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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2019

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 1-9371

ALLEGHANY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	51-0283071
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
1411 Broadway, 34 th Floor, NY, NY	10018
Address of Principal Executive Offices	Zip Code

212-752-1356
Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 an emerging growth company. See the 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 Act). Yes ☐ No ☒

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value	Y	New York Stock Exchange

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

14,442,366 Shares, par value $1.00 per share, as of April 30, 2019

ALLEGHANY CORPORATION

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ALLEGHANY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

	March 31, 2019	December 31, 2018
	(unaudited)	
	($ in thousands, except share amounts)	
Assets		
Investments:		
Securities at fair value:		
Equity securities (cost: 2019 – $1,789,148; 2018 – $2,904,496)	$ 2,523,079	$ 3,572,790
Debt securities (amortized cost: 2019 – $13,113,522; 2018 – $11,895,850)	13,279,741	11,823,968
Short-term investments	1,272,383	893,776
	17,075,203	16,290,534
Commercial mortgage loans	676,503	676,532
Other invested assets	563,468	555,972
Total investments	18,315,174	17,523,038
Cash	778,064	1,038,763
Accrued investment income	99,491	91,913
Premium balances receivable	946,180	842,642
Reinsurance recoverables	1,761,611	1,921,278
Ceded unearned premiums	231,081	221,232
Deferred acquisition costs	488,083	464,546
Property and equipment at cost, net of accumulated depreciation and amortization	199,045	195,243
Goodwill	455,993	455,142
Intangible assets, net of amortization	549,449	553,136
Current taxes receivable	72,645	116,637
Net deferred tax assets	10,303	164,890
Funds held under reinsurance agreements	724,073	744,057
Other assets	1,161,865	1,012,379
Total assets	$ 25,793,057	$ 25,344,896
Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity		
Loss and loss adjustment expenses	$ 11,855,124	$ 12,250,294
Unearned premiums	2,368,894	2,267,078
Senior Notes and other debt	1,676,421	1,669,039
Reinsurance payable	174,434	168,667
Other liabilities	1,305,976	1,127,346
Total liabilities	17,380,849	17,482,424
Redeemable noncontrolling interests	175,721	169,762
Common stock (shares authorized: 2019 and 2018 – 22,000,000; shares issued: 2019 and 2018 – 17,459,961)	17,460	17,460
Contributed capital	3,608,654	3,612,830
Accumulated other comprehensive (loss)	(14,157)	(202,003)
Treasury stock, at cost (2019 – 3,012,224 shares; 2018 – 2,883,452 shares)	(1,393,059)	(1,312,939)
Retained earnings	6,017,589	5,577,362
Total stockholders' equity attributable to Alleghany stockholders	8,236,487	7,692,710
Total liabilities, redeemable noncontrolling interests and stockholders' equity	$ 25,793,057	$ 25,344,896

See accompanying Notes to Unaudited Consolidated Financial Statements.

ALLEGHANY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Earnings and Comprehensive Income
(unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	($ in thousands, except per share amounts)	
Revenues		
Net premiums earned	$ 1,297,309	$ 1,207,856
Net investment income	123,049	124,126
Change in the fair value of equity securities	392,353	(42,649)
Net realized capital gains	4,442	44,505
Other than temporary impairment losses	(10,020)	(511)
Noninsurance revenue	514,123	251,627
Total revenues	2,321,256	1,584,954
Costs and Expenses		
Net loss and loss adjustment expenses	792,498	670,578
Commissions, brokerage and other underwriting expenses	420,126	406,295
Other operating expenses	502,418	264,897
Corporate administration	19,369	7,785
Amortization of intangible assets	6,900	5,264
Interest expense	23,531	21,531
Total costs and expenses	1,764,842	1,376,350
Earnings before income taxes	556,414	208,604
Income taxes	108,512	37,422
Net earnings	447,902	171,182
Net earnings attributable to noncontrolling interest	7,675	(393)
Net earnings attributable to Alleghany stockholders	$ 440,227	$ 171,575
Net earnings	$ 447,902	$ 171,182
Other comprehensive income (loss):		
Change in unrealized gains (losses), net of deferred taxes of $48,749 and ($38,905) in 2019 and 2018, respectively	183,387	(146,358)
Less: reclassification for net realized capital gains and other than temporary impairments, net of taxes of $1,171 and $366 for 2019 and 2018, respectively	4,407	1,379
Change in unrealized currency translation adjustment, net of deferred taxes of ($235) and $1,356 for 2019 and 2018, respectively	(885)	5,100
Retirement plans	937	(1,322)
Comprehensive income	635,748	29,981
Comprehensive income attributable to noncontrolling interests	7,675	(393)
Comprehensive income attributable to Alleghany stockholders	$ 628,073	$ 30,374
Basic earnings per share attributable to Alleghany stockholders	$ 30.40	$ 11.15
Diluted earnings per share attributable to Alleghany stockholders	30.39	11.04

See accompanying Notes to Unaudited Consolidated Financial Statements.

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ALLEGHANY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders’ Equity
(unaudited)

	Three Months Ended March 31, 2019						
	Common Stock	Contributed Capital	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Retained Earnings	Total Stockholders’ Equity Attributable to Alleghany Shareholders	Redeemable Non-controlling Interest
	($ in thousands, except share amounts)						
Balance as of December 31, 2018							
(17,459,961 shares of common stock issued; 2,883,452 in treasury)	$ 17,460	$ 3,612,830	$ (202,003)	$ (1,312,939)	$ 5,577,362	$ 7,692,710	$ 169,762
Add (deduct):							
Net earnings	-	-	-	-	440,227	440,227	7,675
Other comprehensive income (loss), net of tax:							
Retirement plans	-	-	937	-	-	937	-
Change in unrealized appreciation of investments, net	-	-	187,794	-	-	187,794	-
Change in unrealized currency translation adjustment, net	-	-	(885)	-	-	(885)	-
Comprehensive income	-	-	187,846	-	440,227	628,073	7,675
Treasury stock repurchase	-	-	-	(80,486)	-	(80,486)	-
Other, net	-	(4,176)	-	366	-	(3,810)	(1,716)
Balance as of March 31, 2019							
(17,459,961 shares of common stock issued; 3,012,224 in treasury)	$ 17,460	$ 3,608,654	$ (14,157)	$ (1,393,059)	$ 6,017,589	$ 8,236,487	$ 175,721

	Three Months Ended March 31, 2018						
	Common Stock	Contributed Capital	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Retained Earnings	Total Stockholders’ Equity Attributable to Alleghany Shareholders	Redeemable Non-controlling Interest
	($ in thousands, except share amounts)						
Balance as of December 31, 2017							
(17,459,961 shares of common stock issued; 2,069,461 in treasury)	$ 17,460	$ 3,612,109	$ 618,118	$ (824,906)	$ 5,091,282	$ 8,514,063	$ 106,530
Add (deduct):							
Cumulative effect of adoption of new accounting pronouncements	-	-	(600,508)	-	600,508	-	-
Net earnings	-	-	-	-	171,575	171,575	(393)
Other comprehensive income (loss), net of tax:							
Retirement plans	-	-	(1,322)	-	-	(1,322)	-
Change in unrealized appreciation of investments, net	-	-	(144,979)	-	-	(144,979)	-
Change in unrealized currency translation adjustment, net	-	-	5,100	-	-	5,100	-
Comprehensive income	-	-	(141,201)	-	171,575	30,374	(393)
Dividends paid	-	-	-	-	(153,967)	(153,967)	-
Treasury stock repurchase	-	-	-	(21,268)	-	(21,268)	-
Other, net	-	1,521	(29)	2,677	29	4,198	31,494
Balance as of March 31, 2018							
(17,459,961 shares of common stock issued; 2,097,820 in treasury)	$ 17,460	$ 3,613,630	$ (123,620)	$ (843,497)	$ 5,709,427	$ 8,373,400	$ 137,631

See accompanying Notes to Unaudited Consolidated Financial Statements.

ALLEGHANY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited)

	Three Months Ended March 31,	
	2019	2018
	($ in thousands)	
Cash flows from operating activities		
Net earnings	$ 447,902	$ 171,182
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	27,732	33,107
Change in the fair value of equity securities	(392,353)	42,649
Net realized capital (gains) losses	(4,442)	(44,505)
Other than temporary impairment losses	10,020	511
(Increase) decrease in reinsurance recoverables, net of reinsurance payable	165,434	96,582
(Increase) decrease in premium balances receivable	(103,538)	(58,732)
(Increase) decrease in ceded unearned premiums	(9,849)	(14,388)
(Increase) decrease in deferred acquisition costs	(23,537)	(14,178)
(Increase) decrease in funds held under reinsurance agreements	19,984	609
Increase (decrease) in unearned premiums	101,816	69,299
Increase (decrease) in loss and loss adjustment expenses	(395,170)	(156,981)
Change in unrealized foreign currency exchange rate losses (gains)	1,070	(35,143)
Other, net	88,546	(95,181)
Net adjustments	(514,287)	(176,351)
Net cash provided by (used in) operating activities	(66,385)	(5,169)
Cash flows from investing activities		
Purchases of debt securities	(2,460,366)	(989,813)
Purchases of equity securities	(69,729)	(451,519)
Sales of debt securities	987,132	1,014,024
Maturities and redemptions of debt securities	235,521	466,457
Sales of equity securities	1,510,222	172,819
Net (purchases) sales of short-term investments	(376,414)	(33,634)
Net (purchases) sales and maturities of commercial mortgage loans	29	(5,569)
(Purchases) sales of property and equipment	(12,956)	(11,057)
Purchases of affiliates and subsidiaries, net of cash acquired	1,157	(105,386)
Other, net	73,423	(23,951)
Net cash provided by (used in) investing activities	(111,981)	32,371
Cash flows from financing activities		
Treasury stock acquisitions	(80,486)	(21,268)
Increase (decrease) in other debt	8,178	9,957
Cash dividends paid	-	(153,967)
Other, net	(11,421)	4,654
Net cash provided by (used in) financing activities	(83,729)	(160,624)
Effect of foreign exchange rate changes on cash	1,396	6,087
Net increase (decrease) in cash	(260,699)	(127,335)
Cash at beginning of period	1,038,763	838,375
Cash at end of period	$ 778,064	$ 711,040
Supplemental disclosures of cash flow information		
Cash paid during period for:		
Interest paid	$ 19,368	$ 16,942
Income taxes paid (refund received)	(39,657)	20,275

See accompanying Notes to Unaudited Consolidated Financial Statements.

ALLEGHANY CORPORATION AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

1. Summary of Significant Accounting Principles

(a) Principles of Financial Statement Presentation

This Quarterly Report on Form 10-Q (this "Form 10-Q") should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K") of Alleghany Corporation ("Alleghany").

Alleghany Corporation, a Delaware corporation, owns and manages certain operating subsidiaries and investments, anchored by a core position in property and casualty reinsurance and insurance. Through its wholly-owned subsidiary Transatlantic Holdings, Inc. ("TransRe"), Alleghany is engaged in the property and casualty reinsurance business. TransRe has been a subsidiary of Alleghany since March 2012. Through its wholly-owned subsidiary Alleghany Insurance Holdings LLC ("AIHL"), Alleghany is engaged in the property and casualty insurance business. AIHL's insurance operations are principally conducted by its subsidiaries RSUI Group, Inc. ("RSUI") and CapSpecialty, Inc. ("CapSpecialty"). RSUI has been a subsidiary of AIHL since July 2003 and CapSpecialty has been a subsidiary of AIHL since January 2002. AIHL Re LLC ("AIHL Re"), a captive reinsurance company which provides reinsurance to Alleghany's current and former insurance operating subsidiaries and affiliates, has been a subsidiary of Alleghany since its formation in May 2006.

Although Alleghany's primary sources of revenues and earnings are its reinsurance and insurance operations and investments, Alleghany also generates revenues and expenses from a diverse portfolio of middle market businesses that are owned and managed through its wholly-owned subsidiary Alleghany Capital Corporation ("Alleghany Capital"). Alleghany Capital's businesses include:

- Bourn & Koch, Inc. ("Bourn & Koch"), a manufacturer/remanufacturer of specialty machine tools and supplier of replacement parts, accessories and services for a variety of cutting technologies, headquartered in Rockford, Illinois;
- R.C. Tway Company, LLC ("Kentucky Trailer"), a manufacturer of custom trailers and truck bodies for the moving and storage industry and other markets, headquartered in Louisville, Kentucky;
- IPS-Integrated Project Services, LLC ("IPS"), a technical service provider focused on the global pharmaceutical and biotechnology industries, headquartered in Blue Bell, Pennsylvania;
- Jazwares, LLC (together with its affiliates, "Jazwares"), a global toy, entertainment and musical instrument company, headquartered in Sunrise, Florida;
- WWSC Holdings, LLC ("W&W|AFCO Steel"), a structural steel fabricator and erector, headquartered in Oklahoma City, Oklahoma;
- CHECO Holdings, LLC ("Concord"), a hotel management and development company, headquartered in Raleigh, North Carolina; and
- a 45 percent equity interest in Wilbert Funeral Services, Inc. ("Wilbert"), a provider of products and services for the funeral and cemetery industries and precast concrete markets, headquartered in Overland Park, Kansas.

On February 7, 2018, W&W|AFCO Steel acquired Hirschfeld Holdings, LP ("Hirschfeld"). The results of Concord have been included in Alleghany's consolidated results beginning with its acquisition by Alleghany Capital on October 1, 2018.

In addition, Alleghany owns certain other holding-company investments. Alleghany's wholly-owned subsidiary Stranded Oil Resources Corporation ("SORC") is an exploration and production company focused on enhanced oil recovery, headquartered in Golden, Colorado. Alleghany's wholly-owned subsidiary Alleghany Properties Holdings LLC ("Alleghany Properties") owns and manages certain properties in the Sacramento, California region. Alleghany's public equity investments are managed primarily through Alleghany's wholly-owned subsidiary Roundwood Asset Management LLC.

Unless the context otherwise requires, references to "Alleghany" include Alleghany together with its subsidiaries.

The accompanying consolidated financial statements include the results of Alleghany and its wholly-owned and majority-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). All material inter-company balances and transactions have been eliminated in consolidation.

The portion of stockholders' equity, net earnings and comprehensive income that is not attributable to Alleghany stockholders is presented on the Consolidated Balance Sheets, the Consolidated Statements of Earnings and Comprehensive Income and the Consolidated Statements of Changes in Stockholders' Equity as noncontrolling interests. In addition, Alleghany accretes the redeemable noncontrolling interests up to its future estimated redemption value over the period from the date of issuance to the earliest redemption date. Because all noncontrolling interests have the option to sell their ownership interests to Alleghany in the future (generally through 2024), the portion of stockholders' equity that is not attributable to Alleghany stockholders is presented on the Consolidated Balance Sheets and the Consolidated Statements of Changes in Stockholders' Equity as redeemable

noncontrolling interests for all periods presented. During the first three months of 2019, the noncontrolling interests outstanding were approximately as follows: Bourn & Koch - 11 percent; Kentucky Trailer - 23 percent; IPS - 15 percent; Jazwares - 23 percent; W&W|AFCO Steel - 20 percent; and Concord - 15 percent. In the first quarter of 2019, all noncontrolling interests of Bourn & Koch have exercised their options and sold their ownership interests to Alleghany, effective April 1, 2019.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Alleghany relies on historical experience and on various other assumptions that it believes to be reasonable under the circumstances to make judgments about the carrying value of assets and liabilities and reported revenues and expenses that are not readily apparent from other sources. Actual results may differ materially from those reported results to the extent that those estimates and assumptions prove to be inaccurate. Changes in estimates are reflected in the Consolidated Statements of Earnings and Comprehensive Income in the period in which the changes are made.

(b) Other Significant Accounting Principles

Alleghany's significant accounting principles can be found in Note 1 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K.

(c) Recent Accounting Standards

Recently Adopted

In February 2018, the Financial Accounting Standards Board (the "FASB") issued guidance on certain tax effects caused by the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The Tax Act, among other things, reduced the U.S. corporate federal income tax rate for the 2018 tax year from 35.0 percent to 21.0 percent. Under such circumstances, GAAP requires that the value of deferred tax assets and liabilities be reduced through tax expense. The new guidance provides an option to reclassify any stranded tax amounts that remain in accumulated other comprehensive income to retained earnings, either retrospectively or at the beginning of the period in which the adoption is elected. This guidance became effective in the first quarter of 2018 for public entities, with early adoption permitted in 2017. Alleghany adopted this new guidance in the first quarter of 2018 and has elected to reclassify stranded tax amounts that remain in accumulated other comprehensive income, in the amount of approximately $135 million, to retained earnings as of January 1, 2018. See Note 7(b) of this Form 10-Q for additional information on accumulated other comprehensive income. See Note 9 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K for additional information on the Tax Act and its impact on Alleghany.

In August 2017, the FASB issued guidance that simplifies the requirements to achieve hedge accounting, better reflects the economic results of hedging in the financial statements and improves the alignment between hedge accounting and a company's risk management activities. This guidance is effective in the first quarter of 2019 for public entities, with early adoption permitted. Alleghany adopted this guidance in the first quarter of 2019 and the implementation did not have a material impact on its results of operations and financial condition.

In February 2016, the FASB issued guidance on leases. Under this guidance, a lessee is required to recognize lease liabilities and corresponding right-of-use assets for leases with terms of more than one year, whereas under the prior guidance, a lessee is only required to recognize assets and liabilities for those leases qualifying as capital leases. This guidance also requires new disclosures about the amount, timing and uncertainty of cash flows arising from leases. The accounting by lessors remains largely unchanged. This guidance is effective in the first quarter of 2019 for public entities, with early adoption permitted. A modified retrospective transition approach was elected for all leases in existence as of, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Alleghany adopted this guidance in the first quarter of 2019 and the implementation did not have a material impact on its results of operations and financial condition. As part of its implementation, Alleghany elected to not separate lease components from non-lease components (such as office cleanings, security and maintenance services provided by Alleghany's lessors for certain of its leases). Alleghany also elected the package of practical expedients under the transition guidance, which allowed Alleghany to not reevaluate existing lease classifications, among others. As of January 1, 2019, Alleghany's adoption of this guidance resulted in recognition of an additional right-of-use asset of approximately $0.2 billion and a corresponding lease liability of $0.2 billion. See Note 9(b) for further information on Alleghany's leases.

In January 2016, the FASB issued guidance that changes the recognition and measurement of certain financial instruments. This guidance requires investments in equity securities (except those accounted for under the equity method of accounting, but including partnership investments not accounted for under the equity method) to be measured at fair value with changes in fair value recognized in net earnings. For equity securities that do not have readily determinable fair values, measurement may be at cost, adjusted for any impairment and changes resulting from observable price changes for a similar investment of the same issuer. This guidance also changes the presentation and disclosure of financial instruments by: (i) requiring that financial instrument disclosures of fair value use the exit price notion; (ii) requiring separate presentation of financial assets and financial liabilities by measurement category and form, either on the balance sheet or the accompanying notes to the financial statements; (iii) requiring separate presentation in other comprehensive income for the portion of the change in a liability's fair value resulting from instrument-specific credit risk when an

election has been made to measure the liability at fair value; and (iv) eliminating the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost on the balance sheet. This guidance is effective for fiscal years beginning after December 15, 2017 for public entities, including interim periods within those fiscal years. Except for the change in presentation for instrument-specific credit risk, this guidance does not permit early adoption. Alleghany adopted this guidance in the first quarter of 2018. As of January 1, 2018, approximately $736 million of net unrealized gains of equity securities, net of deferred taxes, were reclassified from accumulated other comprehensive income to retained earnings. Subsequently, all changes in unrealized gains or losses of equity securities, net of deferred taxes, were presented in the Consolidated Statements of Earnings rather than the Consolidated Statements of Comprehensive Income, under the caption "change in the fair value of equity securities." Results arising from partnership investments, whether accounted for under the equity method or at fair value, continue to be reported as a component of net investment income. The implementation did not have a material impact on Alleghany's financial condition. See Note 3 of this Form 10-Q for further information on Alleghany's equity securities, and Note 7(b) of this Form 10-Q for further information on accumulated other comprehensive income.

In May 2014, the FASB, together with the International Accounting Standards Board, issued guidance on the recognition of revenue from contracts with customers. Under this guidance, revenue is recognized as the transfer of goods and services to customers takes place and in amounts that reflect the payment or payments that are expected to be received from the customers for those goods and services. This guidance also requires new disclosures about revenue. Revenue related to insurance and reinsurance contracts and revenue from investments are not impacted by this guidance, whereas noninsurance revenue arising from the sale of manufactured goods and services is generally included within the scope of this guidance. This guidance, and all related amendments, became effective in the first quarter of 2018 for public entities, with early adoption permitted in 2017. Alleghany adopted this guidance in the first quarter of 2018 using the modified retrospective transition approach and the implementation did not have a material impact on Alleghany's results of operations and financial condition. See Note 10 of this Form 10-Q for further information on Alleghany's noninsurance revenue.

Future Application of Accounting Standards

In June 2016, the FASB issued guidance on credit losses. Under this guidance, a company is required to measure all expected credit losses on loans, reinsurance recoverables and other financial assets accounted for at cost or amortized cost, as applicable. Estimates of expected credit losses are to be based on historical experience, current conditions and reasonable and supportable forecasts. Credit losses for securities accounted for on an available-for-sale ("AFS") basis are to be measured in a manner similar to GAAP as currently applied and cannot exceed the amount by which the fair value is less than the amortized cost, although the new guidance removes the length of time a security has been in an unrealized loss position as a possible indication of a credit impairment. Credit losses for all financial assets are to be recorded through an allowance for credit losses. Subsequent reversals in credit loss estimates are permitted and are to be recognized in earnings. This guidance also requires new disclosures about the significant estimates and judgments used in estimating credit losses, as well as the credit quality of financial assets. This guidance is effective in the first quarter of 2020 for public entities, with early adoption permitted. Alleghany will adopt this guidance in the first quarter of 2020. Although Alleghany expects to initially record an increase in an allowance for credit losses on certain financial assets accounted for at cost or amortized cost, it does not currently believe that the implementation will have a material impact on its results of operations and financial condition. See Note 3 of this Form 10-Q for further information on Alleghany's investments. See Note 5(b) to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K for further information on Alleghany's reinsurance recoverables.

In January 2017, the FASB issued guidance that simplifies the subsequent measurement of goodwill. Under this guidance, if an initial qualitative assessment indicates that the fair value of an operating subsidiary may be less than its carrying amount, an impairment charge is recognized for the amount by which the carrying amount of the operating subsidiary exceeds its estimated fair value. Any resulting impairment loss recognized cannot exceed the total amount of goodwill associated with the operating subsidiary. This guidance is effective in the first quarter of 2020 for public entities, with early adoption permitted. Alleghany will adopt this guidance in the first quarter of 2020 and does not currently believe that the implementation will have a material impact on its results of operations and financial condition. See Note 2 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K for further information on Alleghany's goodwill.

In August 2018, the FASB issued guidance that changes the financial statement disclosure requirements for measuring fair value. With respect to financial instruments classified as "Level 3" in the fair value disclosure hierarchy, the guidance requires certain additional disclosures for public entities related to amounts included in other comprehensive income and significant unobservable inputs used in the valuation, while removing disclosure requirements related to an entity's overall valuation processes. The guidance also removes certain disclosure requirements related to transfers between financial instruments classified as "Level 1" and "Level 2" and provides clarification on certain other existing disclosure requirements. This guidance is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted with respect to any eliminated or modified disclosures. Alleghany will adopt this guidance in the first quarter of 2020 and does not currently believe that the implementation will have a material impact on its results of operations and financial condition.

2. Fair Value of Financial Instruments

The following table presents the carrying value and estimated fair value of Alleghany's consolidated financial instruments as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	($ in millions)			
Assets				
Investments (excluding equity method investments and loans) (1)	$ 17,075.7	$ 17,075.7	$ 16,291.3	$ 16,291.3
Liabilities				
Senior Notes and other debt (2)	$ 1,676.4	$ 1,814.1	$ 1,669.0	$ 1,795.5

(1) This table includes debt and equity securities, as well as partnership and non-marketable equity investments carried at fair value that are included in other invested assets. This table excludes investments accounted for using the equity method and commercial mortgage loans that are carried at unpaid principal balance. The fair value of short-term investments approximates amortized cost. The fair value of all other categories of investments is disclosed below.

(2) See Note 8 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K for additional information on the senior notes and other debt.

The following tables present Alleghany's financial instruments measured at fair value and the level of the fair value hierarchy of inputs used as of March 31, 2019 and December 31, 2018:

	Level 1	Level 2	Level 3	Total
	($ in millions)			
As of March 31, 2019				
Equity securities:				
Common stock	$ 2,515.0	$ 3.5	$ -	$ 2,518.5
Preferred stock	-	-	4.6	4.6
Total equity securities	2,515.0	3.5	4.6	2,523.1
Debt securities:				
U.S. Government obligations	-	1,182.9	-	1,182.9
Municipal bonds	-	2,469.7	-	2,469.7
Foreign government obligations	-	779.7	-	779.7
U.S. corporate bonds	-	2,316.3	433.7	2,750.0
Foreign corporate bonds	-	1,270.3	151.4	1,421.7
Mortgage and asset-backed securities:				
Residential mortgage-backed securities ("RMBS") (1)	-	1,976.6	-	1,976.6
Commercial mortgage-backed securities ("CMBS")	-	588.6	0.2	588.8
Other asset-backed securities (2)	-	931.3	1,179.0	2,110.3
Total debt securities	-	11,515.4	1,764.3	13,279.7
Short-term investments	-	1,272.4	-	1,272.4
Other invested assets (3)	-	-	0.5	0.5
Total investments (excluding equity method investments and loans)	$ 2,515.0	$ 12,791.3	$ 1,769.4	$ 17,075.7
Senior Notes and other debt	$ -	$ 1,521.7	$ 292.4	$ 1,814.1

	Level 1	Level 2	Level 3	Total
		($ in millions)		
As of December 31, 2018				
Equity securities:				
Common stock	$ 3,563.9	$ 3.5	$ -	$ 3,567.4
Preferred stock	-	-	5.4	5.4
Total equity securities	3,563.9	3.5	5.4	3,572.8
Debt securities:				
U.S. Government obligations	-	1,022.4	-	1,022.4
Municipal bonds	-	2,214.7	-	2,214.7
Foreign government obligations	-	947.9	-	947.9
U.S. corporate bonds	-	1,959.6	425.7	2,385.3
Foreign corporate bonds	-	1,226.4	126.9	1,353.3
Mortgage and asset-backed securities:				
RMBS (1)	-	1,387.9	-	1,387.9
CMBS	-	533.3	-	533.3
Other asset-backed securities (2)	-	712.3	1,266.9	1,979.2
Total debt securities	-	10,004.5	1,819.5	11,824.0
Short-term investments	-	893.8	-	893.8
Other invested assets (3)	-	-	0.7	0.7
Total investments (excluding equity method investments and loans)	$ 3,563.9	$ 10,901.8	$ 1,825.6	$ 16,291.3
Senior Notes and other debt	$ -	$ 1,510.5	$ 285.0	$ 1,795.5

(1) Primarily includes government agency pass-through securities guaranteed by a government agency or government sponsored enterprise, among other types of RMBS.
(2) Includes $1,166.9 million and $1,266.9 million of collateralized loan obligations as of March 31, 2019 and December 31, 2018, respectively.
(3) Includes partnership and non-marketable equity investments accounted for at fair value, and excludes investments accounted for using the equity method.

In the three months ended March 31, 2019, Alleghany transferred into Level 3 $14.7 million of foreign corporate bonds, principally due to a decrease in observable inputs related to the valuation of such assets. Specifically, during the first three months of 2019, there was an increase in the weight given to non-binding broker quotes and, as a result, there was a corresponding decrease in quoted prices for similar assets in active markets.

In the three months ended March 31, 2019, Alleghany transferred out of Level 3 $1.0 million of U.S. corporate bonds, principally due to an increase in observable inputs related to the valuation of such assets. Specifically, during the first three months of 2019, there was a decrease in the weight given to non-binding broker quotes and, as a result, there was a corresponding increase in quoted prices for similar assets in active markets.

There were no other material transfers between Levels 1, 2 or 3 in the three months ended March 31, 2019.

As further described in Note 3(h), on March 15, 2018, most of AIHL's limited partnership interests in certain subsidiaries of Ares Management LLC ("Ares") were converted into Ares common units. As a result of the conversion, as of March 15, 2018, $208.2 million of Ares common units, classified as equity securities, was transferred into Level 1, and $58.7 million of Ares limited partnership interests, classified as other invested assets, was transferred into Level 3. On September 24, 2018, AIHL's remaining $56.9 million of Ares limited partnership interests were converted into Ares common units and, as a result, was transferred from Level 3 other invested assets into Level 1 common stocks.

In addition to the $58.7 million of Ares-related other invested assets transferred into Level 3, in the first three months of 2018, Alleghany transferred into Level 3 $4.3 million of financial instruments, principally due to a decrease in observable inputs related to the valuation of such assets, specifically, a decrease in broker quotes. Of the $4.3 million of transfers, $3.1 million related to preferred stock and $1.2 million related to U.S. corporate bonds.

In the three months ended March 31, 2018, Alleghany transferred out of Level 3 $1.6 million of CMBS securities, principally due to an increase in observable inputs related to the valuation of such assets. Specifically, during the first three months of 2018, there was a decrease in the weight given to non-binding broker quotes, and as a result, there was a corresponding increase in quoted prices for similar assets in active markets.

There were no other material transfers between Levels 1, 2 or 3 in the three months ended March 31, 2018.

The following tables present reconciliations of the changes in Level 3 assets during the three months ended March 31, 2019 and 2018 measured at fair value:

Three Months Ended March 31, 2019	Preferred Stock	Debt Securities: U.S. Corporate Bonds	Foreign Corporate Bonds	Mortgage and asset-backed: CMBS	Other Asset-backed Securities	Other Invested Assets (1)	Total
	($ in millions)						
Balance as of January 1, 2019	$ 5.4	$ 425.7	$ 126.9	$ -	$ 1,266.9	$ 0.7	$ 1,825.6
Net realized/unrealized gains (losses) included in:							
Net earnings (2)	-	(9.9)	-	-	-	-	(9.9)
Other comprehensive income (loss)	(0.8)	15.7	2.6	-	15.2	(0.2)	32.5
Purchases	-	5.8	13.8	0.2	49.6	-	69.4
Sales	-	-	(5.6)	-	(116.9)	-	(122.5)
Issuances	-	-	-	-	-	-	-
Settlements	-	(2.6)	(1.0)	-	(35.8)	-	(39.4)
Transfers into Level 3	-	-	14.7	-	-	-	14.7
Transfers out of Level 3	-	(1.0)	-	-	-	-	(1.0)
Balance as of March 31, 2019	$ 4.6	$ 433.7	$ 151.4	$ 0.2	$ 1,179.0	$ 0.5	$ 1,769.4

Three Months Ended March 31, 2018	Preferred Stock	Debt Securities: U.S. Corporate Bonds	Foreign Corporate Bonds	Mortgage and asset-backed: RMBS	CMBS	Other Asset-backed Securities	Other Invested Assets (1)	Total
	($ in millions)							
Balance as of January 1, 2018	$ 1.9	$ 260.0	$ 75.2	$ 161.8	$ 1.6	$ 1,101.3	$ 7.5	$ 1,609.3
Net realized/unrealized gains (losses) included in:								
Net earnings (2)	-	-	-	-	-	0.4	1.2	1.6
Other comprehensive income (loss)	0.2	(5.4)	(1.3)	-	-	(3.3)	(1.6)	(11.4)
Purchases	-	36.2	-	-	-	128.2	-	164.4
Sales	-	(1.8)	(0.9)	-	-	(145.3)	(5.5)	(153.5)
Issuances	-	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-	-
Transfers into Level 3	3.1	1.2	-	-	-	-	58.7	63.0
Transfers out of Level 3	-	-	-	-	(1.6)	-	-	(1.6)
Balance as of March 31, 2018	$ 5.2	$ 290.2	$ 73.0	$ 161.8	$ -	$ 1,081.3	$ 60.3	$ 1,671.8

(1) Includes partnership and non-marketable equity investments accounted for at fair value.
(2) There were no other than temporary impairment ("OTTI") losses recorded in net earnings related to Level 3 assets still held as of March 31, 2019 and 2018.

Net unrealized losses related to Level 3 assets as of March 31, 2019 and December 31, 2018 were not material.

The increase in Senior Notes and other debt included in Level 3 for the first three months of 2019 primarily reflects increased borrowings at W&W|AFCO Steel to support working capital needs.

See Note 1(c) to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K for Alleghany's accounting policy on fair value.

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3. Investments

(a) Unrealized Gains and Losses

The following tables present the amortized cost and the fair value of AFS securities as of March 31, 2019 and December 31, 2018:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	($ in millions)			
As of March 31, 2019				
Debt securities:				
U.S. Government obligations	$ 1,189.6	$ 6.3	$ (13.0)	$ 1,182.9
Municipal bonds	2,386.4	84.4	(1.1)	2,469.7
Foreign government obligations	762.2	18.6	(1.1)	779.7
U.S. corporate bonds	2,708.7	53.5	(12.2)	2,750.0
Foreign corporate bonds	1,404.6	22.6	(5.5)	1,421.7
Mortgage and asset-backed securities:				
RMBS	1,958.9	25.4	(7.7)	1,976.6
CMBS	581.6	9.5	(2.3)	588.8
Other asset-backed securities [1]	2,121.5	9.4	(20.6)	2,110.3
Total debt securities	13,113.5	229.7	(63.5)	13,279.7
Short-term investments	1,272.4	-	-	1,272.4
Total investments	$ 14,385.9	$ 229.7	$ (63.5)	$ 14,552.1

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	($ in millions)			
As of December 31, 2018				
Debt securities:				
U.S. Government obligations	$ 1,042.4	$ 2.4	$ (22.4)	$ 1,022.4
Municipal bonds	2,177.5	44.4	(7.2)	2,214.7
Foreign government obligations	939.0	12.3	(3.4)	947.9
U.S. corporate bonds	2,431.4	13.2	(59.3)	2,385.3
Foreign corporate bonds	1,363.0	9.1	(18.8)	1,353.3
Mortgage and asset-backed securities:				
RMBS	1,392.4	10.3	(14.8)	1,387.9
CMBS	536.9	2.8	(6.4)	533.3
Other asset-backed securities [1]	2,013.3	4.4	(38.5)	1,979.2
Total debt securities	11,895.9	98.9	(170.8)	11,824.0
Short-term investments	893.8	-	-	893.8
Total investments	$ 12,789.7	$ 98.9	$ (170.8)	$ 12,717.8

(1) Includes $1,166.9 million and $1,266.9 million of collateralized loan obligations as of March 31, 2019 and December 31, 2018, respectively.

(b) Contractual Maturity

The following table presents the amortized cost and estimated fair value of debt securities by contractual maturity as of March 31, 2019. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	($ in millions)	
As of March 31, 2019		
Short-term investments due in one year or less	$ 1,272.4	$ 1,272.4
Mortgage and asset-backed securities (1)	4,662.0	4,675.7
Debt securities with maturity dates:		
One year or less	492.7	493.2
Over one through five years	3,141.4	3,169.6
Over five through ten years	2,710.4	2,756.9
Over ten years	2,107.0	2,184.3
Total debt securities	$ 13,113.5	$ 13,279.7

(1) Mortgage and asset-backed securities by their nature do not generally have single maturity dates.

(c) Net Investment Income

The following table presents net investment income for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
	($ in millions)	
Interest income	$ 119.2	$ 102.0
Dividend income	9.8	16.4
Investment expenses	(7.5)	(12.0)
Pillar Investments (1)	1.2	-
Limited partnership interests in certain subsidiaries of Ares (1)	-	13.7
Other investment results	0.3	4.0
Total	$ 123.0	$ 124.1

(1) See Note 3(h) of this Form 10-Q for discussion of the Pillar Investments, as defined therein, and limited partnership interests in certain subsidiaries of Ares.

As of March 31, 2019, non-income producing invested assets were immaterial.

(d) Change in the Fair Value of Equity Securities

The following table presents changes in the fair value of equity securities for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
	($ in millions)	
Change in the fair value of equity securities sold during the period	$ 62.1	$ 11.6
Change in the fair value of equity securities held at the end of the period	330.3	(54.2)
Change in the fair value of equity securities	$ 392.4	$ (42.6)

(e) Realized Gains and Losses

The proceeds from sales of debt and equity securities were $2.5 billion and $1.2 billion for the three months ended March 31, 2019 and 2018, respectively.

Realized capital gains and losses for the three months ended March 31, 2019 primarily reflect capital gains and losses from the sale of debt securities. Realized capital gains and losses for the three months ended March 31, 2018 primarily reflect a $45.7 million gain on AIHL's conversion of its limited partnership interests in certain subsidiaries of Ares into Ares common units. See Note 3(h) of this Form 10-Q for additional information on this conversion.

The following table presents amounts of gross realized capital gains and gross realized capital losses for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
	($ in millions)	
Gross realized capital gains	$ 12.1	$ 60.3
Gross realized capital losses	(7.7)	(15.8)
Net realized capital gains	$ 4.4	$ 44.5

Gross realized capital losses exclude OTTI losses, as discussed below.

(f) OTTI losses

Alleghany holds its debt securities as AFS and, as such, these securities are recorded at fair value. Alleghany continually monitors the difference between amortized cost and the estimated fair value of its debt investments, which involves uncertainty as to whether declines in value are temporary in nature. The analysis of a security's decline in value is performed in its functional currency. If the decline is deemed temporary, Alleghany records the decline as an unrealized loss in stockholders' equity. If the decline is deemed to be other than temporary, Alleghany writes its amortized cost-basis down to the fair value of the security and records an OTTI loss on its statement of earnings. In addition, any portion of such decline related to a debt security that is believed to arise from factors other than credit is recorded as a component of other comprehensive income rather than charged against earnings.

Debt securities in an unrealized loss position are evaluated for OTTI if they meet any of the following criteria: (i) they are trading at a discount of at least 20 percent to amortized cost for an extended period of time (nine consecutive months or more); (ii) there has been a negative credit or news event with respect to the issuer that could indicate the existence of an OTTI; or (iii) Alleghany intends to sell, or it is more likely than not that Alleghany will sell, the debt security before recovery of its amortized cost basis.

If Alleghany intends to sell, or it is more likely than not that Alleghany will sell, a debt security before recovery of its amortized cost basis, the total amount of the unrealized loss position is recognized as an OTTI loss in earnings. To the extent that a debt security that is in an unrealized loss position is not impaired based on the preceding, Alleghany will consider a debt security to be impaired when it believes it to be probable that Alleghany will not be able to collect the entire amortized cost basis. For debt securities in an unrealized loss position as of the end of each quarter, Alleghany develops a best estimate of the present value of expected cash flows. If the results of the cash flow analysis indicate that Alleghany will not recover the full amount of its amortized cost basis in the debt security, Alleghany records an OTTI loss in earnings equal to the difference between the present value of expected cash flows and the amortized cost basis of the debt security. If applicable, the difference between the total unrealized loss position on the debt security and the OTTI loss recognized in earnings is the non-credit related portion, which is recorded as a component of other comprehensive income.

In developing the cash flow analyses for debt securities, Alleghany considers various factors for the different categories of debt securities. For municipal bonds, Alleghany takes into account the taxing power of the issuer, source of revenue, credit risk and enhancements and pre-refunding. For mortgage and asset-backed securities, Alleghany discounts its best estimate of future cash flows at an effective rate equal to the original effective yield of the security or, in the case of floating rate securities, at the current coupon. Alleghany's models include assumptions about prepayment speeds, default and delinquency rates, underlying collateral (if any), credit ratings, credit enhancements and other observable market data. For corporate bonds, Alleghany reviews business prospects, credit ratings and available information from asset managers and rating agencies for individual securities.

OTTI losses in the first three months of 2019 reflect $10.0 million of unrealized losses on debt securities, primarily related to the energy sector, that were deemed to be other than temporary and, as such, were required to be charged against earnings. The determination that unrealized losses on debt securities were other than temporary was primarily due to the deterioration of creditworthiness of the issuer.

OTTI losses in the first three months of 2018 reflect $0.5 million of unrealized losses on debt securities that were deemed to be other than temporary and, as such, were required to be charged against earnings.

Upon the ultimate disposition of the securities for which OTTI losses have been recorded, a portion of the loss may be recoverable depending on market conditions at the time of disposition. After adjusting the amortized cost basis of securities for the recognition of OTTI losses, the remaining gross unrealized investment losses for debt securities as of March 31, 2019 were deemed to be temporary, based on, among other factors: (i) the duration of

time and the relative magnitude to which the fair value of these investments had been below cost were not indicative of an OTTI loss; (ii) the absence of compelling evidence that would cause Alleghany to call into question the financial condition or near-term business prospects of the issuer of the security; and (iii) Alleghany's ability and intent to hold the security for a period of time sufficient to allow for any anticipated recovery.

Alleghany may ultimately record a realized loss after having originally concluded that the decline in value was temporary. Risks and uncertainties are inherent in the methodology. Alleghany's methodology for assessing other than temporary declines in value contains inherent risks and uncertainties which could include, but are not limited to, incorrect assumptions about financial condition, liquidity or future prospects, inadequacy of any underlying collateral and unfavorable changes in economic conditions or social trends, interest rates or credit ratings.

(g) Aging of Gross Unrealized Losses

The following tables present gross unrealized losses and related fair values for Alleghany's AFS securities, grouped by duration of time in a continuous unrealized loss position, as of March 31, 2019 and December 31, 2018:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	($ in millions)					
As of March 31, 2019						
Debt securities:						
U.S. Government obligations	$ 19.3	$ -	$ 665.4	$ 13.0	$ 684.7	$ 13.0
Municipal bonds	1.8	0.1	125.2	1.0	127.0	1.1
Foreign government obligations	14.2	-	111.2	1.1	125.4	1.1
U.S. corporate bonds	197.5	4.2	483.9	8.0	681.4	12.2
Foreign corporate bonds	75.6	0.8	314.9	4.7	390.5	5.5
Mortgage and asset-backed securities:						
RMBS	98.1	0.5	399.0	7.2	497.1	7.7
CMBS	88.3	0.1	91.4	2.2	179.7	2.3
Other asset-backed securities	1,084.5	16.9	229.9	3.7	1,314.4	20.6
Total temporarily impaired securities	$ 1,579.3	$ 22.6	$ 2,420.9	$ 40.9	$ 4,000.2	$ 63.5

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	($ in millions)					
As of December 31, 2018						
Debt securities:						
U.S. Government obligations	$ 78.5	$ 0.9	$ 690.5	$ 21.5	$ 769.0	$ 22.4
Municipal bonds	312.4	2.5	202.5	4.7	514.9	7.2
Foreign government obligations	60.7	0.1	186.7	3.3	247.4	3.4
U.S. corporate bonds	1,187.9	39.4	379.7	19.9	1,567.6	59.3
Foreign corporate bonds	501.5	9.7	349.1	9.1	850.6	18.8
Mortgage and asset-backed securities:						
RMBS	397.7	6.4	225.9	8.4	623.6	14.8
CMBS	199.1	1.3	109.5	5.1	308.6	6.4
Other asset-backed securities	1,442.8	36.7	121.6	1.8	1,564.4	38.5
Total temporarily impaired securities	$ 4,180.6	$ 97.0	$ 2,265.5	$ 73.8	$ 6,446.1	$ 170.8

As of March 31, 2019, Alleghany held a total of 1,352 debt securities that were in an unrealized loss position, of which 894 securities were in an unrealized loss position continuously for 12 months or more. The unrealized losses associated with these debt securities consisted of losses related primarily to other asset-backed securities, U.S. Government obligations, U.S. corporate bonds and RMBS.

As of March 31, 2019, the vast majority of Alleghany's debt securities were rated investment grade, with 3.6 percent of debt securities having issuer credit ratings that were below investment grade or not rated, compared with 4.4 percent as of December 31, 2018.

(h) Investments in Certain Other Invested Assets

In December 2012, TransRe obtained an ownership interest in Pillar Capital Holdings Limited ("Pillar Holdings"), a Bermuda- based insurance asset manager focused on collateralized reinsurance and catastrophe insurance-linked securities. Additionally, TransRe invested $175.0 million and AIHL invested $25.0 million in limited partnership funds managed by Pillar Holdings (the "Funds"). The objective of the Funds is to create portfolios with attractive risk-reward characteristics and low correlation with other asset classes, using the extensive reinsurance and capital market experience of the principals of Pillar Holdings. Alleghany has concluded that both Pillar Holdings and the Funds (collectively, the "Pillar Investments") represent variable interest entities and that Alleghany is not the primary beneficiary, as it does not have the ability to direct the activities that most significantly impact each entity's economic performance. Therefore, the Pillar Investments are not consolidated and are accounted for under the equity method of accounting. Alleghany's potential maximum loss in the Pillar Investments is limited to its cumulative net investment. As of March 31, 2019, Alleghany's carrying value in the Pillar Investments, as determined under the equity method of accounting, was $194.7 million, which is net of returns of capital received from the Pillar Investments.

In July 2013, AIHL invested $250.0 million in Ares, an asset manager, in exchange for a 6.25 percent equity stake in Ares, with an agreement to engage Ares to manage up to $1.0 billion in certain investment strategies. In May 2014, Ares completed an initial public offering of its common units. Upon completion of the initial public offering, Alleghany's equity investment in Ares converted into limited partnership interests in certain Ares subsidiaries that were convertible into Ares common units. On March 15, 2018, most of AIHL's limited partnership interests were converted into Ares common units. As a result of the conversion and with respect to the limited partnership interests that were converted into Ares common units, AIHL: (i) reclassified its converted interests from other invested assets to equity securities; (ii) increased its carrying value to $208.2 million to reflect the fair value of Ares common units; and (iii) recorded the $45.7 million increase in carrying value as a realized capital gain as of March 15, 2018. As a result of the conversion and with respect to the unconverted limited partnership interests, AIHL: (i) changed its accounting method from the equity method to fair value; (ii) increased its carrying value to $58.7 million to reflect the fair value of Ares limited partnership interests; and (iii) recorded the $12.9 million increase in carrying value as a component of net investment income as of March 15, 2018. On September 24, 2018, AIHL's remaining Ares limited partnership interests were converted into Ares common units and, as a result, AIHL reclassified the remaining $56.9 million of its converted interests from other invested assets to equity securities.

(i) Investments in Commercial Mortgage Loans

As of March 31, 2019, the carrying value of Alleghany's commercial mortgage loan portfolio was $676.5 million, representing the unpaid principal balance on the loans. As of March 31, 2019, there was no allowance for loan losses. The commercial mortgage loan portfolio consists primarily of first mortgages on commercial properties in major metropolitan areas in the U.S. The loans earn interest at fixed- and floating-rates, mature in two to ten years from loan origination and the principal amounts of the loans were no more than approximately two-thirds of the property's appraised value at the time the loans were made.

4. Reinsurance Ceded

Alleghany's reinsurance and insurance subsidiaries reinsure portions of the risks they underwrite in order to reduce the effect of individual or aggregate exposure to losses, manage capacity, protect capital resources, reduce volatility in specific lines of business, improve risk-adjusted portfolio returns and enable them to increase gross premium writings and risk capacity without requiring additional capital. Alleghany's reinsurance and insurance subsidiaries purchase reinsurance and retrocessional coverages from highly- rated third-party reinsurers. If the assuming reinsurers are unable or unwilling to meet the obligations assumed under the applicable reinsurance agreements, Alleghany's reinsurance and insurance subsidiaries would remain liable for such reinsurance portion not paid by these reinsurers. As such, funds, trust agreements and letters of credit are held to collateralize a portion of Alleghany's reinsurance recoverables and Alleghany's reinsurance and insurance subsidiaries reinsure portions of the risks they underwrite or assume with multiple reinsurance programs.

TransRe enters into retrocession arrangements, including property catastrophe retrocession arrangements, in order to reduce the effect of individual or aggregate exposure to losses, reduce volatility in specific lines of business, improve risk-adjusted portfolio returns and increase gross premium writings and risk capacity without requiring additional capital.

RSUI reinsures its property lines of business through a program consisting of surplus share treaties, facultative placements, per risk and catastrophe excess of loss treaties. RSUI's catastrophe reinsurance program and property per risk reinsurance program run on an annual basis from May 1 to the following April 30 and portions expired on April 30, 2019. Both programs were renewed on May 1, 2019 with substantially similar terms as the expired programs.

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5. Liability for Loss and LAE

(a) Liability Rollforward

The following table presents the activity in the liability for loss and LAE in the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
	($ in millions)	
Reserves as of January 1	$ 12,250.3	$ 11,871.3
Less: reinsurance recoverables (1)	1,857.4	1,650.1
Net reserves as of January 1	10,392.9	10,221.2
Other adjustments	(0.2)	-
Incurred loss and LAE, net of reinsurance, related to:		
Current year	829.9	756.3
Prior years	(37.4)	(85.7)
Total incurred loss and LAE, net of reinsurance	792.5	670.6
Paid loss and LAE, net of reinsurance, related to: (2)		
Current year	75.3	100.5
Prior years	914.8	690.8
Total paid loss and LAE, net of reinsurance	990.1	791.3
Foreign currency exchange rate effect	17.2	49.9
Net reserves as of March 31	10,212.3	10,150.4
Reinsurance recoverables as of March 31 (1)	1,642.8	1,563.9
Reserves as of March 31	$ 11,855.1	$ 11,714.3

(1) Reinsurance recoverables in this table include only ceded loss and LAE reserves.
(2) Includes paid losses, net of reinsurance, related to commutations.

Gross loss and LAE reserves as of March 31, 2019 decreased from December 31, 2018, primarily reflecting payments on catastrophe losses incurred in prior years and, to a lesser extent, favorable prior accident year loss reserve development.

(b) Liability Development

The following table presents the (favorable) unfavorable prior accident year loss reserve development for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
	($ in millions)	
Reinsurance Segment		
Property:		
Catastrophe events	$ 8.4 [1]	$ (30.4) [2]
Non-catastrophe	(19.1) [3]	(11.0) [4]
Total	(10.7)	(41.4)
Casualty & other	(25.7) [5]	(30.2) [6]
Total Reinsurance Segment	(36.4)	(71.6)
Insurance Segment		
RSUI:		
Casualty	(5.6) [7]	(11.0) [8]
Property and other	1.9 [9]	(0.1)
Total	(3.7)	(11.1)
CapSpecialty	2.7 [10]	(3.0) [11]
Total incurred related to prior years	$ (37.4)	$ (85.7)

(1) Primarily reflects unfavorable prior accident year loss reserve development related to Typhoon Jebi in the 2018 accident year, partially offset by favorable prior accident year loss reserve development related to wildfires in California in the 2018 accident year.
(2) Primarily reflects favorable prior accident year loss reserve development related to Hurricanes Maria and Harvey in the 2017 accident year.
(3) Primarily reflects favorable prior accident year loss reserve development in the 2016 through 2018 accident years.
(4) Primarily reflects favorable prior accident year loss reserve development in the 2016 and 2017 accident years.
(5) Primarily reflects favorable prior accident year loss reserve development in the shorter-tailed lines of business in the 2012 through 2017 accident years and in the professional liability lines of business in the 2007 and prior accident years.
(6) Primarily reflects favorable prior accident year loss reserve development in the shorter-tailed lines of business in the 2016 and 2017 accident years and in the shorter-tailed and longer-tailed lines of business in the 2005 through 2013 accident years.
(7) Primarily reflects favorable prior accident year loss reserve development in the directors' and officers' liability and umbrella/excess lines of business in the 2011 through 2015 accident years, partially offset by unfavorable prior accident year loss reserve development in the professional liability lines of business in the 2017 accident year.
(8) Primarily reflects favorable prior accident year loss reserve development in the umbrella/excess lines of business in the 2005 through 2012 accident years, partially offset by unfavorable prior accident year loss reserve development in the directors' and officers' liability lines of business in the 2009 accident year.
(9) Primarily reflects unfavorable prior accident year loss reserve development related to Hurricanes Harvey in the 2017 accident year and Florence in the 2018 accident year. The unfavorable prior accident year loss reserve development reflects the impact of a recent adverse court ruling.
(10) Primarily reflects unfavorable prior accident year loss reserve development in certain specialty lines of business written through a program administrator in connection with a terminated program in the 2009 and 2010 accident years.
(11) Primarily reflects favorable prior accident year loss reserve development in the surety lines of business in the 2016 and 2017 accident years.

6. Income Taxes

The effective tax rate on earnings before income taxes for the first three months of 2019 was 19.5 percent, compared with 17.9 percent for the first three months of 2018. The increase in the effective tax rate in the first quarter of 2019 from the first quarter of 2018 primarily reflects lower tax-exempt interest income arising from municipal bond securities, lower dividends received-deductions and higher state income taxes.

Alleghany believes that, as of March 31, 2019, it had no material uncertain tax positions. Interest and penalties related to unrecognized tax expenses (benefits) are recognized in income tax expense, when applicable. There were no material liabilities for interest or penalties accrued as of March 31, 2019.

7. Stockholders' Equity

(a) Common Stock Repurchases

In November 2015, the Alleghany Board of Directors authorized the repurchase of shares of common stock of Alleghany, par value $1.00 per share ("Common Stock"), at such times and at prices as management determines to be advisable, up to an aggregate of $400.0 million (the "2015 Repurchase Program"). In June 2018, the Alleghany Board of Directors authorized, upon the completion of the 2015 Repurchase Program, the repurchase of additional shares of Common Stock, at such times and at prices as management determines to be advisable, up to an aggregate of $400.0 million (the "2018 Repurchase Program"). In the fourth quarter of 2018, Alleghany completed the 2015 Repurchase Program and subsequent repurchases have been made pursuant to the 2018 Repurchase Program. As of March 31, 2019, Alleghany had $191.0 million remaining under its share repurchase authorization.

The following table presents the shares of Common Stock that Alleghany repurchased in the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Shares repurchased	129,567	35,072
Cost of shares repurchased (in millions)	$ 80.5	$ 21.3
Average price per share repurchased	$ 621.19	$ 606.40

(b) Accumulated Other Comprehensive Income (Loss)

The following tables present a reconciliation of the changes during the three months ended March 31, 2019 and 2018 in accumulated other comprehensive income (loss) attributable to Alleghany stockholders:

	Unrealized Appreciation of Investments	Unrealized Currency Translation Adjustment	Retirement Plans	Total
		($ in millions)		
Balance as of January 1, 2019	$ (61.6)	$ (124.7)	$ (15.7)	$ (202.0)
Other comprehensive income (loss), net of tax:				
Other comprehensive income (loss) before reclassifications	183.4	(0.9)	0.9	183.4
Reclassifications from accumulated other comprehensive income	4.4	-	-	4.4
Total	187.8	(0.9)	0.9	187.8
Balance as of March 31, 2019	$ 126.2	$ (125.6)	$ (14.8)	$ (14.2)

	Unrealized Appreciation of Investments	Unrealized Currency Translation Adjustment	Retirement Plans	Total
		($ in millions)		
Balance as of January 1, 2018	$ 718.2	$ (84.6)	$ (15.5)	$ 618.1
Cumulative effect of adoption of new accounting pronouncements (1) :				
Reclassification of net unrealized gains on equity securities, net of tax	(735.6)	-	-	(735.6)
Reclassification of stranded taxes	156.6	(18.2)	(3.3)	135.1
Total	(579.0)	(18.2)	(3.3)	(600.5)
Other comprehensive income (loss), net of tax:				
Other comprehensive income (loss) before reclassifications	(146.4)	5.1	(1.3)	(142.6)
Reclassifications from accumulated other comprehensive income	1.4	-	-	1.4
Total	(145.0)	5.1	(1.3)	(141.2)
Balance as of March 31, 2018	$ (5.8)	$ (97.7)	$ (20.1)	$ (123.6)

(1) See Note 1(c) of this Form 10-Q for additional information on Alleghany's adoption of new investment accounting guidance and new guidance on certain tax effects caused by the Tax Act.

The following table presents reclassifications out of accumulated other comprehensive income attributable to Alleghany stockholders during the three months ended March 31, 2019 and 2018:

Accumulated Other Comprehensive Income Component	Line in Consolidated Statement of Earnings	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
		($ in millions)	
Unrealized appreciation of investments:	Net realized capital gains [1]	$ (4.4)	$ 1.2
	Other than temporary impairment losses	10.0	0.5
	Income taxes	(1.2)	(0.3)
Total reclassifications:	Net earnings	$ 4.4	$ 1.4

(1) For the three months ended March 31, 2018, excludes a $45.7 million pre-tax gain from AIHL's conversion of its limited partnership interests in certain subsidiaries of Ares into Ares common units. See Note 3(h) of this Form 10-Q for additional information.

(c) Special Dividend

In February 2018, the Alleghany Board of Directors declared a special dividend of $10.00 per share for stockholders of record on March 5, 2018. On March 15, 2018, Alleghany paid dividends to stockholders totaling $154.0 million.

8. Earnings Per Share of Common Stock

The following table presents a reconciliation of the earnings and share data used in the basic and diluted earnings per share computations for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	($ in millions, except share amounts)	
Net earnings available to Alleghany stockholders	$ 440.2	$ 171.6
Effect of dilutive securities	-	(1.3)
Income available to common stockholders for diluted earnings per share	$ 440.2	$ 170.3
Weighted average common shares outstanding applicable to basic earnings per share	14,481,255	15,389,283
Effect of dilutive securities	3,981	29,381
Adjusted weighted average common shares outstanding applicable to diluted earnings per share	14,485,236	15,418,664
Contingently issuable shares [1]	39,325	23,777

(1) Contingently issuable shares were potentially available in the periods presented, but were not included in the diluted earnings per share computations because the impact was anti-dilutive to the earnings per share calculation.

9. Commitments and Contingencies

(a) Legal Proceedings

Certain of Alleghany's subsidiaries are parties to pending litigation and claims in connection with the ordinary course of their businesses. Each such subsidiary makes provisions for estimated losses to be incurred in such litigation and claims, including legal costs. In the opinion of management, such provisions are adequate, and management does not believe that any pending litigation will have a material adverse effect on Alleghany's consolidated results of operations, financial position or cash flows.

(b) Leases

Alleghany and its subsidiaries lease certain facilities, land, furniture and equipment under long-term, non-cancelable lease agreements that expire at various dates through 2038. Most of Alleghany's leases relate to office facilities. Alleghany's lease agreements do not contain any material restrictive covenants and are substantially all considered to be operating leases.

Lease expense was $12.1 million in the first three months of 2019. The following table presents Alleghany's consolidated lease liabilities and right-of-use lease assets related to operating leases as of March 31, 2019:

Maturity of lease payments, by year	As of March 31, 2019 ($ in millions)
1 year or less	$ 37.9
More than 1 year to 2 years	34.1
More than 2 years to 3 years	30.7
More than 3 years to 4 years	25.6
More than 4 years to 5 years	24.9
More than 5 years	160.5
Total lease payments [1]	$ 313.7
Less: interest [2]	69.8
Lease liabilities [3]	$ 243.9
Right-of-use lease assets [4]	$ 216.3
Prepaid lease assets, net of lease allowances and incentives	27.6
	$ 243.9

(1) As of March 31, 2019, the weighted average lease term was approximately 12 years.
(2) As of March 31, 2019, the weighted average discount rate was approximately 5 percent.
(3) Represents the present value of lease liabilities and is reported as a component of other liabilities on Alleghany's Consolidated Balance Sheet.
(4) Reported as a component of other assets on Alleghany's Consolidated Balance Sheet.

(c) Energy Holdings

As of March 31, 2019, Alleghany had holdings in energy sector businesses of $418.2 million, comprised of $320.9 million of debt securities, $9.4 million of equity securities and $87.9 million of Alleghany's equity attributable to SORC.

10. Segments of Business

(a) Overview

Alleghany's segments are reported in a manner consistent with the way management evaluates the businesses. As such, Alleghany classifies its businesses into three reportable segments – reinsurance, insurance and Alleghany Capital.

Reinsurance and insurance underwriting activities are evaluated separately from investment and other activities. Segment accounting policies are described in Note 1 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K.

The reinsurance segment consists of property and casualty reinsurance operations conducted by TransRe's reinsurance operating subsidiaries and is further reported through two major product lines – property and casualty & other. TransRe provides property and casualty reinsurance to insurers and other reinsurers through brokers and on a direct basis to ceding companies. TransRe also writes a modest amount of property and casualty insurance business, which is included in the reinsurance segment. A significant portion of the premiums earned by TransRe's operations are generated by offices located in Canada, Europe, Asia, Australia, Africa and those serving Latin America and the Caribbean. Although the majority of the premiums earned by these offices typically relate to the regions where they are located, a significant portion may be derived from other regions of the world, including the U.S. In addition, although a significant portion of the assets and liabilities of these foreign offices generally relate to the countries where ceding companies and reinsurers are located, most investments are located in the country of domicile of these offices.

The insurance segment consists of property and casualty insurance operations conducted in the U.S. by AIHL through its insurance operating subsidiaries RSUI and CapSpecialty. RSUI also writes a modest amount of assumed reinsurance business, which is included in the insurance segment.

The Alleghany Capital segment consists of industrial operations, non-industrial operations and corporate operations at the Alleghany Capital level. Industrial operations are conducted through Bourn & Koch, Kentucky Trailer, W&W|AFCO Steel and a 45 percent equity interest in Wilbert. Non-industrial operations are conducted through IPS, Jazwares and Concord.

On October 1, 2018, Alleghany Capital acquired approximately 85 percent of the equity in Concord for $136.6 million, consisting of $68.6 million in cash paid on October 1, 2018, $38.2 million of potential contingent consideration based on future profitability and $29.8 million of

incremental debt. In connection with the acquisition, Alleghany recorded $83.0 million of goodwill and $70.8 million of finite-lived intangible assets related primarily to customer relationships.

On February 7, 2018, W&W|AFCO Steel acquired the outstanding equity of Hirschfeld, a fabricator of steel bridges and structural steel for stadiums, airports and other large commercial and industrial projects, for $109.1 million, consisting of $94.4 million in cash and $14.7 million of incremental debt. The $94.4 million paid by W&W|AFCO Steel was funded by capital contributions from Alleghany and noncontrolling interests of $75.5 million and $18.9 million, respectively. In connection with the acquisition, Alleghany recorded $3.0 million of goodwill and $9.4 million of finite-lived intangible assets related primarily to customer relationships.

Corporate activities are not classified as a segment. The primary components of corporate activities are Alleghany Properties, SORC and activities at the Alleghany parent company.

In addition, corporate activities include interest expense associated with the senior notes issued by Alleghany, whereas interest expense associated with senior notes issued by TransRe is included in “Total Segments” and interest expense associated with other debt is included in Alleghany Capital. Information related to the senior notes and other debt can be found in Note 8 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, “Financial Statements and Supplementary Data” of the 2018 Form 10-K.

(b) Results

The following tables present segment results for Alleghany’s three reportable segments and for corporate activities for the three months ended March 31, 2019 and 2018:

	Reinsurance Segment			Insurance Segment							
Three Months Ended March 31, 2019	Property	Casualty & other [1]	Total	RSUI	Cap Specialty	Total	Subtotal	Alleghany Capital [2]	Total Segments	Corporate Activities [3]	Consolidated
						($ in millions)					
Gross premiums written	$ 415.1	$ 816.5	$ 1,231.6	$ 299.0	$ 82.8	$ 381.8	$ 1,613.4	$ -	$ 1,613.4	$ (6.8)	$ 1,606.6
Net premiums written	316.2	791.4	1,107.6	201.4	76.7	278.1	1,385.7	-	1,385.7	-	1,385.7
Net premiums earned	308.9	720.3	1,029.2	192.4	75.7	268.1	1,297.3	-	1,297.3	-	1,297.3
Net loss and LAE	162.6	490.6	653.2	94.3	45.0	139.3	792.5	-	792.5	-	792.5
Commissions, brokerage and other underwriting expenses	103.7	232.3	336.0	53.5	30.6	84.1	420.1	-	420.1	-	420.1
Underwriting (loss) profit [4]	$ 42.6	$ (2.6)	$ 40.0	$ 44.6	$ 0.1	$ 44.7	84.7	-	84.7	-	84.7
Net investment income							117.9	1.3	119.2	3.8	123.0
Change in the fair value of equity securities							389.1	-	389.1	3.3	392.4
Net realized capital gains							4.1	0.3	4.4	-	4.4
Other than temporary impairment losses							(10.0)	-	(10.0)	-	(10.0)
Noninsurance revenue							5.4	505.0	510.4	3.7	514.1
Other operating expenses							29.7	465.4	495.1	7.3	502.4
Corporate administration							1.1	-	1.1	18.3	19.4
Amortization of intangible assets							0.2	6.7	6.9	-	6.9
Interest expense							6.7	4.3	11.0	12.5	23.5
Earnings (losses) before income taxes							$ 553.5	$ 30.2	$ 583.7	$ (27.3)	$ 556.4

Three Months Ended March 31, 2018	Reinsurance Segment			Insurance Segment							
	Property	Casualty & other [1]	Total	RSUI	Cap Specialty	Total	Subtotal	Alleghany Capital [2]	Total Segments	Corporate Activities [3]	Consolidated
						($ in millions)					
Gross premiums written	$ 397.2	$ 718.4	$ 1,115.6	$ 274.6	$ 74.5	$ 349.1	$ 1,464.7	$ -	$ 1,464.7	$ (6.0)	$ 1,458.7
Net premiums written	305.1	691.9	997.0	187.0	69.3	256.3	1,253.3	-	1,253.3	-	1,253.3
Net premiums earned	275.1	685.1	960.2	180.9	66.7	247.6	1,207.8	-	1,207.8	-	1,207.8
Net loss and LAE	96.6	442.8	539.4	96.9	34.3	131.2	670.6	-	670.6	-	670.6
Commissions, brokerage and other underwriting expenses	93.1	228.9	322.0	53.5	30.8	84.3	406.3	-	406.3	-	406.3
Underwriting profit [4]	$ 85.4	$ 13.4	$ 98.8	$ 30.5	$ 1.6	$ 32.1	130.9	-	130.9	-	130.9
Net investment income							118.4	1.6	120.0	4.1	124.1
Change in the fair value of equity securities							(13.9)	-	(13.9)	(28.6)	(42.5)
Net realized capital gains							43.8	0.7	44.5	-	44.5
Other than temporary impairment losses							(0.5)	-	(0.5)	-	(0.5)
Noninsurance revenue							5.7	242.7	248.4	3.2	251.6
Other operating expenses							17.0	240.0	257.0	7.9	264.9
Corporate administration							(0.3)	-	(0.3)	8.1	7.8
Amortization of intangible assets							(0.1)	5.4	5.3	-	5.3
Interest expense							6.7	1.3	8.0	13.5	21.5
Earnings (losses) before income taxes							$ 261.1	$ (1.7)	$ 259.4	$ (50.8)	$ 208.6

(1) Primarily consists of the following assumed reinsurance lines of business: directors' and officers' liability; errors and omissions liability; general liability; medical malpractice; ocean marine and aviation; auto liability; accident and health; mortgage reinsurance; surety; and credit.
(2) Excludes certain minor, legacy investments that were previously reflected in Alleghany Capital in 2018 and prior periods, to align with management's view of reportable segments.
(3) Includes elimination of minor reinsurance activity between segments. Also, includes certain minor, legacy investments that were previously reflected in Alleghany Capital in 2018 and prior periods.
(4) Underwriting profit represents net premiums earned less net loss and LAE and commissions, brokerage and other underwriting expenses, all as determined in accordance with GAAP, and does not include net investment income, change in the fair value of equity securities, net realized capital gains, OTTI losses, noninsurance revenue, other operating expenses, corporate administration, amortization of intangible assets or interest expense. Underwriting profit does not replace earnings before income taxes determined in accordance with GAAP as a measure of profitability. Rather, Alleghany believes that underwriting profit enhances the understanding of its reinsurance and insurance segments' operating results by highlighting net earnings attributable to their underwriting performance. Earnings before income taxes (a GAAP measure) may show a profit despite an underlying underwriting loss. Where underwriting losses persist over extended periods, a reinsurance or an insurance company's ability to continue as an ongoing concern may be at risk. Therefore, Alleghany views underwriting profit as an important measure in the overall evaluation of performance.

(c) Identifiable Assets and Equity

The following table presents identifiable assets, the portion of identifiable assets related to cash and invested assets, and equity attributable to Alleghany, for Alleghany's reportable segments and for corporate activities as of March 31, 2019:

	Identifiable Assets	Invested Assets and Cash	Equity Attributable to Alleghany
		($ in millions)	
Reinsurance segment	$ 16,799.8	$ 13,282.8	$ 5,091.1
Insurance segment	6,871.4	5,370.7	2,952.0
Subtotal	23,671.2	18,653.5	8,043.1
Alleghany Capital	1,758.1	129.1	862.2
Total segments	25,429.3	18,782.6	8,905.3
Corporate activities	363.8	310.7	(668.8)
Consolidated	$ 25,793.1	$ 19,093.3	$ 8,236.5

The debt associated with Alleghany Capital's operating subsidiaries totaled $292.4 million and $284.5 million as of March 31, 2019 and December 31, 2018, respectively, and is generally used to support working capital needs and to help finance acquisitions. As of March 31, 2019, the $292.4 million includes:

- $131.3 million of borrowings by W&W|AFCO Steel under its available credit facilities and term loans (including borrowings incurred and assumed from its acquisition of Hirschfeld);
- $60.9 million of term loans at Kentucky Trailer primarily related to borrowings to finance small acquisitions, including its acquisition of a controlling interest in a certain manufacturer of aluminum feed transportation equipment, and borrowings under its available credit facilities;
- $42.9 million of borrowings by Jazwares under its available credit facility;
- $33.8 million of term loans at Concord primarily related to borrowings to finance Alleghany Capital's acquisition of Concord;

- $13.3 million of term loans at Bourn & Koch primarily related to borrowings to finance an acquisition made in 2016; and
- $10.2 million of borrowings by IPS under its available credit facility.

None of these liabilities are guaranteed by Alleghany or Alleghany Capital.

(d) Alleghany Capital Noninsurance Revenue

For Alleghany Capital's industrial and non-industrial operations, noninsurance revenue consists of the sale of manufactured goods and services. The following table presents noninsurance revenue for the Alleghany Capital segment for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
	($ in millions)	
Industrial (1)	$ 260.1	$ 145.5
Non-industrial (2)	244.9	97.1
Corporate & other	-	0.1
Alleghany Capital	$ 505.0	$ 242.7

(1) For the three months ended March 31, 2019 and 2018, the vast majority of noninsurance revenue was recognized as goods and services transferred to customers over time. See Note 1(c) of this Form 10-Q for additional information on Alleghany's adoption of new revenue recognition accounting guidance effective in the first quarter of 2018.

(2) For the three months ended March 31, 2019 and 2018, approximately 66 percent and 71 percent, respectively, of noninsurance revenue was recognized as services transferred to customers over time, with the remainder recognized as goods transferred at a point in time. See Note 1(c) of this Form 10-Q for additional information on Alleghany's adoption of new revenue recognition accounting guidance effective in the first quarter of 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following is a discussion and analysis of our financial condition and results of operations for the three months ended March 31, 2019 and 2018. This discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, or this "Form 10-Q," and our audited consolidated financial statements and Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the Annual Report on Form 10-K for the year ended December 31, 2018, or the "2018 Form 10-K." This discussion contains forward-looking statements that involve risks and uncertainties and that are not historical facts, including statements about our beliefs and expectations. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and particularly under the headings "Risk Factors," "Business" and "Note on Forward-Looking Statements" contained in Item 1A, Item 1, and Part I of the 2018 Form 10-K, respectively.

References in this Form 10-Q to the "Company," "Alleghany," "we," "us," and "our" refer to Alleghany Corporation and its consolidated subsidiaries unless the context otherwise requires. In addition, unless the context otherwise requires, references to

- "TransRe" are to our wholly-owned reinsurance holding company subsidiary Transatlantic Holdings, Inc. and its subsidiaries;
- "AIHL" are to our wholly-owned insurance holding company subsidiary Alleghany Insurance Holdings LLC;
- "RSUI" are to our wholly-owned subsidiary RSUI Group, Inc. and its subsidiaries;
- "CapSpecialty" are to our wholly-owned subsidiary CapSpecialty, Inc. and its subsidiaries;
- "AIHL Re" are to our wholly-owned subsidiary AIHL Re LLC;
- "Roundwood" are to our wholly-owned subsidiary Roundwood Asset Management LLC;
- "SORC" are to our wholly-owned subsidiary Stranded Oil Resources Corporation and its subsidiaries;
- "Alleghany Capital" are to our wholly-owned subsidiary Alleghany Capital Corporation and its subsidiaries;
- "Bourn & Koch" are to our majority-owned subsidiary Bourn & Koch, Inc. and its subsidiary;
- "Kentucky Trailer" are to our majority-owned subsidiary R.C. Tway Company, LLC and its subsidiaries;
- "IPS" are to our majority-owned subsidiary IPS-Integrated Project Services, LLC and its subsidiaries;
- "Jazwares" are to our majority-owned subsidiary Jazwares, LLC and its subsidiaries and affiliates;
- "W&W|AFCO Steel" are to our majority-owned subsidiary WWSC Holdings, LLC and its subsidiaries;
- "Concord" are to our majority-owned subsidiary CHECO Holdings, LLC and its subsidiaries; and
- "Alleghany Properties" are to our wholly-owned subsidiary Alleghany Properties Holdings LLC and its subsidiaries.

Note on Forward-Looking Statements

Certain statements contained in this Form 10-Q may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as “may,” “will,” “expect,” “project,” “estimate,” “anticipate,” “plan,” “believe,” “potential,” “should” or the negative versions of those words or other comparable words. Forward-looking statements do not relate solely to historical or current facts, rather they are based on management’s expectations as well as certain assumptions and estimates made by, and information available to, management at the time. These statements are not guarantees of future performance. These forward-looking statements are based upon Alleghany’s current expectations and are subject to a number of uncertainties and risks that could significantly affect current plans, anticipated actions and Alleghany’s future financial condition and results. Factors that could cause these forward-looking statements to differ, possibly materially, from that currently contemplated include:

- significant weather-related or other natural or man-made catastrophes and disasters;
- the cyclical nature of the property and casualty reinsurance and insurance industries;
- changes in market prices of our significant equity investments and changes in value of our debt securities portfolio;
- adverse loss development for events insured by our reinsurance and insurance subsidiaries in either the current year or prior years;
- the long-tail and potentially volatile nature of certain casualty lines of business written by our reinsurance and insurance subsidiaries;
- the cost and availability of reinsurance;
- the reliance by our reinsurance and insurance operating subsidiaries on a limited number of brokers;
- legal, political, judicial and regulatory changes;
- increases in the levels of risk retention by our reinsurance and insurance subsidiaries;
- changes in the ratings assigned to our reinsurance and insurance subsidiaries;
- claims development and the process of estimating reserves;
- exposure to terrorist acts and acts of war;
- the willingness and ability of our reinsurance and insurance subsidiaries’ reinsurers to pay reinsurance recoverables owed to our reinsurance and insurance subsidiaries;
- the uncertain nature of damage theories and loss amounts;
- the loss of key personnel of our reinsurance or insurance operating subsidiaries;
- fluctuation in foreign currency exchange rates;
- the failure to comply with the restrictive covenants contained in the agreements governing our indebtedness;
- the ability to make payments on, or repay or refinance, our debt;
- risks inherent in international operations; and
- difficult and volatile conditions in the global market.

Additional risks and uncertainties include general economic and political conditions, including the effects of a prolonged U.S. or global economic downturn or recession; changes in costs; variations in political, economic or other factors; risks relating to conducting operations in a competitive environment; effects of acquisition and disposition activities, inflation rates, or recessionary or expansive trends; changes in interest rates; extended labor disruptions, civil unrest, or other external factors over which we have no control; changes in our plans, strategies, objectives, expectations, or intentions, which may happen at any time at our discretion; and other factors discussed in the 2018 Form 10-K and subsequent filings with the Securities and Exchange Commission, or the “SEC.” All forward-looking statements speak only as of the date they are made and are based on information available at that time. Alleghany does not undertake any obligation to update or revise any forward-looking statements to reflect subsequent circumstances or events. See Part I, Item 1A, “Risk Factors” of the 2018 Form 10-K for additional information.

Comment on Non-GAAP Financial Measures

Throughout this Form 10-Q, our analysis of our financial condition and results of operations is based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the U.S., or "GAAP." Our results of operations have been presented in the way that we believe will be the most meaningful and useful to investors, analysts, rating agencies and others who use financial information in evaluating our performance. This presentation includes the use of underwriting profit and operating earnings before income taxes, which are "non-GAAP financial measures," as such term is defined in Item 10(e) of Regulation S-K promulgated by the SEC. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. These measures may also be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. A discussion of our calculation and use of these financial measures is provided below.

Underwriting profit is a non-GAAP financial measure for our reinsurance and insurance segments. Underwriting profit represents net premiums earned less net loss and loss adjustment expenses, or "LAE," and commissions, brokerage and other underwriting expenses, all as determined in accordance with GAAP and does not include: (i) net investment income; (ii) change in the fair value of equity securities; (iii) net realized capital gains; (iv) other than temporary impairment, or "OTTI" losses; (v) noninsurance revenue; (vi) other operating expenses; (vii) corporate administration; (viii) amortization of intangible assets; and (ix) interest expense. We use underwriting profit as a supplement to earnings before income taxes, the most comparable GAAP financial measure, to evaluate the performance of our reinsurance and insurance segments and believe that underwriting profit provides useful additional information to investors because it highlights net earnings attributable to our reinsurance and insurance segments' underwriting performance. Earnings before income taxes may show a profit despite an underlying underwriting loss, and when underwriting losses persist over extended periods, a reinsurance or an insurance company's ability to continue as an ongoing concern may be at risk. A reconciliation of underwriting profit to earnings before income taxes is presented within "Consolidated Results of Operations."

Operating earnings before income taxes is a non-GAAP financial measure for our Alleghany Capital segment. Operating earnings before income taxes represents noninsurance revenue and net investment income less other operating expenses and interest expense, and does not include: (i) amortization of intangible assets; (ii) change in the fair value of equity securities; (iii) net realized capital gains; (iv) OTTI losses; and (v) income taxes. Because operating earnings before income taxes excludes amortization of intangible assets, change in the fair value of equity securities, net realized capital gains, OTTI losses and income taxes, it provides an indication of economic performance that is not affected by levels of effective tax rates or levels of amortization resulting from acquisition accounting. We use operating earnings before income taxes as a supplement to earnings before income taxes, the most comparable GAAP financial measure, to evaluate the performance of certain of our noninsurance operating subsidiaries and investments. A reconciliation of operating earnings before income taxes to earnings before income taxes is presented within "Consolidated Results of Operations."

Overview

The following overview does not address all of the matters covered in the other sections of Management's Discussion and Analysis of Financial Condition and Results of Operations or contain all of the information that may be important to our stockholders or the investing public. This overview should be read in conjunction with the other sections of Management's Discussion and Analysis of Financial Condition and Results of Operations.

- Net earnings attributable to Alleghany stockholders were $440.2 million in the first quarter of 2019, compared with $171.6 million in the first quarter of 2018.
- Net investment income decreased by 0.9 percent in the first quarter of 2019 from the first quarter of 2018.
- Net premiums written increased by 10.6 percent in the first quarter of 2019 from the first quarter of 2018.
- Underwriting profit was $84.7 million in the first quarter of 2019, compared with $130.9 million in the first quarter of 2018.
- The combined ratio for our reinsurance and insurance segments was 93.5 percent in the first quarter of 2019, compared with 89.1 percent in the first quarter of 2018.
- Catastrophe losses, net of reinsurance, were $3.4 million in the first quarter of 2019, compared with $4.1 million in the first quarter of 2018.
- Net favorable prior accident year loss reserve development was $37.4 million in the first quarter of 2019, compared with $85.7 million in the first quarter of 2018.
- Noninsurance revenue for Alleghany Capital was $505.0 million in the first quarter of 2019, compared with $242.7 million in the first quarter of 2018.
- Earnings before income taxes for Alleghany Capital were $30.2 million in the first quarter of 2019, compared with losses before income taxes of $1.7 million in the first quarter of 2018. Operating earnings before income taxes were $36.6 million in the first quarter of 2019, compared with $3.0 million in the first quarter of 2018.

As of March 31, 2019, we had total assets of $25.8 billion and total stockholders' equity attributable to Alleghany stockholders of $8.2 billion. As of March 31, 2019, we had consolidated total investments of approximately $18.3 billion, consisting of $13.3 billion invested in debt securities, $2.5 billion invested in equity securities, $1.3 billion invested in short-term investments, $0.7 billion invested in commercial mortgage loans and $0.5 billion invested in other invested assets.

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Consolidated Results of Operations

The following table presents our consolidated revenues, costs and expenses and earnings:

	Three Months Ended March 31,	
	2019	2018
	($ in millions)	
Revenues		
Net premiums earned	$ 1,297.3	$ 1,207.8
Net investment income	123.0	124.1
Change in the fair value of equity securities	392.4	(42.5)
Net realized capital gains	4.4	44.5
Other than temporary impairment losses	(10.0)	(0.5)
Noninsurance revenue	514.1	251.6
Total revenues	2,321.2	1,585.0
Costs and Expenses		
Net loss and loss adjustment expenses	792.5	670.6
Commissions, brokerage and other underwriting expenses	420.1	406.3
Other operating expenses	502.4	264.9
Corporate administration	19.4	7.8
Amortization of intangible assets	6.9	5.3
Interest expense	23.5	21.5
Total costs and expenses	1,764.8	1,376.4
Earnings before income taxes	556.4	208.6
Income taxes	108.5	37.4
Net earnings	447.9	171.2
Net earnings attributable to noncontrolling interests	7.7	(0.4)
Net earnings attributable to Alleghany stockholders	$ 440.2	$ 171.6

Alleghany's segments are reported in a manner consistent with the way management evaluates the businesses. As such, Alleghany classifies its businesses into three reportable segments – reinsurance, insurance and Alleghany Capital. Alleghany determined that Alleghany Capital qualified as a reportable segment in the first quarter of 2018, reflecting the increased significance of Alleghany Capital's business to Alleghany and its projected growth. Corporate activities are not classified as a segment.

See Note 10 to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for additional detail on our segments and corporate activities. The tables below present the results for our segments and for corporate activities for the three months ended March 31, 2019 and 2018:

	Segments						
Three Months Ended March 31, 2019	Reinsurance Segment	Insurance Segment	Subtotal	Alleghany Capital [1]	Total Segments	Corporate Activities [2]	Consolidated
	($ in millions)						
Gross premiums written	$ 1,231.6	$ 381.8	$ 1,613.4	$ -	$ 1,613.4	$ (6.8)	$ 1,606.6
Net premiums written	1,107.6	278.1	1,385.7	-	1,385.7	-	1,385.7
Net premiums earned	1,029.2	268.1	1,297.3	-	1,297.3	-	1,297.3
Net loss and LAE:							
Current year (excluding catastrophe losses)	689.6	136.9	826.5	-	826.5	-	826.5
Current year catastrophe losses	-	3.4	3.4	-	3.4	-	3.4
Prior years	(36.4)	(1.0)	(37.4)	-	(37.4)	-	(37.4)
Total net loss and LAE	653.2	139.3	792.5	-	792.5	-	792.5
Commissions, brokerage and other underwriting expenses	336.0	84.1	420.1	-	420.1	-	420.1
Underwriting profit [3]	$ 40.0	$ 44.7	84.7	-	84.7	-	84.7
Net investment income			117.9	1.3	119.2	3.8	123.0
Change in the fair value of equity securities			389.1	-	389.1	3.3	392.4
Net realized capital gains			4.1	0.3	4.4	-	4.4
Other than temporary impairment losses			(10.0)	-	(10.0)	-	(10.0)
Noninsurance revenue			5.4	505.0	510.4	3.7	514.1
Other operating expenses			29.7	465.4	495.1	7.3	502.4
Corporate administration			1.1	-	1.1	18.3	19.4
Amortization of intangible assets			0.2	6.7	6.9	-	6.9
Interest expense			6.7	4.3	11.0	12.5	23.5
Earnings (losses) before income taxes			$ 553.5	$ 30.2	$ 583.7	$ (27.3)	$ 556.4
Loss ratio [4] :							
Current year (excluding catastrophe losses)	67.0%	51.1%	63.7%				
Current year catastrophe losses	- %	1.3%	0.3%				
Prior years	(3.5%)	(0.4%)	(2.9%)				
Total net loss and LAE	63.5%	52.0%	61.1%				
Expense ratio [5]	32.6%	31.4%	32.4%				
Combined ratio [6]	96.1%	83.4%	93.5%				

Three Months Ended March 31, 2018	Reinsurance Segment	Insurance Segment	Segments Subtotal	Alleghany Capital (1)	Total Segments	Corporate Activities (2)	Consolidated
				($ in millions)			
Gross premiums written	$ 1,115.6	$ 349.1	$ 1,464.7	$ -	$ 1,464.7	$ (6.0)	$ 1,458.7
Net premiums written	997.0	256.3	1,253.3	-	1,253.3	-	1,253.3
Net premiums earned	960.2	247.6	1,207.8	-	1,207.8	-	1,207.8
Net loss and LAE:							
Current year (excluding catastrophe losses)	611.0	141.2	752.2	-	752.2	-	752.2
Current year catastrophe losses	-	4.1	4.1	-	4.1	-	4.1
Prior years	(71.6)	(14.1)	(85.7)	-	(85.7)	-	(85.7)
Total net loss and LAE	539.4	131.2	670.6	-	670.6	-	670.6
Commissions, brokerage and other underwriting expenses	322.0	84.3	406.3	-	406.3	-	406.3
Underwriting profit (3)	$ 98.8	$ 32.1	130.9	-	130.9	-	130.9
Net investment income			118.4	1.6	120.0	4.1	124.1
Change in the fair value of equity securities			(13.9)	-	(13.9)	(28.6)	(42.5)
Net realized capital gains			43.8	0.7	44.5	-	44.5
Other than temporary impairment losses			(0.5)	-	(0.5)	-	(0.5)
Noninsurance revenue			5.7	242.7	248.4	3.2	251.6
Other operating expenses			17.0	240.0	257.0	7.9	264.9
Corporate administration			(0.3)	-	(0.3)	8.1	7.8
Amortization of intangible assets			(0.1)	5.4	5.3	-	5.3
Interest expense			6.7	1.3	8.0	13.5	21.5
Earnings (lossses) before income taxes			$ 261.1	$ (1.7)	$ 259.4	$ (50.8)	$ 208.6
Loss ratio (4) :							
Current year (excluding catastrophe losses)	63.7%	57.0%	62.3%				
Current year catastrophe losses	- %	1.7%	0.3%				
Prior years	(7.5%)	(5.7%)	(7.1%)				
Total net loss and LAE	56.2%	53.0%	55.5%				
Expense ratio (5)	33.5%	34.0%	33.6%				
Combined ratio (6)	89.7%	87.0%	89.1%				

(1) Excludes certain minor, legacy investments that were previously reflected in Alleghany Capital in 2018 and prior periods.
(2) Includes elimination of minor reinsurance activity between segments. Also, includes certain minor, legacy investments that were previously reflected in Alleghany Capital in 2018 and prior periods.
(3) Underwriting profit represents net premiums earned less net loss and LAE and commissions, brokerage and other underwriting expenses, all as determined in accordance with GAAP, and does not include net investment income, change in the fair value of equity securities, net realized capital gains, OTTI losses, noninsurance revenue, other operating expenses, corporate administration, amortization of intangible assets and interest expense. Underwriting profit is a non-GAAP financial measure and does not replace earnings before income taxes determined in accordance with GAAP as a measure of profitability. See “Comment on Non-GAAP Financial Measures” herein for additional detail on the presentation of our results of operations.
(4) The loss ratio is derived by dividing the amount of net loss and LAE by net premiums earned, all as determined in accordance with GAAP.
(5) The expense ratio is derived by dividing the amount of commissions, brokerage and other underwriting expenses by net premiums earned, all as determined in accordance with GAAP.
(6) The combined ratio is the sum of the loss ratio and the expense ratio, all as determined in accordance with GAAP. The combined ratio represents the percentage of each premium dollar a reinsurance or an insurance company has to spend on net loss and LAE, and commissions, brokerage and other underwriting expenses.

Comparison of the Three Months Ended March 31, 2019 and 2018

Premiums. The following table presents our consolidated premiums:

	Three Months Ended March 31, 2019	2018	Percent Change
	($ in millions)		
Premiums written:			
Gross premiums written	$ 1,606.6	$ 1,458.7	10.1%
Net premiums written	1,385.7	1,253.3	10.6%
Net premiums earned	1,297.3	1,207.8	7.4%

The increase in gross premiums written in the first quarter of 2019 from the first quarter of 2018 is primarily attributable to an increase at our reinsurance segment and, to a lesser extent, growth at RSUI and CapSpecialty. The increase at our reinsurance segment primarily reflects the impact of TransRe's purchase on August 29, 2018 of certain renewal rights to a block of U.S. treaty reinsurance business focused on regional property and casualty, accident and health and personal auto lines of business, or the "Renewal Rights Purchase." The increase in gross premiums written at our reinsurance segment was partially offset by a decrease in gross premiums written related to a certain large whole account quota share treaty, or the "Quota Share Treaty," and the impact of changes in foreign currency exchange rates. Gross premiums written related to the Quota Share Treaty were $164.0 million and $184.0 million in the first quarter of 2019 and 2018, respectively, reflecting a reduction of TransRe's quota share participation.

The increase in net premiums earned in the first quarter of 2019 from the first quarter of 2018 reflects an increase at our reinsurance segment and, to a lesser extent, RSUI and CapSpecialty, due to an increase in net premiums written in recent quarters.

A detailed comparison of premiums by segment for the first quarter of 2019 and 2018 is contained in the following pages.

Net loss and LAE. The following table presents our consolidated net loss and LAE:

	Three Months Ended March 31, 2019	2018	Percent Change
	($ in millions)		
Net loss and LAE:			
Current year (excluding catastrophe losses)	$ 826.5	$ 752.2	9.9%
Current year catastrophe losses	3.4	4.1	(17.1%)
Prior years	(37.4)	(85.7)	(56.4%)
Total net loss and LAE	$ 792.5	$ 670.6	18.2%
Loss ratio:			
Current year (excluding catastrophe losses)	63.7%	62.3%	
Current year catastrophe losses	0.3%	0.3%	
Prior years	(2.9%)	(7.1%)	
Total net loss and LAE	61.1%	55.5%	

The increase in net loss and LAE in the first quarter of 2019 from the first quarter of 2018 primarily reflects the impact of higher net premiums earned and a decrease in favorable prior accident year loss reserve development, particularly at our reinsurance segment.

A detailed comparison of net loss and LAE by segment for the first quarter of 2019 and 2018 is contained in the following pages.

Commissions, brokerage and other underwriting expenses . The following table presents our consolidated commissions, brokerage and other underwriting expenses:

	Three Months Ended March 31, 2019	2018	Percent Change
	($ in millions)		
Commissions, brokerage and other underwriting expenses	$ 420.1	$ 406.3	3.4%
Expense ratio	32.4%	33.6%	

The increase in commissions, brokerage and other underwriting expenses in the first quarter of 2019 from the first quarter of 2018 primarily reflects the impact of higher net premiums earned, partially offset by lower overall commission rates.

A detailed comparison of commissions, brokerage and other underwriting expenses by segment for the first quarter of 2019 and 2018 is contained in the following pages.

Underwriting profit. The following table presents our consolidated underwriting profit:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Percent Change
	($ in millions)		
Underwriting profit	$ 84.7	$ 130.9	(35.3%)
Combined ratio	93.5%	89.1%	

The decrease in underwriting profit in the first quarter of 2019 from the first quarter of 2018 reflects a decrease at our reinsurance segment due primarily to less favorable prior accident year loss reserve development, as discussed above, partially offset by an increase at RSUI.

A detailed comparison of underwriting profit by segment for the first quarter of 2019 and 2018 is contained in the following pages.

Investment results. The following table presents our consolidated investment results:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Percent Change
	($ in millions)		
Net investment income	$ 123.0	$ 124.1	(0.9%)
Change in the fair value of equity securities	392.4	(42.5)	(1,023.3%)
Net realized capital gains	4.4	44.5	(90.1%)
Other than temporary impairment losses	(10.0)	(0.5)	1,900.0%

The decrease in net investment income in the first quarter of 2019 from the first quarter of 2018 primarily reflects lower partnership income and, to a lesser extent, lower dividend income, partially offset by higher interest income and lower performance-based investment fees from our outside investment advisors. Partnership income in the first quarter of 2018 included a $12.9 million increase in the carrying value of AIHL's limited partnership interests in certain subsidiaries of Ares Management LLC, or "Ares." See Note 3(h) to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for additional information.

The decrease in dividend income and the increase in interest income primarily relate to a reallocation of a significant portion of our investment portfolio from equity securities to debt securities in the first quarter of 2019.

The change in the fair value of equity securities in the first quarter of 2019 reflects appreciation in the value of our equity securities portfolio, primarily from our holdings in the industrial, technology and material sectors. The change in the fair value of equity securities in the first quarter of 2018 reflects a modest depreciation in the value of our equity securities portfolio, primarily from certain exchange-traded funds and holdings in the energy sector.

The decrease in net realized capital gains in the first quarter of 2019 from the first quarter of 2018 primarily reflects a $45.7 million gain on AIHL's conversion of its limited partnership interests in certain subsidiaries of Ares into Ares common units in the first quarter of 2018. See Note 3(h) to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for additional information.

The increase in OTTI losses in the first quarter of 2019 from the first quarter of 2018 primarily reflects higher impairments of debt securities. OTTI losses in the first quarter of 2019 reflect the deterioration of creditworthiness of certain issuers in the energy sector.

A detailed comparison of investment results for the first quarter of 2019 and 2018 is contained in the following pages.

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Noninsurance revenue and expenses. The following table presents our consolidated noninsurance revenue and expenses:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Percent Change
	($ in millions)		
Noninsurance revenue	$ 514.1	$ 251.6	104.3%
Other operating expenses	502.4	264.9	89.7%
Corporate administration	19.4	7.8	148.7%
Amortization of intangible assets	6.9	5.3	30.2%
Interest expense	23.5	21.5	9.3%

Noninsurance revenue and Other operating expenses. Noninsurance revenue and other operating expenses primarily include sales and expenses associated with our Alleghany Capital segment. Other operating expenses also include the long-term incentive compensation of our reinsurance and insurance segments, which totaled $26.9 million and $14.3 million in the first quarter of 2019 and 2018, respectively. The increase in long-term incentive compensation at our reinsurance and insurance segments in the first quarter of 2019 from the first quarter of 2018 primarily reflects appreciation in the value of our debt and equity portfolios in the first quarter of 2019 compared with depreciation in the value of our debt and equity portfolios in the first quarter of 2018.

On February 7, 2018, W&W|AFCO Steel acquired the outstanding equity of Hirschfeld Holdings, LP, or "Hirschfeld," a fabricator of steel bridges and structural steel for stadiums, airports and other large commercial and industrial projects. On October 1, 2018, Alleghany Capital acquired approximately 85 percent of the equity in Concord.

The increases in noninsurance revenue and other operating expenses in the first quarter of 2019 from the first quarter of 2018 primarily reflect the acquisitions of Hirschfeld and Concord, as well as higher sales at W&W|AFCO Steel, Jazwares and IPS. The increase in other operating expenses in the first quarter of 2019 from the first quarter of 2018 also reflects an increase in long-term incentive compensation at our reinsurance and insurance segments, as discussed above.

Corporate administration. The increase in corporate administration expense in the first quarter of 2019 from the first quarter of 2018 reflects higher Alleghany parent-company long-term incentive compensation accruals due primarily to an increase in unrealized appreciation in the value of our debt and equity securities portfolios in the first quarter of 2019.

Amortization of intangible assets. The increase in amortization expense in the first quarter of 2019 from the first quarter of 2018 primarily reflects the Concord acquisition.

Interest expense. The increase in interest expense in the first quarter of 2019 from the first quarter of 2018 primarily reflects increased borrowings at W&W|AFCO Steel, Kentucky Trailer and Jazwares to support working capital needs and acquisitions made during 2018, as well as borrowings at Concord.

A detailed comparison of noninsurance revenue and expenses for the first quarter of 2019 and 2018 is contained in the following pages.

Income taxes. The following table presents our consolidated income tax expense:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Percent Change
	($ in millions)		
Income taxes	$ 108.5	$ 37.4	190.1%
Effective tax rate	19.5%	17.9%	

The increase in income taxes in the first quarter of 2019 from the first quarter of 2018 primarily reflects an increase in earnings before income taxes and, to a lesser extent, an increase in the effective tax rate. The increase in the effective tax rate in the first quarter of 2019 from the first quarter of 2018 primarily reflects lower tax-exempt interest income arising from municipal bond securities, lower dividends received-deductions and higher state income taxes.

Net earnings. The following table presents our consolidated earnings:

	Three Months Ended March 31, 2019	2018	Percent Change
	($ in millions)		
Earnings before income taxes	$ 556.4	$ 208.6	166.7%
Net earnings attributable to Alleghany stockholders	440.2	171.6	156.5%

The increases in earnings before income taxes and net earnings attributable to Alleghany stockholders in the first quarter of 2019 from the first quarter of 2018 primarily reflect appreciation in the value of our equity securities portfolio in the first quarter of 2019 compared with depreciation in the first quarter of 2018, partially offset by lower underwriting profit and lower net realized capital gains, all as discussed above.

Reinsurance Segment Underwriting Results

The reinsurance segment is comprised of TransRe's property and casualty & other lines of business. TransRe also writes a modest amount of property and casualty insurance business, which is included in the reinsurance segment. For a more detailed description of our reinsurance segment, see Part I, Item 1, "Business—Segment Information—Reinsurance Segment" of the 2018 Form 10-K.

The following tables present the underwriting results of the reinsurance segment:

Three Months Ended March 31, 2019	Property	Casualty & other [1]	Total
		($ in millions)	
Gross premiums written	$ 415.1	$ 816.5	$ 1,231.6
Net premiums written	316.2	791.4	1,107.6
Net premiums earned	308.9	720.3	1,029.2
Net loss and LAE:			
Current year (excluding catastrophe losses)	173.3	516.3	689.6
Current year catastrophe losses	-	-	-
Prior years	(10.7)	(25.7)	(36.4)
Total net loss and LAE	162.6	490.6	653.2
Commissions, brokerage and other underwriting expenses	103.7	232.3	336.0
Underwriting profit (loss) [2]	$ 42.6	$ (2.6)	$ 40.0
Loss ratio [3] :			
Current year (excluding catastrophe losses)	56.1%	71.7%	67.0%
Current year catastrophe losses	- %	- %	- %
Prior years	(3.5%)	(3.6%)	(3.5%)
Total net loss and LAE	52.6%	68.1%	63.5%
Expense ratio [4]	33.6%	32.3%	32.6%
Combined ratio [5]	86.2%	100.4%	96.1%

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Three Months Ended March 31, 2018	Property	Casualty & other [1]	Total
		($ in millions)	
Gross premiums written	$ 397.2	$ 718.4	$1,115.6
Net premiums written	305.1	691.9	997.0
Net premiums earned	275.1	685.1	960.2
Net loss and LAE:			
Current year (excluding catastrophe losses)	138.0	473.0	611.0
Current year catastrophe losses	-	-	-
Prior years	(41.4)	(30.2)	(71.6)
Total net loss and LAE	96.6	442.8	539.4
Commissions, brokerage and other underwriting expenses	93.1	228.9	322.0
Underwriting profit [2]	$ 85.4	$ 13.4	$ 98.8
Loss ratio [3] :			
Current year (excluding catastrophe losses)	50.2%	69.0%	63.7%
Current year catastrophe losses	- %	- %	- %
Prior years	(15.0%)	(4.4%)	(7.5%)
Total net loss and LAE	35.2%	64.6%	56.2%
Expense ratio [4]	33.8%	33.4%	33.5%
Combined ratio [5]	69.0%	98.0%	89.7%

(1) Primarily consists of the following assumed reinsurance lines of business: directors’ and officers’ liability; errors and omissions liability; general liability; medical malpractice; ocean marine and aviation; auto liability; accident and health; mortgage reinsurance; surety; and credit.

(2) Underwriting profit represents net premiums earned less net loss and LAE and commissions, brokerage and other underwriting expenses, all as determined in accordance with GAAP, and does not include net investment income, change in the fair value of equity securities, net realized capital gains, OTTI losses, noninsurance revenue, other operating expenses, corporate administration, amortization of intangible assets and interest expense. Underwriting profit is a non-GAAP financial measure and does not replace earnings before income taxes determined in accordance with GAAP as a measure of profitability. See “Comment on Non-GAAP Financial Measures” herein for additional detail on the presentation of our results of operations.

(3) The loss ratio is derived by dividing the amount of net loss and LAE by net premiums earned, all as determined in accordance with GAAP.

(4) The expense ratio is derived by dividing the amount of commissions, brokerage and other underwriting expenses by net premiums earned, all as determined in accordance with GAAP.

(5) The combined ratio is the sum of the loss ratio and the expense ratio, all as determined in accordance with GAAP. The combined ratio represents the percentage of each premium dollar a reinsurance or an insurance company has to spend on net loss and LAE, and commissions, brokerage and other underwriting expenses.

Reinsurance Segment: Premiums. The following table presents premiums for the reinsurance segment:

	Three Months Ended March 31, 2019	2018	Percent Change
	($ in millions)		
Property			
Premiums written:			
Gross premiums written	$ 415.1	$ 397.2	4.5%
Net premiums written	316.2	305.1	3.6%
Net premiums earned	308.9	275.1	12.3%
Casualty & other			
Premiums written:			
Gross premiums written	$ 816.5	$ 718.4	13.7%
Net premiums written	791.4	691.9	14.4%
Net premiums earned	720.3	685.1	5.1%
Total			
Premiums written:			
Gross premiums written	$ 1,231.6	$ 1,115.6	10.4%
Net premiums written	1,107.6	997.0	11.1%
Net premiums earned	1,029.2	960.2	7.2%

Property. The increase in gross premiums written in the first quarter of 2019 from the first quarter of 2018 primarily reflects an increase in premiums written by domestic and Asia-Pacific operations, partially offset by a decline in premiums written related to the Quota Share Treaty and the impact of changes in foreign currency exchange rates. Gross premiums written related to the Quota Share Treaty were $64.2 million and $69.3 million in the first quarter of 2019 and 2018, respectively, reflecting a reduction of TransRe's quota share participation. Excluding the impact of changes in foreign currency exchange rates, gross premiums written increased by 6.4 percent in the first quarter of 2019 from the first quarter of 2018. The increase in net premiums earned in the first quarter of 2019 from the first quarter of 2018 primarily reflects the impact of the Renewal Rights Purchase and premiums earned on other increases in gross premiums written, partially offset by the impact of changes in foreign currency exchange rates. Excluding the impact of changes in foreign currency exchange rates, net premiums earned increased by 14.9 percent in the first quarter of 2019 from the first quarter of 2018.

Casualty & other. The increase in gross premiums written in the first quarter of 2019 from the first quarter of 2018 primarily reflects the impact of the Renewal Rights Purchase and an increase in gross premium written by the European operations, partially offset by a decrease in premiums written related to the Quota Share Treaty and the impact of changes in foreign currency exchange rates. Gross premiums written related to the Quota Share Treaty were $99.8 million and $114.7 million in the first quarter of 2019 and 2018, respectively, reflecting a reduction of TransRe's quota share participation. Excluding the impact of changes in foreign currency exchange rates, gross premiums written increased by 15.2 percent in the first quarter of 2019 from the first quarter of 2018. The increase in net premiums earned in the first quarter of 2019 from the first quarter of 2018 primarily reflects an increase in net premiums written in recent quarters, partially offset by the impact of changes in foreign currency exchange rates. Excluding the impact of changes in foreign currency exchange rates, net premiums earned increased by 6.6 percent in the first quarter of 2019 from the first quarter of 2018.

Reinsurance Segment: Net loss and LAE. The following table presents net loss and LAE for the reinsurance segment:

	Three Months Ended March 31, 2019	2018	Percent Change
	($ in millions)		
Property			
Net loss and LAE:			
Current year (excluding catastrophe losses)	$ 173.3	$ 138.0	25.6%
Current year catastrophe losses	-	-	- %
Prior years	(10.7)	(41.4)	(74.2%)
Total net loss and LAE	$ 162.6	$ 96.6	68.3%
Loss ratio:			
Current year (excluding catastrophe losses)	56.1%	50.2%	
Current year catastrophe losses	- %	- %	
Prior years	(3.5%)	(15.0%)	
Total net loss and LAE	52.6%	35.2%	
Casualty & other			
Net loss and LAE:			
Current year (excluding catastrophe losses)	$ 516.3	$ 473.0	9.2%
Current year catastrophe losses	-	-	- %
Prior years	(25.7)	(30.2)	(14.9%)
Total net loss and LAE	$ 490.6	$ 442.8	10.8%
Loss ratio:			
Current year (excluding catastrophe losses)	71.7%	69.0%	
Current year catastrophe losses	- %	- %	
Prior years	(3.6%)	(4.4%)	
Total net loss and LAE	68.1%	64.6%	
Total			
Net loss and LAE:			
Current year (excluding catastrophe losses)	$ 689.6	$ 611.0	12.9%
Current year catastrophe losses	-	-	- %
Prior years	(36.4)	(71.6)	(49.2%)
Total net loss and LAE	$ 653.2	$ 539.4	21.1%
Loss ratio:			
Current year (excluding catastrophe losses)	67.0%	63.7%	
Current year catastrophe losses	- %	- %	
Prior years	(3.5%)	(7.5%)	
Total net loss and LAE	63.5%	56.2%	

Property. The increase in net loss and LAE in the first quarter of 2019 from the first quarter of 2018 primarily reflects less favorable prior accident year loss reserve development, higher non-catastrophe losses and the impact of higher net premiums earned.

Net loss and LAE in the first quarter of 2019 and 2018 include (favorable) unfavorable prior accident year loss reserve development as presented in the table below:

	Three Months Ended March 31,	
	2019	2018
	($ in millions)	
Catastrophe events	$ 8.4 (1)	$ (30.4) (2)
Non-catastrophe	(19.1) (3)	(11.0) (4)
Total	$ (10.7)	$ (41.4)

(1) Primarily reflects unfavorable prior accident year loss reserve development related to Typhoon Jebi in the 2018 accident year, partially offset by favorable prior accident year loss reserve development related to wildfires in California in the 2018 accident year.
(2) Primarily reflects favorable prior accident year loss reserve development related to Hurricanes Maria and Harvey in the 2017 accident year.
(3) Primarily reflects favorable prior accident year loss reserve development in the 2016 through 2018 accident years.
(4) Primarily reflects favorable prior accident year loss reserve development in the 2016 and 2017 accident years.

The favorable prior accident year loss reserve development in the first quarter of 2019 and 2018 reflects favorable loss emergence compared with loss emergence patterns assumed in earlier periods. The favorable prior accident year loss reserve development in the first quarter of 2019 did not impact assumptions used in estimating TransRe's loss and LAE liabilities for business earned in the first quarter of 2019.

Casualty & other. The increase in net loss and LAE in the first quarter of 2019 from the first quarter of 2018 primarily reflects several large non-catastrophe losses, the impact of higher net premiums earned and less favorable prior accident year loss reserve development.

Net loss and LAE in the first quarter of 2019 and 2018 include (favorable) unfavorable prior accident year loss reserve development as presented in the table below:

	Three Months Ended March 31,	
	2019	2018
	($ in millions)	
Casualty & other	$ (25.7)(1)	$ (30.2)(2)

(1) Primarily reflects favorable prior accident year loss reserve development in the shorter-tailed lines of business in the 2012 through 2017 accident years and in the professional liability lines of business in the 2007 and prior accident years.
(2) Primarily reflects favorable prior accident year loss reserve development in the shorter-tailed lines of business in the 2016 and 2017 accident years and in the shorter-tailed and longer-tailed lines of business in the 2005 through 2013 accident years.

The favorable prior accident year loss reserve development in the first quarter of 2019 and 2018 reflects favorable loss emergence compared with loss emergence patterns assumed in earlier periods. The favorable prior accident year loss reserve development in the first quarter of 2019 did not impact assumptions used in estimating TransRe's loss and LAE liabilities for business earned in the first quarter of 2019.

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Reinsurance Segment: Commissions, brokerage and other underwriting expenses. The following table presents commissions, brokerage and other underwriting expenses for the reinsurance segment:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Percent Change
	($ in millions)		
Property			
Commissions, brokerage and other underwriting expenses	$ 103.7	$ 93.1	11.4%
Expense ratio	33.6%	33.8%	
Casualty & other			
Commissions, brokerage and other underwriting expenses	$ 232.3	$ 228.9	1.5%
Expense ratio	32.3%	33.4%	
Total			
Commissions, brokerage and other underwriting expenses	$ 336.0	$ 322.0	4.3%
Expense ratio	32.6%	33.5%	

Property. The increase in commissions, brokerage and other underwriting expenses in the first quarter of 2019 from the first quarter of 2018 primarily reflects the impact of higher net premiums earned.

Casualty & other. The increase in commissions, brokerage and other underwriting expenses in the first quarter of 2019 from the first quarter of 2018 primarily reflects the impact of higher net premiums earned, partially offset by lower overall commission rates.

Reinsurance Segment: Underwriting profit. The following table presents underwriting profit for the reinsurance segment:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Percent Change
	($ in millions)		
Property			
Underwriting profit	$ 42.6	$ 85.4	(50.1%)
Combined ratio	86.2%	69.0%	
Casualty & other			
Underwriting (loss) profit	$ (2.6)	$ 13.4	(119.4%)
Combined ratio	100.4%	98.0%	
Total			
Underwriting profit	$ 40.0	$ 98.8	(59.5%)
Combined ratio	96.1%	89.7%	

Property. The decrease in underwriting profit in the first quarter of 2019 from the first quarter of 2018 primarily reflects less favorable prior accident year loss reserve development and higher non-catastrophe losses, partially offset by the impact of higher net premiums earned, all as discussed above.

Casualty & other. The underwriting loss in the first quarter of 2019, compared with an underwriting profit in the first quarter of 2018, primarily reflects several large non-catastrophe losses and less favorable prior accident year loss reserve development, all as discussed above.

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Insurance Segment Underwriting Results

The insurance segment is comprised of AIHL's RSUI and CapSpecialty operating subsidiaries. RSUI also writes a modest amount of assumed reinsurance business, which is included in the insurance segment. For a more detailed description of our insurance segment, see Part I, Item 1, "Business—Segment Information—Insurance Segment" of the 2018 Form 10-K.

The underwriting results of the insurance segment are presented below:

Three Months Ended March 31, 2019	RSUI	CapSpecialty	Total
		($ in millions)	
Gross premiums written	$ 299.0	$ 82.8	$ 381.8
Net premiums written	201.4	76.7	278.1
Net premiums earned	192.4	75.7	268.1
Net loss and LAE:			
Current year (excluding catastrophe losses)	94.9	42.0	136.9
Current year catastrophe losses	3.1	0.3	3.4
Prior years	(3.7)	2.7	(1.0)
Total net loss and LAE	94.3	45.0	139.3
Commissions, brokerage and other underwriting expenses	53.5	30.6	84.1
Underwriting profit (1)	$ 44.6	$ 0.1	$ 44.7
Loss ratio (2) :			
Current year (excluding catastrophe losses)	49.3%	55.5%	51.1%
Current year catastrophe losses	1.6%	0.3%	1.3%
Prior years	(1.9%)	3.7%	(0.4%)
Total net loss and LAE	49.0%	59.5%	52.0%
Expense ratio (3)	27.8%	40.4%	31.4%
Combined ratio (4)	76.8%	99.9%	83.4%

Three Months Ended March 31, 2018	RSUI	CapSpecialty	Total
		($ in millions)	
Gross premiums written	$ 274.6	$ 74.5	$ 349.1
Net premiums written	187.0	69.3	256.3
Net premiums earned	180.9	66.7	247.6
Net loss and LAE:			
Current year (excluding catastrophe losses)	104.1	37.1	141.2
Current year catastrophe losses	3.9	0.2	4.1
Prior years	(11.1)	(3.0)	(14.1)
Total net loss and LAE	96.9	34.3	131.2
Commissions, brokerage and other underwriting expenses	53.5	30.8	84.3
Underwriting profit (1)	$ 30.5	$ 1.6	$ 32.1
Loss ratio (2) :			
Current year (excluding catastrophe losses)	57.5%	55.6%	57.0%
Current year catastrophe losses	2.2%	0.3%	1.7%
Prior years	(6.1%)	(4.5%)	(5.7%)
Total net loss and LAE	53.6%	51.4%	53.0%
Expense ratio (3)	29.6%	46.2%	34.0%
Combined ratio (4)	83.2%	97.6%	87.0%

(1) Underwriting profit represents net premiums earned less net loss and LAE and commissions, brokerage and other underwriting expenses, all as determined in accordance with GAAP, and does not include net investment income, change in the fair value of equity securities, net realized capital gains, OTTI losses, noninsurance revenue, other operating expenses, corporate administration, amortization of intangible assets and interest expense. Underwriting profit is a non-GAAP financial measure and does not replace earnings before income taxes determined in accordance with GAAP as a measure of profitability. See “Comment on Non-GAAP Financial Measures” herein for additional detail on the presentation of our results of operations.

(2) The loss ratio is derived by dividing the amount of net loss and LAE by net premiums earned, all as determined in accordance with GAAP.

(3) The expense ratio is derived by dividing the amount of commissions, brokerage and other underwriting expenses by net premiums earned, all as determined in accordance with GAAP.

(4) The combined ratio is the sum of the loss ratio and the expense ratio, all as determined in accordance with GAAP. The combined ratio represents the percentage of each premium dollar a reinsurance or an insurance company has to spend on net loss and LAE, and commissions, brokerage and other underwriting expenses.

Insurance Segment: Premiums. The following table presents premiums for the insurance segment:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Percent Change
	($ in millions)		
RSUI			
Premiums written:			
Gross premiums written	$ 299.0	$ 274.6	8.9%
Net premiums written	201.4	187.0	7.7%
Net premiums earned	192.4	180.9	6.4%
CapSpecialty			
Premiums written:			
Gross premiums written	$ 82.8	$ 74.5	11.1%
Net premiums written	76.7	69.3	10.7%
Net premiums earned	75.7	66.7	13.5%
Total			
Premiums written:			
Gross premiums written	$ 381.8	$ 349.1	9.4%
Net premiums written	278.1	256.3	8.5%
Net premiums earned	268.1	247.6	8.3%

RSUI. The increase in gross premiums written in the first quarter of 2019 from the first quarter of 2018 primarily reflects growth in most lines of business due to an increase in business opportunities and improved general market conditions, particularly in the property lines of business.

The increase in net premiums earned in the first quarter of 2019 from the first quarter of 2018 primarily reflects an increase in gross premiums written in recent quarters, partially offset by higher ceded premiums earned related to the impact of growth in the heavily-reinsured property lines of business.

CapSpecialty. The increase in gross premiums written in the first quarter of 2019 from the first quarter of 2018 primarily reflects growth in the healthcare and specialty casualty lines of business due to CapSpecialty's distribution initiatives and expanded product offerings and the impact of CapSpecialty's purchase on February 20, 2018 of certain renewal rights to a small environmental block of business.

The increase in net premiums earned in the first quarter of 2019 from the first quarter of 2018 primarily reflects increases in gross premiums written in recent quarters.

Insurance Segment: Net loss and LAE. The following table presents net loss and LAE for the insurance segment:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Percent Change
	($ in millions)		
RSUI			
Net loss and LAE:			
Current year (excluding catastrophe losses)	$ 94.9	$ 104.1	(8.8%)
Current year catastrophe losses	3.1	3.9	(20.5%)
Prior years	(3.7)	(11.1)	(66.7%)
Total net loss and LAE	$ 94.3	$ 96.9	(2.7%)
Loss ratio:			
Current year (excluding catastrophe losses)	49.3%	57.5%	
Current year catastrophe losses	1.6%	2.2%	
Prior years	(1.9%)	(6.1%)	
Total net loss and LAE	49.0%	53.6%	
CapSpecialty			
Net loss and LAE:			
Current year (excluding catastrophe losses)	$ 42.0	$ 37.1	13.2%
Current year catastrophe losses	0.3	0.2	50.0%
Prior years	2.7	(3.0)	(190.0%)
Total net loss and LAE	$ 45.0	$ 34.3	31.2%
Loss ratio:			
Current year (excluding catastrophe losses)	55.5%	55.6%	
Current year catastrophe losses	0.3%	0.3%	
Prior years	3.7%	(4.5%)	
Total net loss and LAE	59.5%	51.4%	
Total			
Net loss and LAE:			
Current year (excluding catastrophe losses)	$ 136.9	$ 141.2	(3.0%)
Current year catastrophe losses	3.4	4.1	(17.1%)
Prior years	(1.0)	(14.1)	(92.9%)
Total net loss and LAE	$ 139.3	$ 131.2	6.2%
Loss ratio:			
Current year (excluding catastrophe losses)	51.1%	57.0%	
Current year catastrophe losses	1.3%	1.7%	
Prior years	(0.4%)	(5.7%)	
Total net loss and LAE	52.0%	53.0%	

RSUI. The decrease in net loss and LAE in the first quarter of 2019 from the first quarter of 2018 primarily reflects lower property losses, partially offset by less favorable prior accident year loss reserve development and the impact of higher net premiums earned. Net loss and LAE in the first quarter of 2018 included several large non-catastrophe property losses. Catastrophe losses in the first quarter of 2019 primarily relate to severe weather in the Midwestern U.S. Catastrophe losses in the first quarter of 2018 primarily related to flooding and severe weather in the Northeastern U.S.

Net loss and LAE in the first quarter of 2019 and 2018 include (favorable) unfavorable prior accident year loss reserve development as presented in the table below:

	Three Months Ended March 31, 2019	2018
	($ in millions)	
Casualty	$ (5.6) (1)	$ (11.0) (2)
Property and other	1.9 (3)	(0.1)
Total	$ (3.7)	$ (11.1)

(1) Primarily reflects favorable prior accident year loss reserve development in the directors' and officers' liability and umbrella/excess lines of business in the 2011 through 2015 accident years, partially offset by unfavorable prior accident year loss reserve development in the professional liability lines of business in the 2017 accident year.
(2) Primarily reflects favorable prior accident year loss reserve development in the umbrella/excess lines of business in the 2005 through 2012 accident years, partially offset by unfavorable prior accident year loss reserve development in the directors' and officers' liability lines of business in the 2009 accident year.
(3) Primarily reflects unfavorable prior accident year loss reserve development related to Hurricanes Harvey in the 2017 accident year and Florence in the 2018 accident year.

The favorable prior accident year loss reserve development in the first quarter of 2019 and 2018 reflects favorable loss emergence compared with loss emergence patterns assumed in earlier periods. The favorable prior accident year loss reserve development in the first quarter of 2019 did not impact assumptions used in estimating RSUI's loss and LAE liabilities for business earned in the first quarter of 2019.

CapSpecialty. The increase in net loss and LAE in the first quarter of 2019 from the first quarter of 2018 primarily reflects unfavorable prior accident year loss reserve development in the first quarter of 2019 compared with favorable prior accident year loss reserve development in the first quarter of 2018 and the impact of higher net premiums earned.

Net loss and LAE in the first quarter of 2019 primarily reflects unfavorable prior accident year loss reserve development in certain specialty lines of business written through a program administrator in connection with a terminated program in the 2009 and 2010 accident years. The unfavorable prior accident year loss reserve development reflects the impact of a recent adverse court ruling related to a single claim. The unfavorable prior accident year loss reserve development in the first quarter of 2019 did not impact assumptions used in estimating CapSpecialty's loss and LAE liabilities for business earned in the first quarter of 2019. Net loss and LAE in the first quarter of 2018 included favorable prior accident year loss reserve development primarily in the surety lines of business primarily in the 2016 and 2017 accident years.

Insurance Segment: Commissions, brokerage and other underwriting expenses. The following table presents commissions, brokerage and other underwriting expenses for the insurance segment:

	Three Months Ended March 31, 2019	2018	Percent Change
	($ in millions)		
RSUI			
Commissions, brokerage and other underwriting expenses	$ 53.5	$ 53.5	- %
Expense ratio	27.8%	29.6%	
CapSpecialty			
Commissions, brokerage and other underwriting expenses	$ 30.6	$ 30.8	(0.6%)
Expense ratio	40.4%	46.2%	
Total			
Commissions, brokerage and other underwriting expenses	$ 84.1	$ 84.3	(0.2%)
Expense ratio	31.4%	34.0%	

RSUI. Commissions, brokerage and other underwriting expenses in the first quarter of 2019 approximated those in the first quarter of 2018, primarily reflecting the impact of higher net premiums earned offset by lower overall commission rates.

CapSpecialty. Commissions, brokerage and other underwriting expenses in the first quarter of 2019 approximated those in the first quarter of 2018, primarily reflecting the impact of higher net premiums earned, offset by one-time acquisition expenses incurred in the first quarter of 2018 arising from CapSpecialty's purchase of certain renewal rights associated with a small environmental block of business and lower short-term incentive compensation expense accruals.

Insurance Segment: Underwriting profit. The following table presents our underwriting profit (loss) for the insurance segment:

	Three Months Ended March 31, 2019	2018	Percent Change
	($ in millions)		
RSUI			
Underwriting profit	$ 44.6	$ 30.5	46.2%
Combined ratio	76.8%	83.2%	
CapSpecialty			
Underwriting profit	$ 0.1	$ 1.6	(93.8%)
Combined ratio	99.9%	97.6%	
Total			
Underwriting profit	$ 44.7	$ 32.1	39.3%
Combined ratio	83.4%	87.0%	

RSUI. The increase in underwriting profit in the first quarter of 2019 from the first quarter of 2018 primarily reflects lower property losses and the impact of higher net premiums earned, partially offset by less favorable prior accident year loss reserve development, all as discussed above.

CapSpecialty. The decrease in underwriting profit in the first quarter of 2019 from the first quarter of 2018 primarily reflects unfavorable prior accident year loss reserve development compared with favorable prior accident year loss reserve development in the first quarter of 2018, partially offset by the impact of higher net premiums earned, all as discussed above.

Investment Results for the Reinsurance and Insurance Segments

The following table presents the investment results for our reinsurance and insurance segments:

	Three Months Ended March 31, 2019	2018	Percent Change
	($ in millions)		
Net investment income	$ 117.9	$ 118.4	(0.4%)
Change in the fair value of equity securities	389.1	(13.9)	(2,899.3%)
Net realized capital gains	4.1	43.8	(90.6%)
Other than temporary impairment losses	(10.0)	(0.5)	1,900.0%

Net investment income. The decrease in net investment income in the first quarter of 2019 from the first quarter of 2018 primarily reflects lower partnership income and, to a lesser extent, lower dividend income, partially offset by higher interest income and lower performance-based investment fees from our outside investment advisors. Partnership income in the first quarter of 2018 included a $12.9 million increase in the carrying value of AIHL's limited partnership interests in certain subsidiaries of Ares. See Note 3(h) to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for additional information.

The decrease in dividend income and the increase in interest income primarily relate to a reallocation of a significant portion of our investment portfolio from equity securities to debt securities in the first quarter of 2019.

Change in the fair value of equity securities. The change in the fair value of equity securities in the first quarter of 2019 reflects appreciation in the value of our equity securities portfolio, primarily from our holdings in the industrial, technology and material sectors. The change in the fair value of equity securities in the first quarter of 2018 reflects a modest depreciation in the value of our equity securities portfolio, primarily from certain exchange-traded funds and holdings in the energy sector.

Net realized capital gains. The decrease in net realized capital gains in the first quarter of 2019 from the first quarter of 2018 primarily reflects a $45.7 million gain on AIHL's conversion of its limited partnership interests in certain subsidiaries of Ares into Ares common units in the first quarter of 2018. See Note 3(h) to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for additional information.

Other than temporary impairment losses. OTTI losses in the first quarter of 2019 reflect $10.0 million of unrealized losses on debt securities, primarily in the energy sector, that were deemed to be other than temporary and, as such, were required to be charged against earnings. The determination that unrealized losses on debt securities were other than temporary was primarily due to the deterioration of creditworthiness of the issuer.

OTTI losses in the first quarter of 2018 reflect $0.5 million of unrealized losses on debt securities that were deemed to be other than temporary and, as such, were required to be charged against earnings.

Upon the ultimate disposition of the securities for which OTTI losses have been recorded, a portion of the loss may be recoverable depending on market conditions at the time of disposition. After adjusting the cost basis of securities for the recognition of OTTI losses, the remaining gross unrealized investment losses for debt securities as of March 31, 2019 were deemed to be temporary, based on, among other factors: (i) the duration of time and the relative magnitude to which the fair values of these securities had been below cost were not indicative of an OTTI loss; (ii) the absence of compelling evidence that would cause us to call into question the financial condition or near-term business prospects of the issuers of the securities; and (iii) our ability and intent to hold the securities for a period of time sufficient to allow for any anticipated recovery.

See Note 3 to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for additional detail on gross unrealized investment losses for debt securities as of March 31, 2019.

Alleghany Capital Segment Results

The Alleghany Capital segment consists of: (i) industrial operations conducted through Bourn & Koch, Kentucky Trailer, W&W|AFCO Steel and a 45 percent equity interest in Wilbert Funeral Services, Inc., or "Wilbert;" (ii) non-industrial operations conducted through IPS, Jazwares and Concord (beginning October 1, 2018, the date on which Alleghany Capital acquired approximately 85 percent of the equity thereof); and (iii) corporate operations at the Alleghany Capital level. Wilbert is accounted for under the equity method of accounting and is included in other invested assets.

The following table presents the results of the Alleghany Capital segment for the first quarter of 2019 and 2018:

	Three Months Ended March 31, 2019				Three Months Ended March 31, 2018			
	Industrial	Non-industrial	Corp. & other (1)	Total (1)	Industrial	Non-industrial	Corp. & other (1)	Total (1)
	($ in millions)							
Noninsurance revenue (2)	$ 260.1	$ 244.9	$ -	$ 505.0	$ 145.5	$ 97.1	$ 0.1	$ 242.7
Net investment income	0.9	-	0.4	1.3	1.6	-	-	1.6
Net realized capital gains	0.3	-	-	0.3	0.4	0.3	-	0.7
Total revenues	$ 261.3	$ 244.9	$ 0.4	$ 506.6	$ 147.5	$ 97.4	$ 0.1	$ 245.0
Other operating expenses (2)	244.2	216.2	5.0	465.4	142.6	95.5	1.9	240.0
Amortization of intangible assets	2.5	4.2	-	6.7	2.0	3.4	-	5.4
Interest expense	2.9	1.4	-	4.3	0.8	0.4	0.1	1.3
Earnings (losses) before income taxes	$ 11.7	$ 23.1	$ (4.6)	$ 30.2	$ 2.1	$ (1.9)	$ (1.9)	$ (1.7)
Operating earnings (losses) before income taxes (3)	$ 13.9	$ 27.3	$ (4.6)	$ 36.6	$ 3.7	$ 1.2	$ (1.9)	$ 3.0
Add: net realized capital gains	0.3	-	-	0.3	0.4	0.3	-	0.7
Less: amortization of intangible assets	(2.5)	(4.2)	-	(6.7)	(2.0)	(3.4)	-	(5.4)
Earnings (losses) before income taxes	$ 11.7	$ 23.1	$ (4.6)	$ 30.2	$ 2.1	$ (1.9)	$ (1.9)	$ (1.7)

(1) Excludes certain minor, legacy investments that were previously reflected in Alleghany Capital in 2018 and prior periods.

(2) For industrial and non-industrial operations: (i) noninsurance revenue consists of the sale of manufactured goods and services; and (ii) other operating expenses consist of the cost of goods and services sold and selling, general and administrative expenses. Other operating expenses also include finders' fees, legal and accounting costs and other transaction-related expenses of $0.4 million and $1.8 million for the first quarter of 2019 and 2018, respectively.

(3) Operating earnings before income taxes is a non-GAAP financial measure and does not replace earnings before income taxes determined in accordance with GAAP as a measure of profitability. See "Comment on Non-GAAP Financial Measures" herein for additional detail on the presentation of our results of operations. Operating earnings before income taxes represents noninsurance revenue and net investment income less other operating expenses and interest expense and does not include: (i) amortization of intangible assets; (ii) change in the fair value of equity securities; (iii) net realized capital gains; (iv) OTTI impairment losses; and (v) income taxes.

The changes in Alleghany Capital's equity for the three months ended March 31, 2019 and 2018 are presented in the table below:

	Three Months Ended March 31,							
	2019				2018			
	Industrial	Non-industrial	Corp. & other (1)	Total (1)	Industrial	Non-industrial	Corp. & other (1)	Total (1)
	($ in millions)							
Equity, beginning of period	$ 462.5	$ 443.3	$ (44.2)	$ 861.6	$ 363.6	$ 331.3	$ (7.7)	$ 687.2
Earnings (losses) before income taxes	11.7	23.1	(4.6)	30.2	2.1	(1.9)	(1.9)	(1.7)
Income taxes (2)	(0.2)	(1.3)	(5.3)	(6.8)	(0.2)	(0.4)	0.5	(0.1)
Net earnings attributable to noncontrolling interests (3)	(2.2)	(5.5)	-	(7.7)	-	0.4	-	0.4
Capital contributions (returns of capital) and other (4)	(4.8)	(22.0)	11.7	(15.1)	77.2	(9.9)	24.8	92.1
Equity, end of period	$ 467.0	$ 437.6	$ (42.4)	$ 862.2	$ 442.7	$ 319.5	$ 15.7	$ 777.9

(1) Excludes certain minor, legacy investments with a carrying value of $17.7 million as of December 31, 2018, that were previously reflected in Alleghany Capital in 2018 and prior periods.

(2) Federal income taxes for most Alleghany Capital subsidiaries are incurred at the Alleghany Capital corporate level. Estimated federal income tax (expense) benefit incurred at the Alleghany Capital corporate level attributable to industrial and non-industrial operations for the three months ended March 31, 2019 were ($2.3) million and ($4.9) million respectively, and for the three months ended March 31, 2018 were ($0.2) million and $0.4 million respectively.

(3) During the first three months of 2019, the noncontrolling interests outstanding were approximately as follows: Bourn & Koch - 11 percent; Kentucky Trailer - 23 percent; W&W|AFCO Steel - 20 percent; IPS - 15 percent; Jazwares - 23 percent; and Concord - 15 percent.

(4) For 2018, primarily reflects funding provided by Alleghany Capital to W&W|AFCO Steel for the acquisition of Hirschfeld.

Noninsurance revenue. The increase in noninsurance revenue in the first quarter of 2019 from the first quarter of 2018 primarily reflects increases in non-industrial and industrial operations. The increase in non-industrial noninsurance revenue primarily reflects higher sales at Jazwares and IPS, as well as the acquisition of Concord. The increase in industrial noninsurance revenue primarily reflects higher sales at W&W|AFCO Steel, which includes the impact of the Hirschfeld acquisition.

Net investment income. The decrease in net investment income in the first quarter of 2019 from the first quarter of 2018 primarily reflects slightly lower Alleghany Capital earnings from its investment in Wilbert.

Other operating expenses. The increase in other operating expenses in the first quarter of 2019 from the first quarter of 2018 primarily reflects increases in non-industrial and industrial operations. The increase in non-industrial other operating expenses primarily reflects higher costs related to higher sales at Jazwares and IPS, as well as the impact of the acquisition of Concord. The increase in industrial other operating expenses primarily reflects higher sales at W&W|AFCO Steel, which includes the impact of the Hirschfeld acquisition.

Other operating expenses in the first quarter of 2018 also reflect higher finders' fees, legal and accounting costs and other transaction-related expenses, primarily related to W&W|AFCO Steel's acquisition of Hirschfeld in 2018.

Amortization of intangible assets. The increase in amortization expense in the first quarter of 2019 from the first quarter of 2018 primarily reflects the Concord acquisition.

Interest expense. The increase in interest expense in the first quarter of 2019 from the first quarter of 2018 primarily reflects increased borrowings at W&W|AFCO Steel, Kentucky Trailer and Jazwares to support working capital needs and acquisitions made during 2018, as well as borrowings at Concord.

Earnings (losses) before income taxes. The increase in earnings before income taxes in the first quarter of 2019 from the first quarter of 2018 primarily reflects increased earnings in the non-industrial operations and the industrial operations. The increase in non-industrial earnings before income taxes primarily reflects the impact of higher sales and higher margins at Jazwares and, to a lesser extent, the acquisition of Concord and higher sales at IPS, all as discussed above. The increase in industrial earnings before income taxes primarily reflects higher sales and higher margins at W&W|AFCO Steel.

Corporate Activities Results

The primary components of corporate activities are Alleghany Properties, SORC and activities at the Alleghany parent company. The following table presents the results for corporate activities:

	Three Months Ended March 31,	
	2019	2018
	($ in millions)	
Net premiums earned	$ -	$ -
Net investment income	3.8	4.1
Change in the fair value of equity securities	3.3	(28.6)
Net realized capital gains	-	-
Other than temporary impairment losses	-	-
Noninsurance revenue	3.7	3.2
Total revenues	10.8	(21.3)
Net loss and loss adjustment expenses	-	-
Commissions, brokerage and other underwriting expenses	-	-
Other operating expenses	7.3	7.9
Corporate administration	18.3	8.1
Amortization of intangible assets	-	-
Interest expense	12.5	13.5
Losses before income taxes	$ (27.3)	$ (50.8)

Net investment income. Net investment income in the first quarter of 2019 approximated net investment income in the first quarter of 2018, primarily reflecting lower dividend income resulting from the reallocation of a portion of our investment portfolio at the Alleghany parent company-level from equity securities to debt securities, offset by higher interest income.

Change in the fair value of equity securities. The change in the fair value of equity securities in the first quarter of 2019 reflects appreciation in the value of the equity securities held at the Alleghany parent company-level, primarily from holdings in the technology sector. The change in the fair value of equity securities in the first quarter of 2018 reflects depreciation in the value of the equity securities held at the Alleghany parent company-level, primarily from holdings in the energy sector.

Noninsurance revenue. The slight increase in noninsurance revenue in the first quarter of 2019 from the first quarter of 2018 primarily reflects an increase in oil sales at SORC.

Other operating expenses. The decrease in other operating expenses in the first quarter of 2019 from the first quarter of 2018 primarily reflects reduced costs at SORC.

Corporate administration. The increase in corporate administration expense in the first quarter of 2019 from the first quarter of 2018 primarily reflects higher long-term incentive compensation expense accruals at Alleghany parent-company, driven by the impact of appreciation in the value of our debt and equity portfolios in the first quarter of 2019 compared with depreciation in the value of our debt and equity portfolios in the first quarter of 2018.

Interest expense. The decrease in interest expense in the first quarter of 2019 from the first quarter of 2018 primarily reflects lower interest credited on deferred compensation at Alleghany parent-company.

Losses before income taxes. The decrease in losses before income taxes in the first quarter of 2019 from the first quarter of 2018 primarily reflects appreciation in the value of equity securities held at the Alleghany parent company-level, partially offset by an increase in corporate administration expense, all as discussed above.

Reserve Review Process

Our reinsurance and insurance subsidiaries analyze, at least quarterly, liabilities for unpaid loss and LAE established in prior years and adjust their expected ultimate cost, where necessary, to reflect favorable or unfavorable development in loss experience and new information, including, for certain catastrophe events, revised industry estimates of the magnitude of a catastrophe. Adjustments to previously recorded liabilities for unpaid loss and LAE, both favorable and unfavorable, are reflected in our financial results in the periods in which these adjustments are made and are referred to as prior accident year loss reserve development. The following table presents the reserves established in connection with the loss and LAE of our

reinsurance and insurance segments on a gross and net basis by line of business. These reserve amounts represent the accumulation of estimates of ultimate loss (including for losses that have been incurred but not reported) and LAE.

	As of March 31, 2019			As of December 31, 2018		
	Gross Loss and LAE Reserves	Reinsurance Recoverables on Unpaid Losses	Net Loss and LAE Reserves	Gross Loss and LAE Reserves	Reinsurance Recoverables on Unpaid Losses	Net Loss and LAE Reserves
	($ in millions)					
Reinsurance Segment						
Property	$ 1,884.1	$ (624.7)	$ 1,259.4	$ 2,102.5	$ (701.8)	$ 1,400.7
Casualty & other (1)	7,345.3	(276.7)	7,068.6	7,339.7	(261.9)	7,077.8
	9,229.4	(901.4)	8,328.0	9,442.2	(963.7)	8,478.5
Insurance Segment						
Property	442.3	(156.1)	286.2	509.5	(187.1)	322.4
Casualty (2)	2,066.9	(584.5)	1,482.4	2,181.6	(700.3)	1,481.3
Workers' Compensation	2.4	-	2.4	2.5	-	2.5
All other (3)	177.7	(64.4)	113.3	181.3	(73.1)	108.2
	2,689.3	(805.0)	1,884.3	2,874.9	(960.5)	1,914.4
Eliminations	(63.6)	63.6	-	(66.8)	66.8	-
Total	$ 11,855.1	$ (1,642.8)	$ 10,212.3	$ 12,250.3	$ (1,857.4)	$ 10,392.9

(1) Primarily consists of the following reinsurance lines of business: directors' and officers' liability; errors and omissions liability; general liability; medical malpractice; ocean marine and aviation; auto liability; accident and health; mortgage reinsurance; surety; asbestos-related illness and environmental impairment liability; and credit.
(2) Primarily consists of the following direct lines of business: umbrella/excess; directors' and officers' liability; professional liability; and general liability.
(3) Primarily consists of commercial multi-peril and surety lines of business, as well as loss and LAE reserves for terminated lines of business and loss reserves acquired in connection with prior acquisitions for which the sellers provided loss reserve guarantees.

Changes in Gross and Net Loss and LAE Reserves between March 31, 2019 and December 31, 2018 . Gross and net loss and LAE reserves as of March 31, 2019 decreased from December 31, 2018, primarily reflecting payments on catastrophe losses incurred in prior years and, to a lesser extent, favorable prior accident year loss reserve development.

Reinsurance Recoverables

Our reinsurance and insurance subsidiaries reinsure portions of the risks they underwrite in order to reduce the effect of individual or aggregate exposure to losses, manage capacity, protect capital resources, reduce volatility in specific lines of business, improve risk-adjusted portfolio returns and enable them to increase gross premiums writings and risk capacity without requiring additional capital. Our reinsurance and insurance subsidiaries generally purchase reinsurance and retrocessional coverages from highly-rated third-party reinsurers. If the assuming reinsurers are unable or unwilling to meet the obligations assumed under the applicable reinsurance agreements, our reinsurance and insurance subsidiaries would remain liable for such reinsurance portion not paid by these reinsurers. As such, funds, trust agreements and letters of credit are held to collateralize a portion of our reinsurance and insurance subsidiaries' reinsurance recoverables, and our reinsurance and insurance subsidiaries reinsure portions of the risks they underwrite or assume with multiple reinsurance programs.

As of March 31, 2019, our reinsurance and insurance subsidiaries had total reinsurance recoverables of $1,761.6 million, consisting of $1,642.8 million of ceded outstanding loss and LAE and $118.8 million of recoverables on paid losses. See Part I, Item 1, "Business — Reinsurance Protection" of the 2018 Form 10-K for additional information on the reinsurance purchased by our reinsurance and insurance subsidiaries.

The following table presents information regarding concentration of our reinsurance recoverables and the ratings profile of our reinsurers as of March 31, 2019:

Reinsurer [1]	Rating [2]	Amount ($ in millions)	Percentage
Syndicates at Lloyd's of London	A (Excellent)	$ 138.9	7.9%
PartnerRe Ltd	A (Excellent)	98.6	5.6%
RenaissanceRe Holdings Ltd	A+ (Superior)	95.7	5.4%
Swiss Reinsurance Company	A+ (Superior)	93.5	5.3%
Fairfax Financial Holdings Ltd	A (Excellent)	88.2	5.0%
Kane SAC Ltd, Rondout Segregated Account [3]	not rated	85.1	4.8%
Liberty Mutual	A (Excellent)	84.8	4.8%
Kane SAC Ltd, Bowery Segregated Account [3]	not rated	75.4	4.3%
W.R. Berkley Corporation	A+ (Superior)	75.0	4.3%
Third Point Reinsurance Group	A- (Excellent)	65.6	3.7%
All other reinsurers		860.8	48.9%
Total reinsurance recoverables [4]		$ 1,761.6	100.0%
Secured reinsurance recoverables [3]		$ 660.2	37.5%

(1) Reinsurance recoverables reflect amounts due from one or more reinsurance subsidiaries of the listed company.
(2) Represents the A.M. Best Company, Inc. financial strength rating for the applicable reinsurance subsidiary or subsidiaries from which the reinsurance recoverable is due.
(3) Represents reinsurance recoverables secured by funds held, trust agreements or letters of credit.
(4) Approximately 70 percent of our reinsurance recoverables balance as of March 31, 2019 was due from reinsurers having an A.M. Best Company, Inc. financial strength rating of A (Excellent) or higher, with a majority of the other reinsurance recoverables being secured by funds held, trust agreements or letters of credit.

We had no allowance for uncollectible reinsurance as of March 31, 2019.

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events that directly affect our reported financial condition and operating performance. More specifically, these estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. We rely on historical experience and on various other assumptions that we believe to be reasonable under the circumstances to make judgments about the carrying value of assets and liabilities and reported revenues and expenses that are not readily apparent from other sources. Actual results may differ materially from reported results to the extent that estimates and assumptions prove to be inaccurate.

We believe our most critical accounting estimates are those with respect to the liability for unpaid loss and LAE reserves, fair value measurements of certain financial assets, OTTI losses on investments, goodwill and other intangible assets and reinsurance premium revenues, as they require management's most significant exercise of judgment on both a quantitative and qualitative basis. The accounting estimates that result require the use of assumptions about certain matters that are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our financial condition, results of operations and cash flows would be affected, possibly materially.

See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" of the 2018 Form 10-K for a more complete description of our critical accounting estimates.

Financial Condition

Parent Level

General. In general, we follow a policy of maintaining a relatively liquid financial condition at our unrestricted holding companies. This policy has permitted us to expand our operations through internal growth at our subsidiaries and through acquisitions of, or substantial investments in, operating companies. As of March 31, 2019, we held total marketable securities and cash of $1,272.3 million, compared with $1,122.3 million as of December 31, 2018. The increase in the three months ended March 31, 2019 primarily reflects appreciation in the value of the equity securities portfolio held at the holding company-level and the receipt of dividends from RSUI, partially offset by repurchases of shares of our common stock, as discussed below. The $1,272.3 million is comprised of $286.1 million at the Alleghany parent company, $859.6 million at AIHL and $126.6 million at the TransRe holding company. We also hold certain non-marketable investments at our unrestricted holding companies. We believe that we have and will

have adequate internally generated funds, cash resources and unused credit facilities to provide for the currently foreseeable needs of our business, and we had no material commitments for capital expenditures as of March 31, 2019.

Stockholders’ equity attributable to Alleghany stockholders was approximately $8.2 billion as of March 31, 2019, compared with approximately $7.7 billion as of December 31, 2018. The increase in stockholders’ equity in the first three months of 2019 primarily reflects net earnings and appreciation in the value of our debt securities portfolio due to a decrease in interest rates and credit spreads, partially offset by repurchases of our common stock, all as discussed below. As of March 31, 2019, we had 14,447,737 shares of our common stock outstanding, compared with 14,576,509 shares of our common stock outstanding as of December 31, 2018.

Debt. On September 9, 2014, we completed a public offering of $300.0 million aggregate principal amount of our 4.90% senior notes due on September 15, 2044. On June 26, 2012, we completed a public offering of $400.0 million aggregate principal amount of our 4.95% senior notes due on June 27, 2022. On September 20, 2010, we completed a public offering of $300.0 million aggregate principal amount of our 5.625% senior notes due on September 15, 2020. See Note 8 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, “Financial Statements and Supplementary Data” of the 2018 Form 10-K for additional information on the senior notes.

Credit Agreement. On July 31, 2017, we entered into a five-year credit agreement, or the “Credit Agreement,” with certain lenders party thereto, which provides for an unsecured revolving credit facility in an aggregate principal amount of up to $300.0 million. The credit facility is scheduled to expire on July 31, 2022, unless earlier terminated. Borrowings under the Credit Agreement will be available for working capital and general corporate purposes, including permitted acquisitions and repurchases of Common Stock. Borrowings under the Credit Agreement bear a floating rate of interest based in part on our credit rating, among other factors. The Credit Agreement contains representations, warranties and covenants customary for bank loan facilities of this nature.

There were no borrowings under the Credit Agreement from inception through March 31, 2019.

Common Stock Repurchases. In November 2015, our Board of Directors authorized the repurchase of shares of our common stock at such times and at prices as management determines to be advisable, up to an aggregate of $400.0 million, or the “2015 Repurchase Program.” In June 2018, our Board of Directors authorized, upon the completion of the 2015 Repurchase Program, the repurchase of additional shares of our common stock at such times and at prices as management determines to be advisable, up to an aggregate of $400.0 million, or the “2018 Repurchase Program.” In the fourth quarter of 2018, we completed the 2015 Repurchase Program and subsequent repurchases have been made pursuant to the 2018 Repurchase Program. As of March 31, 2019, we had $191.0 million remaining under our repurchase authorization.

The following table presents the shares of our common stock that we repurchased in the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Shares repurchased	129,567	35,072
Cost of shares repurchased (in millions)	$ 80.5	$ 21.3
Average price per share repurchased	$ 621.19	$ 606.40

Special Dividend. In February 2018, our Board of Directors declared a special dividend of $10.00 per share for stockholders of record on March 5, 2018. On March 15, 2018, we paid dividends to stockholders totaling $154.0 million.

Investments in Certain Other Invested Assets. In December 2012, TransRe obtained an ownership interest in Pillar Capital Holdings, Limited, or “Pillar Holdings,” a Bermuda-based insurance asset manager focused on collateralized reinsurance and catastrophe insurance-linked securities. Additionally, TransRe invested $175.0 million and AIHL invested $25.0 million in limited partnership funds managed by Pillar Holdings, or the “Funds.” The objective of the Funds is to create portfolios with attractive risk- reward characteristics and low correlation with other asset classes, using the extensive reinsurance and capital market experience of the principals of Pillar Holdings. We have concluded that both Pillar Holdings and the Funds, or collectively, the “Pillar Investments,” represent variable interest entities and that we are not the primary beneficiary, as we do not have the ability to direct the activities that most significantly impact each entity’s economic performance. Therefore, the Pillar Investments are not consolidated and are accounted for under the equity method of accounting. Our potential maximum loss in the Pillar Investments is limited to our cumulative net investment. As of March 31, 2019, our carrying value in the Pillar Investments, as determined under the equity method of accounting, was $194.7 million, which is net of returns of capital received from the Pillar Investments.

In July 2013, AIHL invested $250.0 million in Ares, an asset manager, in exchange for a 6.25 percent equity stake in Ares, with an agreement to engage Ares to manage up to $1.0 billion in certain investment strategies. In May 2014, Ares completed an initial public offering of its common units. Upon completion of the initial public offering, our equity investment in Ares converted into limited partnership interests in certain Ares subsidiaries that were convertible into Ares common units. On March 15, 2018, most of AIHL’s limited partnership interests were converted into Ares common units. As a result of the conversion and with respect to the limited partnership interests that were converted into Ares common units, AIHL: (i) reclassified its

converted interests from other invested assets to equity securities; (ii) increased its carrying value to $208.2 million to reflect the fair value of Ares common units; and (iii) recorded the $45.7 million increase in carrying value as a realized capital gain as of March 15, 2018. As a result of the conversion and with respect to the unconverted limited partnership interests, AIHL: (i) changed its accounting method from the equity method to fair value; (ii) increased its carrying value to $58.7 million to reflect the fair value of Ares limited partnership interests; and (iii) recorded the $12.9 million increase in carrying value as a component of net investment income as of March 15, 2018. On September 24, 2018, AIHL's remaining Ares limited partnership interests were converted into Ares common units and, as a result, AIHL reclassified the remaining $56.9 million of its converted interests from other invested assets to equity securities.

Investments in Commercial Mortgage Loans. As of March 31, 2019, the carrying value of our commercial mortgage loan portfolio was $676.5 million, representing the unpaid principal balance on the loans. As of March 31, 2019, there was no allowance for loan losses. The commercial mortgage loan portfolio consists primarily of first mortgages on commercial properties in major metropolitan areas in the U.S. The loans earn interest at fixed- and floating-rates, mature in two to ten years from loan origination and the principal amounts of the loans were no more than approximately two-thirds of the property's appraised value at the time the loans were made.

Energy Holdings. As of March 31, 2019, we had holdings in energy sector businesses of $418.2 million, comprised of $320.9 million of debt securities, $9.4 million of equity securities and $87.9 million of our equity attributable to SORC.

Subsidiaries

Financial strength is also a high priority of our subsidiaries, whose assets stand behind their financial commitments to their customers and vendors. We believe that our subsidiaries have and will have adequate internally generated funds, cash resources and unused credit facilities to provide for the currently foreseeable needs of their businesses. Our subsidiaries had no material commitments for capital expenditures as of March 31, 2019.

The obligations and cash outflow of our reinsurance and insurance subsidiaries include claim settlements, commission expenses, administrative expenses, purchases of investments and interest and principal payments on TransRe's 8.00% senior notes due on November 30, 2039. In addition to premium collections, cash inflow is obtained from interest and dividend income, maturities and sales of investments and reinsurance recoveries. Because cash inflow from premiums is received in advance of cash outflow required to settle claims, our reinsurance and insurance operating units accumulate funds which they invest pending the need for liquidity. As the cash needs of a reinsurance or an insurance company can be unpredictable due to the uncertainty of the claims settlement process, the portfolios of our reinsurance and insurance subsidiaries consist primarily of debt securities and short-term investments to ensure the availability of funds and maintain a sufficient amount of liquid securities.

Included in Alleghany Capital is debt associated with its operating subsidiaries, which totaled $292.4 million as of March 31, 2019, which is generally used to support working capital needs and to help finance acquisitions. The $292.4 million includes:

- $131.3 million of borrowings by W&W|AFCO Steel under its available credit facility and term loans (including borrowings incurred and assumed from its acquisition of Hirschfeld);
- $60.9 million of term loans at Kentucky Trailer primarily related to borrowings to finance small acquisitions, including its acquisition of a controlling interest in a certain manufacturer of aluminum feed transportation equipment based in Cedar Rapids, Iowa, and borrowings under its available credit facility;
- $42.9 million of borrowings by Jazwares under its available credit facility;
- $33.8 million of term loans at Concord primarily related to borrowings to finance Alleghany Capital's acquisition of Concord;
- $13.3 million of term loans at Bourn & Koch primarily related to borrowings to finance an acquisition made in 2016; and
- $10.2 million of borrowings by IPS under its available credit facility.

With respect to corporate activities, SORC has relied on Alleghany almost entirely to support its operations. From its formation in 2011 through March 31, 2019, we have invested $270.2 million in SORC.

Consolidated Investment Holdings

Investment Strategy and Holdings. Our investment strategy seeks to preserve principal and maintain liquidity while trying to maximize our risk-adjusted, after-tax rate of return. Our investment decisions are guided mainly by the nature and timing of expected liability payouts, management's forecast of cash flows and the possibility of unexpected cash demands, such as, to satisfying claims due to catastrophe losses. Our consolidated investment portfolio currently consists mainly of highly rated and liquid debt and equity securities listed on national securities exchanges. The overall credit quality of the debt securities portfolio is measured using the lowest rating of Standard & Poor's Ratings Services, Moody's Investors Service, Inc. or Fitch Ratings, Inc. In this regard, the overall weighted-average credit quality rating of our debt securities portfolio as of March 31, 2019 and December 31, 2018 was AA-. Although a portion of our debt securities, which consist predominantly of municipal bonds, are insured by third-party

financial guaranty insurance companies, the impact of such insurance was not significant to the debt securities credit quality rating as of March 31, 2019. The following table presents the ratings of our debt securities as of March 31, 2019:

	Ratings as of March 31, 2019					
	AAA / Aaa	AA / Aa	A	BBB / Baa	Below BBB / Baa or Not Rated (1)	Total
	($ in millions)					
U.S. Government obligations	$ -	$ 1,182.9	$ -	$ -	$ -	$ 1,182.9
Municipal bonds	201.4	1,631.6	539.1	96.8	0.8	2,469.7
Foreign government obligations	492.9	187.6	91.7	7.5	-	779.7
U.S. corporate bonds	11.8	124.1	1,111.0	1,130.6	372.5	2,750.0
Foreign corporate bonds	254.6	174.9	597.4	333.7	61.1	1,421.7
Mortgage and asset-backed securities:						
RMBS	53.8	1,873.6	-	42.9	6.3	1,976.6
CMBS	171.5	351.2	62.5	0.8	2.8	588.8
Other asset-backed securities	791.1	416.0	421.4	446.2	35.6	2,110.3
Total debt securities	$ 1,977.1	$ 5,941.9	$ 2,823.1	$ 2,058.5	$ 479.1	$ 13,279.7
Percentage of debt securities	14.9%	44.7%	21.3%	15.5%	3.6%	100.0%

(1) Consists of $115.8 million of securities rated BB / Ba, $200.5 million of securities rated B, $30.9 million of securities rated CCC, $2.6 million of securities rated below CC and $129.3 million of not rated securities.

Our debt securities portfolio has been designed to enable management to react to investment opportunities created by changing interest rates, prepayments, tax and credit considerations or other factors, or to circumstances that could result in a mismatch between the desired duration of debt securities and the duration of liabilities and, as such, is classified as available-for-sale, or “AFS.”

Effective duration measures a portfolio’s sensitivity to changes in interest rates. In this regard, as of March 31, 2019 and December 31, 2018, our debt securities portfolio had an effective duration of approximately 4.2 years. As of March 31, 2019, approximately $3.7 billion, or 28 percent, of our debt securities portfolio represented securities with maturities of five years or less. See Note 3(b) to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, “Financial Statements” of this Form 10-Q for additional detail on the contractual maturities of our consolidated debt securities portfolio. We may increase the proportion of our debt securities portfolio held in securities with maturities of more than five years should the yields of these securities provide, in our judgment, sufficient compensation for their increased risk. We do not believe that this strategy would reduce our ability to meet ongoing claim payments or to respond to significant catastrophe losses.

In the event paid losses accelerate beyond the ability of our reinsurance and insurance subsidiaries to fund these paid losses from current cash balances, current operating cash flow, dividend and interest receipts and security maturities, we would need to liquidate a portion of our investment portfolio, make capital contributions to our reinsurance and insurance subsidiaries, and/or arrange for financing. Strains on liquidity could result from: (i) the occurrence of several significant catastrophe events in a relatively short period of time; (ii) the sale of investments into a depressed marketplace to fund these paid losses; (iii) the uncollectibility of reinsurance recoverables on these paid losses; (iv) the significant decrease in the value of collateral supporting reinsurance recoverables; or (v) a significant reduction in our net premium collections.

We may, from time to time, make significant investments in the common stock of a public company, subject to limitations imposed by applicable regulations.

On a consolidated basis, as of March 31, 2019, our invested assets increased to approximately $18.3 billion from approximately $17.5 billion as of December 31, 2018, primarily reflecting appreciation in the value of our equity and debt securities portfolios, partially offset by repurchases of shares of our common stock, all as discussed above. The appreciation in the value of our debt securities portfolio reflects a decrease in interest rates and credit spreads. During the first quarter of 2019, we reallocated a significant portion of our investment portfolio from equity securities to debt securities.

Fair Value. The following table presents the carrying values and estimated fair values of our consolidated financial instruments as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	($ in millions)			
Assets				
Investments (excluding equity method investments and loans) (1)	$ 17,075.7	$ 17,075.7	$ 16,291.3	$ 16,291.3
Liabilities				
Senior Notes and other debt (2)	$ 1,676.4	$ 1,814.1	$ 1,669.0	$ 1,795.5

(1) This table includes debt and equity securities, as well as partnership and non-marketable equity investments carried at fair value that are included in other invested assets. This table excludes investments accounted for using the equity method and commercial mortgage loans that are carried at unpaid principal balance. The fair value of short-term investments approximates amortized cost. The fair value of all other categories of investments is discussed below.

(2) See Note 8 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, “Financial Statements and Supplementary Data” of the 2018 Form 10-K for additional information on the senior notes and other debt.

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. In addition, a three-tiered hierarchy for inputs is used in management’s determination of fair value of financial instruments that emphasizes the use of observable inputs over the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are market participant assumptions based on market data obtained from sources independent of the reporting entity. Unobservable inputs are the reporting entity’s own assumptions about market participant assumptions based on the best information available under the circumstances. In assessing the appropriateness of using observable inputs in making our fair value determinations, we consider whether the market for a particular security is “active” or not based on all the relevant facts and circumstances. A market may be considered to be inactive if there are relatively few recent transactions or if there is a significant decrease in market volume. Furthermore, we consider whether observable transactions are “orderly” or not. We do not consider a transaction to be orderly if there is evidence of a forced liquidation or other distressed condition; as such, little or no weight is given to that transaction as an indicator of fair value.

Although we are responsible for the determination of the fair value of our financial assets and the supporting methodologies and assumptions, we employ third-party valuation service providers to gather, analyze and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments. When those providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either by requesting a quote, which is generally non-binding, from brokers who are knowledgeable about these securities or by employing widely accepted valuation models.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of widely accepted valuation models, provide a single fair value measurement for individual securities for which a fair value has been requested under the terms of service agreements. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, currency rates and other market observable information, as applicable. The valuation models take into account, among other things, market observable information as of the measurement date as well as the specific attributes of the security being valued including its term, interest rate, credit rating, industry sector and, when applicable, collateral quality and other issue or issuer specific information. When market transactions or other market observable data is limited, the extent to which judgment is applied in determining fair value is greatly increased.

The three-tiered hierarchy used in management’s determination of fair value is broken down into three levels based on the reliability and observability of inputs as follows:

- Level 1: Valuations are based on unadjusted quoted prices in active markets that we have the ability to access for identical, unrestricted assets and do not involve any meaningful degree of judgment. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Our Level 1 assets include publicly traded common stocks and mutual funds (which are included on our Consolidate Balance Sheet in equity securities) where our valuations are based on quoted market prices.
- Level 2: Valuations are based on direct and indirect observable inputs other than quoted market prices included in Level 1. Level 2 inputs include quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset, such as the terms of the security and market-based inputs. Terms of the security include coupon, maturity date and any special provisions that may, for example, enable the investor, at its election, to redeem the security prior to its scheduled maturity date (such provisions may apply to all debt securities except U.S. Government obligations). Market-based inputs include interest rates and yield curves that are observable at commonly quoted intervals and current

credit rating(s) of the security. Market-based inputs may also include credit spreads of all debt securities except U.S. Government obligations, and currency rates for certain foreign government obligations and foreign corporate bonds denominated in foreign currencies. Fair values are determined using a market approach that relies on the securities' relationships to quoted prices for similar assets in active markets, as well as the other inputs described above. In determining the fair values for the vast majority of CMBS and other asset-backed securities, as well as a small portion of RMBS, an income approach is used to corroborate and further support the fair values determined by the market approach. The income approach primarily involves developing a discounted cash flow model using the future projected cash flows of the underlying collateral, and the terms of the security. Level 2 assets generally include short-term investments and most debt securities. Our Level 2 liabilities consist of the senior notes.

- Level 3: Valuations are based on techniques that use significant inputs that are unobservable. The valuation of Level 3 assets requires the greatest degree of judgment. These measurements may be made under circumstances in which there is little, if any, market activity for the asset. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. In making the assessment, we consider factors specific to 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 is classified is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assets classified as Level 3 principally include other asset-backed securities (primarily, collateralized loan obligations) and, to a lesser extent, U.S. and foreign corporate bonds (including privately issued securities), partnership investments, non-marketable equity investments, CMBS and commercial mortgage loans.

  Mortgage-backed and asset-backed securities are initially valued at the transaction price. Subsequently, we use widely accepted valuation practices that produce a fair value measurement. The vast majority of fair values are determined using an income approach. The income approach primarily involves developing a discounted cash flow model using the future projected cash flows of the underlying collateral, as well as other inputs described below. A few Level 3 valuations are based entirely on non-binding broker quotes. These securities consist primarily of mortgage-backed and asset-backed securities where reliable pool and loan level collateral information cannot be reasonably obtained, and as such, an income approach is not feasible.

  Since Level 3 valuations are based on techniques that use significant inputs that are unobservable with little or no market activity, the fair values under the market approach for Level 3 securities are less credible than under the income approach; however, the market approach, where feasible, is used to corroborate the fair values determined by the income approach. The market approach primarily relies on the securities' relationships to quoted transaction prices for similarly structured instruments. To the extent that transaction prices for similarly structured instruments are not available for a particular security, other market approaches are used to corroborate the fair values determined by the income approach, including option adjusted spread analyses.

  Unobservable inputs, significant to the measurement and valuation of mortgage-backed and asset-backed securities, are generally used in the income approach, and include assumptions about prepayment speed and collateral performance, including default, delinquency and loss severity rates. Significant changes to any one of these inputs, or combination of inputs, could significantly change the fair value measurement for these securities.

  The impact of prepayment speeds on fair value is dependent on a number of variables including whether the securities were purchased at a premium or discount. A decrease in interest rates generally increases the assumed rate of prepayments, and an increase in interest rates generally decreases the assumed speed of prepayments. Increased prepayments increase the yield on securities purchased at a discount and reduce the yield on securities purchased at a premium. In a decreasing prepayment environment, yields on securities purchased at a discount are reduced but are increased for securities purchased at a premium. Changes in default assumptions on underlying collateral are generally accompanied by directionally similar changes in other collateral performance factors, but generally result in a directionally opposite change in prepayment assumptions.

  Our Level 3 liabilities consist of the debt of Alleghany Capital's operating subsidiaries.

We employ specific control processes to determine the reasonableness of the fair values of our financial assets and liabilities. Our processes are designed to ensure that the values received or internally estimated are accurately recorded and that the data inputs and the valuation techniques used are appropriate, consistently applied and that the assumptions are reasonable and consistent with the objective of determining fair value. We assess the reasonableness of individual security values received from valuation service providers through various analytical techniques. In addition, we validate the reasonableness of fair values by comparing information obtained from our valuation service providers to other third-party valuation sources for selected securities. We also validate prices obtained from brokers for selected securities through reviews by those who have relevant expertise and who are independent of those charged with executing investing transactions.

In addition to such procedures, we review the reasonableness of our classification of securities within the three-tiered hierarchy to ensure that the classification is consistent with GAAP.

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The following tables present the estimated fair values of our financial instruments measured at fair value and the level of the fair value hierarchy of inputs used as of March 31, 2019 and December 31, 2018:

	Level 1	Level 2	Level 3	Total
	($ in millions)			
As of March 31, 2019				
Equity securities:				
Common stock	$ 2,515.0	$ 3.5	$ -	$ 2,518.5
Preferred stock	-	-	4.6	4.6
Total equity securities	2,515.0	3.5	4.6	2,523.1
Debt securities:				
U.S. Government obligations	-	1,182.9	-	1,182.9
Municipal bonds	-	2,469.7	-	2,469.7
Foreign government obligations	-	779.7	-	779.7
U.S. corporate bonds	-	2,316.3	433.7	2,750.0
Foreign corporate bonds	-	1,270.3	151.4	1,421.7
Mortgage and asset-backed securities:				
RMBS (1)	-	1,976.6	-	1,976.6
CMBS	-	588.6	0.2	588.8
Other asset-backed securities (2)	-	931.3	1,179.0	2,110.3
Total debt securities	-	11,515.4	1,764.3	13,279.7
Short-term investments	-	1,272.4	-	1,272.4
Other invested assets (3)	-	-	0.5	0.5
Total investments (excluding equity method investments and loans)	$ 2,515.0	$ 12,791.3	$ 1,769.4	$ 17,075.7
Senior Notes and other debt	$ -	$ 1,521.7	$ 292.4	$ 1,814.1

	Level 1	Level 2	Level 3	Total
	($ in millions)			
As of December 31, 2018				
Equity securities:				
Common stock	$ 3,563.9	$ 3.5	$ -	$ 3,567.4
Preferred stock	-	-	5.4	5.4
Total equity securities	3,563.9	3.5	5.4	3,572.8
Debt securities:				
U.S. Government obligations	-	1,022.4	-	1,022.4
Municipal bonds	-	2,214.7	-	2,214.7
Foreign government obligations	-	947.9	-	947.9
U.S. corporate bonds	-	1,959.6	425.7	2,385.3
Foreign corporate bonds	-	1,226.4	126.9	1,353.3
Mortgage and asset-backed securities:				
RMBS (1)	-	1,387.9	-	1,387.9
CMBS	-	533.3	-	533.3
Other asset-backed securities (2)	-	712.3	1,266.9	1,979.2
Total debt securities	-	10,004.5	1,819.5	11,824.0
Short-term investments	-	893.8	-	893.8
Other invested assets (3)	-	-	0.7	0.7
Total investments (excluding equity method investments and loans)	$ 3,563.9	$ 10,901.8	$ 1,825.6	$ 16,291.3
Senior Notes and other debt	$ -	$ 1,510.5	$ 285.0	$ 1,795.5

(1) Primarily includes government agency pass-through securities guaranteed by a government agency or government sponsored enterprise, among other types of RMBS.
(2) Includes $1,166.9 million and $1,266.9 million of collateralized loan obligations as of March 31, 2019 and December 31, 2018, respectively.
(3) Includes partnership and non-marketable equity investments accounted for at fair value, and excludes investments accounted for using the equity method.

Municipal Bonds. The following table provides the fair value of our municipal bonds as of March 31, 2019, categorized by state and revenue source. Special revenue bonds are debt securities for which the payment of principal and interest is available solely from the cash flows of the related projects. As issuers of revenue bonds do not have the ability to draw from tax revenues or levy taxes to fund obligations, revenue bonds may carry a greater risk of default than general obligation bonds.

	Special Revenue										
State	Education	Hospital	Housing	Lease Revenue	Special Tax	Transit	Utilities	All Other Sources	Total Special Revenue	Total General Obligation	Total Fair Value
	($ in millions)										
New York	$ 9.6	$ -	$ -	$ -	$ 108.6	$ 77.4	$ 30.4	$ 7.5	$ 233.5	$ 9.3	$ 242.8
Texas	12.5	-	0.2	6.6	8.1	38.8	68.4	2.4	137.0	63.0	200.0
Massachusetts	21.1	5.6	6.8	-	25.4	24.3	17.2	0.3	100.7	75.7	176.4
California	11.1	40.7	-	2.3	1.3	21.0	53.8	-	130.2	41.2	171.4
Pennsylvania	2.3	1.4	9.3	-	-	37.3	4.1	17.6	72.0	38.5	110.5
Washington	-	-	1.7	-	7.0	11.1	28.4	2.3	50.5	45.2	95.7
Ohio	43.2	0.6	0.1	-	2.1	-	19.1	2.2	67.3	24.1	91.4
Colorado	21.7	15.1	-	12.8	-	6.6	11.8	-	68.0	19.2	87.2
Utah	5.6	-	-	-	24.9	18.5	21.1	-	70.1	6.6	76.7
Florida	-	0.3	3.8	-	11.2	33.5	6.6	10.9	66.3	10.2	76.5
All other states	126.5	93.3	36.6	64.9	80.6	78.7	131.2	124.0	735.8	189.1	924.9
Total	$ 253.6	$ 157.0	$ 58.5	$ 86.6	$ 269.2	$ 347.2	$ 392.1	$ 167.2	$ 1,731.4	$ 522.1	2,253.5
Total advanced refunded / escrowed maturity funds											216.2
Total municipal bonds											$ 2,469.7

Recent Accounting Standards

Recently Adopted

In February 2018, the Financial Accounting Standards Board, or the "FASB," issued guidance on certain tax effects caused by the Tax Cuts and Jobs Act of 2017, or the "Tax Act." The Tax Act, among other things, reduced the U.S. corporate federal income tax rate for the 2018 tax year from 35.0 percent to 21.0 percent. Under such circumstances, GAAP requires that the value of deferred tax assets and liabilities be reduced through tax expense. The new guidance provides an option to reclassify any stranded tax amounts that remain in accumulated other comprehensive income to retained earnings, either retrospectively or at the beginning of the period in which the adoption is elected. This guidance became effective in the first quarter of 2018 for public entities, with early adoption permitted in 2017. We adopted this new guidance in the first quarter of 2018 and have elected to reclassify stranded tax amounts that remain in accumulated other comprehensive income, in the amount of approximately $135 million, to retained earnings as of January 1, 2018. See Note 7(b) to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for additional information on accumulated other comprehensive income. See Note 9 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K for additional information on the Tax Act and its impact on us.

In August 2017, the FASB issued guidance that simplifies the requirements to achieve hedge accounting, better reflects the economic results of hedging in the financial statements and improves the alignment between hedge accounting and a company's risk management activities. This guidance is effective in the first quarter of 2019 for public entities, with early adoption permitted. We adopted this guidance in the first quarter of 2019 and the implementation did not have a material impact on our results of operations and financial condition.

In February 2016, the FASB issued guidance on leases. Under this guidance, a lessee is required to recognize lease liabilities and corresponding right-of-use assets for leases with terms of more than one year, whereas under the prior guidance, a lessee is only required to recognize assets and liabilities for those leases qualifying as capital leases. This guidance also requires new disclosures about the amount, timing and uncertainty of cash flows arising from leases. The accounting by lessors remains largely unchanged. This guidance is effective in the first quarter of 2019 for public entities, with early adoption permitted. A modified retrospective transition approach was elected for all leases in existence as of, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We adopted this guidance in the first quarter of 2019 and the implementation did not have a material impact on our results of operations and financial condition. As part of its implementation, we elected to not separate lease components from non-lease components (such as office cleanings, security and maintenance services provided by our lessors for certain of its leases). We also elected the package of practical expedients under the transition guidance, which allowed us to not reevaluate existing lease classifications, among others. As of January 1, 2019, our adoption of this guidance resulted in recognition of an additional right-of-use asset of approximately $0.2 billion and a corresponding lease liability of $0.2 billion. See Note 9(b) to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for further information on our leases.

In January 2016, the FASB issued guidance that changes the recognition and measurement of certain financial instruments. This guidance requires investments in equity securities (except those accounted for under the equity method of accounting, but including partnership investments not accounted for under the equity method) to be measured at fair value with changes in fair value recognized in net earnings. For equity securities that do not have readily determinable fair values, measurement may be at cost, adjusted for any impairment and changes resulting from observable price changes for a similar investment of the same issuer. This guidance also changes the presentation and disclosure of financial instruments by: (i) requiring that financial instrument disclosures of fair value use the exit price notion; (ii) requiring separate presentation of financial assets and financial liabilities by measurement category and form, either on the balance sheet or the accompanying notes to the financial statements; (iii) requiring separate presentation in other comprehensive income for the portion of the change in a liability's fair value resulting from instrument-specific credit risk when an election has been made to measure the liability at fair value; and (iv) eliminating the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost on the balance sheet. This guidance is effective for fiscal years beginning after December 15, 2017 for public entities, including interim periods within those fiscal years. Except for the change in presentation for instrument-specific credit risk, this guidance does not permit early adoption. We adopted this guidance in the first quarter of 2018. As of January 1, 2018, approximately $736 million of net unrealized gains of equity securities, net of deferred taxes, were reclassified from accumulated other comprehensive income to retained earnings. Subsequently, all changes in unrealized gains or losses of equity securities, net of deferred taxes, were presented in the Consolidated Statements of Earnings rather than the Consolidated Statements of Comprehensive Income, under the caption "change in the fair value of equity securities." Results arising from partnership investments, whether accounted for under the equity method or at fair value, continue to be reported as a component of net investment income. The implementation did not have a material impact on our financial condition. See Note 3 to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for further information on our equity securities, and Note 7(b) to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for further information on accumulated other comprehensive income.

In May 2014, the FASB, together with the International Accounting Standards Board, issued guidance on the recognition of revenue from contracts with customers. Under this guidance, revenue is recognized as the transfer of goods and services to customers takes place and in amounts that reflect the payment or payments that are expected to be received from the customers for those goods and services. This guidance also requires new disclosures about revenue. Revenue related to insurance and reinsurance contracts and revenue from investments are not impacted by this guidance, whereas noninsurance revenue arising from the sale of manufactured goods and services is generally included within the scope of this guidance. This guidance, and all related amendments, became effective in the first quarter of 2018 for public entities, with early adoption permitted in 2017. We adopted this guidance in the first quarter of 2018 using the modified retrospective transition approach and the implementation did not have a material impact on our results of operations and financial condition. See Note 10 to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q of this Form 10-Q for further information on our noninsurance revenue.

Future Application of Accounting Standards

In June 2016, the FASB issued guidance on credit losses. Under this guidance, a company is required to measure all expected credit losses on loans, reinsurance recoverables and other financial assets accounted for at cost or amortized cost, as applicable. Estimates of expected credit losses are to be based on historical experience, current conditions and reasonable and supportable forecasts. Credit losses for securities accounted for on an AFS basis are to be measured in a manner similar to GAAP as currently applied and cannot exceed the amount by which the fair value is less than the amortized cost, although the new guidance removes the length of time a security has been in an unrealized loss position as a possible indication of a credit impairment. Credit losses for all financial assets are to be recorded through an allowance for credit losses. Subsequent reversals in credit loss estimates are permitted and are to be recognized in earnings. This guidance also requires new disclosures about the significant estimates and judgments used in estimating credit losses, as well as the credit quality of financial assets. This guidance is effective in the first quarter of 2020 for public entities, with early adoption permitted. We will adopt this guidance in the first quarter of 2020. Although we expect to initially record an increase in an allowance for credit losses on certain financial assets accounted for at cost or amortized cost, we do not currently believe that the implementation will have a material impact on our results of operations and financial condition. See Note 3 to Notes to Unaudited Consolidated Financial Statements set forth in Part I, Item 1, "Financial Statements" of this Form 10-Q for further information on our investments. See Note 5(b) to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K for further information on our reinsurance recoverables.

In January 2017, the FASB issued guidance that simplifies the subsequent measurement of goodwill. Under this guidance, if an initial qualitative assessment indicates that the fair value of an operating subsidiary may be less than its carrying amount, an impairment charge is recognized for the amount by which the carrying amount of the operating subsidiary exceeds its estimated fair value. Any resulting impairment loss recognized cannot exceed the total amount of goodwill associated with the operating subsidiary. This guidance is effective in the first quarter of 2020 for public entities, with early adoption permitted. We will adopt this guidance in the first quarter of 2020 and do not currently believe that the implementation will have a material impact on our results of operations and financial condition. See Note 2 to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K for further information on our goodwill.

In August 2018, the FASB issued guidance that changes the financial statement disclosure requirements for measuring fair value. With respect to financial instruments classified as “Level 3” in the fair value disclosure hierarchy, the guidance requires certain additional disclosures for public entities related to amounts included in other comprehensive income and significant unobservable inputs used in the valuation, while removing disclosure requirements related to an entity’s overall valuation processes. The guidance also removes certain disclosure requirements related to transfers between financial instruments classified as “Level 1” and “Level 2” and provides clarification on certain other existing disclosure requirements. This guidance is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted with respect to any eliminated or modified disclosures. We will adopt this guidance in the first quarter of 2020 and do not currently believe that the implementation will have a material impact on our results of operations and financial condition.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the risk of loss from adverse changes in market prices and rates. The primary market risk related to our debt securities is the risk of loss associated with adverse changes in interest rates. We hold our debt securities as AFS. Any changes in the fair value in these securities, net of tax, would be recorded as a component of other comprehensive income. However, if a decline in fair value relative to cost is believed to be other than temporary, a loss is generally recorded on our statement of earnings. We also invest in equity securities which are subject to fluctuations in market value. In addition, significant portions of our assets (principally investments) and liabilities (principally loss and LAE reserves and unearned premiums) are exposed to changes in foreign currency exchange rates. The net change in the carrying value of assets and liabilities denominated in foreign currencies is generally recorded as a component of other comprehensive income.

The sensitivity analyses presented below provide only a limited, point-in-time view of the market risk of our financial instruments. The actual impact of changes in market interest rates, equity market prices and foreign currency exchange rates may differ significantly from those shown in these sensitivity analyses. The sensitivity analyses are further limited because they do not consider any actions we could take in response to actual and/or anticipated changes in equity market prices, market interest rates or foreign currency exchange rates. In addition, these sensitivity analyses do not provide weight to risks related to market issues such as liquidity and the credit worthiness of investments.

Interest Rate Risk

The primary market risk for our debt securities is interest rate risk at the time of refinancing. We monitor the interest rate environment to evaluate reinvestment and refinancing opportunities. We generally do not use derivatives to manage market and interest rate risks. The table below presents a sensitivity analysis as of March 31, 2019 of our (i) consolidated debt securities and (ii) senior notes and other debt, which are sensitive to changes in interest rates. Sensitivity analysis is defined as the measurement of potential change in future earnings, fair values or cash flows of market sensitive instruments resulting from one or more selected hypothetical changes in interest rates over a selected time period. In the sensitivity analysis model below, we use a +/- 300 basis point range of change in interest rates to measure the hypothetical change in fair value of the financial instruments included in the analysis. The change in fair value is determined by calculating hypothetical March 31, 2019 ending prices based on yields adjusted to reflect a +/- 300 basis point range of change in interest rates, comparing these hypothetical ending prices to actual ending prices, and multiplying the difference by the par outstanding. The selected hypothetical changes in interest rates do not reflect what could be the potential best or worst case scenarios.

	-300	-200	-100	0	100	200	300
				($ in millions)			
Assets:							
Debt securities, fair value	$ 14,659.5	$14,363.3	$13,829.5	$13,279.7	$12,716.6	$12,166.9	$ 11,646.3
Estimated change in fair value	1,379.8	1,083.6	549.8	-	(563.1)	(1,112.8)	(1,633.4)
Liabilities:							
Senior Notes and other debt, fair value	$ 2,255.6	$ 2,082.9	$ 1,937.2	$ 1,814.1	$ 1,708.7	$ 1,618.3	$ 1,540.4
Estimated change in fair value	441.5	268.8	123.1	-	(105.4)	(195.8)	(273.7)

Equity Risk

Our equity securities are subject to fluctuations in market value. The table below presents our equity market price risk and reflects the effect of a hypothetical increase or decrease in market prices as of March 31, 2019 on the estimated fair value of our consolidated equity portfolio. The selected hypothetical price changes do not reflect what could be the potential best or worst case scenarios.

As of March 31, 2019 ($ in millions)			
Estimated Fair Value	Hypothetical Price Change	Estimated Fair Value After Hypothetical Change in Price	Hypothetical Percentage Increase (Decrease) in Stockholders' Equity
$ 2,523.1	20% Increase	$ 3,027.7	4.8%
	20% Decrease	2,018.5	(4.8%)

In addition to debt and equity securities, we invest in several partnerships which are subject to fluctuations in market value. Our partnership investments are included in other invested assets and are accounted for at fair value or using the equity method, and had a carrying value of $377.1 million as of March 31, 2019.

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the potential change in value arising from changes in foreign currency exchange rates. Our reinsurance operations located in foreign countries maintain some or all of their capital in their local currency and conduct business in their local currency, as well as the currencies of the other countries in which they operate. To mitigate this risk, we maintain investments denominated in certain foreign currencies in which the claims payments will be made. As of March 31, 2019, the largest foreign currency net asset exposures for these foreign operations were the Euro and the Canadian Dollar. The table below presents our foreign currency exchange rate risk and shows the effect of a hypothetical increase or decrease in foreign currency exchange rates against the U.S. Dollar as of March 31, 2019 on the estimated net carrying value of our foreign currency denominated assets, net of our foreign currency denominated liabilities. The selected hypothetical changes do not reflect what could be the potential best or worst case scenarios.

As of March 31, 2019 ($ in millions)			
Estimated Fair Value	Hypothetical Price Change	Estimated Fair Value After Hypothetical Change in Price	Hypothetical Percentage Increase (Decrease) in Stockholders' Equity
$ 157.5 (1)	20% Increase	$ 189.0	0.3%
	20% Decrease	126.0	(0.3%)

(1) Denotes a net asset position as of March 31, 2019.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer, or "CEO," and our chief financial officer, or "CFO," of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Form 10-Q pursuant to Rule 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the "Exchange Act." Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective as of that date to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized, and timely reported as specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow for timely decisions regarding required disclosure. Our disclosure controls and procedures were designed to provide such assurance; however, we note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Control Over Financial Reporting

No changes occurred during the quarter ended March 31, 2019 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

Certain of our subsidiaries are parties to pending litigation and claims in connection with the ordinary course of their businesses. Each such subsidiary makes provisions for estimated losses to be incurred in such litigation and claims, including legal costs. We believe such provisions are adequate and do not believe that any pending litigation will have a material adverse effect on our consolidated results of operations, financial position or cash flows. See Note 12(a) to Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2018 Form 10-K.

Item 1A. Risk Factors.

There are no material changes from the risk factors set forth in Part I, Item 1A, "Risk Factors" of the 2018 Form 10-K. Please refer to that section for disclosures regarding what we believe are the more significant risks and uncertainties related to our businesses.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Issuer Purchases of Equity Securities.

The following table presents our common stock repurchases for the quarter ended March 31, 2019:

	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs (1) (in millions)
January 1 to January 31	101,814	$ 618.72	101,814	$ 208.5
February 1 to February 28	16,176	639.62	16,176	198.2
March 1 to March 31	11,577	617.19	11,577	191.0
Total	129,567	621.19	129,567	

(1) In June 2018, our Board of Directors authorized the repurchase of shares of our common stock, at such times and at prices as management determines to be advisable, up to an aggregate of $400.0 million.

Item 6. Exhibits.

Exhibit Number	Description
31.1	Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) or Rule 15(d)-14(a) of the Exchange Act.
31.2	Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) or Rule 15(d)-14(a) of the Exchange Act.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit shall not be deemed “filed” as a part of this Form 10-Q.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit shall not be deemed “filed” as a part of this Form 10-Q.
101	Interactive Data Files formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018; (ii) Consolidated Statements of Earnings and Comprehensive Income for the three months ended March 31, 2019 and 2018; (iii) Consolidated Statements of Changes in Stockholders’ Equity for the three months ended March 31, 2019 and 2018; (iv) Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018; and (v) Notes to Unaudited Consolidated Financial Statements.

SIGNATURES

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.

ALLEGHANY CORPORATION
(Registrant)

Date: May 7, 2019

By: /s/ John L. Sennott, Jr.
John L. Sennott, Jr.
Senior Vice President and chief financial officer
(principal financial officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Weston M. Hicks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alleghany Corporation (the "Registrant");
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The Registrant's other certifying officer 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 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 report based on such evaluation; and
    d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter 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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors 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.

Date: May 7, 2019

/s/ Weston M. Hicks
Weston M. Hicks
President and chief executive officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John L. Sennott, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alleghany Corporation (the “Registrant”);
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The Registrant’s other certifying officer 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 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 report based on such evaluation; and
    d. disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter 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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors 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.

Date: May 7, 2019

/s/ John L. Sennott, Jr.

John L. Sennott, Jr.
Senior Vice President and chief financial officer

Exhibit 32.1

ALLEGHANY CORPORATION

CERTIFICATION

In connection with the periodic report of Alleghany Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Weston M. Hicks, President and chief executive officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to 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 at the dates and for the periods indicated.

This Certification, which accompanies the Report, has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: May 7, 2019

By: /s/ Weston M. Hicks

Weston M. Hicks
President and chief executive officer

Exhibit 32.2

ALLEGHANY CORPORATION

CERTIFICATION

In connection with the periodic report of Alleghany Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, John L. Sennott, Jr., Senior Vice President and chief financial officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to 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 at the dates and for the periods indicated.

This Certification, which accompanies the Report, has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: May 7, 2019

By: /s/ John L. Sennott, Jr.

John L. Sennott, Jr.
Senior Vice President and chief financial officer