EVEREST INTERNATIONAL ASSURANCE, LTD.

(a wholly owned subsidiary of Everest Reinsurance Holdings, Inc.)

GAAP Financial Statements

For the Years Ended December 31, 2020 and 2019 pwc

Report of Independent Auditors

To the Board of Directors of Everest International Assurance, Ltd.

We have audited the accompanying financial statements of Everest International Assurance, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and comprehensive income (loss), of changes in shareholder's equity and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Everest International Assurance, Ltd. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 7 to the financial statements, the Company has entered into significant transactions with related parties. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

April 29, 2021

EVEREST INTERNATIONAL ASSURANCE, LTD.
BALANCE SHEETS

(Dollars in thousands, except par value per share)	December 31, 2020	December 31, 2019
ASSETS:		
Fixed maturities - available for sale, at market value		
(amortized cost: 2020, $49,211; 2019, $34,391, credit allowances: 2020, $0; 2019, $0)	$ 51,494	$ 34,431
Short-term investments (cost: 2020, $1,625; 2019, $15,620)	1,625	15,620
Cash	2,841	3,406
Total investments and cash	55,960	53,457
Accrued investment income	228	174
Premiums receivable	2,147	-
Reinsurance receivables - affiliated	4,726	662
Prepaid reinsurance premiums	6,308	880
Other assets	161	2
TOTAL ASSETS	$ 69,530	$ 55,175
LIABILITIES:		
Reserves for losses and loss adjustment expenses	$ 4,274	$ 653
Unearned premium reserve	6,308	880
Losses in course of payment	-	12
Other net payable to reinsurers	4,185	1,131
Income tax payable	479	-
Other liabilities	2,156	1,027
Total liabilities	17,402	3,703
SHAREHOLDER'S EQUITY:		
Common shares, par value: $1.00; 370,000 shares issued		
and outstanding (2020 and 2019)	370	370
Additional paid-in capital	52,630	52,630
Accumulated other comprehensive income (loss)	1,804	40
Retained earnings	(2,676)	(1,568)
Total shareholder's equity	52,128	51,472
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 69,530	$ 55,175

The accompanying notes are an integral part of the financial statements.

EVEREST INTERNATIONAL ASSURANCE, LTD.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)	Years Ended December 31, 2020	2019
REVENUES:		
Premiums earned	$ -	$ -
Net investment income	910	183
Net Realized Gain/(Loss)	21	-
Other income (expense)	1	-
Total revenues	932	183
CLAIMS AND EXPENSES:		
Incurred losses and loss adjustment expenses	-	-
Commission, brokerage, taxes and fees	(32)	(19)
Other underwriting expenses	2,072	875
Total claims and expenses	2,040	856
INCOME (LOSS) BEFORE TAXES	(1,108)	(673)
Income tax expense (benefit)	-	-
NET INCOME (LOSS)	$ (1,108)	$ (673)
Other comprehensive income (loss), net of tax:		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	1,781	40
Reclassification adjustment for realized losses (gains) included in net income (loss)	(17)	-
Total URA(D) on securities arising during the period	1,764	40
Other comprehensive income (loss)	1,764	40
COMPREHENSIVE INCOME (LOSS)	$ 656	$ (633)

The accompanying notes are an integral part of the financial statements.

EVEREST INTERNATIONAL ASSURANCE, LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(Dollars in thousands, except share amounts)	Years Ended December 31, 2020	2019
COMMON SHARES (shares outstanding):		
Balance, beginning of period	370,000	370,000
Issued during the period, net	-	-
Balance, end of period	370,000	370,000
COMMON SHARES (par value):		
Balance, beginning of period	$ 370	$ 370
Issued during the period, net	-	-
Balance, end of period	370	370
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	52,630	2,630
Net increase (decrease) during period	-	50,000
Balance, end of period	52,630	52,630
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:		
Balance, beginning of period	40	-
Net increase (decrease) during the period	1,764	40
Balance, end of period	1,804	40
RETAINED EARNINGS:		
Balance, beginning of period	(1,568)	(895)
Net income (loss)	(1,108)	(673)
Balance, end of period	(2,676)	(1,568)
TOTAL SHAREHOLDER'S EQUITY, END OF PERIOD	$ 52,128	$ 51,472

The accompanying notes are an integral part of the financial statements.

EVEREST INTERNATIONAL ASSURANCE, LTD.
STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,108)	$ (673)
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(2,210)	120
Decrease (increase) in reinsurance receivables	(4,063)	270
Increase (decrease) in prepaid reinsurance premiums	(5,428)	(880)
Increase (decrease) in unearned premiums	5,428	880
Increase (decrease) in reserve for losses and loss adjustment expenses	3,621	200
Increase (decrease) in other net premiums payable	3,053	1,056
Amortization of bond premium (accrual of bond discount)	399	49
Change in other assets and liabilities, net	965	53
Change in net realized capital gains (losses)	(21)	-
Net cash provided by (used in) operating activities	636	1,075
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities sold - available for sale, at market value	4,674	68
Cost of fixed maturities acquired - available for sale, at market value	(19,871)	(34,508)
Net change in short-term investments	13,995	(15,620)
	(1,202)	(50,060)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contribution form Parent	-	50,000
Tax benefit from share-based compensation, net of expense	1	-
Net cash provided by (used in) financing activities	1	50,000
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	-
Net increase (decrease) in cash	(565)	1,015
Cash, beginning of period	3,406	2,391
Cash, end of period	$ 2,841	$ 3,406

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business and Basis of Presentation.

Everest International Assurance, Ltd. ("Everest Assurance") was established in 2015 and is registered in Bermuda as a Class 3A general business insurer and as a Class C long-term insurer. Everest Assurance has made a one-time election under section 953(d) of the U.S. Internal Revenue Code to be a U.S. income tax paying "Controlled Foreign Corporation." By making this election, Everest Assurance is authorized to write life reinsurance and casualty reinsurance in both Bermuda and the U.S.

The company is a direct subsidiary of Everest Reinsurance Company ("Everest Re"), which is in turn a direct subsidiary of Everest Reinsurance Holdings, Inc. ("Holdings"). Prior to 2019, the Company was a direct subsidiary of Holdings. The outstanding stock and equity of the Company was contributed from Holdings to Everest Re effective January 1, 2019.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All amounts are reported in U.S. dollars.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate actual results could differ, possibly materially, from those estimates.

B. Deferred Acquisition Costs.

Acquisition costs, consisting principally of commissions and brokerage expenses and certain premium taxes and fees incurred at the time a contract or policy is issued and that vary with and are directly related to the Company's reinsurance and insurance business, are deferred and amortized over the period in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value by line of business based on the related unearned premiums, anticipated claims and claim expenses and anticipated investment income.

C. Reserve for Losses and Loss Adjustment Expenses.

The reserve for losses and loss adjustment expenses ("LAE") is based on individual case estimates and reports received from ceding companies. See also Note 3. The reserves are reviewed periodically and any changes in estimates are reflected in earnings in the period the adjustment is made. The Company's loss and LAE reserves represent management's best estimate of the ultimate liability. Loss and LAE reserves are presented gross of reinsurance receivables and incurred losses and LAE are presented net of reinsurance.

Accruals for commissions are established for reinsurance contracts that provide for the stated commission percentage to increase or decrease based on the loss experience of the contract. Changes in estimates for such arrangements are recorded as commission expense. Commission accruals for contracts with adjustable features are estimated based on expected loss and LAE.

D. Premium Revenues.

Written premiums are earned ratably over the periods of the related reinsurance contracts. Unearned premium reserves are established relative to the unexpired contract period. For reinsurance contracts, such reserves are established based upon reports received from ceding companies or estimated using pro rata methods based on statistical data. Reinstatement premiums represent additional premium received on reinsurance coverages, most prevalently catastrophe related, when limits have been depleted under the original reinsurance contract and additional coverage is granted. Written and earned premiums and the related costs, which have not yet been reported to the Company, are estimated and accrued. Premiums are net of ceded reinsurance.

E. Income Taxes.

The Company, which is a Bermuda domiciled corporation, made an election under Section 953(d) of the U.S. Internal Revenue Code to be treated as a U.S. corporation for U.S. income tax purposes. As such, income taxes have been recorded to recognize the tax effect of temporary differences between the financial reporting and income tax bases of assets and liabilities, which arise because of differences between GAAP and income tax accounting rules.

As an accounting policy, the Company has adopted the aggregate portfolio approach for releasing disproportionate income tax effects from AOCI.

F. Application of Recently Issued Accounting Standard Changes.

Valuation of Financial Instruments. In June 2016, FASB issued ASU 2016-13 (and has subsequently issued related guidance and amendments in ASU 2019-11 and ASU 2019-10 in November 2019) which outline guidance on the valuation of and accounting for assets measured at amortized cost and available for sale debt securities. The new guidance requires the carrying value of assets measured at amortized cost, including reinsurance and premiums receivables to be presented as the net amount expected to be collected on the financial asset (amortized cost less an allowance for credit losses valuation account). The allowance reflects expected credit losses of the financial asset which considers available information using a combination both historical information, current market conditions and reasonable and supportable forecasts. For available-for-sale debt securities, the guidance modified the previous other than temporary impairment model, now requiring an allowance for estimated credit related losses rather than a permanent impairment, which will be limited to the amount by which fair value is below amortized cost. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. The Company adopted the guidance effective January 1, 2020, on a modified retrospective basis. The adoption of ASU 2016-13 did not have a material impact on the Company's financial statements

2. INVESTMENTS

Effective January 1, 2020, the Company adopted ASU 2016-13 which modified the previous other than temporary impairment model for available for sale fixed maturity securities. The guidance requires the Company to record allowances for credit losses for securities that are deemed to have valuation deterioration due to credit related factors. The initial table below presents the amortized cost, allowance for credit losses, gross unrealized appreciation/(depreciation) and market value of fixed maturity securities as of December 31, 2020 in accordance with ASU 2016-13 guidance. The second table presents the amortized cost, gross unrealized appreciation/(depreciation), market value and other-than-temporary impairments ("OTTI") in AOCI as of December 31, 2019, in accordance with previously applicable guidance.

	At December 31, 2020				
(Dollars in thousands)	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	$ -	$ -	$ -	$ -	$ -
U.S. Corporate securities	19,744	-	1,188	-	20,932
Asset-backed securities	4,831	-	134	-	4,965
Mortgage-backed securities					-
Commercial	5,624	-	378	-	6,002
Agency residential	13,921	-	334	(7)	14,248
Non-agency residential	-	-	-	-	-
Foreign government securities	-	-	-	-	-
Foreign corporate securities	5,091	-	256	-	5,347
Total fixed maturity securities	$ 49,211	$ -	$ 2,290	$ (7)	$ 51,494

(Dollars in thousands)	At December 31, 2019 Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value	OTTI in AOCI (a)
Fixed maturity securities					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	$ -	$ -	$ -	$ -	$ -
U.S. Corporate securities	15,513	45	(13)	15,545	-
Asset-backed securities	3,972	3	(1)	3,974	-
Mortgage-backed securities					
Commercial	4,666	-	(21)	4,645	-
Agency residential	6,388	16	(2)	6,402	-
Non-agency residential	-	-	-	-	-
Foreign government securities	-	-	-	-	-
Foreign corporate securities	3,852	14	(1)	3,865	-
Total fixed maturity securities	$ 34,391	$ 78	$ (38)	$ 34,431	$ -

(a) Represents the amount of OTTI recognized in AOCI. Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.

The amortized cost and market value of fixed maturity securities are shown in the following table by contractual maturity. Mortgage-backed securities are generally more likely to be prepaid than other fixed maturity securities. As the stated maturity of such securities may not be indicative of actual maturities, the totals for mortgage-backed and asset-backed securities are shown separately.

	At December 31, 2020		At December 31, 2019	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale:				
Due in one year or less	$ 501	$ 503	$ -	$ -
Due after one year through five years	19,947	21,051	13,473	13,502
Due after five years through ten years	4,387	4,725	5,892	5,908
Due after ten years	-	-	-	-
Asset-backed securities	4,831	4,965	3,972	3,974
Mortgage-backed securities:				
Commercial	5,624	6,002	4,666	4,645
Agency residential	13,921	14,248	6,388	6,402
Non-agency residential	-	-	-	-
Total fixed maturity securities	$ 49,211	$ 51,494	$ 34,391	$ 34,431

The changes in net unrealized appreciation (depreciation) for the Company's investments are derived from the following sources for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Increase during the period between the market value and cost		
of investments carried at market value, and income taxes thereon:		
Fixed maturity securities	$ 2,243	$ 40
Fixed maturity securities, other-than-temporary impairment	-	-
Change in unrealized appreciation (depreciation), pre-tax	2,243	40
Income tax benefit (expense)	(479)	-
Change in unrealized appreciation (depreciation),		
net of income taxes, included in shareholder's equity	$ 1,764	$ 40

The Company reviews all of its fixed maturity, available for sale securities whose fair value has fallen below their amortized cost at the time of review. The Company then assesses whether the decline in value is due to non-credit related or credit related factors. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security's value caused by a change in the market, interest rate or foreign exchange environment does not constitute a credit impairment, but rather a non-credit related decline in market value. Non-credit related declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company intends to sell the security or is more likely than not to sell the security, the Company records the entire fair value adjustment in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). If the Company determines that the decline is credit related and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the Company establishes a credit allowance equal to the estimated credit loss and is recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). The amount of the allowance for a given security will generally be the difference between a discounted cash flow model and the Company's carrying value. The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's consolidated balance sheets. The Company will adjust the credit allowance account for future changes in credit loss estimates for a security and record this adjustment through net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss).

The Company does not create an allowance for uncollectible interest. If interest is not received when due, the interest receivable is immediately reversed and no additional interest is accrued. If future interest is received that has not been accrued, it is recorded as income at that time.

Prior to the adoption of ASU 2016-13 effective January 1, 2020, estimated credit losses were recorded as adjustments to the carrying value of the security and any subsequent improvement in market value were recorded through other comprehensive income.

The Company's assessments are based on the issuers' current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

Retrospective adjustments are employed to recalculate the values of asset-backed securities. All of the Company's asset-backed and mortgage-backed securities have a pass-through structure. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if the new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Conditional prepayment rates, computed with life to date factor histories and weighted average maturities, are used in the calculation of projected prepayments for pass-through security types.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the period indicated:

	Duration of Unrealized Loss at December 31, 2020 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Corporate securities	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities						
Commercial	-	-	-	-	-	-
Agency residential	1,484	(7)	-	-	1,484	(7)
Non-agency residential	-	-	-	-	-	-
Foreign government securities	-	-	-	-	-	-
Foreign corporate securities	-	-	-	-	-	-
Total fixed maturity securities	$ 1,484	$ (7)	$ -	$ -	$ 1,484	$ (7)

Duration of Unrealized Loss at December 31, 2020 By Maturity						
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ -	$ -	$ -	$ -	$ -	$ -
Due in one year through five years	-	-	-	-	-	-
Due in five years through ten years	-	-	-	-	-	-
Due after ten years	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities	1,484	(7)	-	-	1,484	(7)
Total fixed maturity securities	$ 1,484	$ (7)	$ -	$ -	$ 1,484	$ (7)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2020 were $1,484 thousand and $7 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2020, did not exceed 1.1% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $7 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of agency residential mortgage-backed securities. All of these unrealized losses were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency.

The Company, given the size of its investment portfolio and capital position, does not have the intent to sell these securities; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis. In addition, all securities currently in an unrealized loss position are current with respect to principal and interest payments.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the period indicated:

Duration of Unrealized Loss at December 31, 2019 By Security Type						
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Corporate securities	6,503	(13)	-	-	6,503	(13)
Asset-backed securities	2,217	(1)	-	-	2,217	(1)
Mortgage-backed securities						
Commercial	3,382	(21)	-	-	3,382	(21)
Agency residential	1,518	(2)	-	-	1,518	(2)
Non-agency residential	-	-	-	-	-	-
Foreign government securities	-	-	-	-	-	-
Foreign corporate securities	1,282	(1)	-	-	1,282	(1)
Total fixed maturity securities	$ 14,902	$ (38)	$ -	$ -	$ 14,902	$ (38)

	Duration of Unrealized Loss at December 31, 2019 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ -	$ -	$ -	$ -	$ -	$ -
Due in one year through five years	5,436	(11)	-	-	5,436	(11)
Due in five years through ten years	2,349	(3)	-	-	2,349	(3)
Due after ten years	-	-	-	-	-	-
Asset-backed securities	2,217	(1)	-	-	2,217	(1)
Mortgage-backed securities	4,900	(23)	-	-	4,900	(23)
Total fixed maturity securities	$ 14,902	$ (38)	$ -	$ -	$ 14,902	$ (38)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2019 were $14,902 thousand and $38 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2019, did not exceed 1.3% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $38 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of commercial mortgage-backed securities and U.S. corporate securities. Of these unrealized losses, $38 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency.

The components of net investment income are presented in the table below for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Fixed maturities	$ 897	$ 110
Short-term investments and cash	52	77
Gross investment income	949	187
Investment expenses	(39)	(4)
Net investment income	$ 910	$ 183

The components of net realized capital gains (losses) are presented in the table below for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Fixed maturity securities, market value:		
Allowance for credit losses	$ -	$ -
Other-than-temporary impairments	-	-
Gains (losses) from sales	21	-
Total net realized capital gains (losses)	$ 21	$ -

The proceeds and split between gross gains and losses, from maturities and sales of fixed maturity securities, are presented in the table below for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Proceeds from sales of fixed maturity securities	$ 4,674	$ 68
Gross gains from sales	34	-
Gross losses from sales	(13)	-

3. RESERVE FOR LOSSES AND LAE

Activity in the reserve for losses and LAE is summarized for the periods indicated:

(Dollars in thousands)	At December 31, 2019	At December 31, 2018
Gross reserves at January 1	$ 653	$ 453
Less reinsurance recoverables	(653)	(453)
Net reserves at January 1	-	-
Incurred related to:		
Current year	-	-
Prior years	-	-
Total incurred losses and LAE	-	-
Paid related to:		
Current year	-	-
Prior years	-	-
Total paid losses and LAE	-	-
Foreign exchange/translation adjustment	-	-
Net reserves at December 31	-	-
Plus reinsurance recoverables	4,274	653
Gross reserves at December 31	$ 4,274	$ 653

Reserving Methodology

The Company maintains reserves equal to our estimated ultimate liability for losses and loss adjustment expense (LAE) for reported and unreported claims. Because reserves are based on estimates of ultimate losses and LAE by underwriting or accident year, the Company uses a variety of statistical and actuarial techniques to monitor reserve adequacy over time, evaluate new information as it becomes known, and adjust reserves whenever an adjustment appears warranted. The Company considers many factors when setting reserves including: (1) exposure base and projected ultimate premium; (2) expected loss ratios by product and class of business, which are developed collaboratively by underwriters and actuaries; (3) actuarial methodologies and assumptions which analyze loss reporting and payment experience, reports from ceding companies and historical trends, such as reserving patterns, loss payments, and product mix; (4) current legal interpretations of coverage and liability; and (5) economic conditions. Insurance and reinsurance loss and LAE reserves represent the Company's best estimate of its ultimate liability. Actual loss and LAE ultimately paid may deviate, perhaps substantially, from such reserves. Net income (gain or loss) will be impacted in a period in which the change in estimated ultimate loss and LAE is recorded.

Reserving for reinsurance requires evaluation of loss information received from ceding companies. Ceding companies report losses in many forms depending on the type of contract and the agreed or contractual reporting requirements. Generally, pro rata contracts require the submission of a monthly/quarterly account, which includes premium and loss activity for the period with corresponding reserves as established by the ceding company. This information is recorded into the Company's records. For certain pro rata contracts, the Company may require a detailed loss report for claims that exceed a certain dollar threshold or relate to a particular type of loss. Excess of loss and facultative contracts generally require individual loss reporting with precautionary notices provided when a loss reaches a significant percentage of the attachment point of the contract or when certain causes of loss or types of injury occur. Experienced claims staff handles individual loss reports and supporting claim information. Based on evaluation of a claim, the Company may establish additional case reserves in addition to the case reserves reported by the ceding company. To ensure ceding companies are submitting required and accurate data, the Company performs various reviews of ceding companies, particularly larger ceding companies.

4. FAIR VALUE

GAAP guidance regarding fair value measurements address how companies should measure fair value when they are required to use fair value measures for recognition or disclosure purposes under GAAP and provides a common definition of fair value to be used throughout GAAP. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. In addition, it establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement, with Level 1 being the highest priority and Level 3 being the lowest priority.

The levels in the hierarchy are defined as follows:

Level 1: Inputs to the valuation methodology are observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in an active market;

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's fixed maturity securities are primarily managed by third party investment asset managers. The investment asset managers managing publicly traded securities obtain prices from nationally recognized pricing services. These services seek to utilize market data and observations in their evaluation process. They use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment and interest rate scenarios for securities that have prepayment features.

The investment asset managers do not make any changes to prices received from either the pricing services or the investment brokers. In addition, the investment asset managers have procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. In addition, the Company continually performs analytical reviews of price changes and tests the prices on a random basis to an independent pricing source. No material variances were noted during these price validation procedures. In limited situations, where financial markets are inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. The Company made no such adjustments at December 31, 2020 and 2019.

All categories of fixed maturity securities listed in the tables below are generally categorized as Level 2, since a particular security may not have traded but the pricing services are able to use valuation models with observable market inputs such as interest rate yield curves and prices for similar fixed maturity securities in terms of issuer, maturity and seniority. For foreign government securities and foreign corporate securities, the fair values provided by the third party pricing services in local currencies, and where applicable, are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

In addition to the valuations from investment managers, some of the fixed maturities with fair values categorized as Level 3 result when prices are not available from the nationally recognized pricing services. The asset managers may obtain non-binding price quotes for the securities from brokers. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The prices received from brokers are reviewed for reasonableness by the third party asset managers and the Company. If the broker quotes are for foreign denominated securities, the quotes are converted to U.S. dollars using currency exchange rates from nationally recognized sources. In limited circumstances when broker prices are not available for private placements, the Company will value the securities using comparable market information or receive fair values from investment managers.

The composition and valuation inputs for the presented fixed maturities categories are as follows:

- U.S. Treasury securities and obligations of U.S. government agencies and corporations are primarily comprised of U.S. Treasury bonds and the fair value is based on observable market inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields;

- Corporate securities are primarily comprised of U.S. corporate and public utility bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;

- Asset-backed and mortgage-backed securities fair values are based on observable inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields and cash flow models using observable inputs such as prepayment speeds, collateral performance and default spreads;

- Foreign government securities are comprised of global non-U.S. sovereign bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source;

- Foreign corporate securities are comprised of global non-U.S. corporate bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source.

The following tables present the fair value measurement levels for all assets, which the Company has recorded at fair value (fair and market values) as of the periods indicated:

		Fair Value Measurement Using:		
(Dollars in thousands)	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ -	$ -	$ -	$ -
U.S. Corporate securities	20,932	-	20,932	-
Asset-backed securities	4,965	-	4,965	-
Mortgage-backed securities				
Commercial	6,002	-	6,002	-
Agency residential	14,248	-	14,248	-
Non-agency residential	-	-	-	-
Foreign government securities	-	-	-	-
Foreign corporate securities	5,347	-	5,347	-
Total fixed maturities, market value	$ 51,494	$ -	$ 51,494	$ -

There were no transfers between Level 1 and Level 2 for the twelve months ended December 31, 2020.

The following tables present the fair value measurement levels for all assets, which the Company has recorded at fair value (fair and market values) as of the periods indicated:

(Dollars in thousands)	December 31, 2019	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ -	$ -	$ -	$ -
U.S. Corporate securities	15,545	-	15,545	-
Asset-backed securities	3,974	-	3,974	-
Mortgage-backed securities				
Commercial	4,645	-	4,645	-
Agency residential	6,402	-	6,402	-
Non-agency residential	-	-	-	-
Foreign government securities	-	-	-	-
Foreign corporate securities	3,865	-	3,865	-
Total fixed maturities, market value	$ 34,431	$ -	$ 34,431	$ -

5. REINSURANCE

The Company engages in reinsurance transactions with Everest Reinsurance Company ("Everest Re"), Everest Reinsurance Bermuda, Ltd. ("Bermuda Re") and Lloyd's Syndicate 2786, which are all affiliated entities. These transactions are primarily driven by enterprise risk and capital management considerations under which business is ceded at market rates and terms. These agreements provide for recovery from reinsurers of a portion of losses and LAE under certain circumstances without relieving the ceding company of its obligations to the policyholders. All of the Company's retrocessions are with affiliates.

Premiums written and earned and incurred losses and LAE are comprised of the following for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2020	2019
Written premiums:		
Direct	$ 9,934	$ 1,168
Assumed	1,796	264
Ceded	(11,730)	(1,432)
Net written premiums	$ -	$ -
Premiums earned:		
Direct	$ 4,506	$ 287
Assumed	1,796	264
Ceded	(6,302)	(551)
Net premiums earned	$ -	$ -
Incurred losses and LAE:		
Direct	$ 3,114	$ 220
Assumed	1,343	242
Ceded	(4,457)	(462)
Net incurred losses and LAE	$ -	$ -

The following table summarizes the premiums and losses ceded by the Company to affiliated entities for the periods indicated:

Everest Re, Bermuda Re, and Lloyd's Syndicate 2786	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Ceded written premiums	$ 11,730	$ 1,432
Ceded earned premiums	6,302	551
Ceded losses and LAE	4,457	462

6. DIVIDEND RESTRICTIONS AND STATUTORY FINANCIAL INFORMATION

Dividend Restrictions.

Under Bermuda law, Everest Assurance is prohibited from declaring or making payment of a dividend if it fails to meet its minimum solvency margin or minimum liquidity ratio. Prior approval of the Bermuda Monetary Authority is required if dividend payments would reduce its prior year-end total statutory capital and surplus by 25% or more.

Statutory Financial Information.

Everest Assurance prepares its statutory financial statements in conformity with accounting principles set forth in Bermuda in The Insurance Act 1978, amendments thereto and related regulations. The statutory capital and surplus of Everest Assurance was $52,608 thousand and $51,472 thousand at December 31, 2020 and 2019, respectively. The statutory net loss of Everest Assurance was $1,108 thousand and $673 thousand for the years ended December 31, 2020 and 2019, respectively.

Capital Restrictions.

Everest Assurance is subject to the BSCR administered by the BMA. No regulatory action is taken if an insurer's capital and surplus is equal to or in excess of their enhanced capital requirement determined by the BSCR model. In addition, the BMA has established a target capital level for each insurer, which is 120% of the enhanced capital requirement.

The regulatory targeted capital and the actual statutory capital was as follows:

	At December 31,	
(Dollars in thousands)	2020	2019
Regulatory targeted capital [1]	$ 7,374	$ 5,490
Actual capital	52,608	51,472

[1] Regulatory targeted capital represents the target capital level from the applicable year's BSCR calculation.

7. RELATED-PARTY TRANSACTIONS

During 2019, the Company received a capital contribution of $50,000 thousand from Holdings, its predecessor parent company.

The Company engages in reinsurance transactions with Bermuda Re and Lloyd's Syndicate 2786 under which business is ceded. See also Note 5.

Everest Global Services, Inc. ("Everest Global"), an affiliate of Everest Assurance, provides centralized management and home office services, through a management agreement. Services provided by Everest Global include executive managerial services, legal services, actuarial services, accounting services, information technology services and others.

The following table presents the expenses incurred by Everest Assurance from services provided by Everest Global for the periods indicated.

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Expenses incurred	$ 601	$ 196

8. COMPREHENSIVE INCOME (LOSS)

The following table presents the components of comprehensive income (loss) in the statements of operations for the periods indicated:

	Years Ended December 31,					
	2020			2019		
(Dollars in thousands)	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized appreciation (depreciation) ("URA(D)") on securities - temporary	$ 2,264	$ (483)	$ 1,781	$ 40	$ -	$ 40
URA(D) on securities - OTTI	-	-	-	-	-	-
Reclassification of net realized losses (gains) included in net income (loss)	(21)	4	(17)	-	-	-
Total other comprehensive income (loss)	$ 2,243	$ (479)	$ 1,764	$ 40	$ -	$ 40

The following table presents details of the amounts reclassified from AOCI for the periods indicated:

	Years Ended December 31,		Affected line item within the statements of
AOCI component	2020	2019	operations and comprehensive income (loss)
(Dollars in thousands)			
URA(D) on securities	$ (21)	$ -	Other net realized capital gains (losses)
	4	-	Income tax expense (benefit)
	$ (17)	$ -	Net income (loss)

The following table presents the components of accumulated other comprehensive income (loss), net of tax, in the balance sheets for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Beginning balance of URA (D) on securities	$ 40	$ -
Current period change in URA (D) of investments - temporary	1,764	40
Current period change in URA (D) of investments - non-credit OTTI	-	-
Ending balance of URA (D) on securities	$ 1,804	$ 40

9. INCOME TAXES

Under Bermuda law, no income or capital gains taxes are imposed on Group and its Bermuda subsidiaries. The Minister of Finance of Bermuda has assured Group and its Bermuda subsidiaries that, pursuant to The Exempted Undertakings Tax Protection Amendment Act of 2011, they will be exempt until 2035 from imposition of any such taxes. However, the Company has elected to be taxed as a U.S. corporation under Internal Revenue Code Section 953(d) and will accrue and pay U.S. income tax. Pursuant to the tax allocation agreement, current and deferred tax expense or benefit is determined on a separate company basis. The following disclosure, therefore, reflects its share of income tax expense as calculated on that basis.

The significant components of the provision are as follows for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2020	2019
Current tax expense (benefit):		
U.S.	$ -	-
Non-U.S.	-	-
Total current tax expense (benefit)	-	-
Deferred U.S. tax expense (benefit):	-	-
Total deferred tax expense (benefit)	-	-
Total income tax expense (benefit)	$ -	$ -

A reconciliation of the total income tax provision using the statutory U.S. Federal income tax rate to the company's total income tax provision is as follows for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2020	2019
Expected tax provision at the applicable statutory rate	$ (233)	$ (139)
Change in valuation allowance	231	139
Other	2	-
Total income tax provision	$ -	$ -

In 2015, Everest International Assurance, Ltd. became a member of the Everest Reinsurance Holdings Inc. consolidated federal income tax return. The Company's 2015 and subsequent tax years are open to audit by the Internal Revenue Service.

The Company has no reserve for uncertain tax positions.

Deferred income taxes reflect the tax effect of the temporary differences between the value of assets and liabilities for financial statement purposes and such values as measured by U.S. tax laws. The principal items making up the net deferred income tax assets/(liabilities) are as follows for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2020	2019
Deferred tax assets:		
Net operating loss carryforward	$ 508	$ 328
Deferred expenses	44	-
Other	10	-
Total deferred tax assets	$ 562	$ 328
Deferred tax liabilities:		
Net unrealized investment gains	480	-
Deferred Expenses	-	3
Other	6	-
Total deferred tax liabilities	486	3
Net deferred tax assets/(liabilities)	76	325
Less: Valuation allowance	(556)	(325)
Total net deferred tax assets/(liabilities)	$ (480)	$ -

The Company has a net operating loss carryforward of $2,420 thousand. The Company's net operating losses begin to expire in 2035.

10. SUBSEQUENT EVENTS

The Company has evaluated known recognized and non-recognized subsequent events. The Company does not have any subsequent events to report.