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primarily for adverse development on certain net loss and allocated LAE in excess of its carried reserves at June 30, 2015. AIHL Re's commitments are intended to cover the statutory collateral requirements at CapSpecialty, if and when necessary, and AIHL Re's obligations are subject to an aggregate limit of \$50.0 million. In connection with such intercompany reinsurance agreement, Alleghany and AIHL Re entered into a contract whereby Alleghany will guarantee the recoverable balances owed to CapSpecialty from AIHL Re up to \$50.0 million. The above agreements had no impact on Alleghany's consolidated results of operations and financial condition.

6. Liability for Loss and LAE

(a) Liability Rollforward

Activity in liability for loss and LAE in 2016, 2015 and 2014 is summarized as follows:

	Year Ended December 31,		
	2016	2015	2014
	(\$ in millions)		
Reserves as of January 1	\$ 10,799.2	\$ 11,597.2	\$ 11,952.5
Less: reinsurance recoverables (1)	1,169.3	1,289.4	1,302.1
Net reserves as of January 1	9,629.9	10,307.8	10,650.4
Other adjustments	2.4	(1.9)	56.9 (2)
Incurring loss and LAE, net of reinsurance, related to:			
Current year	3,285.2	2,555.3	2,709.7
Prior years	(368.0)	(215.5)	(215.2)
Total incurred loss and LAE, net of reinsurance	2,917.2	2,339.8	2,494.5
Paid loss and LAE, net of reinsurance, related to: (3)			
Current year	734.3	417.6	520.8
Prior years	1,866.5	2,390.4	2,178.1
Total paid loss and LAE, net of reinsurance	2,600.8	2,808.0	2,698.9
Foreign exchange effect	(97.7)	(207.8)	(195.1)
Net reserves as of December 31	9,851.0	9,629.9	10,307.8
Reinsurance recoverables as of December 31 (1)	1,236.2	1,169.3	1,289.4
Reserves as of December 31	\$ 11,087.2	\$ 10,799.2	\$ 11,597.2

- (1) Reinsurance recoverables in this table include only ceded loss and LAE reserves.
(2) Represents reserves acquired in connection with a loss portfolio transfer transaction.
(3) Includes paid losses, net of reinsurance, related to commutations.

Gross loss and LAE reserves as of December 31, 2016 increased from December 31, 2015, reflecting increases in the reinsurance and insurance segments. The increase in gross loss and LAE reserves at the reinsurance segment primarily reflects the impact of higher net premiums earned and higher catastrophe losses, partially offset by favorable prior accident year loss reserve development. The increase in gross loss and LAE reserves at the insurance segment primarily reflects higher current accident year losses and higher catastrophe losses, partially offset by favorable prior accident year loss reserve development.

Gross loss and LAE reserves as of December 31, 2015 decreased from December 31, 2014, reflecting a decrease in the reinsurance segment loss and LAE reserves, partially offset by an increase in the insurance segment. The decrease in gross loss and LAE reserves in the reinsurance segment primarily reflects favorable prior accident year loss reserve development, loss payments including amounts related to commutations in the fourth quarter of 2015 with certain cedants and the impact of changes in foreign currency exchange rates. The increase in gross loss and LAE reserves in the insurance segment primarily reflects higher current accident year losses.