

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	
	2017	2016
Net income, as reported	\$ 50.3	\$ 146.7
Provision for income taxes	(10.4)	35.2
Net income, before taxes	39.9	181.9
Deduct:		
Net realized investment and other gains	(39.3)	(26.1)
Foreign currency exchange gains	6.3	(4.5)
Adjusted operating income before taxes	6.9	151.3
Provision for income taxes, at assumed rate (a)	1.4	30.3
Adjusted operating income	\$ 5.5	\$ 121.0
Adjusted operating income per common share (diluted)	\$ 0.18	\$ 3.92
Weighted average common shares, diluted	30.8	30.8

(a) At assumed tax rate of 20%.

“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	
	2017	2016
Net income, as reported	\$ 50.3	\$ 146.7
Add (deduct):		
Income tax provision	(10.4)	35.2
Net investment income	(140.0)	(115.1)
Net realized investment and other gains	(39.3)	(26.1)
Fee and other income	(22.5)	(24.5)
Interest expense	27.7	19.6
Fee and other expense	14.6	22.4
Foreign currency exchange gains	6.3	(4.5)
Underwriting income	\$ (113.3)	\$ 53.7
Components of underwriting income		
United States	\$ 89.4	\$ 111.5
International	(111.2)	25.8
Run-off Lines	(25.7)	(25.1)
Corporate and Other	(65.8)	(58.5)
Underwriting income	\$ (113.3)	\$ 53.7

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		
	2017	2016	2015
Segment income (loss) before income taxes			
U.S. Operations	\$ 169.4	\$ 174.4	\$ 124.4
International Operations	(86.7)	51.6	64.4
Run-off Lines	(17.9)	(15.2)	(7.4)
Corporate and Other	(57.9)	(59.5)	(46.3)
Realized investment and other gains	39.3	26.1	24.1
Foreign currency exchange gains	(6.3)	4.5	18.3
Net income before income taxes	39.9	181.9	177.5
Provision for taxes	(10.4)	35.2	14.3
Net income	\$ 50.3	\$ 146.7	\$ 163.2