgage Corporation ($10.2 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 March 31, 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 March 31, 2018 and December 31, 2017:

	Estimated Fair Value	
(Dollars in thousands)	**March 31, 2018**	**December 31, 2017**
On deposit with governmental authorities	$ 26,412	$ 26,852
Intercompany trusts held for the benefit of U.S. policyholders	291,974	328,494
Held in trust pursuant to third party requirements	96,803	94,098
Letter of credit held for third party requirements	2,707	3,944
Securities held as collateral for borrowing arrangements (1)	78,053	88,040
Total	$ 495,949	$ 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.

The Company has variable interests in three VIE's 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 VIE's, which invests in distressed securities and assets, was $22.9 million and $26.3 million as of March 31, 2018 and December 31, 2017, respectively. The Company's maximum exposure to loss from this VIE, which factors in future funding commitments, was $37.2 million and $40.5 million at March 31, 2018 and December 31, 2017, respectively. The fair value of a second VIE that provides financing for middle market companies, was $36.4 million and $33.8 million at March 31, 2018 and December 31, 2017, respectively. The Company's maximum exposure to loss from this VIE, which factors in future funding commitments, was $41.6 million and $43.8 million at March 31, 2018 and December 31, 2017, respectively. The fair value of a third VIE that also invests in distressed securities and assets, was $22.9 million and $17.8 million as of March 31, 2018 and December 31, 2017, respectively. The Company's maximum exposure to loss from this VIE, which factors in future funding commitments, was $52.1 million and $51.3 million at March 31, 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.

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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 March 31, 2018 and December 31, 2017:

(Dollars in thousands)		March 31, 2018		December 31, 2017	
Derivatives Not Designated as Hedging Instruments under ASC 815	Balance Sheet Location	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swap agreements	Other liabilities	$200,000	$ (3,168)	$200,000	$ (7,968)

The following table summarizes the net gain 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 ended March 31, 2018 and 2017:

	Consolidated Statements of	Quarters Ended March 31,	
(Dollars in thousands)	Operations Line	2018	2017
Interest rate swap agreements	Net realized investment gain	$ 4,151	$ 173

As of March 31, 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 $3.6 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.

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.

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

As of March 31, 2018	**Fair Value Measurements**			
(Dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Fixed maturities:				
U.S. treasury and agency obligations	$ 98,129	$ —	$ —	$ 98,129
Obligations of states and political subdivisions	—	95,411	—	95,411
Mortgage-backed securities	—	173,785	—	173,785
Commercial mortgage-backed securities	—	147,841	—	147,841
Asset-backed securities	—	202,745	—	202,745
Corporate bonds	—	424,807	—	424,807
Foreign corporate bonds	—	120,278	—	120,278
Total fixed maturities	98,129	1,164,867	—	1,262,996
Common stock	133,911	—	—	133,911
Total assets measured at fair value (1)	$232,040	$1,164,867	$ —	$1,396,907
Liabilities:				
Derivative instruments	$ —	$ 3,168	$ —	$ 3,168
Total liabilities measured at fair value	$ —	$ 3,168	$ —	$ 3,168

(1) Excluded from the table above are limited partnerships of $82.2 million at March 31, 2018 whose fair value is based on net asset value as a practical expedient.

As of December 31, 2017	**Fair Value Measurements**			
(Dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
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
Total fixed maturities	104,680	1,136,757	—	1,241,437
Common stock	140,229	—	—	140,229
Total assets measured at fair value (1)	$244,909	$1,136,757	$ —	$1,381,666
Liabilities:				
Derivative instruments	$ —	$ 7,968	$ —	$ 7,968
Total liabilities measured at fair value	$ —	$ 7,968	$ —	$ 7,968

(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

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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 March 31, 2018 and December 31, 2017 was as follows:

	March 31, 2018		December 31, 2017	
(Dollars in thousands)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Margin Borrowing Facility	$ 64,018	$ 64,018	$ 72,230	$ 72,230
7.75% Subordinated Notes due 2045 (1)	96,650	99,770	96,619	100,059
7.875% Subordinated Notes due 2047 (2)	125,899	129,175	125,864	130,429
Total	$ 286,567	$292,963	$ 294,713	$302,718

(1) As of March 31, 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 $3.4 million.
(2) As of March 31, 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.

There were no transfers between Level 1 and Level 2 during the quarters ended March 31, 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 March 31, 2018 and December 31, 2017.

	March 31, 2018		December 31, 2017	
(Dollars in thousands)	Fair Value	Future Funding Commitment	Fair Value	Future Funding Commitment
Real Estate Fund, LP (1)	$ —	$ —	$ —	$ —
European Non-Performing Loan Fund, LP (2)	22,938	14,214	26,262	14,214
Private Middle Market Loan Fund, LP (3)	36,361	5,200	33,760	10,000
Distressed Debt Fund, LP (4)	22,860	29,250	17,798	33,500
Total	$ 82,159	$ 48,664	$ 77,820	$ 57,714

(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 debt instruments. 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 $2.3 million and $1.7 million for the quarters ended March 31, 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.
- 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 ended March 31, 2018 and 2017, the Company has not adjusted quotes or prices obtained from the pricing vendors.

5. Income Taxes

As of March 31, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - *(Continued)*
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The Company's income before income taxes from its non-U.S. subsidiaries and U.S. subsidiaries for the quarters ended March 31, 2018 and 2017 were as follows:

Quarter Ended March 31, 2018: (Dollars in thousands)	Non-U.S. Subsidiaries	U.S. Subsidiaries	Eliminations	Total
Revenues:				
Gross premiums written	$ 10,315	$ 113,932	$ —	$124,247
Net premiums written	$ 10,314	$ 97,556	$ —	$107,870
Net premiums earned	48,022	59,980	—	108,002
Net investment income	15,221	7,188	(11,005)	11,404
Net realized investment losses	(5)	(311)	—	(316)
Other income	51	503	—	554
Total revenues	63,289	67,360	(11,005)	119,644
Losses and Expenses:				
Net losses and loss adjustment expenses	20,565	35,507	—	56,072
Acquisition costs and other underwriting expenses	21,140	23,863	—	45,003
Corporate and other operating expenses	4,399	4,861	—	9,260
Interest expense	4,841	11,025	(11,005)	4,861
Income (loss) before income taxes	$ 12,344	$ (7,896)	$ —	$ 4,448

Quarter Ended March 31, 2017: (Dollars in thousands)	Non-U.S. Subsidiaries	U.S. Subsidiaries	Eliminations	Total
Revenues:				
Gross premiums written	$ 54,102	$ 107,936	$ (38,287)	$123,751
Net premiums written	$ 54,087	$ 57,419	$ —	$111,506
Net premiums earned	$ 50,933	$ 62,193	$ —	$113,126
Net investment income	12,328	4,959	(8,643)	8,644
Net realized investment gains	41	734	—	775
Other income	87	1,281	—	1,368
Total revenues	63,389	69,167	(8,643)	123,913
Losses and Expenses:				
Net losses and loss adjustment expenses	20,860	41,701	—	62,561
Acquisition costs and other underwriting expenses	22,688	23,863	—	46,551
Corporate and other operating expenses	1,207	1,847	—	3,054
Interest expense	2,324	8,786	(8,643)	2,467
Income (loss) before income taxes	$ 16,310	$ (7,030)	$ —	$ 9,280

For the quarter ended March 31, 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 March 31, 2018	2017
Current income tax expense:		
Foreign	$ 179	$ 96
U.S. Federal	566	—
Total current income tax expense	745	96
Deferred income tax benefit:		
U.S. Federal	(1,998)	(3,098)
Total income tax benefit	$ (1,253)	$ (3,002)

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.

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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 March 31,			
	2018		2017	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Expected tax provision at weighted average rate	$(1,536)	(34.5%)	$(2,364)	(25.5%)
Adjustments:				
Tax exempt interest	(1)	(0.0)	(84)	(0.9)
Dividend exclusion	(65)	(1.5)	(193)	(2.1)
Base Erosion Anti-Abuse Tax	566	12.7	—	—
Other	(217)	(4.9)	(361)	(3.8)
Actual tax on continuing operations	$(1,253)	(28.2%)	$(3,002)	(32.3%)

The effective income tax benefit rate for the quarter ended March 31, 2018 was 28.2%, compared with an effective income tax benefit rate of 32.3%, for the quarter ended March 31, 2017. The decrease in the effective income tax benefit rate in the quarter ended March 31, 2018 compared to the quarter ended March 31, 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.

Financial results for the quarter ended March 31, 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 ended March 31, 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 reclassed 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 $14.7 million as of March 31, 2018, which begins to expire in 2036 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 $7.9 million as of March 31, 2018 and December 31, 2017 which can be carried forward indefinitely. The 163(j) carryforward is for disqualified interest paid or accrued.

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 March 31, 2018	2017
Balance at beginning of period	$ 634,664	$ 651,042
Less: Ceded reinsurance receivables	97,243	130,439
Net balance at beginning of period	537,421	520,603
Purchased reserves gross	—	2,496
Purchased reserves ceded	—	549
Purchased reserves, net of third party reinsurance	—	3,045
Incurred losses and loss adjustment expenses related to:		
Current year	61,999	72,691
Prior years	(5,927)	(10,130)
Total incurred losses and loss adjustment expenses	56,072	62,561
Paid losses and loss adjustment expenses related to:		
Current year	17,454	24,384
Prior years	53,228	42,383
Total paid losses and loss adjustment expenses	70,682	66,767
Net balance at end of period	522,811	519,442
Plus: Ceded reinsurance receivables	92,314	102,646
Balance at end of period	$ 615,125	$ 622,088

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 first quarter of 2018, the Company reduced its prior accident year loss reserves by $5.9 million, which consisted of a $2.7 million decrease related to Commercial Lines, $1.1 million decrease related to Personal Lines, and a $2.1 million decrease related to Reinsurance Operations.

The $2.7 million reduction of prior accident year loss reserves related to Commercial Lines primarily consisted of the following:

- **General Liability:** A $1.4 million reduction primarily due to lower than expected claims severity in the 2004 through 2014 accident years partially offset by increases in the 2015 through 2017 accident years.
- **Commercial Auto Liability:** A $1.0 million reduction in the 2010 and 2012 accident years reflects lower than anticipated claims severity.
- **Property:** A $0.4 million decrease in the non-catastrophe property reserve category. The decrease reflects slightly lower than expected claims frequency and severity, primarily in the 2015 and 2017 accident years, partially offset by an increase in the 2016 accident year for the property catastrophe reserve category.

The $1.1 million reduction of prior accident year loss reserves related to Personal Lines primarily consisted of the following:

- **Property:** A $0.9 million reduction primarily in the agriculture reserve category for the 2015 and 2017 accident years, partially offset by an increase in the 2016 accident year. The decrease reflects lower than expected claims frequency and severity.

The $2.1 million reduction of prior accident year loss reserves related to Reinsurance Operations was from the property lines for accident years 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.

In the first quarter of 2017, the Company reduced its prior accident year loss reserves by $10.1 million, which consisted of a $5.3 million decrease related to Commercial Lines, a $3.2 million decrease related to Personal Lines, and a $1.7 million decrease related to Reinsurance Operations.

The $5.3 million reduction of prior accident year loss reserves related to Commercial Lines primarily consisted of the following:

- **Property:** A $1.7 million reduction in the property catastrophe reserve categories. The decrease recognizes a lower than expected claims severity, primarily in the 2016 accident year.
- **General Liability:** A $4.0 million reduction in the reserve categories excluding construction defect. Lower than expected claims severity was the driver of the favorable development, primarily in the 2007 through 2013 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 $1.7 million reduction 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.

7. Shareholders' Equity

Repurchases of the Company's Ordinary Shares

The following table provides information with respect to the A ordinary shares that were surrendered or repurchased during the quarter ended March 31, 2018:

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

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

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The following table provides information with respect to the A ordinary shares that were surrendered or repurchased during the quarter ended March 31, 2017:

Period (1)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1-31, 2017	13,656 (2)	$ 38.21	—	—
February 1-28, 2017	15,309 (2)	$ 40.18	—	—
Total	28,965	$ 39.25	—	

(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 ended March 31, 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. As of March 31, 2018, accrued dividends on unvested shares, which were included in other liabilities on the consolidated balance sheets, were $0.05 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.

8. Related Party Transactions

Fox Paine & Company ("Fox Paine")

As of March 31, 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.

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 during each of the quarters ended March 31, 2018 and 2017 as part of the annual management fee paid to Fox Paine. As of March 31, 2018 and December 31, 2017, unpaid management fees, which were included in other liabilities on the consolidated balance sheets, were $7.3 million and $6.8 million, respectively. During the quarter ended March 31, 2018, 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 during the second quarter of 2018. The advisory services were performed during the first and second quarter of 2018. The total fee for these services is estimated to be $12.5 million. The Company estimates that 50% of the services were provided in the first quarter of 2018 and has included $6.25 million in corporate expense and accrued $6.25 million in other liabilities as of March 31, 2018. The remainder of the fee will be recorded in the second quarter of 2018.

9. 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 March 31, 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 March 31, 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 debt instruments. As of March 31, 2018, the Company has funded $20.8 million of this commitment leaving $29.2 million as unfunded.

10. Share-Based Compensation Plans

Options

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 reduced by $0.3 million during the quarter ended March 31, 2018.

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 quarter ended March 31, 2018. No stock options were awarded during the quarter ended March 31, 2017. No unvested stock options were forfeited during the quarters ended March 31, 2018 or 2017.

Restricted Shares

During the quarter ended March 31, 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 quarter ended March 31, 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 March 31, 2018 and 2017, the Company granted 9,142 and 6,700 A ordinary shares, respectively, at a weighted average grant date value of $34.52 and $38.49 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.

11. 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:

	Quarters Ended March 31,	
(Dollars in thousands, except share and per share data)	**2018**	**2017**
Net income	$ 5,701	$ 12,282
Basic earnings per share:		
Weighted average shares outstanding – basic	14,055,022	17,316,015
Net income per share	$ 0.41	$ 0.71
Diluted earnings per share:		
Weighted average shares outstanding – diluted	14,285,837	17,646,080
Net income per share	$ 0.40	$ 0.70

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 March 31,	
	2018	**2017**
Weighted average shares for basic earnings per share	14,055,022	17,316,015
Non-vested restricted stock	68,782	136,380
Options	162,033	193,685
Weighted average shares for diluted earnings per share	14,285,837	17,646,080

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The weighted average shares outstanding used to determine dilutive earnings per share for the quarter ended March 31, 2018 does not include 600,000 shares which were deemed to be anti-dilutive. There were no anti-dilutive shares for the quarter ended March 31, 2017.

12. 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.

The following are tabulations of business segment information for the quarters ended March 31, 2018 and 2017.

Quarter Ended March 31, 2018: **(Dollars in thousands)**	**Commercial Lines (1)**	**Personal Lines (1)**	**Reinsurance Operations (2)**	**Total**
Revenues:				
Gross premiums written	$ 53,773	$ 60,165 (6)	$ 10,309	$ 124,247
Net premiums written	$ 48,306	$ 49,255	$ 10,309	$ 107,870
Net premiums earned	$ 47,362	$ 50,612	$ 10,028	$ 108,002
Other income	—	503	51	554
Total revenues	47,362	51,115	10,079	108,556
Losses and Expenses:				
Net losses and loss adjustment expenses	25,029	27,621	3,422	56,072
Acquisition costs and other underwriting expenses	19,205 (3)	22,179 (4)	3,619	45,003
Income from segments	$ 3,128	$ 1,315	$ 3,038	$ 7,481
Unallocated Items:				
Net investment income				11,404
Net realized investment loss				(316)
Corporate and other operating expenses				(9,260)
Interest expense				(4,861)
Income before income taxes				4,448
Income tax benefit				1,253
Net income				$ 5,701
Total assets	$ 893,115	$494,908	$ 575,691 (5)	$1,963,714

(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 $174 relating to cessions from Commercial Lines to Reinsurance Operations.
(4) Includes federal excise tax of $206 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 ($867) of business written by American Reliable that is ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement.

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Quarter Ended March 31, 2017: (Dollars in thousands)	Commercial Lines (1)	Personal Lines (1)	Reinsurance Operations (2)	Total
Revenues:				
Gross premiums written	$ 45,911	$ 62,017 (6)	$ 15,823	$ 123,751
Net premiums written	$ 41,115	$ 54,583	$ 15,808	$ 111,506
Net premiums earned	$ 44,992	$ 58,663	$ 9,471	$ 113,126
Other income	—	1,281	87	1,368
Total revenues	44,992	59,944	9,558	114,494
Losses and Expenses:				
Net losses and loss adjustment expenses	20,424	38,715	3,422	62,561
Acquisition costs and other underwriting expenses	19,019 (3)	24,534 (4)	2,998	46,551
Income (loss) from segments	$ 5,549	$ (3,305)	$ 3,138	$ 5,382
Unallocated Items:				
Net investment income				8,644
Net realized investment gain				775
Corporate and other operating expenses				(3,054)
Interest expense				(2,467)
Income before income taxes				9,280
Income tax benefit				3,002
Net income				12,282
Total assets	$ 877,798	$479,640	$ 714,947 (5)	$2,072,385

(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 $120 relating to cessions from Commercial Lines to Reinsurance Operations.
(4) Includes federal excise tax of $293 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 $1,051 of business written by American Reliable that is ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement.

13. 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 Account Standards Codification ("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 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.

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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 reduced by $0.3 million during the quarter ended March 31, 2018. 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 ended March 31, 2018, net realized investment gains (losses) included a loss of $4.9 million 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.

Recently Issued Accounting Guidance Not Yet Adopted

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.

14. Subsequent Events

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 any 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.

In conjunction with the co-obligor transaction discussed above, Fox Paine performed advisory services during the first and second quarters of 2018. The total fee for these services is estimated to be $12.5 million. The Company estimates that 50% of the services were provided in the first quarter of 2018 and has included $6.25 million in corporate expense and accrued $6.25 million in other liabilities. The remainder of the fee will be recorded in the second quarter of 2018.

GLOBAL INDEMNITY LIMITED

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. As of March 31, 2018, accrued dividends on unvested shares, which were included in other liabilities on the consolidated balance sheets, were $0.05 million.

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 14 of the notes to the consolidated financial statements in Item 1 of Part I of this report for further discussion on this transaction.

Overview

The Company's Commercial Lines segment distribute property and casualty insurance products through a group of approximately 120 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.

The Company's Personal Lines segment, via American Reliable, offers specialty personal lines and agricultural coverage through a group of approximately 250 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.

GLOBAL INDEMNITY LIMITED

Results of Operations

The following table summarizes the Company's results for the quarters ended March 31, 2018 and 2017:

(Dollars in thousands)	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017	% Change
Gross premiums written	$124,247	$123,751	0.4%
Net premiums written	$107,870	$111,506	(3.3%)
Net premiums earned	$108,002	$113,126	(4.5%)
Other income	554	1,368	(59.5%)
Total revenues	108,556	114,494	(5.2%)
Losses and expenses:			
Net losses and loss adjustment expenses	56,072	62,561	(10.4%)
Acquisition costs and other underwriting expenses	45,003	46,551	(3.3%)
Underwriting income	7,481	5,382	39.0%
Net investment income	11,404	8,644	31.9%
Net realized investment gains (losses)	(316)	775	(140.8%)
Corporate and other operating expenses	(9,260)	(3,054)	203.2%
Interest expense	(4,861)	(2,467)	97.0%
Income before income taxes	4,448	9,280	(52.1%)
Income tax benefit	1,253	3,002	(58.3%)
Net income	$ 5,701	$ 12,282	(53.6%)
Underwriting Ratios:			
Loss ratio (1):	51.9%	55.3%	
Expense ratio (2)	41.7%	41.1%	
Combined ratio (3)	93.6%	96.4%	

(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.

Premiums

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

(Dollars in thousands)	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017	% Change
Gross premiums written (1)			
Commercial Lines	$ 53,773	$ 45,911	17.1%
Personal Lines (3)	60,165	62,017	(3.0%)
Reinsurance (5)	10,309	15,823	(34.8%)
Total gross premiums written	$124,247	$123,751	0.4%
Ceded premiums written			
Commercial Lines	$ 5,467	$ 4,796	14.0%
Personal Lines	10,910	7,434	46.8%
Reinsurance (5)	—	15	NM
Total ceded premiums written	$ 16,377	$ 12,245	33.7%
Net premiums written (2)			
Commercial Lines	$ 48,306	$ 41,115	17.5%
Personal Lines	49,255	54,583	(9.8%)
Reinsurance (5)	10,309	15,808	(34.8%)
Total net premiums written	$107,870	$111,506	(3.3%)
Net premiums earned			
Commercial Lines (4)	$ 47,362	$ 44,992	5.3%
Personal Lines (4)	50,612	58,663	(13.7%)
Reinsurance (5)	10,028	9,471	5.9%
Total net premiums earned	$108,002	$113,126	(4.5%)

NM – not meaningful

(1) Gross premiums written represent the amount received or to be received for insurance policies written without reduction for reinsurance costs or other deductions.
(2) Net premiums written equal gross premiums written less ceded premiums written.
(3) Includes business written by American Reliable that is ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement of ($867) and $1,051 during the quarters ended March 31, 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 0.4% for the quarter ended March 31, 2018 as compared to same period in 2017. Gross premiums written include business written by American Reliable that is ceded to insurance entities owned by Assurant under a 100% quota share reinsurance agreement in the amount of ($0.9) million and $1.1 million for the quarters ended March 31, 2018 and 2017, respectively. Excluding the business that is ceded 100% to insurance entities owned by Assurant, gross premiums written increased by 2.0% for the quarter March 31, 2018 as compared to same period in 2017. The increase is mainly due to the premium growth within the Company's Commercial Lines offset by a reduction in premiums written within the Company's Reinsurance Operations due to the cancellation of a treaty. The growth experienced in Commercial Lines is primarily being driven by rate increases primarily due to catastrophes experienced in the prior year, new programs, and increased interactions with agents.

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:

(Dollars in thousands)	Quarters Ended March 31,		
	2018	2017	Change
Commercial Lines	89.8%	89.6%	0.2
Personal Lines (1)	80.7%	89.5%	(8.8)
Reinsurance	100.0%	99.9%	0.1
Total (1)	86.2%	90.9%	(4.7)

(1) Excludes business written by American Reliable that is ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement of ($867) and $1,051 during the quarters ended March 31, 2018 and 2017, respectively.

The net premium retention for the quarter ended March 31, 2018 decreased by 8.8 points 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 5.3% for the quarter ended March 31, 2018 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 $23.7 million in each of the quarters ended March 31, 2018 and 2017, respectively. Casualty net premiums earned were $23.7 million and $21.3 million for the quarters ended March 31, 2018 and 2017, respectively.

Net premiums earned within the Personal Lines segment decreased by 13.7% for the quarter ended March 31, 2018 as compared to the same period in 2017 primarily due to a 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 $42.7 million and $50.2 million for the quarters ended March 31, 2018 and 2017, respectively. Casualty net premiums earned were $7.9 million and $8.5 million for the quarters ended March 31, 2018 and 2017, respectively.

Net premiums earned within the Reinsurance Operations segment increased by 5.9% for the quarter ended March 31, 2018 as compared to the same period in 2017. The increase in net premiums earned was primarily due to the mortgage treaty which earns out over an eight year period. Property net premiums earned were $8.7 million and $8.3 million for the quarters ended March 31, 2018 and 2017, respectively. Casualty net premiums earned were $1.3 million and $1.2 million for the quarters ended March 31, 2018 and 2017, respectively.

Reserves

Management's best estimate at March 31, 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 $615.1 million and $522.8 million, respectively, as of March 31, 2018. A breakout of the Company's gross and net reserves, as of March 31, 2018, is as follows:

	Gross Reserves		
(Dollars in thousands)	Case	IBNR (1)	Total
Commercial Lines	$116,283	$296,506	$412,789
Personal Lines	33,648	80,208	113,856
Reinsurance Operations	30,965	57,515	88,480
Total	$180,896	$434,229	$615,125

(Dollars in thousands)	Net Reserves (2) Case	IBNR (1)	Total
Commercial Lines	$ 90,491	$247,836	$338,327
Personal Lines	28,035	68,032	96,067
Reinsurance Operations	30,965	57,452	88,417
Total	$149,491	$373,320	$522,811

(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 $62.0 million for claims occurring during the quarter ended March 31, 2018:

(Dollars in thousands)		Severity Change -10%	-5%	0%	5%	10%
Frequency Change	**-5%**	$(8,990)	$(6,045)	$(3,100)	$ (155)	$2,790
	-3%	(7,874)	(4,867)	(1,860)	1,147	4,154
	-2%	(7,316)	(4,278)	(1,240)	1,798	4,836
	-1%	(6,758)	(3,689)	(620)	2,449	5,518
	0%	(6,200)	(3,100)	—	3,100	6,200
	1%	(5,642)	(2,511)	620	3,751	6,882
	2%	(5,084)	(1,922)	1,240	4,402	7,564
	3%	(4,526)	(1,333)	1,860	5,053	8,246
	5%	(3,410)	(155)	3,100	6,355	9,610

The Company's net reserves for losses and loss adjustment expenses of $522.8 million as of March 31, 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.

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 March 31, 2018 (2)	Quarters Ended March 31, 2017 (2)	% Change
Gross premiums written	$53,773	$45,911	17.1%
Net premiums written	$48,306	$41,115	17.5%
Net premiums earned	$47,362	$44,992	5.3%
Total revenues	47,362	44,992	5.3%
Losses and expenses:			
Net losses and loss adjustment expenses	25,029	20,424	22.5%
Acquisition costs and other underwriting expenses (1)	19,205	19,019	1.0%
Underwriting income (loss)	$ 3,128	$ 5,549	(43.6%)

	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017	Point Change
Underwriting Ratios:			
Loss ratio:			
Current accident year	58.6%	57.1%	1.5
Prior accident year	(5.7)	(11.7%)	6.0
Calendar year loss ratio	52.9%	45.4%	7.5
Expense ratio	40.5%	42.3%	(1.8)
Combined ratio	93.4%	87.7%	5.7

(1) Includes excise tax related to cessions from the Company's Commercial Lines to its Reinsurance Operations of $174 and $120 for the quarters ended March 31, 2018 and 2017, respectively.

(2) Includes business ceded to the Company's Reinsurance Operations.

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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 March 31,			
	2018		2017	
	Losses $	Loss Ratio	Losses $	Loss Ratio
Property				
Non catastrophe property losses and ratio excluding the effect of prior accident year (1)	$11,792	49.8%	$10,132	42.8%
Effect of prior accident year	(421)	(1.8%)	(235)	(1.0%)
Non catastrophe property losses and ratio (2)	$11,371	48.0%	$ 9,897	41.8%
Catastrophe losses and ratio excluding the effect of prior accident year (1)	$ 1,775	7.5%	$ 2,897	12.2%
Effect of prior accident year	8	0.0%	(1,459)	(6.2%)
Catastrophe losses and ratio (2)	$ 1,783	7.5%	$ 1,438	6.0%
Total property losses and ratio excluding the effect of prior accident year (1)	$13,567	57.3%	$13,029	55.0%
Effect of prior accident year	(413)	(1.8%)	(1,694)	(7.2%)
Total property losses and ratio (2)	$13,154	55.5%	$11,335	47.8%
Casualty				
Total Casualty losses and ratio excluding the effect of prior accident year (1)	$14,167	59.9%	$12,646	59.3%
Effect of prior accident year	(2,292)	(9.7%)	(3,557)	(16.7%)
Total Casualty losses and ratio (2)	$11,875	50.2%	$ 9,089	42.6%
Total				
Total net losses and loss adjustment expense and total loss ratio excluding the effect of prior accident year (1)	$27,734	58.6%	$25,675	57.1%
Effect of prior accident year	(2,705)	(5.7%)	(5,251)	(11.7%)
Total net losses and loss adjustment expense and total loss ratio (2)	$25,029	52.9%	$20,424	45.4%

(1) Non-GAAP measure / ratio
(2) Most directly comparable GAAP measure / ratio

Premiums

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

Loss Ratio

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

(Dollars in thousands)	Quarters Ended March 31, 2018	2017	% Change
Property losses			
Catastrophe	$ 1,775	$ 2,897	(38.7%)
Non-catastrophe	11,792	10,132	16.4%
Property losses	13,567	13,029	4.1%
Casualty losses	14,167	12,646	12.0%
Total accident year losses	$27,734	$25,675	8.0%

	Quarters Ended March 31, 2018	2018	Point Change
Current accident year loss ratio:			
Property			
Catastrophe	7.5%	12.2%	(4.7)
Non-catastrophe	49.8%	42.8%	7.0
Property loss ratio	57.3%	55.0%	2.3
Casualty loss ratio	59.9%	59.3%	0.6
Total accident year loss ratio	58.6%	57.1%	1.5

The current accident year catastrophe loss ratio improved by 4.7 points during the quarter ended March 31, 2018 as compared to the same period in 2017. The loss ratio improvement reflects a lower claims frequency and severity for the first accident quarter compared to last year.

The current accident year non-catastrophe property loss ratio increased by 7.0 points during the quarter ended March 31, 2018 as compared to the same period in 2017. The increase in the loss ratio reflects a higher claims severity in the first accident quarter compared to the same quarter last year.

The calendar year loss ratio for the quarter ended March 31, 2018 includes a decrease of $2.7 million, or 5.7 percentage points, related to reserve development on prior accident years. The calendar year loss ratio for the quarter ended March 31, 2017 includes a decrease of $5.3 million, or 11.7 percentage points 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 1.8 points from 42.3% for the quarter ended March 31, 2017 to 40.5% for the quarter ended March 31, 2018. The improvement in the expense ratio is primarily due to an increase in the net earned premiums as discussed above.

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 March 31, 2018 (3)	Quarters Ended March 31, 2017 (3)	% Change
Gross premiums written (1)	$60,165	$62,017	(3.0%)
Net premiums written	$49,255	$54,583	(9.8%)
Net premiums earned	$50,612	$58,663	(13.7%)
Other income	503	1,281	(60.7%)
Total revenues	51,115	59,944	(14.7%)
Losses and expenses:			
Net losses and loss adjustment expenses	27,621	38,715	(28.7%)
Acquisition costs and other underwriting expenses (2)	22,179	24,534	(9.6%)
Underwriting income (loss)	$ 1,315	$ (3,305)	139.8%

	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017	Point Change
Underwriting Ratios:			
Loss ratio:			
Current accident year	56.7%	71.5%	(14.8)
Prior accident year	(2.1%)	(5.5%)	3.4
Calendar year loss ratio	54.6%	66.0%	(11.4)
Expense ratio	43.8%	41.8%	2.0
Combined ratio	98.4%	107.8%	(9.4)

(1) Includes business written by American Reliable that is ceded to insurance companies owned by Assurant under a 100% quota share reinsurance agreement of ($867) and $1,051 during the quarters ended March 31, 2018 and 2017, respectively.

(2) Includes excise tax related to cessions from the Company's Personal Lines to its Reinsurance Operations of $206 and $293 for the quarters ended March 31, 2018 and 2017, respectively.

(3) Includes business ceded to the Company's Reinsurance Operations.

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 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.

	Quarters Ended March 31,			
	2018		2017	
	Losses $	Loss Ratio	Losses $	Loss Ratio
Property				
Non catastrophe property losses and ratio excluding the effect of prior accident year (1)	$19,786	46.4%	$24,655	49.1%
Effect of prior accident year	(459)	(1.1%)	(2,683)	(5.3%)
Non catastrophe property losses and ratio (2)	$19,327	45.3%	$21,972	43.8%
Catastrophe losses and ratio excluding the effect of prior accident year (1)	$ 5,230	12.2%	$11,552	23.0%
Effect of prior accident year	(486)	(1.1%)	—	—
Catastrophe losses and ratio (2)	$ 4,744	11.1%	$11,552	23.0%
Total property losses and ratio excluding the effect of prior accident year (1)	$25,016	58.6%	$36,207	72.1%
Effect of prior accident year	(945)	(2.2%)	(2,683)	(5.3%)
Total property losses and ratio (2)	$24,071	56.4%	$33,524	66.8%
Casualty				
Total Casualty losses and ratio excluding the effect of prior accident year (1)	$ 3,684	46.6%	$ 5,716	67.9%
Effect of prior accident year	(134)	(1.7%)	(525)	(6.2%)
Total Casualty losses and ratio (2)	$ 3,550	44.9%	$ 5,191	61.7%
Total				
Total net losses and loss adjustment expense and total loss ratio excluding the effect of prior accident year (1)	$28,700	56.7%	$41,923	71.5%
Effect of prior accident year	(1,079)	(2.1%)	(3,208)	(5.5%)
Total net losses and loss adjustment expense and total loss ratio (2)	$27,621	54.6%	$38,715	66.0%

(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 $1.3 million for the quarters ended March 31, 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 will be subject 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 the first quarter of 2018.

Loss Ratio

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

(Dollars in thousands)	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017	% Change
Property losses			
Catastrophe	$ 5,230	$11,552	(54.7%)
Non-catastrophe	19,786	24,655	(19.7%)
Property losses	25,016	36,207	(30.9%)
Casualty losses	3,684	5,716	(35.5%)
Total accident year losses	$28,700	$41,923	(31.5%)

	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017	Point Change
Current accident year loss ratio:			
Property			
Catastrophe	12.2%	23.0%	(10.8)
Non-catastrophe	46.4%	49.1%	(2.7)
Property loss ratio	58.6%	72.1%	(13.5)
Casualty loss ratio	46.6%	67.9%	(21.3)
Total accident year loss ratio	56.7%	71.5%	(14.8)

The current accident year catastrophe loss ratio improved by 10.8 points during the quarter ended March 31, 2018 as compared to the same period in 2017 primarily due to lower claims frequency during the first quarter. Much of the loss ratio improvement was experienced in the agriculture reserve category.

The current accident year non-catastrophe property loss ratio improved by 2.7 points during the quarter ended March 31, 2018 as compared to the same period in 2017. The decrease in the loss ratio is driven primarily by a lower claims frequency in the first accident quarter compared to the same accident quarter last year.

The current accident year casualty loss ratio improved by 21.3 points during the quarter ended March 31, 2018 as compared to the same period in 2017. The loss ratio improvement reflects a decrease in claims frequency and severity in the first accident quarter.

The calendar year loss ratio for the quarter ended March 31, 2018 includes a decrease of $1.1 million, or 2.1 percentage points, related to reserve development on prior accident years. The calendar year loss ratio for the quarter ended March 31, 2017 includes a decrease of $3.2 million, or 5.5 percentage points, 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 2.0 points from 41.8% for the quarter ended March 31, 2017 to 43.8% for the quarter ended March 31, 2018. The increase in the expense ratio is primarily due to a reduction in net earned premiums which is the result of a 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.

Reinsurance Operations

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

(Dollars in thousands)	Quarters Ended March 31, 2018 (1)	Quarters Ended March 31, 2017 (1)	% Change
Gross premiums written	$10,309	$15,823	(34.8%)
Net premiums written	$10,309	$15,808	(34.8%)
Net premiums earned	$10,028	$ 9,471	5.9%
Other income	51	87	(41.4%)
Total revenues	10,079	9,558	5.5%
Losses and expenses:			
Net losses and loss adjustment expenses	3,422	3,422	0.0%
Acquisition costs and other underwriting expenses	3,619	2,998	20.7%
Underwriting income	$ 3,038	$ 3,138	(3.2%)

	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017	Point Change
Underwriting Ratios:			
Loss ratio:			
Current accident year	55.5%	53.8%	1.7
Prior accident year	(21.4%)	(17.6%)	(3.8)
Calendar year loss ratio	34.1%	36.2%	(2.1)
Expense ratio	36.1%	31.7%	4.4
Combined ratio	70.2%	67.9%	2.3

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

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 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 March 31, 2018	Quarters Ended March 31, 2017
Loss ratio excluding the effect of prior accident year (1)	55.5%	53.8%
Effect of prior accident year	(21.4%)	(17.6%)
Loss ratio (2)	34.1%	36.2%

(1) Non-GAAP measure / ratio
(2) Most directly comparable GAAP measure / ratio

Premiums

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

Other Income

The Company recognized income of $0.1 million in each of the quarters ended March 31, 2018 and 2017. Other income is comprised of foreign exchange gains and losses.

Loss Ratio

The current accident year loss ratio increased by 1.7 points during the quarter ended March 31, 2018 as compared to the same period in 2017. This increase was mainly attributable to higher loss ratios in the property contracts excluding catastrophes.

The calendar year loss ratio for the quarter ended March 31, 2018 includes a decrease of $2.1 million, or 21.4 percentage points, related to reserve development on prior accident years. The calendar year loss ratio for the quarter ended March 31, 2017 includes a decrease of $1.7 million, or 17.6 percentage points, 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 4.4 points from 31.7% for the quarter ended March 31, 2017 to 36.1% for the quarter ended March 31, 2018. This was primarily due to the expense ratio for 2017 being lower than otherwise would have been due to receiving a federal excise tax refund related to prior years of $0.4 million.

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 $809.5 million and the fixed income securities within have a credit quality of AA- and duration of 3.1 years. The Surplus Reserve Portfolio has a market value of $732.4 million and the fixed income securities within have a credit quality of A- and duration of 3.5 years.

The Insurance Obligations Portfolio returned (2.8%) for the three months ended March 31, 2018 with net investment income of $4.8 million, offset by realized losses of $0.1 million and unrealized losses of $10.2 million. The Surplus Portfolio returned (2.9%) for the three months ended March 31, 2018 with net investment income of $6.6 million, offset by realized losses of $4.4 million and unrealized losses of $7.4 million.

Net Investment Income

(Dollars in thousands)	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017	% Change
Gross investment income (1)	$12,114	$9,444	28.3%
Investment expenses	(710)	(800)	(11.3%)
Net investment income	$11,404	$8,644	31.9%

(1) Excludes realized gains and losses

Gross investment income increased by 28.3% for the quarter ended March 31, 2018, as compared with the quarter ended March 31, 2017. The increase was primarily due to an increase in yield within the fixed maturities portfolio due to extending duration in 2017.

Investment expenses decreased by 11.3% for the quarter ended March 31, 2018, as compared with the quarter ended March 31, 2017. The decrease is primarily due to reduced fees related to the custody of the Company's investment portfolio during 2018.

At March 31, 2018, the Company held agency mortgage-backed securities with a market value of $77.9 million. Excluding the agency mortgage-backed securities, the average duration of the Company's fixed maturities portfolio was 3.2 years as of March 31, 2018, compared with 2.2 years as of March 31, 2017. Including cash and short-term investments, the average duration of the Company's fixed maturities portfolio, excluding agency mortgage-backed securities, was 3.0 years as of March 31, 2018, compared with 2.0 years as of March 31, 2017. Changes in interest rates can cause principal payments on certain investments to extend or shorten which can impact duration. At March 31, 2018 and March 31, 2017, the Company's embedded book yield on its fixed maturities, not including cash, was 2.8%, compared with 2.2% at March 31, 2017. The embedded book yield on the $95.4 million of municipal bonds in the Company's portfolio, which includes $94.3 million of taxable municipal bonds, was 3.1 % at March 31, 2018, compared to an embedded book yield of 2.8% on the Company's municipal bond portfolio of $165.6 million at March 31, 2017.

Net Realized Investment Gains (Losses)

The components of net realized investment gains (losses) for the quarters ended March 31, 2018 and 2017 were as follows:

(Dollars in thousands)	Quarters Ended March 31, 2018	Quarters Ended March 31, 2017
Common stock	$(4,374)	$ 575
Fixed maturities	(93)	137
Interest rate swap	4,151	173
Other than temporary impairment losses	—	(110)
Net realized investment gains (losses)	$ (316)	$ 775

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 ended March 31, 2017 and 2016.

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 $9.3 million and $3.1 during the quarters ended March 31, 2018 and 2017, respectively. The increase is primarily due to incurring a $6.3 million advisory fee related to the co-obligor transaction. For additional information on the co-obligor transaction, see Note 14 of the notes to the consolidated financial statements in Item 1 of Part I of this report.

Interest Expense

Interest expense increased 97.0% during the quarter ended March 31, 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 $1.3 million for the quarter ended March 31, 2018 compared with income tax benefit of $3.0 million for the quarter ended March 31, 2017. The decrease in the income tax benefit 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 $5.7 million and $12.3 million for the quarters ended March 31, 2018 and 2017, respectively.

GLOBAL INDEMNITY LIMITED

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 March 31, 2018, the Company also had future funding commitments of $48.7 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 "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 ended March 31, 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. During the quarter ended March 31, 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 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 $41.2 million and ($15.3) million for the quarters ended March 31, 2018 and 2017, respectively. The increase in operating cash flows of approximately $56.5 million from the prior year was primarily a net result of the following items:

(Dollars in thousands)	Quarters Ended March 31, 2018	2017	Change
Net premiums collected	$112,573	$ 97,499	$ 15,074
Net losses paid	(68,198)	(54,173)	(14,025)
Underwriting and corporate expenses	(61,633)	(64,664)	3,031
Recovery on loss indemnification (1)	45,045	—	45,045
Net investment income	18,803	8,340	10,463
Net federal income taxes paid	(570)	(96)	(474)
Interest paid	(4,793)	(2,200)	(2,593)
Net cash provided by (used for) operating activities (1)	$ 41,227	$(15,294)	$ 56,521

(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.

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. Accrued dividends on unvested shares were $0.05 million as of March 31, 2018.

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.

Other than the items discussed in the preceding paragraphs, there have been no material changes to the Company's liquidity during the quarter ended March 31, 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.

Other than the items discussed in the preceding paragraph, there have been no material changes to the Company's capital resources during the quarter ended March 31, 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.

GLOBAL INDEMNITY LIMITED

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,” “plan,” “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.

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 March 31, 2018, global equities registered their first quarterly loss in eight quarters. A sharp correction in global markets and a large spike in volatility were initially triggered by concerns about escalating inflation risks in the US. Fears of a global trade war further unsettled financial markets after US President Donald Trump imposed stiff tariffs on steel and aluminum and announced plans to implement tariffs on Chinese imports, while also enacting tighter restrictions on acquisitions and technology transfers. The European Central Bank (ECB) kept interest rates unchanged but signaled that it will begin to normalize monetary policy. The US Federal Reserve (Fed) increased the benchmark federal funds rate by 25 basis points (bps), noting that the US economic outlook had strengthened in recent months. Tensions in Asia appeared to ease after North Korea’s leader Kim Jong Un pledged his commitment to denuclearization and agreed to meet with US officials. Within the S&P 500 Index, nine of the 11 sectors posted negative results for the quarter. The two outperforming sectors, information technology and consumer discretionary, were aided by recent tax reform and high-profile earnings results.

Global fixed income markets posted flat returns in USD terms during the first quarter, while the US fixed income market posted negative returns. Global monetary policy continued along a less accommodative path during the period. The Fed raised interest rates in March and projected two additional hikes in 2018. The ECB adjusted its forward guidance to remove its official easing bias and is expected to cease asset purchases by September. Sovereign yield curves continued to flatten to varying degrees across most developed markets amid shifts to more normalized monetary policy. Short-term yields in the UK and US increased sharply on expectations of more aggressive monetary policy tightening. Longer-term yields declined in the major developed markets where inflation remained tame.

The Company’s investment grade fixed income portfolio continues to maintain high quality with an A+ average rating and a duration of 3.1 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 3.3 years. Portfolio purchases were focused within Agency MBS, U.S. corporate bonds and CMBS. These purchases were funded primarily through sales of ABS and U.S. credit, as well as maturities and paydowns. During the first quarter, the portfolio’s allocation to Agency MBS 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 March 31, 2018. Based upon that evaluation, and subject to the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2018, the design and operation of the Company's disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended March 31, 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 45,233 shares surrendered by the Company's employees during the quarter ended March 31, 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.

GLOBAL INDEMNITY LIMITED

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None

Item 6. Exhibits

4.1	Third Supplemental Indenture, dated as of April 25, 2018, by and among the Company, Wells Fargo Bank, National Association, and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated April 25, 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 March 31, 2018 formatted in XBRL: (i) Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017; (ii) Consolidated Statements of Operations for the quarters ended March 31, 2018 and 2017; (iii) Consolidated Statements of Comprehensive Income for the quarters ended March 31, 2018 and 2017; (iv) Consolidated Statements of Changes in Shareholders' Equity for the quarter ended March 31, 2018 and the year ended December 31, 2017; (v) Consolidated Statements of Cash Flows for the quarters ended March 31, 2018 and 2017; and (vi) Notes to Consolidated Financial Statements.

\+ Filed or furnished herewith, as applicable.

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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

May 10, 2018
Date: May 10, 2018

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

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Cynthia Y. Valko, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Global Indemnity Limited;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

   d) Disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2018

/s/ Cynthia Y. Valko
Cynthia Y. Valko
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas M. McGeehan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Global Indemnity Limited;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

   d) Disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2018

/s/ Thomas M. McGeehan

Thomas M. McGeehan
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Global Indemnity Limited (the "Company") on Form 10-Q for the quarterly period ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Cynthia Y. Valko, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2018

/s/ Cynthia Y. Valko
Cynthia Y. Valko
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Global Indemnity Limited (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas M. McGeehan, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2018

/s/ Thomas M. McGeehan
Thomas M. McGeehan
Chief Financial Officer