

# Reconciliations of Non-GAAP Financial Measures

"Adjusted operating income" is an internal performance measure used in the management of the Company's operations and represents after-tax (at an assumed effective tax rate of 20%) operational results excluding, as applicable, net realized investment gains or losses, net foreign exchange gain or loss, and other non-recurring items.

## Reconciliation of Adjusted Operating Income to Net Income

(in millions, except per share amounts)  
(unaudited)

	Years Ended December 31	
	2016	2015
Net income, as reported	\$ 146.7	\$ 163.2
Provision for income taxes	35.2	14.3
Net income, before taxes	181.9	177.5
Deduct:		
Net realized investment and other gains	(26.1)	(24.1)
Foreign currency exchange gains	(4.5)	(18.3)
Adjusted operating income before taxes	151.3	135.1
Provision for income taxes, at assumed rate (a)	30.3	27.0
Adjusted operating income	\$ 121.0	\$ 108.1
Adjusted operating income per common share (diluted)	\$ 3.92	\$ 3.44
Weighted average common shares, diluted	30.8	31.4

(a) At assumed tax rate of 20%.

"Accident year loss ratio excluding catastrophes" is an internal performance measure used in the management of the Company's operations that represents loss ratios excluding prior year reserve development and current year catastrophe losses.

## Reconciliation of Loss Ratios

(unaudited)

	Years Ended December 31	
	2016	2015
Consolidated		
Loss ratio	57.4%	55.8%
Prior accident year loss development	2.4%	2.4%
Catastrophe losses	-4.4%	-1.8%
Current accident year ex-catastrophes loss ratio	55.4%	56.4%

"Underwriting income" is an internal performance measure used in the management of the Company's operations and represents net amount earned from underwriting activities (net premiums earned less underwriting expenses and claims incurred).

## Reconciliation of Underwriting Income to Net Income

(in millions)  
(unaudited)

	Years Ended December 31	
	2016	2015
Net income, as reported	\$ 146.7	\$ 163.2
Add (deduct):		
Income tax provision	35.2	14.3
Net investment income	(115.1)	(88.6)
Net realized investment and other gains	(26.1)	(24.1)
Fee and other income	(24.5)	(22.2)
Interest expense	19.6	19.0
Fee and other expense	22.4	25.8
Foreign currency exchange gains	(4.5)	(18.3)
Underwriting income	\$ 53.7	\$ 69.1
Components of underwriting income:		
United States	\$ 111.5	\$ 84.9
International	25.8	49.3
Run-off Lines	(25.1)	(14.1)
Corporate and Other	(58.5)	(51.0)
Underwriting income	\$ 53.7	\$ 69.1

We manage our business by operating segments. The reconciliation of segment income to net income is as follows:

## Reconciliation of Segment Income to Net Income

(in millions)  
(unaudited)

	Years Ended December 31		
	2016	2015	2014
Segment income (loss) before income taxes			
Excess and Surplus Lines	\$ 88.4	\$ 81.4	\$ 103.4
Commercial Specialty	86.0	43.0	24.8
International Specialty	38.2	29.0	23.8
Syndicate 1200	13.4	35.4	45.2
Run-off Lines	(15.2)	(7.4)	(20.7)
Corporate and Other	(59.5)	(46.3)	(42.8)
Realized investment and other gains	26.1	24.1	74.5
Foreign currency exchange gains	4.5	18.3	7.8
Net income before income taxes	181.9	177.5	216.0
Provision for taxes	35.2	14.3	32.8
Net income	\$ 146.7	\$ 163.2	\$ 183.2