AUDITED FINANCIAL STATEMENTS

DaVinci Reinsurance Ltd.

December 31, 2020 and 2019

Building a better working world

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08
P.O. Box HM 463
Hamilton HM BX
BERMUDA

Tel: +1 441 295 7000
Fax: +1 441 295 5193
ey.com

Report of Independent Auditors

TO THE BOARD OF DIRECTORS OF
DAVINCI REINSURANCE LTD.

We have audited the accompanying consolidated financial statements of DaVinci Reinsurance Ltd., which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in shareholders' equity, and cash flow for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 of 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 DaVinci Reinsurance Ltd. at December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred and paid claims development prior to the most recent year and the average annual percentage payout of incurred claims disclosed on pages 22 through 27 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young Ltd.

Hamilton, Bermuda
April 26, 2021

DAVINCI REINSURANCE LTD.
BALANCE SHEETS
AT DECEMBER 31, 2020 AND 2019
(in thousands of United States Dollars)

	2020	2019
Assets		
Fixed maturity investments trading, at fair value - amortized cost $2,615,699 at December 31, 2020 (2019 - $2,272,604) (Notes 3 and 4)	$ 2,657,591	$ 2,289,373
Short term investments, at fair value (Notes 3 and 4)	245,782	235,999
Equity investments trading, at fair value (Notes 3 and 4)	105	142
Total investments	2,903,478	2,525,514
Cash and cash equivalents	99,593	54,568
Premiums receivable (Notes 5 and 7)	196,093	182,189
Prepaid reinsurance premiums (Notes 5 and 7)	18,540	14,372
Reinsurance recoverable (Notes 5, 6 and 7)	49,255	123,274
Accrued investment income	8,507	10,878
Deferred acquisition costs	10,708	9,181
Receivable for investments sold	149,052	20,656
Other assets	3,244	1,342
Total assets	$ 3,438,470	$ 2,941,974
Liabilities and Shareholder's Equity		
Liabilities		
Reserve for claims and claim expenses (Notes 6 and 7)	$ 889,843	$ 738,013
Unearned premiums (Note 7)	102,768	87,062
Reinsurance balances payable (Note 7)	18,146	22,177
Due to affiliates, net (Note 7)	1,541	21,194
Payable for investments purchased	289,355	82,492
Accounts payable and accrued liabilities	1,532	1,951
Other liabilities	279	671
Total liabilities	1,303,464	953,560
Shareholder's Equity (Note 8)		
Common shares: $1,000 par value – 1,000 shares authorized, issued and outstanding at December 31, 2020 (2019 - 1,000)	1,000	1,000
Additional paid-in capital	1,591,306	1,589,463
Retained earnings	542,700	397,951
Total shareholder's equity	2,135,006	1,988,414
Total liabilities and shareholder's equity	$ 3,438,470	$ 2,941,974

On behalf of the Board:

Director

Director

See accompanying notes to the financial statements

DAVINCI REINSURANCE LTD.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(in thousands of United States Dollars)

	2020	2019
Revenues		
Gross premiums written (Notes 5 and 7)	$ 577,808	$ 440,718
Net premiums written (Note 5)	$ 519,048	$ 379,128
Increase in net unearned premiums (Note 5)	(11,538)	(14,018)
Net premiums earned (Notes 5 and 7)	507,510	365,110
Net investment income (Note 3)	44,831	53,708
Net foreign exchange (losses)	(1,534)	(1,765)
Other income (Note 4)	—	345
Net realized and unrealized gains on investments (Note 3)	62,078	48,535
Total revenues	612,885	465,933
Expenses		
Net claims and claim expenses incurred (Notes 5, 6 and 7)	352,161	195,371
Acquisition expenses	53,399	42,214
Operational expenses (Note 7)	54,808	57,206
Corporate expenses	356	285
Total expenses	460,724	295,076
Income before taxes	152,161	170,857
Income tax expense (Note 9)	(12)	(82)
Net income	$ 152,149	$ 170,775

See accompanying notes to the financial statements

DAVINCI REINSURANCE LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(in thousands of United States Dollars)

	2020	2019
Common shares	$ 1,000	$ 1,000
Additional paid-in capital		
Balance – January 1	1,589,463	1,241,732
Capital contribution (Note 8)	—	349,192
Return of capital, net of adjustments (Note 8)	1,843	(1,461)
Balance – December 31	1,591,306	1,589,463
Retained earnings		
Balance – January 1	397,951	234,636
Net income	152,149	170,775
Dividends declared (Note 8)	(7,400)	(7,460)
Balance – December 31	542,700	397,951
Total shareholder's equity	$ 2,135,006	$ 1,988,414

See accompanying notes to the financial statements

DAVINCI REINSURANCE LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(in thousands of United States Dollars)

	2020	2019
Cash flows provided by operating activities		
Net income	$ 152,149	$ 170,775
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization and accretion	6,522	2,893
Net realized and unrealized gains on investments	(57,530)	(48,535)
Change in:		
Premiums receivable	(13,904)	(77,891)
Prepaid reinsurance premiums	(4,168)	570
Reinsurance recoverable	74,019	127,869
Accrued investment income	2,371	(2,586)
Deferred acquisition costs	(1,527)	(1,024)
Reserve for claims and claim expenses	151,830	18,870
Unearned premiums	15,706	13,448
Reinsurance balances payable	(4,031)	15,069
Due to affiliates, net	(19,653)	(3,107)
Other, net	3,141	13,679
Net cash provided by operating activities	304,925	230,030
Cash flows used in investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	2,443,837	2,990,821
Purchases of fixed maturity investments trading	(2,683,095)	(3,501,517)
Net (purchases) sales of short term investments	(8,765)	(78,247)
Net sales of equity investments trading	(285)	56
Net cash used in investing activities	(248,308)	(588,887)
Cash flows (used in) provided by financing activities		
Contribution of capital	—	349,192
Return of capital, net of adjustments	(4,192)	(9,926)
Dividends paid	(7,400)	(7,460)
Net cash (used in) provided by financing activities	(11,592)	331,806
Net increase (decrease) in cash and cash equivalents	45,025	(27,051)
Cash and cash equivalents, beginning of period	54,568	81,619
Cash and cash equivalents, end of period	$ 99,593	$ 54,568

See accompanying notes to the financial statements

NOTE 1. ORGANIZATION

DaVinci Reinsurance Ltd. (the "Company") was incorporated under the laws of Bermuda in October 2001 and principally provides property catastrophe reinsurance coverages to customers. The Company is also permitted to write certain casualty and specialty reinsurance contracts. The Company is a wholly-owned subsidiary of DaVinciRe Holdings Ltd. ("DaVinciRe"), a Bermuda company. DaVinciRe is a minority-owned, and controlled subsidiary of Renaissance Other Investments Holdings Ltd. ("ROIHL"), a Bermuda company, which is a wholly-owned subsidiary of RenaissanceRe Holdings Ltd. ("RenaissanceRe"), also a Bermuda company. The financial statements of the Company include the financial position and results of operations of its branches based in the Republic of Singapore (the "Singapore Branch") and Switzerland (the "Switzerland Branch").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared on the basis of accounting principles generally accepted in the United States ("GAAP").

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed 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. Actual results could differ materially from those estimates. The major estimates reflected in the Company's financial statements include, but are not limited to, the reserve for claims and claim expenses, reinsurance recoverable and premiums receivable, including provisions for reinsurance recoverable and premiums receivable to reflect expected credit losses, deferred acquisition costs, estimates of written and earned premiums, profit commissions and fair value, including the fair value of investments, financial instruments and derivatives.

Premiums and Related Expenses

Premiums are recognized as income, net of any applicable retrocessional coverage purchased, over the terms of the related contracts and policies. Premiums written are based on contract and policy terms and include estimates based on information received from both insureds and ceding companies. Subsequent differences arising on such estimates are recorded in the period in which they are determined. Unearned premiums represent the portion of premiums written that relate to the unexpired terms of contracts and policies in force. Amounts are computed by pro rata methods based on statistical data or reports received from ceding companies. Reinstatement premiums are estimated after the occurrence of a significant loss and are recorded in accordance with the contract terms based upon paid losses and case reserves. Reinstatement premiums are earned when written.

Acquisition costs are incurred when a contract or policy is issued and only the costs directly related to the successful acquisition of new and renewal contract or policies are deferred and amortized over the same period in which the related premiums are earned. Acquisition costs consist principally of commissions, brokerage and premium tax expenses. Deferred policy acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated claims and claim expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Claims and Claim Expenses

The reserve for claims and claim expenses includes estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported ("IBNR"). The reserve is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled. Also, the Company does not have the benefit of a significant amount of its own historical experience with its casualty and specialty reinsurance lines of business. Accordingly, the reserving for incurred losses in these lines of business could be subject to greater variability.

Ultimate losses may vary materially from the amounts provided in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the statements of operations in the period in which they become known and are accounted for as changes in estimates.

Reinsurance

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the period in which they are determined. Reinsurance recoverables on dual trigger reinsurance contracts require the Company to estimate its ultimate losses applicable to these contracts as well as estimate the ultimate amount of insured industry losses that will be reported by the applicable statistical reporting agency, as per the contract terms. Amounts recoverable from reinsurers are recorded net of a provision for current expected credit losses to reflect expected credit losses.

Certain assumed and ceded reinsurance contracts that do not meet all of the criteria to be accounted for as reinsurance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic *Financial Services - Insurance* have been accounted for at fair value under the fair value option in accordance with FASB ASC Topic *Financial Instruments.*

Investments, Cash and Cash Equivalents

Fixed Maturity Investments

Investments in fixed maturities are classified as trading and are reported at fair value. Investment transactions are recorded on the trade date with balances pending settlement reflected in the balance sheet as a receivable for investments sold or a payable for investments purchased. Net investment income includes interest together with amortization of market premiums and discounts and is net of investment management and custody fees. The amortization of premium and accretion of discount for fixed maturity securities is computed using the effective yield method. For mortgage-backed securities and other holdings for which there is prepayment risk, prepayment assumptions are evaluated quarterly and revised as necessary. Any adjustments required due to the change in effective yield and maturities are recognized on a prospective basis through yield adjustments. Fair values of fixed maturity investments are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications and/or internal pricing valuation techniques. The net unrealized appreciation or depreciation on fixed maturity investments trading is included in net realized and unrealized gains on investments in the statements of operations. Realized gains or losses on the sale of fixed maturity investments are determined on the basis of the first in first out cost method.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Short Term Investments

Short term investments, which are managed as part of the Company's investment portfolio and have a maturity of one year or less when purchased, are carried at fair value. The net unrealized appreciation or depreciation on these short term investments is included in net realized and unrealized gains on investments in the statements of operations.

Equity Investments, Classified as Trading

Equity investments are accounted for at fair value. Fair values are primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. Net investment income includes dividend income and the net realized and unrealized appreciation or depreciation on equity investments is included in net realized and unrealized gains on investments in the statements of operations.

Cash and Cash Equivalents

Cash equivalents include money market instruments with a maturity of ninety days or less when purchased.

Derivatives

From time to time, the Company enters into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and to assume risk. The Company accounts for its derivatives in accordance with FASB ASC Topic *Derivatives and Hedging*, which requires all derivatives to be recorded at fair value on the Company's balance sheet as either assets or liabilities, depending on their rights or obligations, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting. The fair value of the Company's derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, the use of industry or internal valuation models.

Fair Value

The Company accounts for certain of its assets and liabilities at fair value in accordance with FASB ASC Topic *Fair Value Measurements and Disclosures.* The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its statements of operations.

Foreign Exchange

The Company's functional currency is the United States ("U.S.") dollar. Revenues and expenses denominated in foreign currencies are revalued at the prevailing exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are remeasured at exchange rates in effect at the balance sheet date, which may result in the recognition of exchange gains or losses which are included in the determination of net income.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Recently Adopted Accounting Pronouncements

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 modifies the recognition of credit losses by replacing the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is applicable to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables, and other financial assets that have the contractual right to receive cash. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Company's invested assets are measured at fair value through net income, and therefore those invested assets were not impacted by the adoption of ASU 2016-13. The Company has other financial assets, such as premiums receivable and reinsurance recoverable, that were not materially impacted by the adoption of ASU 2016-13. ASU 2016-13 became effective for public business entities that are SEC filers for annual and interim periods beginning after December 15, 2019. For all other entities, ASU 2016-13 is effective for fiscal years beginning after December 15, 2020. Accordingly, the Company adopted ASU 2016-13 effective January 1, 2020. The adoption of ASU 2016-13 did not have a material impact on the Company's statements of operations and financial position, and as a result, there was no cumulative effect adjustment to opening retained earnings as of January 1, 2020.

Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The ASU 2018-13 modifies the disclosure requirements of fair value measurements as part of the disclosure framework project with the objective to improve the effectiveness of disclosures in the notes to the financial statements. ASU 2018-13 allows for removal of the amount and reasons for transfer between Level 1 and Level 2 of the fair value hierarchy; the policy for transfers between levels; and the valuation processes for Level 3 fair value measurements. ASU 2018-13 became effective for all entities for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Accordingly, the Company adopted ASU 2018-13 effective January 1, 2020. Since ASU 2018-13 is disclosure-related only, it did not have an impact on the Company's statements of operations and financial position.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Recently Issued Accounting Pronouncements Not Yet Adopted

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes ("ASU 2019-12"). Among other things, ASU 2019-12 eliminates certain exceptions for recognizing deferred taxes for investments, performing intra-period tax allocation and calculating income taxes in interim periods. ASU 2019-12 also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's statements of operations and financial position.

NOTE 3. INVESTMENTS

Fixed Maturity Investments Trading

The following table summarizes the fair value of fixed maturity investments trading:

At December 31,	2020	2019
U.S. treasuries	$ 1,294,902	$ 1,099,347
Agencies	42,229	28,512
Non-U.S. government	143,091	57,682
Non-U.S. government-backed corporate	120,335	108,888
Corporate	589,279	534,575
Agency mortgage-backed	311,098	321,347
Non-agency mortgage-backed	13,100	7,397
Commercial mortgage-backed	89,308	74,944
Asset-backed	54,249	56,681
Total fixed maturity investments trading	$ 2,657,591	$ 2,289,373

Contractual maturities of fixed maturity investments trading are described in the following table. 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.

At December 31, 2020	Amortized Cost	Fair Value
Due in less than one year	$ 357,852	$ 360,843
Due after one through five years	1,560,905	1,582,879
Due after five through ten years	229,140	235,620
Due after ten years	10,450	10,494
Mortgage-backed	403,423	413,506
Asset-backed	53,929	54,249
Total	$ 2,615,699	$ 2,657,591

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

Equity Investments Trading

The following table summarizes the fair value of equity investments trading:

At December 31,	2020	2019
Industrial, utilities and energy	$ 105	$ 142
Total	$ 105	$ 142

Pledged Investments

At December 31, 2020, $389.0 million (2019 - $386.7 million) of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of, various counterparties, including with respect to RenaissanceRe's letter of credit facilities. Of this amount, $389.0 million (2019 - $375.6 million) is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities and primarily relates to the Company's multi-beneficiary reinsurance trust ("MBRT") and multi-beneficiary reduced collateral reinsurance trust ("RCT"). See "Note 10. Statutory Requirements" for additional information regarding the Company's MBRT and RCT and "Note 12. Commitments and Contingencies" for additional information regarding the letter of credit facilities.

Reverse Repurchase Agreements

At December 31, 2020, the Company had $0.9 million (2019 - $1.1 million) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of short term investments on the Company's balance sheets. The required collateral for these loans typically includes high-quality, readily marketable instruments at a minimum amount of 102% of the loan principal. Upon maturity, the Company receives principal and interest income.

Net Investment Income

The components of net investment income are as follows:

Year ended December 31,	2020	2019
Fixed maturity investments	$ 45,579	$ 48,699
Short term investments	1,961	7,002
Cash and cash equivalents	142	925
	47,682	56,626
Investment expenses	(2,851)	(2,918)
Net investment income	$ 44,831	$ 53,708

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

Net Realized and Unrealized Gains on Investments

Net realized and unrealized gains on investments are as follows:

Year ended December 31,	2020	2019
Gross realized gains	$ 38,014	$ 17,879
Gross realized losses	(5,242)	(6,559)
Net realized gains on fixed maturity investments	32,772	11,320
Net unrealized gains on fixed maturity investments trading	25,080	37,285
Net realized and unrealized gains (losses) on investments-related derivatives	4,548	(98)
Net realized (losses) gains on equity investments trading	(77)	33
Net unrealized (losses) on equity investments trading	(245)	(5)
Net realized and unrealized gains on investments	$ 62,078	$ 48,535

NOTE 4. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's financial statements. Fair value is defined under accounting guidance currently applicable to the Company to be the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its statements of operations.

FASB ASC Topic *Fair Value Measurements and Disclosures* prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

- Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access. The fair value is determined by multiplying the quoted price by the quantity held by the Company;

- Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices; and

- Level 3 inputs are based all or in part on significant unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

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 in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

In order to determine if a market is active or inactive for a security, the Company considers a number of factors, including, but not limited to, the spread between what a seller is asking for a security and what a buyer is bidding for the same security, the volume of trading activity for the security in question, the price of the security compared to its par value (for fixed maturity investments), and other factors that may be indicative of market activity.

There have been no material changes in the Company's valuation techniques, nor have there been any transfers between Level 1 and Level 2, or transfers into or out of Level 3, respectively, during the period represented by these financial statements.

Below is a summary of the assets and liabilities that are measured at fair value on a recurring basis and also represents the carrying amount on the Company's balance sheets:

At December 31, 2020	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 1,294,902	$ 1,294,902	$ —	$ —
Agencies	42,229	—	42,229	—
Non-U.S. government	143,091	—	143,091	—
Non-U.S. government-backed corporate	120,335	—	120,335	—
Corporate	589,279	—	589,279	—
Agency mortgage-backed	311,098	—	311,098	—
Non-agency mortgage-backed	13,100	—	13,100	—
Commercial mortgage-backed	89,308	—	89,308	—
Asset-backed	54,249	—	54,249	—
Total fixed maturity investments	2,657,591	1,294,902	1,362,689	—
Short term investments	245,782	—	245,782	—
Equity investments trading	105	105	—	—
Other assets and (liabilities)				
Derivative assets (1)	2,805	205	2,600	—
Derivative liabilities (1)	(279)	(97)	(182)	—
Total other assets and (liabilities)	2,526	108	2,418	—
	$ 2,906,004	$ 1,295,115	$ 1,610,889	$ —

(1) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company, included in other assets and liabilities on its balance sheets.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

At December 31, 2019	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 1,099,347	$ 1,099,347	$ —	$ —
Agencies	28,512	—	28,512	—
Non-U.S. government	57,682	—	57,682	—
Non-U.S. government-backed corporate	108,888	—	108,888	—
Corporate	534,575	—	534,575	—
Agency mortgage-backed	321,347	—	321,347	—
Non-agency mortgage-backed	7,397	—	7,397	—
Commercial mortgage-backed	74,944	—	74,944	—
Asset-backed	56,681	—	56,681	—
Total fixed maturity investments	2,289,373	1,099,347	1,190,026	—
Short term investments	235,999	—	235,999	—
Equity investments trading	142	142	—	—
Other assets and (liabilities)				
Derivative assets (1)	933	180	753	—
Derivative liabilities (1)	(671)	(234)	(437)	—
Total other assets and (liabilities)	262	(54)	316	—
	$ 2,525,776	$ 1,099,435	$ 1,426,341	$ —

(1) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company, included in other assets and liabilities on its balance sheets.

Level 1 and Level 2 Assets and Liabilities Measured at Fair Value

Fixed Maturity Investments

Fixed maturity investments included in Level 1 consist of the Company's investments in U.S. treasuries. Fixed maturity investments included in Level 2 are agencies, non-U.S. government, non-U.S. government-backed corporate, corporate, agency mortgage-backed, non-agency mortgage backed, commercial mortgage-backed and asset-backed fixed maturity investments.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

The Company's fixed maturity investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing; however, models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third-party data. Securities which are priced by an index provider are generally included in the index.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets.

The Company considers these broker quotations to be Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

<u>U.S. Treasuries</u>

Level 1 - At December 31, 2020, the Company's U.S. treasuries fixed maturity investments had a weighted average yield to maturity of 0.2% and a weighted average credit quality of AA (2019 - 1.6% and AA, respectively). When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker-dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

<u>Agencies</u>

Level 2 - At December 31, 2020, the Company's agency fixed maturity investments had a weighted average yield to maturity of 0.5% and a weighted average credit quality of AA (2019 - 1.9% and AA, respectively). The issuers of the Company's agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker-dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Non-U.S. Government

Level 2 - At December 31, 2020, the Company's non-U.S. government fixed maturity investments had a weighted average yield to maturity of 0.3% and a weighted average credit quality of AAA (2019 - 1.8% and AA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Non-U.S. Government-backed Corporate

Level 2 - At December 31, 2020, the Company's non-U.S. government-backed corporate fixed maturity had a weighted average yield to maturity of 0.5% and a weighted average credit quality of AA (2019 - 1.9% and AA, respectively). Non-U.S. government-backed corporate fixed maturity investments are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Corporate

Level 2 - At December 31, 2020, the Company's corporate fixed maturity investments principally consisted of U.S. and international corporations and had a weighted average yield to maturity of 1.7% and a weighted average credit quality of BBB (2019 - 3.1% and BBB, respectively). The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations from markets and sector news. Evaluations are updated by obtaining broker-dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

Agency Mortgage-backed

Level 2 - At December 31, 2020, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average yield to maturity of 1.1%, a weighted average credit quality of AA and a weighted average life of 3.8 years (2019 - 2.6%, AA and 5.0 years, respectively). The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to-be-announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Non-agency Mortgage-backed

Level 2 - The Company's non-agency mortgage-backed fixed maturity investments included non-agency prime residential and non-agency Alt-A mortgage-backed securities. At December 31, 2020, the Company's non-agency prime residential mortgage-backed fixed maturity investments had a weighted average yield to maturity of 1.2%, a weighted average credit quality of AAA and a weighted average life of 2.3 years (2019 - 2.8%, AAA and 3.8 years, respectively). The Company's non-agency Alt-A fixed maturity investments held at December 31, 2020 had a weighted average yield to maturity of 0.9%, a weighted average credit quality of AAA and a weighted average life of 1.5 years (2019 - 2.6%, AAA and 2.4 years, respectively). Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

Commercial Mortgage-backed

Level 2 - At December 31, 2020, the Company's commercial mortgage-backed fixed maturity investments had a weighted average yield to maturity of 1.4%, a weighted average credit quality of AAA and a weighted average life of 4.1 years (2019 - 2.5%, AAA and 4.6 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

Asset-backed

Level 2 - At December 31, 2020, the Company's asset-backed fixed maturity investments had a weighted average yield to maturity of 1.1%, a weighted average credit quality of AA and a weighted average life of 2.1 years (2019 - 2.7%, AAA and 2.5 years, respectively). The underlying collateral for the Company's asset-backed fixed maturity investments primarily consists of bank loans, auto loans, credit card and other receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short Term Investments

Level 2 - At December 31, 2020, the Company's short term investments had a weighted average yield to maturity of 0.1% and a weighted average credit quality of AAA (2019 - 1.5% and AAA, respectively). The fair value of the Company's portfolio of short term investments is generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company's fixed maturity investments noted above.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Equity Investments, Classified as Trading

Level 1 - The fair value of the Company's portfolio of equity investments, classified as trading is primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the pricing services utilize daily data from many real time market sources, including applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source was used for each security.

Other Assets and Liabilities

Derivatives

Level 1 and Level 2 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value of these transactions includes certain exchange traded futures contracts which are considered Level 1, and foreign currency contracts and certain credit derivatives, determined using standard industry valuation models and considered Level 2, with inputs to the valuation model based on observable market inputs. For credit derivatives, these inputs include credit spreads, credit ratings of the underlying referenced security, the risk free rate and the contract term. For foreign currency contracts, these inputs include foreign currency spot rates and interest rate curves.

Level 3 Liabilities Measured at Fair Value

Below is a reconciliation of the beginning and ending balances, for the periods shown, of liabilities measured at fair value on a recurring basis using Level 3 inputs. Interest and dividend income are included in net investment income and are excluded from the reconciliation. At December 31, 2020 and 2019, the Company did not hold any assets or liabilities measured at fair value on a recurring basis using Level 3 inputs.

	Other liabilities
Balance - January 1, 2019	$ (345)
Total realized and unrealized gains	
Included in other income	345
Balance - December 31, 2019	$ —

Financial Instruments Disclosed, But Not Carried, at Fair Value

The Company uses various financial instruments in the normal course of its business. The Company's insurance contracts are excluded from the fair value of financial instruments accounting guidance, unless the Company elects the fair value option, and therefore, are not included in the amounts discussed herein. The carrying values of cash and cash equivalents, accrued investment income, receivables for investments sold, certain other assets, payables for investments purchased, certain other liabilities, and other financial instruments not included herein approximated their fair values.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 5. REINSURANCE

The Company purchases reinsurance and other protection to manage its risk portfolio and reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions. In addition to losses recoverable, certain of the Company's ceded reinsurance contracts also provide for payments of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to the respective reinsurance contracts. The Company remains liable to the extent that any reinsurer fails to meet its obligations.

The following table sets forth the effect of reinsurance and retrocessional activity on net premiums written and earned and on net claims and claim expenses incurred:

Year ended December 31,	2020	2019
Premiums written		
Assumed	$ 577,808	$ 440,718
Ceded	(58,760)	(61,590)
Net premiums written	$ 519,048	$ 379,128
Premiums earned		
Assumed	$ 562,102	$ 427,270
Ceded	(54,592)	(62,160)
Net premiums earned	$ 507,510	$ 365,110
Claims and claim expenses		
Gross claims and claim expenses incurred	$ 318,577	$ 253,201
Claims and claim expenses recovered	33,584	(57,830)
Net claims and claim expenses incurred	$ 352,161	$ 195,371

The Company adopted ASU 2016-13 effective January 1, 2020. In assessing an allowance for reinsurance assets, which includes premiums receivable and reinsurance recoverable, the Company considers historical information, financial strength of reinsurers, collateralization amounts, and ratings to determine the appropriateness of the allowance. In assessing future default for reinsurance assets, the Company evaluates the provision for current expected credit losses under the probability of default and loss given default method. The Company utilizes its internal capital and risk models, which use counterparty ratings from major rating agencies, and assesses the current market conditions for the likelihood of default. The Company updates its internal capital and risk models for counterparty ratings and current market conditions on a periodic basis. Historically, the Company has not experienced material credit losses from reinsurance assets. The adoption of ASU 2016-13 did not have a material impact on the Company's statements of operations and financial position.

Premiums receivable reflect premiums written based on contract and policy terms and include estimates based on information received from both insureds and ceding companies and our own judgement. Consequently, premiums receivable include premiums reported by the ceding companies, supplemented by our estimates of premiums that are written but not reported. Due to the nature of reinsurance, ceding companies routinely report and remit premiums to us subsequent to the contract coverage period, although the time lag involved in the process of reporting and collecting premiums is typically shorter than the lag in reporting losses.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 5. REINSURANCE, cont'd.

At December 31, 2020, the Company's premiums receivable balance was $196.1 million (2019 - $182 million). Of the Company's premiums receivable balance as of December 31, 2020, the majority are receivable from highly rated counterparties and Lloyd's syndicates. Following the adoption of ASU 2016-13, the provision for current expected credit losses on the Company's premiums receivable was $0.2 million at December 31, 2020. Prior to the adoption of ASU 2016-13, the Company estimated credit losses based on contract specific facts and circumstances and an internal valuation methodology. The estimated credit losses at December 31, 2019 was $0.1 million. The following table provides a roll forward of the provision for current expected credit losses of the Company's premiums receivable:

Year ended December 31,		2020
Beginning balance	$	86
Provision for allowance		109
Ending balance	$	195

Reinsurance recoverable reflects amounts due from reinsurers based on the claim liabilities associated with the reinsured policy. The Company accrues amounts that are due from assuming companies based on estimated ultimate losses applicable to the contracts.

At December 31, 2020, the Company's reinsurance recoverable balance was $49.3 million (2019 - $123.3 million). Of the Company's reinsurance recoverable balance at December 31, 2020, 55.8% is fully collateralized by the Company's reinsurers, 27.9% is recoverable from reinsurers rated A- or higher by major rating agencies and 16.3% is recoverable from reinsurers rated lower than A- by major rating agencies (2019 - 60.0%, 34.3% and 5.7%, respectively). The reinsurers with the three largest balances accounted for 23.3%, 13.2% and 12.7%, respectively, of the Company's reinsurance recoverable balance at December 31, 2020 (2019 - 23.7%, 20.7% and 12.9%, respectively). The provision for current expected credit losses was $0.3 million at December 31, 2020. Prior to the adoption of ASU 2016-13, the estimated credit losses at December 31, 2019 was $0.2 million. The three largest company-specific components of the provision for current expected credit losses represented 86.9%, 5.9% and 2.5%, respectively, of the Company's total provision for current expected credit losses at December 31, 2020. Prior to the adoption of ASU 2016-13, the three largest company-specific components of the estimated credit losses at December 31, 2019 was 42.5%, 12.9% and 10.3%, respectively.

The following table provides a roll forward of the provision for current expected credit losses of the Company's reinsurance recoverable:

Year ended December 31,		2020
Beginning balance	$	241
Provision for allowance		18
Ending balance	$	259

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES

The Company believes the most significant accounting judgment made by management is its estimate of claims and claim expense reserves. Claims and claim expense reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs for unpaid claims and claim expenses arising from the insurance and reinsurance contracts the Company sells. The Company establishes its claims and claim expense reserves by taking claims reported to the Company by insureds and ceding companies, but which have not yet been paid ("case reserves"), adding estimates for the anticipated cost of claims incurred but not yet reported to the Company, or incurred but not enough reported to the Company (collectively referred to as "IBNR") and, if deemed necessary, adding costs for additional case reserves which represent the Company's estimates for claims related to specific contracts previously reported to the Company which it believes may not be adequately estimated by the client as of that date, or adequately covered in the application of IBNR.

The following table summarizes the Company's claims and claim expense reserves allocated between case reserves, additional case reserves and IBNR:

	Case Reserves	Additional Case Reserves	IBNR	Total
At December 31, 2020	$ 116,872	$ 391,636	$ 381,335	$ 889,843
At December 31, 2019	$ 147,524	$ 308,371	$ 282,118	$ 738,013

Activity in the liability for unpaid claims and claim expenses is summarized as follows:

Year ended December 31,	2020	2019
Reserve for claims and claim expenses, net of reinsurance recoverable, as of beginning of period	$ 614,739	$ 468,000
Net incurred related to:		
Current year	425,786	209,688
Prior years	(73,625)	(14,317)
Total net incurred	352,161	195,371
Net paid related to:		
Current year	45,737	8,187
Prior years	87,089	40,416
Total net paid	132,826	48,603
Foreign exchange (1)	6,514	(29)
Reserve for claims and claim expenses, net of reinsurance recoverable, as of end of period	840,588	614,739
Reinsurance recoverable as of end of period	49,255	123,274
Reserve for claims and claim expenses as of end of period	$ 889,843	$ 738,013

(1) Reflects the impact of the foreign exchange revaluation of the reserve for claims and claim expenses, net of reinsurance recoverable, denominated in non-U.S. dollars as at the balance sheet date.

The Company's reserving methodology for each line of business uses a loss reserving process that calculates a point estimate for its ultimate settlement and administration costs for claims and claim expenses. The Company does not calculate a range of estimates and does not discount any of its reserves for claims and claim expenses. The Company uses this point estimate, along with paid claims and case reserves, to record its best estimate of additional case reserves and IBNR in its financial statements. Under GAAP, the Company is not permitted to establish estimates for catastrophe claims and claim expense reserves until an event occurs that gives rise to a loss.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Reserving involves other uncertainties, such as the dependence on information from ceding companies, the time lag inherent in reporting information from the primary insurer to the Company or to the Company's ceding companies, and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of broker notifications of loss and/or discussions with ceding companies or their brokers. This information may be received on a monthly, quarterly or transactional basis and normally includes paid claims and estimates of case reserves. The Company sometimes also receives an estimate or provision for IBNR. This information is updated and adjusted periodically during the loss settlement period as new data or facts in respect of initial claims, client accounts, industry or event trends may be reported or emerge in addition to changes in applicable statutory and case laws.

The Company's estimates of large losses are based on factors including currently available information derived from claims information from certain customers and brokers, industry assessments of losses, proprietary models, and the terms and conditions of the Company's contracts. The uncertainty of the Company's estimates for large losses is also impacted by the preliminary nature of the information available, the magnitude and relative infrequency of the events, the expected duration of the respective claims development period, inadequacies in the data provided to the relevant date by industry participants and the potential for further reporting lags or insufficiencies; and in certain large losses, significant uncertainty as to the form of the claims and legal issues, under the relevant terms of insurance and reinsurance contracts. In addition, a significant portion of the net claims and claim expenses associated with certain large losses can be concentrated with a few large clients and therefore the loss estimates for these large losses may vary significantly based on the claims experience of those clients. The contingent nature of business interruption and other exposures will also impact losses in a meaningful way, which may give rise to significant complexity in respect of claims handling, claims adjustment and other coverage issues, over time. Given the magnitude of certain events, there can be meaningful uncertainty regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying the Company's loss estimates. Loss reserve estimation in respect of the Company's retrocessional contracts poses further challenges compared to directly assumed reinsurance. In addition, the Company's actual net losses from these events may increase if the Company's reinsurers or other obligors fail to meet their obligations.

The Company reevaluates its actuarial reserving techniques on a periodic basis. Typically, the quarterly review procedures include reviewing paid and reported claims in the most recent reporting period, reviewing the development of paid and reported claims from prior periods, and reviewing the Company's overall experience by underwriting year and in the aggregate. The Company monitors its expected ultimate claims and claim expense ratios and expected claims reporting assumptions on a quarterly basis and compares them to its actual experience. These actuarial assumptions are generally reviewed annually, based on input from actuaries, underwriters, claims personnel and finance professionals, although adjustments may be made more frequently if needed. Assumption changes are made to adjust for changes in the pricing and terms of coverage the Company provides, changes in industry results for similar business, as well as its actual experience to the extent the Company has enough data to rely on its own experience. If the Company determines that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified.

Because of the inherent uncertainties discussed above, the Company has developed a reserving philosophy that attempts to incorporate prudent assumptions and estimates, and the Company has generally experienced favorable net development on prior accident years net claims and claim expenses in the last several years. However, there is no assurance that this favorable development on prior accident years net claims and claim expenses will occur in future periods.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Incurred and Paid Claims Development and Reserving Methodology

The Company writes property catastrophe excess of loss reinsurance contracts to insure insurance and reinsurance companies against natural and man-made catastrophes. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from a single occurrence of a covered peril exceeds the attachment point specified in the contract, up to an amount per loss specified in the contract. The Company also writes aggregate reinsurance contracts. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from multiple events within set conditions exceeds the attachment point specified in the contract, up to an amount specified in the contract. Generally, the Company's most significant exposure is to losses from hurricanes, earthquakes and other windstorms, although the Company is also exposed to claims arising from other man-made and natural catastrophes, such as tsunamis, winter storms, freezes, floods, fires, tornadoes, explosions and acts of terrorism. The Company's predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered under the Company's catastrophe contracts when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas.

Coverage can also vary from “all property” perils to limited coverage on selected perils, such as “earthquake only” coverage. The Company also enters into retrocessional contracts that provide property catastrophe coverage to other reinsurers or retrocedants. This coverage is generally in the form of excess of loss retrocessional contracts and may cover all perils and exposures on a worldwide basis or be limited in scope to selected geographic areas, perils and/or exposures. The exposures the Company assumes from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company also offers dual trigger reinsurance contracts which require the Company to pay claims based on claims incurred by insurers and reinsurers in addition to the estimate of insured industry losses as reported by referenced statistical reporting agencies.

The Company also writes certain casualty and specialty reinsurance contracts. The Company's predominant exposure under such coverage is to catastrophe. However, other risks, including business interruption and other non-property losses, may also be covered when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas. The exposures assumed from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company offers these products principally through excess of loss coverage.

Claims and claim expenses are generally characterized by losses of low frequency and high severity. Initial reporting of paid and incurred claims in general, tends to be relatively prompt, particularly for less complex losses. The Company considers this business “short-tail” as compared to the reporting of claims for “long-tail” products, which tends to be slower. However, the timing of claims payment and reporting also varies depending on various factors, including: whether the claims arise under reinsurance of primary insurance companies or reinsurance of other reinsurance companies; the nature of the events (e.g., hurricanes, earthquakes or terrorism); the geographic area involved; post-event inflation which may cause the cost to repair damaged property to increase significantly from current estimates, or for property claims to remain open for a longer period of time, due to limitations on the supply of building materials, labor and other resources; complex policy coverage and other legal issues; and the quality of each client's claims management and reserving practices. Management's judgments regarding these factors are reflected in the Company's reserve for claims and claim expenses.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Claims and claim expense reserves are estimated by management by completing an in-depth analysis of the individual contracts which may potentially be impacted by the loss. The in-depth analysis generally involves: 1) estimating the size of insured industry losses; 2) reviewing reinsurance contract portfolios to identify contracts which are exposed; 3) reviewing information reported or otherwise provided by customers and brokers; 4) discussing the loss with customers and brokers; and 5) estimating the ultimate expected cost to settle all claims and administrative costs arising from the loss on a contract-by-contract basis and in aggregate for the event. Once a loss has occurred, during the then current reporting period, the Company records its best estimate of the ultimate expected cost to settle all claims arising from the loss. The Company's estimate of claims and claim expense reserves is then determined by deducting cumulative paid losses from its estimate of the ultimate expected loss. The Company's estimate of IBNR is determined by deducting cumulative paid losses, case reserves and additional case reserves from its estimate of the ultimate expected loss. Once the Company receives a valid notice of loss or payment request under a catastrophe reinsurance contract, it is generally able to process and pay such claims promptly.

Because the losses from which claims arise under policies written are typically prominent, public events such as hurricanes and earthquakes, the Company is often able to use independent reports as part of its loss reserve estimation process. The Company also reviews catastrophe bulletins published by various statistical reporting agencies to assist in determining the size of the industry loss, although these reports may not be available for some time after an event.

For smaller events including localized severe weather events such as windstorms, hail, ice, snow, flooding, freezing and tornadoes, which are not necessarily prominent, public occurrences, the Company initially places greater reliance on catastrophe bulletins published by statistical reporting agencies to assist in determining what events occurred during the reporting period than the Company does for large events. This includes reviewing catastrophe bulletins published by Property Claim Services for U.S. catastrophes. The Company sets its initial estimates of reserves for claims and claim expenses for these smaller events based on a combination of its historical market share for these types of losses and the estimate of the total insured industry property losses as reported by statistical reporting agencies, although management may make significant adjustments based on the Company's current exposure to the geographic region involved as well as the size of the loss and the peril involved. This approach supplements the Company's approach for estimating losses for larger catastrophes, which as discussed above, includes discussions with brokers and ceding companies and reviewing individual contracts impacted by the event. Approximately one year from the date of loss for these small events, the Company typically estimates IBNR for these events by using the paid Bornhuetter-Ferguson actuarial method. The loss development factors for the paid Bornhuetter-Ferguson actuarial method are selected based on a review of the Company's historical experience. There were no significant changes to the Company's paid loss development factors over the last three years.

In general, reserves for the Company's more recent large losses are subject to greater uncertainty and, therefore, greater potential variability, and are likely to experience material changes from one period to the next. This is due to the uncertainty as to the size of the industry losses, uncertainty as to which contracts have been exposed, uncertainty due to complex legal and coverage issues that can arise out of large or complex losses, and uncertainty as to the magnitude of claims incurred by the Company's customers. As the Company's claims age, more information becomes available and the Company believes its estimates become more certain.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

For its Casualty and Specialty class of business, the Company calculates multiple point estimates for claims and claim expense reserves using a variety of actuarial reserving techniques. The Company does not believe that these multiple point estimates are, or should be considered a range. Rather, the Company considers each class of business and determines the most appropriate point estimate for each underwriting year based on the characteristics of the particular class including: (1) loss development patterns derived from historical data; (2) the credibility of the selected loss development pattern; (3) the stability of the loss development patterns; (4) how developed the underwriting year is; and (5) the observed loss development of other underwriting years for the same class. The Company also considers other relevant factors, including: (1) historical ultimate loss ratios; (2) the presence of individual large losses; and (3) known occurrences that have not yet resulted in reported losses. The Company makes determinations of the most appropriate point estimate of loss for each class based on an evaluation of relevant information and do not ascribe any particular portion of the estimate to a particular factor or consideration. In addition, the Company believes that a review of individual contract information improves the loss estimates for some classes of business.

When developing claims and claims expense reserves for its Casualty and Specialty class of business, the Company considers several actuarial techniques such as the expected loss ratio method, the Bornhuetter-Ferguson actuarial method and the paid and reported chain ladder actuarial method.

The information provided herein about incurred and paid accident year claims development for the years ended prior to December 31, 2020 is presented as supplementary information. For incurred and paid accident year claims denominated in foreign currency, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table details the Company's incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2020, net of reinsurance, as well as IBNR and additional case reserve ("ACR") included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										
	For the year ended December 31,										At December 31, 2020
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2011	$ 376,915	$ 369,332	$ 358,610	$ 339,562	$ 331,430	$ 319,711	$ 316,641	$ 315,518	$ 308,532	$ 308,313	$ 7,911
2012	—	129,641	107,189	98,372	92,810	87,266	82,576	79,587	78,254	76,533	757
2013	—	—	48,456	36,586	33,309	25,750	21,868	21,076	20,557	19,994	147
2014	—	—	—	28,391	19,720	16,363	15,222	14,608	14,353	14,024	21
2015	—	—	—	—	52,053	39,000	33,460	29,966	28,254	27,656	776
2016	—	—	—	—	—	62,471	57,310	50,603	41,577	38,291	6,205
2017	—	—	—	—	—	—	497,990	429,045	376,518	367,141	80,880
2018	—	—	—	—	—	—	—	302,315	347,060	318,691	128,231
2019	—	—	—	—	—	—	—	—	232,434	195,401	129,771
2020	—	—	—	—	—	—	—	—	—	426,759	358,192
Total										$ 1,792,803	$ 712,891

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2011	$ 111,150	$ 156,816	$ 243,879	$ 272,583	$ 287,407	$ 293,013	$ 295,714	$ 296,700	$ 297,746	$ 298,917
2012	—	27,847	49,216	61,163	66,140	68,205	71,806	72,260	73,733	73,915
2013	—	—	14,491	17,431	18,636	19,421	19,550	19,696	19,748	19,773
2014	—	—	—	10,316	12,729	13,474	13,729	13,915	13,986	13,994
2015	—	—	—	—	19,130	26,371	27,658	26,656	26,799	26,813
2016	—	—	—	—	—	10,747	26,468	29,912	30,710	31,209
2017	—	—	—	—	—	—	121,470	203,825	231,353	257,125
2018	—	—	—	—	—	—	—	126,635	136,943	166,477
2019	—	—	—	—	—	—	—	—	8,291	42,314
2020	—	—	—	—	—	—	—	—	—	45,767
Total										$ 976,304
Outstanding liabilities from accident year 2010 and prior, net of reinsurance										24,089
Liability for claims and claim expenses, net of reinsurance										$ 840,588

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Prior Year Development of the Reserve for Net Claims and Claim Expenses

The Company's estimates of claims and claim expense reserves are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends and other variable factors. Some, but not all, of the Company's reserves are further subject to the uncertainty inherent in actuarial methodologies and estimates. Because a reserve estimate is simply an insurer's estimate at a point in time of its ultimate liability, and because there are numerous factors that affect reserves and claims payments that cannot be determined with certainty in advance, the Company's ultimate payments will vary, perhaps materially, from its estimates of reserves. If the Company determines in a subsequent period that adjustments to its previously established reserves are appropriate, such adjustments are recorded in the period in which they are identified. On a net basis, the Company's cumulative favorable or unfavorable development is generally reduced by offsetting changes in its reinsurance recoverable, as well as changes to loss related premiums such as reinstatement premiums.

The following table details the Company's prior year net development of its liability for net unpaid claims and claim expenses:

Year ended December 31,	2020	2019
Net favorable development of prior accident years net claims and claim expenses	$ (73,625)	$ (14,317)

Changes to prior year estimated net claims reserves increased the Company's net income by $73.6 million during 2020 (2019 - increased the Company's net income by $14.3 million), excluding the consideration of changes in reinstatement, adjustment or other premium items, profit commissions and income tax.

During 2020, net favorable development of prior accident year net claims and claim expenses of $73.6 million primarily included $28.2 million of net decreases in the estimated ultimate losses associated with 2019 large loss events (which includes Hurricane Dorian, Typhoons Faxai and Hagibis, and losses associated with aggregate loss contracts), as well as $26.2 million of net decreases associated with 2018 large loss events (which includes Typhoons Jebi, Mangkhut and Trami, Hurricanes Florence and Michael, the 2018 California Wildfires, and losses associated with aggregate loss contracts)..

During 2019, net favorable development of prior accident year net claims and claim expenses of $14.3 million primarily included $48.5 million of net decreases in the estimated ultimate losses associated with the 2017 large loss events (which includes Hurricanes Harvey, Irma and Maria, the Mexico City Earthquake, the 2017 California Wildfires, and losses associated with aggregate loss contracts), and partially offset by $34.1 million of net increases in the estimated ultimate losses associated with the 2018 large loss events (which includes Typhoons Jebi, Mangkhut and Trami, Hurricanes Florence and Michael, the 2018 California Wildfires, and losses associated with aggregate loss contracts).

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Reserve for Claims and Claim Expenses

The reconciliation of the net incurred and paid claims development tables to the reserve for claims and claim expenses in the balance sheet is as follows:

At December 31, 2020	
Net reserve for claims and claim expenses	$ 840,588
Reinsurance recoverable	49,255
Reserve for claims and claim expenses	$ 889,843

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Historical Claims Duration

The following is unaudited supplementary information about average historical claims duration:

	Average annual percentage payout of incurred claims by age, net of reinsurance (number of years)									
At December 31, 2020	1	2	3	4	5	6	7	8	9	10
	27.7 %	17.1 %	14.6 %	7.1 %	3.7 %	2.1 %	0.8 %	0.6 %	0.3 %	0.4 %

Claims Frequency

The Company's business is broadly considered to be assumed reinsurance, where multiple claims are often aggregated, perhaps multiple times through retrocessional reinsurance, before ultimately being ceded to the Company. In addition, the nature, size, terms and conditions of contracts entered into by the Company, changes from one accident year to the next and the quantum of contractual or policy limits, and accordingly the potential amount of claims and claim expenses associated with a reported claim, can range from nominal, to significant. These factors can impact the amount and timing of the claims and claim expenses to be recorded and accordingly, developing claim frequency information is highly subjective and is not prepared or utilized for internal purposes.

Notwithstanding the factors noted above, the Company has developed claims frequency information associated with its excess of loss reinsurance contracts. As each accident year develops, the Company would expect the cumulative number of reported claims to increase in certain of its excess of loss reinsurance contracts. In determining claims frequency for its excess of loss reinsurance contracts, the Company has made the following assumptions:

- Claims below the insured layer of a contract are excluded;
- If an insured loss event results in claims associated with a number of layers of a contract, the Company would consider this to be a single claim; and
- If an insured loss event results in claims associated with a number of the Company's operating subsidiaries, the Company considers each operating subsidiary to have a reported claim.

The following table details the Company's cumulative number of reported claims for its excess of loss reinsurance contracts:

	At December 31, 2020
Accident Year	Cumulative number of reported claims
2011	142
2012	84
2013	49
2014	27
2015	47
2016	105
2017	263
2018	265
2019	136
2020	155

NOTE 7. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS

Amounts due to and from affiliates are non-interest bearing and payable on demand, or in accordance with the contractual terms of reinsurance-related transactions.

Reinsurance-Related Transactions

The Company has entered into reinsurance agreements to assume a portion of Renaissance Reinsurance's property catastrophe and casualty and specialty business. During 2020, net earned premiums assumed under these agreements were $35.8 million (2019 - $30.9 million) and net claims and claim expenses incurred were $1.8 million (2019 - $31.2 million). At December 31, 2020, outstanding reserves for claims and claim expenses under these agreements were $70.7 million (2019 - $69.3 million), unearned premiums for these agreements were $16.0 million (2019 - $14.9 million), premiums receivable were $29.5 million (2019 - $3.1 million) and deferred acquisition costs were $1.7 million (2019 - $2.0 million).

Subsidiaries of the Company's ultimate parent have entered into equity investments in Tower Hill Holdings Inc. ("Tower Hill") and certain of its subsidiaries, which are accounted for under the equity method of accounting. As a result, Tower Hill and its subsidiaries and affiliates are considered related parties to the Company. The Company has entered into reinsurance agreements with certain subsidiaries and affiliates of Tower Hill and has also entered into reinsurance agreements with respect to business produced by certain subsidiaries and affiliates of Tower Hill. During 2020, the Company recorded $13.0 million (2019 - $10.4 million) of gross premiums written assumed from Tower Hill and its subsidiaries and affiliates. Gross premiums earned totaled $12.2 million (2019 - $9.9 million) and expenses incurred were $1.3 million (2019 - $1.1 million) for 2020 related to these contracts. During 2020, the Company assumed net claims and claim expenses of $3.7 million (2019 - $11.6 million) and, as of December 31, 2020, had a net reserve for claims and claim expenses of $13.3 million (2019 - $13.4 million). The Company had a net related outstanding receivable balance of $5.1 million as of December 31, 2020 (2019 - $4.3 million).

Other Items

Under the terms of a management agreement, Renaissance Underwriting Managers, Ltd. ("RUM"), a wholly-owned subsidiary of RenaissanceRe, has contracted to provide all of the Company's management, underwriting, investment management and administrative functions, for which it is paid a fee that is a percentage of premium and a profit commission. Operational expenses for 2020 includes expenses of $52.6 million (2019 - expenses of $55.2 million), as discussed in more detail below, and amounts due to affiliates at December 31, 2020 includes a receivable of $15.3 million (2019 - $2.0 million) related to these services.

The Company incurred underwriting losses for the 2020 underwriting year related to the occurrence of certain large catastrophe events and in accordance with the terms of the management agreement with RUM, the deferred profit commissions balance was decreased, reducing the 2020 underwriting year losses incurred by the Company, by way of a reduction to the Company's operational expenses for the twelve months ended December 31, 2020. Following the recording of the deferred profit commission as a reduction of the 2020 underwriting year losses, the amount of deferred profit commission reflected in amounts due to affiliates at December 31, 2020 was $Nil (2019 - $1.6 million). To the extent the Company generates positive underwriting results in future underwriting years, resulting in a positive balance in deferred profit commission payable to RUM, such balance would be applied against future underwriting year deficits, should they occur, subject to a maximum dollar amount. In addition to the fees discussed above, the Company is required to reimburse RUM for other directly identifiable costs. For the years ended December 31, 2020 and 2019, no such directly identifiable costs were allocated to the Company.

See "Note 8. Shareholder's Equity" for additional information related to transactions with current and former shareholders.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 7. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

Broker Concentration

During 2020, the Company received 82.8% (2019 - 85.2%) of its gross premiums assumed from three reinsurance brokers. Subsidiaries and affiliates of AON, Marsh and Tiger Risk Partners accounted for approximately 53.2%, 22.7% and 6.9%, respectively, of the Company's gross premiums assumed in 2020 (2019 - 47.4%, 30.7% and 7.1%, respectively).

NOTE 8. SHAREHOLDER'S EQUITY

The aggregate authorized capital of the Company is 1,000 common shares of $1,000 par value each. All authorized shares are Class AA and are issued and outstanding as of December 31, 2020.

	Number of Shares					
	Authorized Sublimit	**Outstanding 2019**	**Issued**	**Redeemed**	**Outstanding 2020**	**Par Value 2020**
Class AA	1,000	1,000	—	—	1,000	$ 1,000
		1,000	—	—	1,000	$ 1,000

	Number of Shares					
	Authorized Sublimit	**Outstanding 2018**	**Issued**	**Redeemed**	**Outstanding 2019**	**Par Value 2019**
Class AA	1,000	1,000	—	—	1,000	1,000
		1,000	—	—	1,000	$ 1,000

2020

During 2020, the Company declared and paid aggregate cash dividends of $7.4 million and also paid aggregate net cash dividends of $4.2 million associated with holdbacks in connection with shareholder transactions in prior years, resulting in net cash dividend paid of $11.6 million.

2019

During 2019, the Company declared and paid aggregate cash dividends of $7.5 million and also paid aggregate net cash dividends of $9.9 million associated with holdbacks in connection with shareholder transactions in prior years, resulting in net cash dividend paid of $17.4 million.

There were no net issuances or redemptions of the Company's outstanding shares during

NOTE 9. TAXATION

Under current Bermuda law, the Company is not subject to any income or capital gains taxes. In the event that such taxes are imposed, the Company would be exempted from any such tax until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, and Amended Acts of 1987 and 2011, respectively.

The Singapore Branch and Switzerland Branch are subject to the tax laws of Singapore and Switzerland, respectively. The taxation balances related to the Singapore Branch and Switzerland Branch are not material to the Company.

NOTE 10. STATUTORY REQUIREMENTS

Bermuda Statutory Requirements

The Company is subject to insurance laws and regulations in Bermuda. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the BMA. Under the Insurance Act 1978, amendments thereto and related regulations of Bermuda (collectively, the “Insurance Act”), the Company is required to maintain certain measures of solvency and liquidity, including its minimum solvency margin, defined as the prescribed minimum amount by which the value of the assets of the Company must exceed the value of its liabilities, the breach of which represents an unacceptable level of risk and triggers the strongest supervisory actions.

In addition, the Company is required to maintain statutory capital and surplus at a level equal to or in excess of its enhanced capital requirement (“ECR”) which is established by reference to the Bermuda Solvency Capital Requirement (the “BSCR”) model. The BSCR is a mathematical model designed to give the BMA robust methods for determining an insurer’s capital adequacy. The ECR is equal to the greater of the minimum solvency margin or required capital calculated by reference to the BSCR. The Economic Balance Sheet (“EBS”) is an input to the BSCR and determines the Company’s statutory capital and surplus. The EBS regime prescribes the use of financial statements prepared in accordance with GAAP as the basis on which statutory financial statements are prepared, and those statutory financial statements form the starting basis for the EBS. The BMA has established a target capital level (“TCL”) which is set at 120% of the ECR. While the Company is not required to maintain statutory capital and surplus at this level, it serves as an early warning signal for the BMA, and failure to meet the target capital level may result in additional reporting requirements or increased regulatory oversight. The Company is currently completing its 2020 BSCR, which must be filed with the BMA on or before April 30, 2021, and at this time, the Company believes it will meet the April 30, 2021 filing deadline and that it will exceed the TCL.

Underlying the BSCR is the belief that all insurers should operate on an ongoing basis with a view to maintaining their capital at a prudent level in excess of the minimum solvency margin otherwise prescribed under the Insurance Act. Alternatively, under the Insurance Act, insurers may, subject to the terms of the Insurance Act and to the BMA’s oversight, elect to utilize an approved internal capital model to determine regulatory capital. In either case, ECR shall at all times equal or exceed the Class 4 insurer’s minimum solvency margin and may be adjusted in circumstances where the BMA concludes that the insurer’s risk profile deviates significantly from the assumptions underlying its ECR or the insurer’s assessment of its risk management policies and practices used to calculate ECR applicable to it.

Under the Insurance Act, the Company is defined as a Class 4 insurer. Class 4 insurers are prohibited from declaring or paying any dividends if in breach of the required minimum solvency margin or minimum liquidity ratio (the “Relevant Margins”) or if the declaration or payment of such dividend would cause the insurer to fail to meet the Relevant Margins. Where an insurer fails to meet its Relevant Margins on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the prior approval of the BMA. Further, Class 4 insurers are prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year’s statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the BMA an affidavit stating that it will continue to meet its Relevant Margins. Class 4 insurers must obtain the BMA’s prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year’s statutory financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to the solvency requirements under the Companies Act 1981, amendments thereto of Bermuda (the “Companies Act”) which apply to all Bermuda companies. In addition, an insurer engaged in general business is also required to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 10. STATUTORY REQUIREMENTS, cont'd.

The statutory capital and surplus, required minimum statutory capital and surplus and unrestricted net assets of the Company are detailed below:

At December 31,	2020	2019
Statutory capital and surplus (1)	$ 2,134,568	$ 1,987,496
Required minimum statutory capital and surplus	294,503	297,322
Unrestricted net assets (2)	735,443	555,642

(1) Actual capital and surplus is based on the relevant insurer's statutory financial statements and required statutory capital and surplus is based on the minimum solvency margin.

(2) Unrestricted net assets represents the amount of shareholders' equity that is permitted to be distributed in light of the statutory restrictions noted above, and the definition of distributable reserves and certain legal restrictions per the Companies Act.

Singapore Branch

The Singapore Branch is licensed to carry on insurance business as a general reinsurer under the regulation of the Monetary Authority of Singapore, which is its primary regulator, pursuant to Singapore's Insurance Act. Additionally, the Singapore Branch is regulated by the Accounting and Corporate Regulatory Authority as a foreign company pursuant to Singapore's Companies Act. The activities and regulatory requirements of the Singapore Branch are not considered to be material to the Company.

Switzerland Branch

The Switzerland Branch is considered a branch office of a foreign reinsurer, and is not regulated by the Swiss Financial Market Supervisory Authority. The activities of the Switzerland Branch are not considered to be material to the Company.

Multi-Beneficiary Reinsurance Trust

The Company is approved as a Trusteed Reinsurer in the state of New York and established an MBRT to collateralize its (re)insurance liabilities associated with U.S. domiciled cedants. The MBRT is subject to the rules and regulations of the state of New York and the respective deed of trust, including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at December 31, 2020 with respect to the MBRT totaled $290.1 million (2019 - $336.5 million), compared to the minimum amount required under U.S. state regulations of $270.5 million (2019 - $249.4 million).

Multi-Beneficiary Reduced Collateral Reinsurance Trust

The Company is approved as a "certified reinsurer" eligible for collateral reduction in certain states, and is authorized to provide reduced collateral equal to 50% of its net outstanding insurance liabilities to insurers domiciled in those states. The Company has established an RCT to collateralize its (re)insurance liabilities associated with cedants domiciled in those states. Because the RCT was established in New York, it is subject to the rules and regulations of the state of New York including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at December 31, 2020 with respect to the RCT totaled $90.1 million (2019 - $43.8 million), compared to the minimum amount required under U.S. state regulations of $86.5 million (2019 - $40.9 million).

(amounts in tables expressed in thousands of United States Dollars)

NOTE 11. DERIVATIVE INSTRUMENTS

From time to time, the Company may enter into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and to assume risk. The Company's derivative instruments can be exchange traded or over-the-counter, with over-the-counter derivatives generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event a party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

The tables below show the gross and net amounts of recognized derivative assets and liabilities at fair value, including the location on the balance sheets of the Company's principal derivative instruments:

	Derivative Assets					
At December 31, 2020	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	$ 205	—	$ 205	Other assets	$ —	$ 205
Foreign currency forward contracts	2,600	—	2,600	Other assets	—	2,600
Total	$ 2,805	$ —	$ 2,805		$ —	$ 2,805

	Derivative Liabilities					
At December 31, 2020	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	$ 97	—	$ 97	Other liabilities	$ 97	$ —
Foreign currency forward contracts	182	—	182	Other liabilities	—	182
Total	$ 279	$ —	$ 279		$ 97	$ 182

(amounts in tables expressed in thousands of United States Dollars)

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

	Derivative Assets					
At December 31, 2019	**Gross Amounts of Recognized Assets**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts of Assets Presented in the Balance Sheet**	**Balance Sheet Location**	**Collateral**	**Net Amount**
Interest rate futures	$ 180	—	$ 180	Other assets	$ —	$ 180
Foreign currency forward contracts	753	—	753	Other assets	—	753
Total	$ 933	$ —	$ 933		$ —	$ 933

	Derivative Liabilities					
At December 31, 2019	**Gross Amounts of Recognized Liabilities**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts of Liabilities Presented in the Balance Sheet**	**Balance Sheet Location**	**Collateral Pledged**	**Net Amount**
Interest rate futures	$ 234	—	$ 234	Other liabilities	$ 119	$ 115
Foreign currency forward contracts	466	29	437	Other liabilities	—	437
Total	$ 700	$ 29	$ 671		$ 119	$ 552

The location and amount of the gain (loss) recognized in the Company's statements of operations related to the Company's principal derivative instruments are shown in the following table:

	Location of gain (loss) recognized on derivatives	**Amount of gain (loss) recognized on derivatives**	
Year ended December 31,		**2020**	**2019**
Interest rate futures	Net realized and unrealized gains on investments	$ 4,548	$ (98)
Foreign currency forward contracts	Net foreign exchange (losses)	3,557	(692)
Total		$ 8,105	$ (790)

Interest Rate Futures

The fair value of interest rate futures is determined using exchange traded prices. At December 31, 2020, the Company had $324.4 million of notional long positions and $187.6 million of notional short positions of primarily U.S. treasury futures contracts (2019 - $483.5 million and $303.8 million, respectively). The fair value of these derivatives is determined using exchange traded prices.

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

Foreign Currency Derivatives

The Company's functional currency is the U.S. dollar. The Company writes a portion of its business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses in the Company's financial statements. All changes in exchange rates, with the exception of non-monetary assets and liabilities, are recognized currently in the Company's statements of operations. Changes in the fair value of the Company's foreign currency derivatives are recognized in the statements of operations.

Underwriting and Non-Investments Operations Related Foreign Currency Contracts

The Company's foreign currency policy with regard to its underwriting operations is generally to hold foreign currency assets, including cash, investments and receivables that approximate the foreign currency liabilities, including claims and claim expense reserves and reinsurance balances payable. When necessary, the Company may use foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with its underwriting operations. The fair value of the Company's underwriting operations related foreign currency contracts is determined using indicative pricing obtained from counterparties or broker quotes. At December 31, 2020, the Company had outstanding underwriting related foreign currency contracts of $98.8 million in notional long positions and $25.3 million in notional short positions, denominated in U.S. dollars (2019 - $159.6 million and $9.2 million, respectively).

NOTE 12. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Instruments which potentially subject the Company to concentration of credit risk consist principally of investments, cash, premiums receivable and reinsurance balances. The Company limits the amount of credit exposure to any one financial institution and except for U.S. treasuries, none of the Company's fixed-maturity and short-term investments exceeded 10% of shareholder's equity at December 31, 2020. See "Note 5. Reinsurance" and "Note 6. Reserve for Claims and Claim Expenses" for additional information with respect to reinsurance recoverables.

Letters of Credit and Other Commitments

RenaissanceRe, the Company's ultimate parent, maintains a standby letter of credit facility with Wells Fargo Bank, National Association ("Wells Fargo") which, as of December 31, 2020, provides for a secured, uncommitted facility under which letters of credit may be issued from time to time for the respective accounts of RenaissanceRe's operating subsidiaries and joint ventures, including the Company (the "Applicants"). Pursuant to the agreement, the Applicants may request secured letter of credit issuances, and also have an option to request the issuance of up to $100.0 million of unsecured letters of credit (outstanding on such request date). The agreement contains representations, warranties and covenants that are customary for facilities of this type. Under the agreement, each applicant is required to pledge eligible collateral having a value sufficient to cover all of its obligations under the agreement with respect to secured letters of credit issued for its account. In the case of an event of default under the agreement, Wells Fargo may exercise certain remedies, including conversion of collateral of a defaulting applicant into cash. At December 31, 2020, RenaissanceRe had $111.9 million of secured letters of credit outstanding and $Nil of unsecured letters of credit outstanding under this agreement, of which $19.8 million and $Nil, respectively, relates to the Company.

NOTE 12. COMMITMENTS AND CONTINGENCIES, cont'd.

In addition, RenaissanceRe, the Company's ultimate parent, maintains a facility letter, with Citibank Europe plc ("Citibank Europe"), pursuant to which Citibank Europe has established a letter of credit facility under which Citibank Europe provides a commitment to issue letters of credit for the accounts of RenaissanceRe's operating subsidiaries and joint ventures, including the Company (the "Participants"). The aggregate commitment amount is $300.0 million. The letter of credit facility is scheduled to expire on December 31, 2021. At all times during which it is a party to the facility, each Participant is obligated to pledge to Citibank Europe securities with a value that equals or exceeds the aggregate face amount of its then-outstanding letters of credit. In the case of an event of default under the facility with respect to a Participant, Citibank Europe may exercise certain remedies, including terminating its commitment to such Participant and taking certain actions with respect to the collateral pledged by such Participant (including the sale thereof). In the facility letter, each Participant makes representations and warranties that are customary for facilities of this type and agrees that it will comply with certain informational and other undertakings. At December 31, 2020, RenaissanceRe had $295.5 million aggregate face amount of letters of credit outstanding and, subject to the sublimits described above, $4.5 million remained unused and available to the Participants under this facility, of which $2.0 million of the aggregate face amount of letters of credit outstanding relates to the Company.

Indemnifications and Warranties

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on past experience, management currently believes that the likelihood of such an event is remote.

Legal Proceedings

The Company is subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct insurance policies, as applicable. In the Company's industry, business litigation may involve allegations of underwriting or claims-handling errors or misconduct, employment claims, regulatory actions or other disputes. The Company may also directly or indirectly be subject to its claims litigation involving disputed interpretations of policy coverages. These lawsuits, involving or arising out of claims on policies issued by the Company are typical to the insurance industry in general and in the normal course of business, are considered in its claims and claim expense reserves. In addition, the Company may from time to time engage in litigation or arbitration related to claims for payment in respect of ceded reinsurance, including disputes that challenge the Company's ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance related claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate. The Company believes that no individual litigation or arbitration to which the Company is presently a party is likely to have a material adverse effect on the Company's financial condition, business or operations.

NOTE 13. SUBSEQUENT EVENTS

Effective January 1, 2021, DaVinciRe contributed $250.0 million to the Company.

In February 2021, major winter storms impacted the U.S., causing widespread damage in many areas, including Texas. The Company currently estimates a $137.1 million net impact on its 2021 financial results from these storms. Meaningful uncertainty remains regarding the estimates and the nature and extent of the losses, driven by the magnitude and recent nature, the geographic areas impacted, relatively limited claims data received to date, the contingent nature of business interruption and other exposures, potential uncertainties relating to reinsurance recoveries, and other factors inherent in loss estimation, among other things. Estimated losses are based on a review of potential exposures, preliminary discussions with certain counterparties and actuarial modeling techniques. Actual losses, both individually and in the aggregate, may vary from these estimates, perhaps materially. Changes in these estimates will be recorded in the period in which they occur.

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2020, through April 26, 2021, the date the financial statements were available to be issued.