AXIS Specialty Limited

Consolidated Financial Statements and Independent Auditors’ Report

December 31, 2020 and 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of AXIS Specialty Limited
Hamilton, Bermuda

We have audited the accompanying consolidated financial statements of AXIS Specialty Limited (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of AXIS Specialty Limited and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 6 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting_Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 of America, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Deloitte Ltd.

April 29, 2021

AXIS SPECIALTY LIMITED
CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019

(In thousands of U.S. dollars)

	2020	2019
Assets		
Investments:		
Fixed maturities, available for sale, at fair value	$ 5,236,584	$ 5,781,175
(Amortized cost 2020: $5,025,972, 2019: $5,693,624)		
Equity securities, at fair value	58,290	82,896
(Cost 2020: $35,831, 2019: $55,826)		
Other investments, at fair value	518,962	484,151
Short-term investments, at amortized cost and fair value	16,622	10,324
Total investments	5,830,458	6,358,546
Cash and cash equivalents	201,138	237,449
Restricted cash and cash equivalents	75,898	83,702
Accrued interest receivable	30,073	38,659
Insurance and reinsurance premium balances receivable	270,942	306,193
Deferred acquisition costs	155,508	184,415
Due from affiliates	2,032,724	2,054,018
Prepaid reinsurance premiums	120,827	103,750
Reinsurance recoverable on unpaid losses	769,750	693,104
Reinsurance recoverable on paid losses	71,205	31,496
Receivable for investments sold	1,800	15,317
Other assets	25,569	14,017
Total assets	$ 9,585,892	$ 10,120,666
Liabilities		
Reserve for losses and loss expenses	$ 5,030,797	$ 5,051,482
Unearned premiums	948,705	1,041,217
Insurance and reinsurance balances payable	256,538	278,670
Due to affiliates	64,663	238,436
Other liabilities	66,470	82,068
Payable for investments purchased	28,565	30,336
Total liabilities	6,395,738	6,722,209
Shareholder's Equity		
Common shares	1,200	1,200
(Authorized 12,000,000 common shares, par value $0.10		
Issued and outstanding 2020: 12,000,000 ; 2019: 12,000,000)		
Additional paid-in capital	2,114,237	2,114,237
Accumulated other comprehensive income	210,931	87,551
Retained earnings	863,786	1,195,469
Total shareholder's equity	3,190,154	3,398,457
Total liabilities and shareholder's equity	$ 9,585,892	$ 10,120,666

See accompanying notes to Consolidated Financial Statements.

AXIS SPECIALTY LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Years ended December 31, 2020 and 2019

(In thousands of U.S. dollars)

	2020	2019
Revenues		
Gross premiums written	$ 1,753,077	$ 2,008,445
Premiums ceded	(420,853)	(463,838)
Net premiums written	1,332,224	1,544,607
Change in net unearned premiums	109,589	52,368
Net premiums earned	1,441,813	1,596,975
Net investment income	167,751	239,946
Other insurance related income (loss)	(6,092)	3,083
Net investment gains (losses)		
Allowance for expected credit losses	(320)	—
Impairment losses	(968)	—
Other-than-temporary impairment (OTTI) losses	—	(5,234)
Other realized and unrealized investment gains	27,583	26,272
Total net investment gains	26,295	21,038
Total revenues	1,629,767	1,861,042
Expenses		
Net losses and loss expenses	1,089,688	1,110,994
Acquisition costs	415,684	471,340
General and administrative expenses	35,361	59,255
Foreign exchange losses (gains)	62,625	(9,100)
Interest expense	8,092	2,609
Total expenses	1,611,450	1,635,098
Net income	18,317	225,944
Other comprehensive income:		
Available for sale investments:		
Unrealized investment gains arising during the year for which an allowance for expected credit losses has not been recognized	97,022	197,160
Unrealized investment gains (losses) arising during the year for which an allowance for expected credit losses has been recognized	(40)	—
Adjustment for re-classification of net realized investment (gains) losses, impairment losses and OTTI losses recognized in net income (nil tax)	26,398	4,534
Unrealized investment gains (losses) arising during the year, net of reclassification adjustment (nil tax)	123,380	201,694
Total other comprehensive income	123,380	201,694
Comprehensive income	$ 141,697	$ 427,638

See accompanying notes to Consolidated Financial Statements.

AXIS SPECIALTY LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

Years ended December 31, 2020 and 2019

(In thousands of U.S. dollars)

	2020	2019
Common shares		
Balance at beginning and end of year	$ 1,200	$ 1,200
Additional paid-in capital		
Balance at beginning of year	2,114,237	2,114,237
Share-based compensation expense	1,950	2,167
Return of additional paid-in capital	(1,950)	(2,167)
Balance at end of year	2,114,237	2,114,237
Accumulated other comprehensive income (loss)		
Unrealized gains (losses) on available for sale investments:		
Balance at beginning of year	87,551	(114,143)
Unrealized gains (losses) arising during the year, net of reclassification adjustment	123,380	201,694
Balance at end of year	210,931	87,551
Retained earnings		
Balance at beginning of year	1,195,469	1,469,525
Net income	18,317	225,944
Dividends paid to parent	(350,000)	(500,000)
Balance at end of year	863,786	1,195,469
Total shareholder's equity	$ 3,190,154	$ 3,398,457

See accompanying notes to Consolidated Financial Statements.

AXIS SPECIALTY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019

(In thousands of U.S. dollars)

	2020	2019
Cash flows from operating activities:		
Net income	$ 18,317	$ 225,944
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Net investment gains	(26,295)	(21,038)
Net realized and unrealized (gains) losses on other investments	695	(25,951)
Amortization of fixed maturities	16,450	13,482
Other amortization and depreciation	854	1,993
Share-based compensation expense, net of cash payments	1,950	2,167
Changes in:		
Accrued interest receivable	8,586	4,506
Insurance and reinsurance balances, net	13,119	(40,173)
Deferred acquisition costs	28,907	30,738
Due from (to) affiliates	124,338	(93,895)
Prepaid reinsurance premiums	(17,077)	(27,718)
Reinsurance recoverable on unpaid and paid losses	(116,354)	(50,839)
Reserve for losses and loss expenses	(20,685)	(150,194)
Unearned premiums	(92,512)	(24,640)
Other items	(33,105)	19,004
Net cash used in operating activities	(92,812)	(136,614)
Cash flows from investing activities:		
Purchases of:		
Fixed maturities	(3,272,067)	(4,363,042)
Equity securities	(115)	—
Other investments	(92,098)	(79,156)
Short-term investments	(49,197)	(45,298)
Proceeds from the sale of:		
Fixed maturities	3,316,831	3,912,974
Equity securities	27,518	—
Other investments	79,208	93,351
Short-term investments	28,785	151,340
Proceeds from the redemption of fixed maturities	622,721	589,904
Proceeds from the redemption of short-term investments	13,874	—
Net cash provided by investing activities	675,460	260,073
Cash flows from financing activities:		
Advances and payments on behalf of parent and ultimate parent companies	(454,994)	(494,939)
Short term advances and loans from (to) affiliates	(173,773)	154,288
Net cash used in financing activities	(628,767)	(340,651)
Effect of exchange rates changes on foreign currency cash and cash equivalents and restricted cash	2,004	(1,650)
Decrease in cash and cash equivalents and restricted cash	(44,115)	(218,842)
Cash and cash equivalents and restricted cash, beginning of year	321,151	539,993
Cash and cash equivalents and restricted cash, end of year	$ 277,036	$ 321,151

Non-cash operating and financing activities: The Company declared dividends of $350,000 in 2020 (2019: $500,000) and returned additional paid-in capital of $1,950 in 2020 (2019: $2,167). The dividends and returns of additional paid-in capital were net settled against balances due from AXIS Capital Holdings Limited, the Company’s ultimate holding company and AXIS Specialty Holdings Bermuda Limited, the Company's parent company .

See accompanying notes to Consolidated Financial Statements.

1. History

AXIS Specialty Limited (the "Company") was incorporated on November 8, 2001 under the laws of Bermuda. Pursuant to an exchange offer consummated on December 31, 2002, the Company became a wholly owned subsidiary of AXIS Capital Holdings Limited ("AXIS Capital", the "ultimate parent company"). On December 12, 2011, AXIS Capital assigned all of its shares of the Company to AXIS Specialty Holdings Bermuda Limited ("AXIS Specialty Holdings"). AXIS Specialty Holdings was incorporated under the laws of Bermuda on September 22, 2011 and is a wholly owned subsidiary of AXIS Capital.

The Company is licensed under the Bermuda Insurance Act 1978, amendments thereto and related regulations, to write general business as a Class 4 insurer and commenced operations on November 20, 2001, providing a broad range of insurance and reinsurance products on a worldwide basis.

The Company also provides reinsurance protection to other subsidiaries of AXIS Capital through quota share and stop loss agreements.

The Company formed a branch in Singapore (the "Branch") on June 19, 2008 and obtained a license on August 12, 2008 to carry on general insurance business in Singapore.

On February 5, 2015, AXIS Specialty Holdings contributed all of its shares of AXIS Bermuda Services Limited ("Bermuda Services") to the Company. Bermuda Services was repurposed as a special purpose investment company. On August 15, 2017, Bermuda Services was renamed AXIS Specialty Investments Limited ("Investments I").

On January 6, 2016, AXIS Specialty Holdings transferred all of its shares of AXIS Specialty Investments II Limited ("Investments II") to the Company. Investments II was repurposed as a special purpose investment company.

2. Significant Accounting Policies

Basis of Presentation and Consolidation

These Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the results of operations and the financial position of the Branch, Investments I and Investments II. All transactions and balances between the Company, the Branch, Investments I and Investments II have been eliminated.

Use of Estimates

The preparation of these Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the Consolidated Financial Statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company's principal estimates include:

- reserve for losses and loss expenses;
- reinsurance recoverable on unpaid losses, including the provision for uncollectible amounts;
- gross and net premiums written and net premiums earned;
- fair value measurements for financial assets and liabilities; and
- the allowance for credit losses associated with available for sale securities.

Significant accounting policies are as follows:

a) Investments

Fixed Maturities, available for sale, at fair value

Fixed maturities classified as available for sale are reported at fair value at the balance sheet date (see Note 4 – Fair Value Measurements). The change in fair values of fixed maturities, net of tax, is recognized in accumulated other comprehensive income (loss) ("AOCI") in the Consolidated Statement of Changes in Shareholder's Equity.

Net investment income includes interest income and the amortization of market premiums and discounts and is presented net of investment expenses. Investment income is recognized when earned. Purchases and sales of fixed maturities are recorded on a trade-date basis and realized investment gains (losses) on sales of fixed maturities are determined based on the specific identification method. Realized gains (losses) on fixed maturities are included in net investment gains (losses) in the Consolidated Statements of Operations.

The Company recognizes investment income from fixed maturities based on the constant effective yield method, which includes an adjustment for estimated principal repayments, if applicable. The effective yield used to determine the amortization of fixed maturities subject to prepayment risk (e.g. asset-backed, mortgage-backed and other structured securities) is recalculated and adjusted periodically based on historical and/or projected future cash flows. Adjustments to the yield for highly rated prepayable fixed maturities are accounted for using the retrospective method. Adjustments to the yield for other prepayable fixed maturities are accounted for using the prospective method.

2. Significant Accounting Policies (continued)

Following the adoption of Accounting Standard Update ("ASU") 2016-13, "Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments," (refer to 'New Accounting Standards Adopted in 2020' below)

An available for sale fixed maturity is impaired if the fair value of the investment is below amortized cost.

If a fixed maturity is impaired and the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the full amount of the impairment loss is charged to net income and is included in net investment gains (losses).

In instances where the Company intends to hold the impaired fixed maturity, the Company determines whether the decline in fair value below the amortized cost basis has resulted from a credit loss or other factors. If the Company does not anticipate to fully recover the amortized cost, an allowance for expected credit losses is established. The allowance for expected credit losses is limited to the difference between a security's amortized cost basis and its fair value. The allowance for expected credit losses is charged to net income and is included in net investment gains (losses).

On a quarterly basis, the Company assesses whether unrealized losses on fixed maturities represent credit impairments by considering the following factors:

(i) the extent to which the fair value is less than amortized cost;
(ii) adverse conditions related to the security, industry, or geographical area;
(iii) downgrades in the security's credit rating by a credit rating agency; and
(iv) failure of the issuer to make scheduled principal or interest payments.

The length of time a security has been in an unrealized loss position no longer impacts the determination of whether a credit loss exists. If a security is assessed to be credit impaired, it is subject to a discounted cash flow analysis by comparing the present value of expected future cash flows with the amortized cost basis. If the present value of expected cash flows is less than the amortized cost, a credit loss exists and an allowance for expected credit losses is recognized. If the present value of expected future cash flows is equal to or greater than the amortized cost basis, an expected credit loss does not exist.

The non-credit impairment amount of the loss is recognized in other comprehensive income.

The Company reports accrued interest receivable related to available for sale debt securities separately and has elected not to measure an allowance for expected credit losses for accrued interest receivable. Write-offs of accrued interest receivable balances are recognized in net investment gains (losses) in the period in which they are deemed uncollectible.

Prior to the adoption of ASU 2016-13

An available for sale fixed maturity is impaired if the fair value of the investment is below amortized cost.

2. Significant Accounting Policies (continued)

On a quarterly basis, the Company assesses whether unrealized investment losses on fixed maturities represent impairments that are other-than-temporary. The Company's impairment review process begins with a quantitative analysis to identify securities to be evaluated for potential OTTI. For identified securities, fundamental analysis is performed that considers the following quantitative and qualitative factors:

(i) the duration and the extent of the decline;
(ii) the financial condition, near-term and long-term prospects of the issuer of the security;
(iii) the reason for the decline (e.g. credit spread widening, credit event, foreign exchange rate movements);
(iv) the historical and implied future volatility of the fair value; and
(v) the collateral structure and credit support of the security, if applicable.

If a fixed maturity is impaired and the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the impairment is considered other-than-temporary. In these instances, the full amount of the impairment is charged to net income and is included in net investment gains (losses) in the Consolidated Statements of Operations.

In instances where the Company intends to hold the impaired fixed maturity, the Company estimates the anticipated credit loss of the security and this component of the impairment is charged to net income and is included in net investment gains (losses) in the Consolidated Statements of Operations. On recognition of an OTTI charge, the new cost basis for the security is the amortized cost basis less the OTTI charge recognized in net income. The new cost basis is not adjusted for subsequent increases in fair value. The difference between the new cost basis and the cash flows expected to be collected is accreted or amortized on a quarterly basis to net investment income over the remaining life of the fixed maturity.

The Company recognizes the non-credit component of the impairment (i.e. related to interest rates, market conditions, etc.) in other comprehensive income.

Equity Securities, at fair value

Equity securities are reported at fair value (see Note 4 – Fair Value Measurements). The change in the fair values of equity securities, net of tax is recognized in net investment gains (losses) in the Consolidated Statements of Operations.

Net investment income includes dividend income and is presented net of investment expenses. Investment income is recognized when earned. Purchases and sales of equity securities are recorded on a trade-date basis and realized gains (losses) on sales of equity securities are determined based on the specific identification method. Realized gains (losses) on equity securities are included in net investment gains (losses) in the Consolidated Statements of Operations.

Other Investments

Other investments are recorded at fair value (see Note 4 – Fair Value Measurements). Changes in fair value and realized gains (losses) reported in net investment income in the Consolidated Statements of Operation.

2. Significant Accounting Policies (continued)

Short-Term Investments

Short-term investments primarily comprise highly-liquid debt securities with maturities greater than three months but less than one year from the date of purchase. These investments are carried at amortized cost, which approximates fair value.

b) Cash and Cash Equivalents

Cash equivalents include money-market funds, fixed interest deposits and reverse repurchase agreements with a maturity of under 90 days when purchased. Cash and cash equivalents are recorded at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities. Restricted cash consists of cash and cash equivalents held in trust primarily to secure obligations under reinsurance agreements.

c) Premiums and Acquisition Costs

Premiums

Insurance premiums written are recorded in accordance with the terms of the underlying policies.

Reinsurance premiums are recorded at the inception of the contract based on estimates received from ceding companies. For multi-year contracts insurance and reinsurance premiums are recorded at the inception of the contract based on management's best estimate of total premiums to be received. Premiums are recognized on an annual basis for multi-year contracts where the cedant has the ability to unilaterally commute or cancel coverage within the term of the contract.

Any adjustments to insurance and reinsurance premium estimates are recognized in the period in which they are determined.

Insurance and reinsurance premiums are earned evenly over the period during which the Company is exposed to the underlying risk, which is generally one to two years with the exception of multi-year contracts. Unearned premiums represent the portion of premiums written which relates to the unexpired risks under contracts in force.

Reinstatement premiums are recognized and earned at the time a loss event occurs and losses are recorded, where the coverage limits for the remaining life of the contract are reinstated under predefined contract terms. The recognition of reinstatement premiums is based on estimates of losses and loss expenses, which reflects management's judgment, as described in Note 2(d) – Losses and Loss Expenses below.

Following the adoption of Accounting Standard Update ("ASU") 2016-13, "Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments," (refer to 'New Accounting Standards Adopted in 2020' below)

2. Significant Accounting Policies (continued)

Insurance and reinsurance premium balances receivable are reviewed for impairment at least quarterly and are presented net of an allowance for expected credit losses. The allowance for expected credit losses is estimated based on the Company's analysis of amounts due, historical delinquencies and write-offs, and current economic conditions, together with reasonable and supportable forecasts of short-term economic conditions. The allowance for expected credit losses is recognized in net income (loss). Any adjustment to the allowance for expected credit losses is recognized in the period in which it is determined. Write-offs of premium balances receivable, together with associated allowances for expected credit losses, are recognized in the period in which balances are deemed uncollectible. The Company does not have a history of significant write-offs.

Prior to the adoption of ASU 2016-13

Insurance and reinsurance premium balances receivable are reviewed for impairment at least quarterly and an allowance is established for amounts considered uncollectible.

Acquisition Costs

Acquisition costs vary with and are directly related to the successful acquisition efforts of acquiring new or renewing existing insurance and reinsurance contracts and consist primarily of fees and commissions paid to brokers and premium taxes. Acquisition costs are shown net of commissions on reinsurance purchased. Net acquisition costs are deferred and charged to net income as the related premium is earned. Insurance and reinsurance premium balances receivable are presented net of acquisition costs when contract terms provide for the right of offset.

Anticipated losses and loss expenses, other costs and investment income related to these premiums are considered in assessing the recoverability of deferred acquisition costs. If deferred amounts are estimated to be unrecoverable, they are expensed. Compensation expenses for personnel involved in contract acquisition, as well as advertising costs, are expensed as incurred.

d) Losses and Loss Expenses

Reserve for losses and loss expenses represents an estimate of the unpaid portion of the ultimate liability for losses and loss expenses for insured and reinsured events that have occurred at or before the balance sheet date. These amounts reflect claims that have been reported (“case reserves”) and claims that have been incurred but not yet reported ("IBNR") and are reduced for estimated amounts of salvage and subrogation recoveries.

The Company reviews its reserve for losses and loss expenses on a quarterly basis. Case reserves are primarily established based on amounts reported by clients and/or their brokers. Management estimates IBNR after reviewing detailed actuarial analyses and applying informed judgment regarding qualitative factors that may not be fully captured in the actuarial estimates. A variety of actuarial methods are utilized in this process, including the Expected Loss Ratio, Chain Ladder and Bornhuetter Ferguson methods. The estimate is highly dependent on management’s judgment as to which method(s) are most appropriate for a particular accident/ underwriting year and line of business. Historical claims data is often supplemented with industry benchmarks when applying these methodologies.

2. Significant Accounting Policies (continued)

Any adjustments to estimates of reserve for losses and loss expenses are recognized in the period in which they are determined. While the Company believes that its reserves for losses and loss expenses are adequate, this estimate requires significant judgment and new information, events or circumstances may result in ultimate losses that are materially greater or less than provided for in the Consolidated Balance Sheets.

e) Ceded Reinsurance

In the normal course of business, the Company purchases treaty and facultative reinsurance protection to limit its ultimate losses from catastrophic events and to reduce its loss aggregation risk. The premiums paid to reinsurers (i.e. ceded premiums written) are recognized over the coverage period. Prepaid reinsurance premiums represent the portion of premiums ceded which relate to the unexpired term of the contracts in force. Reinstatement premiums ceded are recognized and earned at the time a loss event occurs and losses recorded, where coverage limits for the remaining life of a contract are reinstated under predefined contract terms.

Reinsurance recoverable on unpaid losses and loss expenses ("reinsurance recoverable") related to case reserves is estimated on a case-by-case basis by applying the terms of applicable reinsurance cover to individual case reserve estimates. Reinsurance recoverable related to IBNR is generally developed as part of the Company's loss reserving process therefore, its estimation is subject to similar risks and uncertainties as the estimation of IBNR.

Following the adoption of Accounting Standard Update ("ASU") 2016-13, "Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments," (refer to 'New Accounting Standards Adopted in 2020' below)

Reinsurance recoverable balances are reviewed for impairment at least quarterly and are presented net of an allowance for expected credit losses.

A case-specific allowance for expected credit losses is estimated based on the Company's analysis of amounts due, historical delinquencies and write-offs. In addition, the Company uses a default analysis which is based on the reinsurers' credit rating and the length of collection periods to estimate allowances for expected credit losses on the remainder of the reinsurance recoverable balance. The default analysis considers current and forecasted economic conditions.

The allowance for expected credit losses is recognized in net income (loss). Any adjustment to the allowance for expected credit losses is recognized in the period in which it is determined. Write-offs of reinsurance recoverable balances, together with associated allowances for expected credit losses, are recognized in the period in which balances are deemed uncollectible. The Company does not have a history of significant write-offs.

2. Significant Accounting Policies (continued)

Prior to the adoption of ASU 2016-13

Reinsurance recoverable is presented net of a provision for uncollectible amounts, reflecting the amount the Company believes ultimately will not be recovered from reinsurers due to insolvency, contractual disputes over contract language or coverage and/or some other reason. The Company applies case-specific provisions against reinsurance recoverable balances that it deems unlikely to be collected in full. In addition, the Company uses a default analysis to estimate the provision for uncollectible amounts on the remainder of the reinsurance recoverable balance.

The estimates of reinsurance recoverable balances and the provision for uncollectible amounts require management's judgment and are reviewed in detail on a quarterly basis. Any adjustments to the provision for uncollectible amounts are recognized in the period in which they are determined.

Retroactive Reinsurance

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered under contracts subject to the reinsurance. In certain instances, reinsurance contracts cover losses both on a prospective basis and on a retroactive basis and where practical the Company bifurcates the prospective and retrospective elements of these reinsurance contracts and accounts for each element separately. Initial gains in connection with retroactive reinsurance contracts are deferred and amortized into income over the settlement period while losses are recognized immediately. When changes in the estimated amount recoverable from the reinsurer or in the timing of receipts related to that amount occur, a cumulative amortization adjustment is recognized in net income in the period in which the change is determined so that the deferred gain reflects the balance that would have existed had the revised estimate been available at the inception of the reinsurance transaction.

2. Significant Accounting Policies (continued)

f) Foreign Currency Transactions

The functional currency of the Company is the U.S. dollar. Transactions in currencies other than the functional currency are measured in U.S. dollars at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are remeasured to functional currency at the rates of exchange in effect at the balance sheet date with the resulting foreign exchange losses (gains) generally being recognized in the Consolidated Statements of Operations. Foreign exchange losses (gains) related to available for sale investments denominated in foreign currencies represent an unrealized appreciation (depreciation) in the market value of the securities and are included in AOCI. Non-monetary assets and liabilities denominated in foreign currency are not subsequently remeasured.

g) Share-Based Compensation

Share-based compensation expense includes share-settled and cash-settled service and performance based awards.

The fair value of share-settled and cash-settled service and performance awards is based on the market value of AXIS Capital's common share measured at the grant date and is expensed over the requisite service period. Compensation expense associated with share-settled and cash-settled performance awards is also subject to periodic adjustment based on the achievement of established performance criteria during the applicable performance period.

The fair value of the cash-settled service and performance awards is recognized as a liability in the Consolidated Balance Sheets and is remeasured at the end of each reporting period.

The Company recognizes forfeitures when they occur.

h) Derivative Instruments

The Company may enter into derivative instruments such as futures, options, interest rate swaps and foreign currency forward contracts as part of its overall foreign currency risk management strategy, to obtain exposure to a particular financial market or for yield enhancement.

From time to time, the Company may also enter into insurance and reinsurance contracts that meet the Financial Accounting Standards Board's ("FASB") definition of a derivative contract.

The Company measures all derivative instruments at fair value (see Note 4 – Fair Value Measurements) and recognizes these instruments as either assets or liabilities in the Consolidated Balance Sheets. Subsequent changes in fair value and any realized gains or losses are recognized in the Consolidated Statements of Operations.

2. Significant Accounting Policies (continued)

i) Income Tax

The Branch is subject to taxation. Current and deferred income taxes are charged or credited to net income, or in certain cases to AOCI, based upon enacted tax laws and rates applicable in Singapore in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the Consolidated Balance Sheets and those used in the tax returns. When the assessment indicates that it is more likely than not that a portion of a deferred tax asset will not be realized in the foreseeable future, a valuation allowance against deferred tax assets is recorded. The Company recognizes the tax benefits of uncertain tax positions only when the position is more-likely-than-not to be sustained upon audit by the relevant taxing authorities.

j) New Accounting Standards Adopted in 2020

Measurement of Credit Losses on Financial Instruments

Effective January 1, 2020, the Company adopted ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments," using the modified retrospective approach for insurance and reinsurance premium balances receivable and reinsurance recoverable on unpaid losses and loss expenses. The Company assessed that the impact of adoption of ASU 2016-13 was $nil. This guidance replaced the "incurred loss" impairment methodology with an approach based on "expected losses" to estimate credit losses on certain types of financial instruments and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance requires financial assets to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the cost of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset.

Insurance and reinsurance premium balances receivable of $271 million at December 31, 2020 was presented net of an allowance for expected credit losses. The allowance for expected credit losses was estimated based on the Company's analysis of amounts due, historical delinquencies and write-offs, and current economic conditions, together with reasonable and supportable forecasts of short-term economic conditions, giving consideration to the potential impact from the COVID-19 pandemic. At December 31, 2020, the allowance for credit losses expected to be recognized over the life of premium balances receivable was negligible.

Reinsurance recoverable on unpaid losses and loss expenses of $770 million at December 31, 2020 was presented net of an allowance for expected credit losses. A case-specific allowance for expected credit losses was estimated based on the Company's analysis of amounts due, historical delinquencies and write-offs. In addition, the Company used a default analysis based on the reinsurers' credit rating and the length of collection periods to estimate allowances for expected credit losses on the remainder of the reinsurance recoverable balance. The default analysis considered current and forecasted economic conditions including the potential impact from the COVID-19 pandemic. At December 31, 2020, the allowance for credit losses expected to be recognized over the life of the reinsurance recoverable balances was $2 million.

2. Significant Accounting Policies (continued)

Effective January 1, 2020, the Company adopted the targeted changes to the impairment model for available for sale securities introduced in ASU 2016-13 using the prospective transition approach. The updated guidance amends the previous other-than-temporary impairment model by requiring the recognition of impairments related to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position no longer impacts the determination of whether a credit loss exists.

In instances where the Company intends to hold the impaired fixed maturity, and it does not anticipate to fully recover the amortized cost, an allowance for expected credit losses is established. At December 31, 2020, the allowance for expected credit losses was $(0.3) million.

k) Recently Issued Accounting Standards Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" which provides a new comprehensive model for lease accounting. Topic 842 will require a lessee to recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term.

In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842) - Targeted Improvements" which provides an additional (and optional) transition method to adopt the new lease guidance. A company electing this additional (and optional) transition method must provide the required Topic 840 disclosures for all periods that continue to be in accordance with Topic 840. However, these amendments do not change the existing disclosure requirements in Topic 840, in particular these amendments do not create interim disclosure requirements. On November 15, 2019, the FASB issued ASU 2019-10 which amends the effective dates for certain major new accounting standards. ASU 2019-10 amends the effective date for ASU 2016-02 for non public enterprises following which this guidance is effective for annual reporting periods beginning after December 15, 2020 and for interim periods beginning after December 15, 2021, with early adoption permitted.

The Company will adopt Topic 842 effective January 1, 2021, by electing the additional transition method provided in ASU 2018-11. The Company will also elect the package of practical expedients permitted under the transition guidance of Topic 842, which must be elected as a package and applied consistently to all leases. The package of practical expedients permits the Company not to reassess the following:

1. whether any expired or existing contracts are or contain leases;
2. the lease classification for any expired or existing leases; and
3. initial direct costs for any existing leases.

2. Significant Accounting Policies (continued)

In addition to electing the package of practical expedients, the Company will make an accounting policy election not to record leases with an initial term of 12 months or less (short-term) in the Company's Consolidated Balance Sheets. The Company will recognize expense for short-term lease payments on a straight-line basis over the lease term in the Company's Consolidated Statements of Operations. At December 31, 2020, the Company expects the adoption of this guidance will result in the recognition of lease assets and lease liabilities of approximately $8 million in the Company's Consolidated Balance Sheets at January 1, 2021, related to existing office property and equipment leases. The adoption of this guidance will not impact the Company's results of operations and liquidity.

3. Investments

a) Fixed Maturities and Equity Securities

Fixed Maturities

The amortized cost and fair values of the Company's fixed maturities classified as available for sale were as follows:

	2020				
	Amortized Cost	Allowance for expected credit losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:					
U.S. government and agency	$ 751,720	$ —	$ 21,357	$ (831)	$ 772,246
Non-U.S. government	241,724	—	17,041	(409)	258,356
Corporate debt	1,804,245	(300)	103,749	(4,117)	1,903,577
Agency RMBS(1)	582,320	—	24,323	(76)	606,567
CMBS(2)	621,634	—	44,432	(415)	665,651
Non-agency RMBS	97,310	(20)	3,595	(604)	100,281
ABS(3)	873,555	—	6,128	(4,828)	874,855
Municipals(4)	53,464	—	1,593	(6)	55,051
Total fixed maturities	$ 5,025,972	$ (320)	$ 222,218	$ (11,286)	$ 5,236,584

	2019				
	Amortized Cost	Allowance for expected credit losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:					
U.S. government and agency	$ 844,786	$ —	$ 7,655	$ (3,140)	$ 849,301
Non-U.S. government	252,716	—	8,237	(1,767)	259,186
Corporate debt	2,130,690	—	63,298	(5,096)	2,188,892
Agency RMBS(1)	923,899	—	15,940	(2,382)	937,457
CMBS(2)	622,582	—	10,847	(3,698)	629,731
Non-agency RMBS	38,264	—	843	(816)	38,291
ABS(3)	823,562	—	1,425	(4,186)	820,801
Municipals(4)	57,125	—	474	(83)	57,516
Total fixed maturities	$ 5,693,624	$ —	$ 108,719	$ (21,168)	$ 5,781,175

(1) Residential mortgage-backed securities ("RMBS") originated by U.S. government-sponsored agencies.
(2) Commercial mortgage-backed securities ("CMBS").
(3) Asset-backed securities ("ABS") include debt tranched securities collateralized primarily by auto loans, student loans, credit card receivables and collateralized loan obligations ("CLOs").
(4) Municipals include bonds issued by states, municipalities, and political subdivisions.

3. Investments (continued)

Equity Securities

The cost and fair values of the Company's equity securities were as follows:

	2020			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities:				
Exchange-traded funds	$ 35,122	$ 22,590	$ —	$ 57,712
Common stocks	594	106	(337)	363
Preferred stocks	115	100	—	215
Total equity securities	$ 35,831	$ 22,796	$ (337)	$ 58,290

	2019			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities:				
Exchange-traded funds	$ 55,538	$ 27,170	$ —	$ 82,708
Common stocks	288	77	(177)	188
Preferred stocks	—	—	—	—
Total equity securities	$ 55,826	$ 27,247	$ (177)	$ 82,896

In the normal course of investing activities, the Company actively manages allocations to non-controlling tranches of structured securities which are variable interests issued by Variable Interest Entities ("VIEs"). These structured securities include RMBS, CMBS and ABS.

The Company also invests in limited partnerships which represent 70% of the Company's other investments. The investments in limited partnerships include hedge funds, direct lending funds, private equity funds and real estate funds as well as CLO equity tranched securities, which are all variable interests issued by VIEs (see Note 3(b) *'Other Investments'*). The Company does not have the power to direct the activities that are most significant to the economic performance of the VIEs therefore the Company is not the primary beneficiary of these VIEs.

The maximum exposure to loss on these interests is limited to the amount of commitment made by the Company. The Company has not provided financial or other support to these structured securities other than the original investment.

3. Investments (continued)

Contractual Maturities

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The contractual maturities of fixed maturities are shown below:

	2020		2019	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 80,591	$ 83,120	$ 119,891	$ 122,275
Due after one year through five years	1,718,687	1,789,172	1,900,091	1,925,661
Due after five years through ten years	921,287	976,803	999,664	1,029,661
Due after ten years	130,588	140,135	265,671	277,298
	2,851,153	2,989,230	3,285,317	3,354,895
Agency RMBS	582,320	606,567	923,899	937,457
CMBS	621,634	665,651	622,582	629,731
Non-agency RMBS	97,310	100,281	38,264	38,291
ABS	873,555	874,855	823,562	820,801
Total	$ 5,025,972	$ 5,236,584	$ 5,693,624	$ 5,781,175

Gross Unrealized Losses

The following tables summarize fixed maturities in an unrealized loss position at December 31, 2020 and 2019, and the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

	2020					
	12 months or greater		**Less than 12 months**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturities:						
U.S. government and agency	$ —	$ —	$ 59,491	$ (831)	$ 59,491	$ (831)
Non-U.S. government	12,534	(243)	3,652	(166)	16,186	(409)
Corporate debt	59,185	(2,073)	134,208	(2,044)	193,393	(4,117)
Agency RMBS	5,091	(15)	8,310	(61)	13,401	(76)
CMBS	9,407	(127)	27,668	(288)	37,075	(415)
Non-agency RMBS	5,047	(595)	742	(9)	5,789	(604)
ABS	240,561	(3,445)	231,873	(1,383)	472,434	(4,828)
Municipals	—	—	7,179	(6)	7,179	(6)
Total fixed maturities	$ 331,825	$ (6,498)	$ 473,123	$ (4,788)	$ 804,948	$ (11,286)

3. Investments (continued)

	2019					
	12 months or greater		Less than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
U.S. government and agency	$ —	$ —	$ 317,590	$ (3,140)	$ 317,590	$ (3,140)
Non-U.S. government	47,706	(1,431)	7,624	(336)	55,330	(1,767)
Corporate debt	93,296	(3,316)	153,997	(1,780)	247,293	(5,096)
Agency RMBS	131,455	(1,257)	178,890	(1,125)	310,345	(2,382)
CMBS	13,316	(41)	188,785	(3,657)	202,101	(3,698)
Non-agency RMBS	5,821	(792)	10,490	(24)	16,311	(816)
ABS	375,820	(3,674)	195,115	(512)	570,935	(4,186)
Municipals	4,217	(33)	15,559	(50)	19,776	(83)
Total fixed maturities	$ 671,631	$ (10,544)	$ 1,068,050	$ (10,624)	$ 1,739,681	$ (21,168)

Fixed Maturities

At December 31, 2020, 527 fixed maturities (2019: 700) were in an unrealized loss position of $11,286 (2019: $21,168) of which $6,162 (2019: $5,049) was related to securities below investment grade or not rated.

At December 31, 2020, 212 fixed maturities (2019: 399) had been in a continuous unrealized loss position for 12 months or greater and had a fair value of $331,825 (2019: $671,631).

The unrealized losses of $11,286 (2019: $21,168) were due to non-credit factors and were expected to be recovered as the related securities approach maturity.

At December 31, 2020, the Company did not intend to sell the securities in an unrealized loss position and it is more likely than not that it will not be required to sell these securities before the anticipated recovery of their amortized costs.

3. Investments (continued)

b) Other Investments

The following tables provide a summary of the Company's other investments, together with additional information relating to the liquidity of each category:

	Fair Value		Redemption Frequency (if currently eligible)	Redemption Notice Period
At December 31, 2020				
Long/short equity funds	$ 25,300	5 %	Annually	60 days
Multi-strategy funds	97,845	19 %	Quarterly, Semi-annually	60-95 days
Direct lending funds	234,561	45 %	N/A	N/A
Private equity funds	70,118	14 %	N/A	N/A
Real estate funds	84,965	16 %	N/A	N/A
CLO-Equities	6,173	1 %	N/A	N/A
Total other investments	$ 518,962	100 %		
At December 31, 2019				
Long/short equity funds	$ 31,248	6 %	Annually	60 days
Multi-strategy funds	89,774	19 %	Quarterly, Semi-annually	60-90 days
Direct lending funds	225,304	47 %	N/A	N/A
Private equity funds	60,245	12 %	N/A	N/A
Real estate funds	63,252	13 %	N/A	N/A
CLO-Equities	14,328	3 %	N/A	N/A
Total other investments	$ 484,151	100 %		

N/A - not applicable

The investment strategies for the above funds are as follows:

- *Long/short equity funds*: Seek to achieve attractive returns primarily by executing an equity trading strategy involving long and short investments in publicly-traded equity securities.

- *Multi-strategy funds*: Seek to achieve above-market returns by pursuing multiple investment strategies to diversify risks and reduce volatility. This category includes funds of hedge funds which invest in a large pool of hedge funds across a diversified range of hedge fund strategies.

- *Direct lending funds*: Seek to achieve attractive risk-adjusted returns, including current income generation, by investing in funds which provide financing directly to borrowers.

- *Private equity funds*: Seek to achieve attractive risk-adjusted returns by investing in private transactions over the course of several years.

- *Real estate funds*: Seek to achieve attractive risk-adjusted returns by making and managing investments in real estate and real estate securities and businesses.

3. Investments (continued)

Two common redemption restrictions which may impact the Company's ability to redeem its hedge funds are gates and lockups. A gate is a suspension of redemptions which may be implemented by the general partner or investment manager of the fund in order to defer, in whole or in part, the redemption request in the event the aggregate amount of redemption requests exceeds a predetermined percentage of the fund's net assets which may otherwise hinder the general partner or investment manager's ability to liquidate holdings in an orderly fashion in order to generate the cash necessary to fund extraordinarily large redemption payouts. A lockup period is the initial amount of time an investor is contractually required to hold the security before having the ability to redeem. During 2020 and 2019, neither of these restrictions impacted the Company's redemption requests. At December 31, 2020, $25,300 (2019: $68,697), representing 21% (2019: 57%) of the Company's total hedge funds, relate to holdings where they are still within the lockup period. The expiration of these lockup periods range from March 2021 to March 2022.

At December 31, 2020, the Company has $150,802 (2019: $170,309) of unfunded commitments as a limited partner in direct lending funds. Once the full amount of committed capital has been called by the General Partner of each of these funds, the assets will not be fully returned until the completion of the fund's investment term. These funds have investment terms ranging from five to fifteen years and the General Partners of certain funds have the option to extend the term by up to three years.

At December 31, 2020, the Company has $7,500 (2019: $11,474) of unfunded commitments as a limited partner in multi-strategy hedge funds. Once the full amount of committed capital has been called by the General Partner of each of these funds, the assets will not be fully returned until the completion of the funds' investment term. These funds have investment terms ranging from two years to the dissolution of the underlying fund.

At December 31, 2020, the Company has $97,406 (2019: $60,511) of unfunded commitments as a limited partner in funds which invest in real estate and real estate securities and businesses. These funds include an open-ended fund and funds with investment terms ranging from seven years to the dissolution of the underlying fund.

At December 31, 2020, the Company has $47,376 (2019: $63,886) of unfunded commitments as a limited partner in private equity funds. The life of the funds is subject to the dissolution of the underlying funds. The Company expects the overall holding period to be over five years.

During 2015, the Company made a $50,000 commitment as a limited partner of a bank revolver opportunity fund. The fund has an investment term of seven years and the General Partners have the option to extend the term by up to two years. At December 31, 2020, this commitment remains unfunded. It is not anticipated that the full amount of this fund will be drawn.

3. Investments (continued)

c) Net Investment Income

Net investment income for the years ended December 31, 2020 and 2019 was derived from the following sources:

	2020	2019
Fixed maturities	$ 154,834	$ 191,920
Other investments	(596)	26,187
Equity securities	772	1,123
Short-term investments	458	3,991
Cash and cash equivalents	787	2,784
Loans to affiliates	22,288	28,184
Gross investment income	178,543	254,189
Investment expenses	(10,792)	(14,243)
Net investment income	$ 167,751	$ 239,946

d) Net Investment Gains (Losses)

The following table provides an analysis of net investment gains (losses) for the years ended December 31, 2020 and 2019:

	2020	2019
Gross realized investment gains		
Fixed maturities and short-term investments	$ 83,544	$ 48,310
Equity securities	6,906	120
Gross realized investment gains	90,450	48,430
Gross realized investment losses		
Fixed maturities and short-term investments	(55,984)	(38,533)
Equity securities	(82)	(93)
Gross realized investment losses	(56,066)	(38,626)
Allowance for expected credit losses	(320)	—
Impairment losses (1)	(968)	—
OTTI losses	—	(5,234)
Changes in fair value of investment derivatives (2)	(2,190)	(1,806)
Net unrealized gains (losses) on equity securities	(4,611)	18,274
Net investment gains	$ 26,295	$ 21,038

(1) Related to instances where the Company intends to sell securities or it is more likely than not that the Company will be required to sell securities before their anticipated recovery.
(2) Refer to Note 5 - Derivative Instruments

3. Investments (continued)

The following table provides a reconciliation of the beginning and ending balances of the allowance for expected credit losses on fixed maturities classified as available for sale for the years ended December 31, 2020 and 2019:

	2020	2019
Balance at beginning of period	$ —	$ —
Expected credit losses on securities where credit losses were nor previously recognized	16,009	—
Additions (reductions) for expected credit losses on securities where credit losses were previously recognized	(9,537)	—
Impairments of securities which the Company intends to sell or more likely than not will be required to sell	—	—
Securities sold/redeemed/matured	(6,152)	—
Balance at end of period	$ 320	$ —

The following table summarizes the OTTI charge recognized in net income by asset class for the years ended December 31, 2020 and 2019:

	2020	2019
Fixed maturities:		
Non-U.S. government	$ —	$ 90
Corporate debt	—	5,144
Total OTTI recognized in net income	$ —	$ 5,234

Fixed maturities

The Company evaluates available for sale securities for expected credit losses when fair value is below amortized cost. If the Company intends to sell or will be required to sell the security before its anticipated recovery, the full amount of the impairment loss is charged to net income. If the Company does not intend to sell or will not be required to sell the security before its anticipated recovery, an allowance for expected credit losses is established and the portion of the loss that relates to credit losses is recorded in net income.

Effective January 1, 2020, the Company adopted the targeted changes to the impairment model for available for sale securities. The updated guidance amends the previous OTTI impairment model by requiring the recognition of impairments related to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position no longer impacts the determination of whether a credit loss exists.

A summary of credit loss activity by asset class, the significant inputs and the methodology used to estimate credit losses is described below.

3. Investments (continued)

U.S. Government, U.S. Agency and U.S. Agency RMBS:

Unrealized losses on securities issued or backed, either explicitly or implicitly by the U.S. government are not analyzed for credit losses. The Company has concluded that the possibility of a credit losses on these securities is highly unlikely due to the explicit U.S. government guarantee related to certain securities (e.g. Government National Mortgage Association ("GNMA") issuances) and the implicit guarantee related to other securities that has been validated by past actions (e.g. U.S. government bailout of Federal National Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC") during the 2008 credit crisis). Although these securities are not analyzed for credit losses, they are evaluated for intention to sell and likely requirement to sell.

Non-U.S. Government:

Non-U.S. government securities are evaluated for expected credit losses primarily through qualitative assessment of the likelihood of credit losses using information such as severity of unrealized losses, credit ratings and price volatility. At December 31, 2020, the Company's holdings in sovereign debt, including $12,145 (2019: $12,232) relating to the eurozone countries, were substantially all investment-grade securities. The gross unrealized losses of $409 at December 31, 2020 were mainly due to foreign exchange losses. At December 31, 2020, the Company does not anticipate any credit losses on its non-U.S. government fixed maturities.

Previously, the evaluation of non-U.S. government securities for credit losses included duration of loss and foreign exchange losses. At December 31, 2019, the gross unrealized losses of $1,767 were mainly due to foreign exchange losses. In 2019, the OTTI charge on non-U.S. government fixed maturities mainly related to unrealized foreign exchange losses on certain securities where the forecasted recovery of the amortized cost of these securities was uncertain.

Corporate Debt:

To estimate expected credit losses for corporate debt securities, projected cash flows are primarily driven by assumptions regarding the severity of loss, probability of default and projected recovery rates. The default and loss severity rates are based on credit rating, credit analysis and macroeconomic forecasts. In 2020, the allowance for expected credit losses on corporate debt securities mainly related to loss severity where forecasted recovery to amortized cost was uncertain.

In 2019, the OTTI charge on corporate debt securities mainly related to loss severity, unrealized foreign exchange losses on certain securities where the forecasted recovery of the amortized cost of these securities was uncertain, and instances where the Company intended to sell securities before the forecasted recovery of the amortized cost of these securities.

CMBS:

The Company's investments in CMBS are diversified and primarily rated AA or better. Based on discounted cash flows at December 31, 2020, the current level of subordination is sufficient to cover the estimated loan losses on the underlying collateral of the CMBS.

3. Investments (continued)

Non-agency RMBS:

To estimate expected credit losses for non-agency RMBS, projected cash flows incorporated underlying data from widely accepted third-party data sources along with certain internal assumptions and judgments regarding the future performance of the security. These assumptions included default, delinquency, loss severity and prepayment rates. The assumptions used to calculate the credit losses in 2020 have not changed significantly since December 31, 2019.

At December 31, 2020, the fair value of the Company's non-agency RMBS was $100,281 (2019: $38,291), consisting primarily of $69,605 (2019: $25,282) of Prime and $16,133 (2019: $4,807) of Alt-A MBS. At December 31, 2020, the allowance for expected credit losses on non-agency RMBS related to loss severity where the forecasted recovery to amortized cost was uncertain .

ABS:

The Company's investments in ABS at December 31, 2020 consist mainly of CLO debt tranched securities ("CLO Debt") purchased primarily as new issues between 2017 and 2020. Substantially all of these new issues had credit ratings of AA or better. The Company utilizes a scenario-based approach to review its CLO Debt portfolio based on the current asset market price. The Company also reviews subordination levels of these securities to determine their ability to absorb credit losses of underlying collateral. If losses are forecast to be below the subordination level for a tranche held by the Company, the security is determined not to have a credit loss. At December 31, 2020, the Company does not anticipate any credit losses on its CLO Debt.

e) Restricted Investments

In order to support the Company's obligations in regulatory jurisdictions where it operates as a non-admitted carrier, the Company provides collateral in the form of assets held in trust and, to a lesser extent, letters of credit. Refer to Note 8 for further information on collateral requirements upon issuance of certain letters of credit.

The capital provided to support underwriting, or Funds at Lloyd's ("FAL"), may be satisfied by cash, certain investments and letters of credit provided by approved banks (refer to Note 9 'Commitments and Contingencies').

The fair value of the Company's restricted investments primarily relates to the items, as noted in the table below. Restricted investments primarily consist of high-quality fixed maturity and short-term investment securities.

	2020	2019
Collateral in Trust for inter-company agreements	$ 1,066,021	$ 1,511,460
Collateral for secured letter of credit facilities	427,998	467,816
Funds at Lloyd's	751,255	806,275
Collateral in Trust for third party agreements	423,745	521,533
Total restricted investments	$ 2,669,019	$ 3,307,084

f) Reverse Repurchase Agreements

3. Investments (continued)

At December 31, 2020, the Company held no (2019: nil) 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 cash and cash equivalents in the Company's Consolidated Balance Sheets. The required collateral for these loans is either cash or U.S. Treasuries at a minimum rate of 102% of the loan principal. Upon maturity, the Company receives principal and interest income. The Company monitors the estimated fair value of the securities loaned and borrowed on a daily basis with additional collateral obtained as necessary throughout the duration of the transaction.

4. Fair Value Measurements

Fair Value Hierarchy

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. U.S. GAAP prescribes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement. The hierarchy is broken down into three levels as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

- Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Company's judgments about assumptions that market participants might use.

4. Fair Value Measurements (continued)

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment.

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for financial instruments categorized as Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many financial instruments. This may lead the Company to change the selection of valuation technique (from market to cash flow approach) or may cause the Company to use multiple valuation techniques to estimate the fair value of a financial instrument. This circumstance could cause an instrument to be reclassified between levels within the fair value hierarchy.

Valuation Techniques

The valuation techniques, including significant inputs and assumptions generally used to determine the fair values of the Company's financial instruments as well as the classification of the fair values of its financial instruments in the fair value hierarchy are described in detail below.

Fixed Maturities

At each valuation date, the Company uses the market approach valuation technique to estimate the fair value of its fixed maturities portfolio, where possible. The market approach includes, but is not limited to, prices obtained from third party pricing services for identical or comparable securities and the use of "pricing matrix models" using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. Pricing from third party pricing services is sourced from multiple vendors, where available, and the Company maintains a vendor hierarchy by asset type based on historical pricing experience and vendor expertise. Where prices are unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers who are active in the corresponding markets. The valuation techniques including significant inputs and assumptions generally used to determine the fair values of the Company's fixed maturities by asset class as well as the classifications of the fair values of these securities in the fair value hierarchy are described in detail below.

U.S. Government and Agency

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. As the fair values of U.S. Treasury securities are based on unadjusted quoted market prices in active markets, the fair values of these securities are classified as Level 1. The fair values of U.S. government agency securities are determined using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads are observable market inputs, the fair values of U.S. government agency securities are classified as Level 2.

4. Fair Value Measurements (continued)

Non-U.S. Government

Non-U.S. government securities include bonds issued by non-U.S. governments and their agencies along with supranational organizations (collectively also known as sovereign debt securities). The fair values of these securities are based on prices obtained from international indices or valuation models that include inputs such as interest rate yield curves, cross-currency basis index spreads and country credit spreads for structures similar to the sovereign bond in terms of issuer, maturity and seniority. As the significant inputs used to price these securities are observable market inputs, the fair values of non-U.S. government securities are classified as Level 2.

Corporate Debt

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are generally determined using the spread above the risk-free yield curve. These spreads are generally obtained from the new issue market, secondary trading and broker-dealer quotes. As the yields for the risk-free yield curve and the spreads are observable market inputs, the fair values of corporate debt securities are generally classified as Level 2. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers to estimate fair value. This is generally the case when there is a low volume of trading activity and current transactions are not orderly. In this event, the fair values of these securities are classified as Level 3.

Agency RMBS

Agency RMBS consist of bonds issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. The fair values of these securities are priced using a mortgage pool specific model which uses daily inputs from the active to be announced market and the spread associated with each mortgage pool based on vintage. As the significant inputs used to price these securities are observable market inputs, the fair values of Agency RMBS are classified as Level 2.

CMBS

CMBS mainly include investment-grade bonds originated by non-agencies. The fair values of these securities are determined using a pricing model which uses dealer quotes and other available trade information along with security level characteristics to determine deal specific spreads. As the significant inputs used to price these securities are observable market inputs, the fair values of CMBS are generally classified as Level 2. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers to estimate fair value. This is generally the case when there is a low volume of trading activity and current transactions are not orderly. In this event, the fair values of these securities are classified as Level 3.

4. Fair Value Measurements (continued)

Non-agency RMBS

Non-agency RMBS mainly include investment-grade bonds originated by non-agencies. The fair values of these securities are determined using an option adjusted spread model or other relevant models, which use inputs including available trade information or broker quotes, prepayment and default projections based on historical statistics of the underlying collateral and current market data. As the significant inputs used to price these securities are observable market inputs, the fair values of non-agency RMBS are generally classified as Level 2. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers to estimate fair value. This is generally the case when there is a low volume of trading activity and current transactions are not orderly. In this event, the fair values of these securities are classified as Level 3.

ABS

ABS mainly include investment-grade bonds backed by pools of loans with a variety of underlying collateral, including auto loans, student loans, credit card receivables, and collateralized loan obligations ("CLOs") originated by a variety of financial institutions. The fair values of these securities are determined using a model which uses prepayment speeds and spreads sourced primarily from the new issue market. As the significant inputs used to price these securities are observable market inputs, the fair values of ABS are generally classified as Level 2. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers to estimate fair value. This is generally the case when there is a low volume of trading activity and current transactions are not orderly. In this event, the fair values of these securities are classified as Level 3.

Municipals

Municipals comprise revenue bonds and general obligation bonds issued by U.S. domiciled state and municipal entities. The fair values of these securities are determined using spreads obtained from the new issue market, trade prices and broker-dealers quotes. As the significant inputs used to price these securities are observable market inputs, the fair values of municipals are classified as Level 2.

Equity Securities

Equity securities include common stocks, preferred stocks and exchange-traded funds. As the fair values of common stocks, preferred stocks and exchange-traded funds are based on unadjusted quoted market prices in active markets, the fair values of these securities are classified as Level 1.

Other Investments

The fair value of an indirect investment in CLO-Equities is estimated using an income approach valuation technique, specifically an externally developed discounted cash flow model due to the lack of observable and relevant trades in secondary markets. As the significant inputs used to price this security are unobservable, the fair value of the indirect investment in CLO-Equities is classified as Level 3.

4. Fair Value Measurements (continued)

Short-term Investments

Short-term investments primarily comprise highly liquid securities with maturities greater than three months but less than one year from the date of purchase. These securities are typically not actively traded due to their approaching maturity therefore, their amortized cost approximates fair value. The fair values of short-term investments are classified as Level 2.

Derivative Instruments

Derivative instruments include foreign exchange forward contracts and exchange traded interest rate swaps that are customized to the Company's economic hedging strategies and trade in the over-the-counter derivative market. The fair values of these derivatives are determined using a market approach valuation technique based on significant observable market inputs from third party pricing vendors, non-binding broker-dealer quotes and/or recent trading activity. As the significant inputs used to price these derivatives are observable market inputs, the fair values of these derivatives are classified as Level 2.

Other underwriting-related derivatives include insurance and reinsurance contracts that are accounted for as derivatives. These derivative contracts are initially valued at cost which approximates fair value. In subsequent measurement periods, the fair values of these derivatives are determined using internally developed discounted cash flow models. As the significant inputs used to price these derivatives are unobservable, the fair values of these contracts are classified as Level 3.

Cash Settled Awards

Cash settled awards comprise restricted stock units that form part of the Company's compensation program. Although the fair values of these awards are determined using observable quoted market prices in active markets, the restricted stock units are not actively traded. As the significant inputs used to price these securities are observable market inputs, the fair values of these liabilities are classified as Level 2.

4. Fair Value Measurements (continued)

The tables below present the financial instruments measured at fair value on a recurring basis at December 31, 2020 and 2019:

December 31, 2020	**Quoted Prices in Active Market for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Fair value based on NAV practical expedient**	**Total Fair Value**
Asset					
Fixed maturities					
U.S government and agency	$ 772,246	$ —	$ —	$ —	$ 772,246
Non U.S. government	—	258,356	—	—	258,356
Corporate debt	—	1,903,577	—	—	1,903,577
Agency RMBS	—	606,567	—	—	606,567
CMBS	—	665,651	—	—	665,651
Non-agency RMBS	—	100,281	—	—	100,281
ABS	—	866,673	8,182	—	874,855
Municipals	—	55,051	—	—	55,051
	772,246	4,456,156	8,182	—	5,236,584
Equity securities					
Exchange-traded funds	57,712	—	—	—	57,712
Common stocks	363	—	—	—	363
Preferred stocks	215	—	—	—	215
	58,290	—	—	—	58,290
Other investments					
Hedge funds (1)	—	—	—	123,145	123,145
Direct lending funds	—	—	—	234,561	234,561
Private equity funds	—	—	—	70,118	70,118
Real estate funds	—	—	—	84,965	84,965
CLO-Equities	—	—	6,173	—	6,173
	—	—	6,173	512,789	518,962
Short-term investments	—	16,622	—	—	16,622
Derivative instruments (see Note 5)	—	17,966	—	—	17,966
Total Assets	$ 830,536	$ 4,490,744	$ 14,355	$ 512,789	$ 5,848,424
Liabilities					
Derivative instruments (see Note 5)	$ —	$ 2,188	$ 9,122	$ —	$ 11,310
Cash settled awards (see Note 12)	—	659	—	—	659
Total Liabilities	$ —	$ 2,847	$ 9,122	$ —	$ 11,969

(1) Includes Long/short equity and Multi-strategy funds.

4. Fair Value Measurements (continued)

December 31, 2019	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair value based on NAV practical expedient	Total Fair Value
Asset					
Fixed maturities					
U.S government and agency	$ 849,301	$ —	$ —	$ —	$ 849,301
Non U.S. government	—	259,186	—	—	259,186
Corporate debt	—	2,188,892	—	—	2,188,892
Agency RMBS	—	937,457	—	—	937,457
CMBS	—	629,731	—	—	629,731
Non-agency RMBS	—	38,291	—	—	38,291
ABS	—	820,312	489	—	820,801
Municipals	—	57,516	—	—	57,516
	849,301	4,931,385	489	—	5,781,175
Equity securities					
Exchange-traded funds	82,708	—	—	—	82,708
Common stocks	188	—	—	—	188
Preferred stocks	—	—	—	—	—
	82,896	—	—	—	82,896
Other investments					
Hedge funds [(1)]	—	—	—	121,022	121,022
Direct lending funds	—	—	—	225,304	225,304
Private equity funds	—	—	—	60,245	60,245
Real estate funds	—	—	—	63,252	63,252
CLO-Equities	—	—	14,328	—	14,328
	—	—	14,328	469,823	484,151
Short-term investments	—	10,324	—	—	10,324
Derivative instruments (see Note 5)	—	880	—	—	880
Insurance-linked securities	—	—	—	—	—
Total Assets	$ 932,197	$ 4,942,589	$ 14,817	$ 469,823	$ 6,359,426
Liabilities					
Derivative instruments (see Note 5)	$ —	$ 3,965	$ 9,672	$ —	$ 13,637
Cash settled awards (see Note 12)	—	1,559	—	—	1,559
Total Liabilities	$ —	$ 5,524	$ 9,672	$ —	$ 15,196

(1) Includes Long/short equity and Multi-strategy funds.

4. Fair Value Measurements (continued)

The following table quantifies the significant unobservable inputs used in estimating fair values at December 31, 2020 of investments classified as Level 3 in the fair value hierarchy.

	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Other investments - CLO-Equities	$ 6,173	Discounted cash flow	Default rates	4.5%	4.5%
			Loss severity rate	50.0%	50.0%
			Collateral spreads	3.0%	3.0%
			Estimated maturity	5 years	5 years
Derivatives - Other underwriting-related derivatives	$ (9,122)	Discounted cash flow	Discount rate	0.4%	0.4%

Note: Fixed maturities that are classified as Level 3 are excluded from the above table as these securities are priced using broker-dealer quotes.

Other investments - CLO-Equities

The CLO-Equities market continues to be relatively inactive with only a small number of transactions being observed, particularly related to transactions involving CLO-Equities held by the Company. Accordingly, the fair value of the Company's indirect investment in CLO-Equities is determined using a discounted cash flow model prepared by an external investment manager.

The default and loss severity rates are the most judgmental unobservable market inputs to the discounted cash flow model to which the valuation of the Company's indirect investment in CLO-Equities is most sensitive. A significant increase (decrease) in either of these significant inputs in isolation would result in a lower (higher) fair value estimate for the investment in CLO-Equities and, in general, a change in default rate assumptions will be accompanied by a directionally similar change in loss severity rate assumptions. Collateral spreads and estimated maturity dates are less judgmental inputs as they are based on the historical average of actual spreads and the weighted average life of the current underlying portfolios, respectively. A significant increase (decrease) in either of these significant inputs in isolation would result in a higher (lower) fair value estimate for the investment in CLO-Equities. In general, these inputs have no significant interrelationship with each other or with default and loss severity rates.

On a quarterly basis, the Company’s valuation process for its indirect investment in CLO-Equities includes a review of the underlying cash flows and key assumptions used in the discounted cash flow model. The above significant unobservable inputs are reviewed and updated based on information obtained from secondary markets, including information received from the managers of the Company's CLO-Equities investment. In order to assess the reasonableness of the inputs used by the Company in the discounted cash flow model, a current understanding of the market conditions, historical results, and emerging trends that may impact future cash flows is maintained. In addition, the assumptions used by the Company in its models are updated through regular communication with industry participants and ongoing monitoring of the deals in which it participates.

4. Fair Value Measurements (continued)

Derivatives - Other underwriting-related derivatives

Other underwriting-related derivatives are initially valued at cost which approximates fair value. In subsequent measurement periods, the fair values of these derivatives are determined using internally developed discounted cash flow models which use appropriate discount rates. The selection of an appropriate discount rate is judgmental and is the most significant unobservable input used in the valuation of these derivatives. A significant increase (decrease) in this input in isolation could result in a significantly lower (higher) fair value measurement for the derivative contracts. In order to assess the reasonableness of the inputs the Company uses in the discounted cash flow model, the Company maintains an understanding of current market conditions, historical results, as well as contract specific information that may impact future cash flows.

4. Fair Value Measurements (continued)

The following table presents changes in Level 3 for financial instruments measured at fair value on a recurring basis for the years ended December 31, 2020 and 2019:

	Opening Balance	Transfer into Level 3	Transfer out of Level 3	Included in earnings (1)	Included in OCI (2)	Purchases	Sales	Settlement/ Distributions	Closing Balance	Change in unrealized gain/loss (3)
Year ended December 31, 2020										
Fixed maturities										
Corporate debt	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CMBS	—	—	—	—	—	—	—	—	—	—
ABS	489	7,609	—	—	84	—	—	—	8,182	—
	489	7,609	—	—	84	—	—	—	8,182	—
Other investments										
CLO-Equities	14,328	—	—	(6,017)	—	—	—	(2,138)	6,173	(5,319)
Total assets	$ 14,817	$ 7,609	$ —	$ (6,017)	$ 84	$ —	$ —	$ (2,138)	$ 14,355	$ (5,319)
Other liabilities										
Derivative instruments	9,672	—	—	9,421	—	—	—	(9,971)	9,122	(550)
Total liabilities	$ 9,672	$ —	$ —	$ 9,421	$ —	$ —	$ —	$ (9,971)	$ 9,122	$ (550)
Year ended December 31, 2019										
Fixed maturities										
Corporate debt	$ 41,010	$ —	$ —	$ 6,097	$ (4,805)	$ —	$ (4,802)	$ (37,500)	$ —	$ —
CMBS	479	—	—	—	—	—	—	(479)	—	—
ABS	2,206	—	(1,828)	—	111	—	—	—	489	—
	43,695	—	(1,828)	6,097	(4,694)	—	(4,802)	(37,979)	489	—
Other investments										
CLO-Equities	21,271	—	—	(199)	—	—	—	(6,744)	14,328	(199)
Total assets	$ 64,966	$ —	$ (1,828)	$ 5,898	$ (4,694)	$ —	$ (4,802)	$ (44,723)	$ 14,817	$ (199)
Other liabilities										
Derivative instruments	10,299	—	—	(627)	—	—	—	—	9,672	(627)
Total liabilities	$ 10,299	$ —	$ —	$ (627)	$ —	$ —	$ —	$ —	$ 9,672	$ (627)

(1) Realized gains (losses) on fixed maturities, and realized and unrealized gains (losses) on other assets and other liabilities included in net income are included in net investment gains (losses). Realized and unrealized gains (losses) on other investments included in net income are included in net investment income.
(2) Unrealized gains (losses) on fixed maturities are included in other comprehensive income ("OCI").
(3) Change in unrealized gains (losses) relating to assets held at the reporting date.

4. Fair Value Measurements (continued)

Transfers into Level 3 from Level 2

The transfers into Level 3 from Level 2 made during 2020 were primarily due to the lack of observable market inputs and multiple quotes from pricing vendors and broker-dealers for certain fixed maturities.

There were no transfers into Level 3 from Level 2 made during 2019.

Transfers out of Level 3 into Level 2

There were no transfers into Level 2 from Level 3 made during 2020.

The transfers into Level 2 from Level 3 made during 2019 were primarily due to the availability of observable market inputs and quotes from pricing vendors on certain fixed maturities.

Measuring the Fair Value of Other Investments Using Net Asset Valuations

The fair values of hedge funds, direct lending funds, private equity funds and real estate funds are estimated using net asset valuations ("NAVs") as advised by external fund managers or third party administrators. For these funds, NAVs are based on the manager's or administrator's valuation of the underlying holdings in accordance with the fund's governing documents and in accordance with U.S. GAAP.

For hedge funds, direct lending funds, private equity funds and real estate funds, valuation statements are typically released on a reporting lag therefore, the Company estimates the fair value of these funds by starting with the most recent fund valuations and adjusting for capital calls, redemptions, drawdowns and distributions. Return estimates are not available from the relevant fund managers for these funds therefore the Company typically has a reporting lag in its fair value measurements of these funds. At December 31, 2020, funds reported on a lag represented 99% (2019: 78%) of the Company's total other investments balance.

4. Fair Value Measurements (continued)

The Company often does not have access to financial information relating to the underlying securities held within the funds, therefore management is unable to corroborate the fair values placed on the securities underlying the asset valuations provided by fund managers or fund administrators. In order to assess the reasonableness of the NAVs, the Company performs a number of monitoring procedures on a quarterly basis, to assess the quality of the information provided by fund managers and fund administrators. These procedures include, but are not limited to, regular review and discussion of each fund's performance with its manager, regular evaluation of fund performance against applicable benchmarks and the backtesting of the Company's fair value estimates against subsequently received NAVs. Backtesting involves comparing the Company's previously reported fair values for each fund against NAVs per audited financial statements (for year-end values) and final NAVs from fund managers and fund administrators (for interim values).

The fair values of hedge funds, direct lending funds, private equity funds and real estate funds are measured using the NAV practical expedient, therefore the fair values of these funds have not been categorized within the fair value hierarchy.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The fair value of financial instruments accounting guidance also applies to financial instruments disclosed, but not carried, at fair value, except for certain financial instruments, including insurance contracts.

At December 31, 2020, the carrying values of cash equivalents including restricted amounts, accrued investment income, receivable for investments sold, certain other assets, payable for investments purchased and certain other liabilities approximated their fair values due to their respective short maturities. As these financial instruments are not actively traded, their fair values are classified as Level 2.

5. Derivative Instruments

The balance sheet classifications of derivatives recorded at fair value are shown in the following table.

	December 31, 2020			December 31, 2019		
	Derivative Notional Amount	Asset Derivative Fair Value (1)	Liability Derivative Fair Value (1)	Derivative Notional Amount	Asset Derivative Fair Value (1)	Liability Derivative Fair Value (1)
Relating to investment portfolio:						
Foreign exchange forward contracts	$ 100,568	$ 2	$ 2,188	$ 68,998	$ —	$ 1,405
Relating to underwriting portfolio:						
Foreign exchange forward contracts	$1,028,906	$ 17,964	$ —	$ 911,978	$ 880	$ 2,560
Other underwriting-related contracts	75,000	—	9,122	85,000	—	9,672
Total derivatives		$ 17,966	$ 11,310		$ 880	$ 13,637

(1) Asset and liability derivatives are classified within other assets and other liabilities in the Consolidated Balance Sheets.

5. Derivative Instruments (continued)

The notional amounts of derivative contracts represent the basis upon which amounts paid or received are calculated and are presented in the above table to quantify the volume of the Company's derivative activities. Notional amounts are not reflective of credit risk.

None of the Company's derivative instruments are designated as hedges under current accounting guidance.

Offsetting Assets and Liabilities

The Company’s derivative instruments are generally traded under International Swaps and Derivatives Association master netting agreements, which establish terms that apply to all transactions. In the event of a bankruptcy or other stipulated event, master netting agreements provide that individual positions be replaced with a new amount, usually referred to as the termination amount, determined by taking into account market prices and converting into a single currency. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure.

A reconciliation of the gross derivative assets and liabilities to the net amounts presented in the Company’s Consolidated Balance Sheets, with the difference being attributable to the impact of master netting agreements, is shown in the following table:

	December 31, 2020			**December 31, 2019**		
	Gross Amounts	Gross Amounts Offset	Net Amounts (1)	Gross Amounts	Gross Amounts Offset	Net Amounts (1)
Derivative assets	$ 26,853	$ (8,887)	$ 17,966	$ 5,379	$ (4,499)	$ 880
Derivative liabilities	$ 20,197	$ (8,887)	$ 11,310	$ 18,136	$ (4,499)	$ 13,637

(1) Net asset and liability derivatives are classified within other assets and other liabilities on the Consolidated Balance Sheets.

For information on reverse repurchase agreements see Note 3 *'Investments'.*

a) Relating to Investment Portfolio

Foreign Currency Risk

The Company's investment portfolio is exposed to foreign currency risk therefore the fair values of its investments are partially influenced by changes in foreign exchange rates. The Company may enter into foreign exchange forward contracts to manage the effect of this foreign currency risk. These foreign currency hedging activities are not designated as specific hedges for financial reporting purposes.

Interest Rate Risk

The Company's investment portfolio includes a large percentage of fixed maturities which expose it to significant interest rate risk. As part of the overall management of this risk, the Company may use interest rate swaps.

5. Derivative Instruments (continued)

b) Relating to Underwriting Portfolio

Foreign Currency Risk

The Company's underwriting portfolio is exposed to significant foreign currency risk. The Company manages foreign currency risk by seeking to match foreign-denominated net liabilities under (re)insurance contracts with cash and investments that are denominated in the same currencies. The Company uses derivative instruments, specifically forward contracts to economically hedge foreign currency exposures.

Other Underwriting-related Risks

The Company enters into insurance and reinsurance contracts that are accounted for as derivatives. These insurance or reinsurance contracts provide indemnification to an insured or cedant as a result of a change in a variable as opposed to an identifiable insurable event. The Company considers these contracts to be part of its underwriting operations.

The total unrealized and realized gains (losses) recognized in net income for derivatives not designated as hedges for the years ended December 31, 2020 and 2019 are shown in the following table:

	Location of Gain (Loss) Recognized In Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	
		2020	2019
Derivatives not designated as hedging instruments			
Relating to investment portfolio:			
Foreign exchange forward contracts	Net investment gains (losses)	$ (2,190)	$ 1,871
Interest rate swaps	Net investment gains (losses)	—	(3,677)
Relating to underwriting portfolio:			
Foreign exchange forward contracts	Foreign exchange (losses) gains	36,492	(4,405)
Other underwriting-related contracts	Other insurance related income (losses)	(9,035)	1,789
Total		$ 25,267	$ (4,422)

6. Reserve for Losses and Loss Expenses

Reserving Methodology

Sources of Information

The Company's loss reserving process begins with the collection and analysis of paid and incurred claim data for each of the Company's insurance and reinsurance operations. The data is disaggregated by reserve class and further disaggregated by underwriting year and accident year. Underwriting year or accident year information is used to analyze the Company's business and to estimate reserves for losses and loss expenses. Reserve classes are selected to ensure that the underlying contracts have homogeneous loss development characteristics, while remaining large enough to make the estimation of trends credible. The Company's reserve classes are reviewed on a regular basis and adjusted over time as the Company's business evolves. The paid and incurred claim data, in addition to industry benchmarks, serves as a key input to many of the methods employed by the Company's actuaries.The relative weights assigned to the Company's historical loss data versus industry data vary based on a number of factors including the Company's historical track record and the development profile for the reserve class being evaluated (refer to 'Claim Tail Analysis' and 'Net Incurred and Paid Claims Development Tables By Accident Year' below for further details).

The following tables map the Company's lines of business to reserve classes and the expected claim tails:

Insurance Segment	**Reserve class and tail**					
	Property and Other	Marine	Aviation	Credit and Political Risk	Professional Lines	Liability
	Short	Short	Short/ Medium	Medium	Medium	Long
Reported lines of business						
Property	X					
Marine		X				
Terrorism	X					
Aviation			X			
Credit and Political Risk				X		
Professional Lines					X	
Liability						X
Accident and Health	X					

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Segment	**Reserve class and tail**				
	Property and Other	Credit and Surety	Professional Lines	Motor	Liability
	Short	Medium	Medium	Long	Long
Reported lines of business					
Catastrophe	X				
Property	X				
Credit and Surety		X			
Professional Lines			X		
Motor				X	
Liability					X
Engineering	X				
Agriculture	X				
Marine and aviation	X				
Accident and Health	X				

Actuarial Analysis

Multiple actuarial methods are available to estimate ultimate losses. Each method has its own assumptions and its own advantages and disadvantages, with no single estimation method being better than the others in all situations and no one set of assumption variables being meaningful for all reserve classes. The relative strengths and weaknesses of the particular estimation methods when applied to a particular group of claims can also change over time.

The following is a brief description of the reserve estimation methods commonly employed by the Company's actuaries including a discussion of their particular strengths and weaknesses:

- Expected Loss Ratio Method ("ELR Method"): This method estimates ultimate losses for an accident year or underwriting year by applying an expected loss ratio to the earned or written premium for that year. Generally, expected loss ratios are based on one or more of (a) an analysis of historical loss experience to date, (b) pricing information and (c) industry data, adjusted as appropriate, to reflect changes in rates, loss and exposure trends, and terms and conditions. This method is insensitive to actual incurred losses for the accident year or underwriting year in question and is, therefore, often useful in the early stages of development when very few losses have been incurred. Conversely, the lack of sensitivity to incurred/paid losses for the accident year or underwriting year in question means that this method is usually inappropriate in later stages of an accident year or underwriting year's development.

6. Reserve for Losses and Loss Expenses (continued)

- Loss Development Method (also referred to as the "Chain Ladder Method" or "Link Ratio Method"): This method assumes that the losses incurred/paid for each accident year or underwriting year at a particular development stage follow a relatively similar pattern. It assumes that on average, every accident year or underwriting year will display the same percentage of ultimate losses incurred/paid at the same point in time after the inception of that year. The percentages incurred/paid are established for each development stage (e.g. 12 months, 24 months, etc.) after examining averages from historical loss development data and/or external industry benchmark information. Ultimate losses are then estimated by multiplying the actual incurred/paid losses by the reciprocal of the established incurred/paid percentage. The strengths of this method are that it reacts to loss emergence/payments and that it makes full use of historical claim emergence/payment experience. However, this method has weaknesses when the underlying assumption of stable loss development/payment patterns is not valid. This could be the consequence of changes in business mix, claim inflation trends or claim reporting practices and/or the presence of large claims, amongst other things. Furthermore, this method tends to produce volatile estimates of ultimate losses where there is volatility in the underlying incurred/paid patterns. In particular, where the expected percentage of incurred/paid losses is low, small deviations between actual and expected claims can lead to very volatile estimates of ultimate losses. As a result, this method is often unsuitable at early development stages for an accident year or underwriting year.

- Bornhuetter-Ferguson Method ("BF Method"): This method can be seen as a combination of the ELR and Loss Development Methods, under which the Loss Development Method is given progressively more weight as an accident year or underwriting year matures. The main advantage of the BF Method is that it provides a more stable estimate of ultimate losses than the Loss Development Method at earlier stages of development, while remaining more sensitive to emerging loss development than the ELR Method. In addition, the BF Method allows for the incorporation of external market information through the use of expected loss ratios, whereas the Loss Development Method does not incorporate such information.

As part of the loss reserve review process, the Company's actuaries employ the estimation method(s) that they believe will produce the most reliable estimate of ultimate losses, at that particular evaluation date, for each reserve class and accident year or underwriting year combination. Often, this is a blend (i.e. weighted average) of the results of two or more appropriate actuarial methods. These ultimate loss estimates are generally utilized to evaluate the adequacy of ultimate loss estimates for previous accident or underwriting years, as established in the prior reporting period. For the initial estimate of the current accident or underwriting year, the available claim data is typically insufficient to produce a reliable estimate of ultimate losses. As a result, initial estimates for an accident or underwriting year are generally based on the ELR Method for longer tailed lines and a BF Method for shorter tailed lines. The initial ELR for each reserve class is established collaboratively by actuaries, underwriters and management at the start of the year as part of the planning process, taking into consideration prior accident years’ or underwriting years' experience and industry benchmarks, adjusted after considering factors such as loss and exposure trends, rate differences, changes in contract terms and conditions, business mix changes and other known differences between the current year and prior accident or underwriting years. The initial expected loss ratios for a given accident or underwriting year may be modified over time if the underlying assumptions, such as loss development or premium rate changes, differ from the original assumptions.

6. Reserve for Losses and Loss Expenses (continued)

Key Actuarial Assumptions

The use of the above actuarial methods requires the Company to make certain explicit assumptions, the most significant of which are: (1) expected loss ratios and (2) loss development patterns.

In earlier years, significant reliance was placed on industry benchmarks in establishing expected loss ratios and loss development patterns. Over time, more reliance has been placed on historical loss experience in establishing these ratios and selecting these patterns where the Company believes the weight of its experience has become sufficiently credible for consideration. The weight given to the Company's experience differs for each of the three claim tail classes (refer to 'Claim Tail Analysis' below for further details). In establishing expected loss ratios for the insurance operations, consideration is given to a number of other factors, including exposure trends, rate adequacy on new and renewal business, ceded reinsurance costs, changes in claims emergence and underwriters' view of terms and conditions in the market environment. For the reinsurance operations, expected loss ratios are based on a contract-by-contract review, which considers information provided by clients together with estimates provided by underwriters and actuaries about the impact of changes in pricing, terms and conditions and coverage. Market experience of some classes of business as compiled and analyzed by an independent actuarial firm has also been considered, as appropriate.

Claims Tail Analysis

Short-Tail Business

Short-tail business generally includes exposures for which losses are usually known and paid within a relatively short period of time after the underlying loss event has occurred. The key actuarial assumptions for short-tail business in early accident years were primarily developed with reference to industry benchmarks for expected loss ratios and loss development patterns. As the Company's historical loss experience amassed, it gained credibility and became relevant for consideration in establishing these key actuarial assumptions. As a result, the Company gradually increased the weighting assigned to its historical loss experience in selecting the expected loss ratios and loss development patterns utilized to establish estimates of ultimate losses for an accident year. Due to the relatively short reporting and settlement patterns for short-tail business, more weight is generally placed on experience-based methods and other qualitative considerations in establishing reserves for recent and more mature accident years. The majority of development for an accident year or underwriting year is expected to be recognized in the subsequent one to three years

Medium-Tail Analysis

Medium-tail business generally has claim reporting and settlement periods longer than those of short-tail reserve classes. For the Company's earliest accident and underwriting years, initial key actuarial expected loss ratio and loss development assumptions were established utilizing industry benchmarks. Due to the longer claim tail, the length of time required to develop credible loss history for use in the reserve process is greater for medium-tail business than for short-tail business.

6. Reserve for Losses and Loss Expenses (continued)

Long-Tail Analysis

In contrast to short and medium-tail business, the claim tails for long-tail business,is expected to be notably longer, as claims are often reported and ultimately paid or settled years, or even decades, after the related loss events occur. As a general rule, estimates of accident year or underwriting year ultimate losses for long-tail business are notably more uncertain than those for short and medium-tail business. To date, key actuarial assumptions for long-tail business have been derived from a combination of industry benchmarks supplemented with Company historical loss experience. While industry benchmarks that the Company believes reflect the nature and coverage of its business are considered, actual loss experience may differ from the benchmarks based on industry averages. Due to the length of the development tail for this business, reserve estimates for most accident years and underwriting years are predominantly based on the BF Method or ELR Method and the consideration of qualitative factors.

Reserving for Significant Catastrophic Events

The Company cannot estimate losses from widespread catastrophic events, such as hurricanes and earthquakes, using the traditional actuarial methods described above. The magnitude and complexity of losses associated with certain of these events inherently increase the level of uncertainty and, therefore, the level of management judgment involved in arriving at estimated net reserves for losses and loss expenses. As a result, actual losses for these events may ultimately differ materially from current estimates.

Net reserves for losses and loss expenses related to the COVID-19 pandemic represents the Company's best estimate of losses and loss expenses that have been incurred at December 31, 2020. The determination of net reserves for losses and loss expenses is based on the Company's ground-up assessment of coverage from individual contracts and treaties across all lines of business, and includes a review of modeling analyses and market information, where appropriate. In addition, the Company considers information received from clients, brokers and loss adjusters together with global shelter-in-place orders and the outcomes of recent court judgments, including the UK Supreme Court ruling.

The estimate of net reserves for losses and loss expenses related to the COVID-19 pandemic is subject to significant uncertainty. This uncertainty is driven by the inherent difficulty in making assumptions around the impact of the COVID-19 pandemic due to the lack of comparable events, the ongoing nature of the event, and its far-reaching impacts on world-wide economies and the health of the population. These assumptions include:

- the nature and the duration of the pandemic;
- the effects on health, the economy and the Company's customers;
- the response of government bodies including legislative, regulatory or judicial actions and social influences that could alter the interpretation of the Company's contracts;
- the coverage provided under the Company's contracts;
- the coverage provided by the Company's ceded reinsurance; and
- the evaluation of the loss and impact of loss mitigation actions.

6. Reserve for Losses and Loss Expenses (continued)

While the Company believes its estimate of net reserves for losses and loss expenses is adequate for losses and loss expenses that have been incurred at December 31, 2020 based on current facts and circumstances, the Company continues to monitor the appropriateness of these assumptions as new information comes to light and adjustments are made to the estimate of ultimate losses related to the COVID-19 pandemic if there are developments that are different from previous expectations. Adjustments are recorded in the period in which they are identified. Actual losses for this event may ultimately differ materially from the Company's current estimates.

The estimate of net reserves for losses and loss expenses related to catastrophes other than the COVID-19 pandemic represent the Company's best estimate of losses and loss expenses that have been incurred at December 31, 2020.The determination of these net reserves for losses and loss expenses is estimated by management after a catastrophe occurs by completing an in-depth analysis of individual contracts which may potentially have been impacted by the catastrophic event. This in-depth analysis may rely on several sources of information including:

- estimates of the size of insured industry losses from the catastrophic event and the Company's corresponding market share;
- a review of the Company's portfolio of contracts performed to identify those contracts which may be exposed to the catastrophic event;
- a review of modeled loss estimates based on information previously reported by customers and brokers, including exposure data obtained during the underwriting process;
- discussions of the impact of the event with customers and brokers; and
- catastrophe bulletins published by various independent statistical reporting agencies.

A blend of these information sources is generally used to arrive at aggregate estimates of the ultimate losses arising from the catastrophic event.

While the Company believes its estimate of net reserves for losses and loss expenses is adequate for losses and loss expenses that have been incurred at December 31, 2020 based on current facts and circumstances, the Company monitors changes in paid and incurred losses in relation to each significant catastrophe in subsequent reporting periods and adjustments are made to estimates of ultimate losses for each event if there are developments that are different from previous expectations. Adjustments are recorded in the period in which they are identified. Actual losses for these events may ultimately differ materially from the Company's current estimates.

6. Reserve for Losses and Loss Expenses (continued)

Selection of Reported Reserves - Management's Best Estimate

The Company's loss reserving process involves the collaboration of underwriting, claims, actuarial, legal, ceded reinsurance and finance departments, includes various segmental committee meetings and culminates with the approval of a single point best estimate by the Company's Group Reserving Committee, which comprises senior management. In selecting this best estimate, management considers actuarial estimates and applies informed judgment regarding qualitative factors that may not be fully captured in these actuarial estimates. Such factors include, but are not limited to: the timing of the emergence of claims, volume and complexity of claims, social and judicial trends, potential severity of individual claims and the extent of Company historical loss data versus industry information. While these qualitative factors are considered in arriving at the point estimate, no specific provisions for qualitative factors are established.

Reserve Roll-Forward

The following table presents a reconciliation of the beginning and ending gross reserve for losses and loss expenses and net reserve for unpaid losses and loss expenses for the years ended December 31, 2020 and 2019:

	2020	2019
Gross reserve for losses and loss expenses, beginning of year	$ 5,051,482	$ 5,201,676
Less: reinsurance recoverable on unpaid losses, beginning of year	(693,104)	(570,885)
Net reserve for unpaid losses and loss expenses, beginning of year	4,358,378	4,630,791
Net incurred losses and loss expenses related to:		
Current year	1,134,431	1,165,858
Prior years	(44,743)	(54,864)
	1,089,688	1,110,994
Net paid losses and loss expenses related to:		
Current year	(221,462)	(196,024)
Prior years	(1,093,733)	(1,215,539)
	(1,315,195)	(1,411,563)
Foreign exchange and other	128,176	28,156
Net reserve for unpaid losses and loss expenses, end of year	4,261,047	4,358,378
Reinsurance recoverable on unpaid losses, end of year	769,750	693,104
Gross reserve for losses and loss expenses, end of year	$ 5,030,797	$ 5,051,482

6. Reserve for Losses and Loss Expenses (continued)

The Company writes business with loss experience generally characterized as low frequency and high severity in nature, which can result in volatility in its financial results. During 2020 and 2019, the Company recognized catastrophe and weather-related losses of $374,171 and $247,674.

On December 15, 2019, the Company entered into a quota share retrocessional agreement with Harrington Re, a related party, which was deemed to have met the established criteria for retroactive reinsurance accounting. The Company recognized reinsurance recoverable on unpaid losses of $59,444 related to this reinsurance agreement. This transaction was conducted at market rates consistent with negotiated arms-length contracts.

Estimates for Significant Catastrophe Events

At December 31, 2020, net reserve for losses and loss expenses included estimated amounts for numerous catastrophe events. The magnitude and complexity of losses arising from certain of these events inherently increase the level of uncertainty and, therefore, the level of management judgement involved in arriving at estimated net reserves for losses and loss expenses. These events include the COVID-19 pandemic, Hurricanes Laura, Sally, Zeta and Delta, the Midwest derecho and wildfires across the West Coast of the United States in 2020, Japanese Typhoons Hagibis, Faxai and Tapah, Hurricane Dorian and the Australia Wildfires in 2019, Hurricanes Michael and Florence, California Wildfires and Typhoon Jebi in 2018. As a result, actual losses for these events may ultimately differ materially from current estimates.

Prior Year Reserve Development

Net losses and loss expenses incurred include net favorable prior period reserve development of $44,743 and $54,864 for the years ended December 31, 2020 and 2019, respectively. Prior year reserve development arises from changes to losses and loss expense estimates related to loss events that occurred in previous calendar years.

The net favorable prior period reserve development for both years originates from insurance and reinsurance operations on business both written directly by the Company and assumed from affiliates.

6. Reserve for Losses and Loss Expenses (continued)

Insurance operations

In 2020, the Company recognized $27 million of net favorable prior year reserve development, the principal components of which were:

- $12 million of net favorable prior year reserve development on marine business primarily due to better than expected loss emergence mainly related to the 2017 and 2018 accident years.

- $8 million of net favorable prior year reserve development on property and other business primarily due to better than expected loss emergence mainly related to the 2018 accident year.

- $6 million of net favorable prior year reserve development on aviation business primarily due to better than expected loss emergence across multiple accident years.

In 2019, the Company recognized $44 million of net favorable prior year reserve development, the principal components of which were:

- $24 million of net favorable prior year reserve development on marine business primarily due to better than expected loss emergence mainly related to the 2015 through 2017 accident years.

- $14 million of net favorable prior year reserve development on professional lines business reflecting generally favorable experience on older accident years as the Company continued to transition to more experience based actuarial methods.

- $7 million of net favorable prior year reserve development on credit and political risk business primarily due to better than expected loss emergence mainly related to recent accident years.

- $10 million of net adverse prior year reserve development on liability business primarily due to reserve strengthening within the U.S. excess casualty and U.S. primary casualty books of business mainly driven by the higher frequency and severity of auto claims and the higher frequency of general liability claims mainly related to the 2015 and 2017 accident years.

Reinsurance operations

In 2020, the Company recognized $18 million of net favorable prior year reserve development, the principal components of which were:

- $20 million of net favorable prior year reserve development on credit and surety business primarily due to better than expected loss emergence across multiple accident years.

6. Reserve for Losses and Loss Expenses (continued)

- $15 million of net favorable prior year reserve development on motor business primarily due to non-proportional treaty business mainly related to older accident years partially offset by an increase in loss estimates for proportional treaty business mainly related to the 2018 accident year.

- $11 million of net adverse prior year reserve development on professional lines business due to an increase in the loss estimate attributable to a specific large claim related to the 2016 accident year.

- $8 million of net adverse prior year reserve development on liability business due to an increase in the loss estimate attributable to a specific large claim related to the 2009 accident year.

In 2019, the Company recognized $11 million of net favorable prior year reserve development, the principal components of which were:

- $53 million of net favorable prior year reserve development on motor business primarily due to the impact of the increase in the Ogden Rate and changes in related actuarial assumptions on several accident years.

- $35 million of net favorable prior year reserve development on credit and surety business primarily due to better than expected loss emergence mainly related to accident years 2015 through 2017.

- $19 million of net favorable prior year reserve development on liability business primarily due to increased weight given by management to experience based indications on older accident years.

- $95 million of net adverse prior year reserve development on property and other business primarily due to an increase in loss estimates attributable to Hurricanes Irma and Michael consistent with industry trends, an increase in the loss estimate attributable to Typhoon Jebi consistent with updated industry insured loss estimates, and reserve strengthening within the European proportional property book of business.

Net Incurred and Paid Claims Development Tables By Accident Year

The following tables present net incurred and paid claims development by accident year, total incurred-but-not-reported liabilities plus expected development on reported claims, cumulative reported claims frequency and average annual percentage payout of incurred claims by age for each reserve class. The loss development tables are presented on an accident year basis for both the insurance and reinsurance operations. The Company does not discount unpaid losses and loss expense reserves.

Non-U.S. dollar denominated loss data is converted to U.S. dollar at the rates of exchange in effect at the balance sheet date for material underlying currencies. Fluctuations in foreign currency exchange rates may cause material shifts in loss development. Reserves for losses and loss expenses disclosed in the Consolidated Balance Sheets, are also remeasured using the rates of exchange in effect at the balance sheet date.

6. Reserve for Losses and Loss Expenses (continued)

There are many considerations in establishing net reserves for losses and loss expenses and an attempt to evaluate net reserves for losses and loss expenses using solely the data presented in these tables could be misleading. The Company cautions against mechanical application of standard actuarial methodologies to project ultimate losses using data presented in this disclosure.

Insurance Operations

The reporting of cumulative claims frequency for the reserve classes within the insurance operations has been measured by counting the number of unique claim references including claim references assigned to nil and nominal case reserves. Claim references are grouped by claimant by loss event for each reserve class. For certain insurance facilities and business produced by managing general agents where underlying data is reported to the Company in an aggregated format, the information necessary to provide cumulative claims frequency is not available therefore reporting of claims frequency is deemed to be impracticable.

Insurance Property and Other

This reserve class includes property, terrorism and accident and health lines of business.

The property line of business provides physical loss or damage, business interruption and machinery breakdown cover for virtually all types of property, including commercial buildings, residential premises, construction projects and onshore energy installations. This line of business includes primary and excess risks, some of which are catastrophe-exposed.

The terrorism line of business provides cover for physical damage and business interruption of an insured following an act of terrorism and includes kidnap and ransom, and crisis management insurance.

The accident and health line of business includes accidental death, travel insurance and specialty health products for employer and affinity groups.

In general, reporting and payment patterns are relatively short-tailed although they can be volatile due to the incidence of catastrophe events.

6. Reserve for Losses and Loss Expenses (continued)

Insurance Property and Other

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2020	
	For the Years Ended December 31,											
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2011	$ 210,441	$ 195,961	$ 178,438	$ 167,851	$ 165,472	$ 163,876	$ 164,101	$ 163,573	$ 162,894	$ 162,695	$ (133)	6,367
2012		224,103	233,841	224,408	211,745	208,893	204,976	204,390	199,329	199,132	(379)	29,942
2013			187,108	180,277	163,432	161,221	161,124	166,304	164,170	164,099	494	53,204
2014				214,834	210,676	204,493	191,548	190,400	189,172	185,847	1,800	62,371
2015					166,561	160,433	154,652	151,814	149,684	151,124	599	48,469
2016						211,526	230,177	225,363	216,580	212,862	2,015	93,792
2017							439,611	414,333	403,032	403,248	5,766	698,289
2018								149,832	171,534	166,505	1,705	7,280
2019									104,022	109,307	(8,074)	4,781
2020										208,959	107,276	3,236
									Total	$ 1,963,778		

Insurance Property and Other

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	For the Years Ended December 31,									
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 44,803	$ 104,543	$ 140,134	$ 157,690	$ 156,788	$ 156,694	$ 156,922	$ 157,017	$ 157,009	$ 156,989
2012		40,598	116,317	157,247	169,896	174,982	178,807	178,842	179,961	180,133
2013			39,979	117,106	142,930	149,137	156,598	158,122	158,554	160,750
2014				72,210	148,740	179,850	183,356	184,843	185,496	182,964
2015					58,334	120,808	135,902	143,820	143,845	148,201
2016						72,914	175,560	199,736	205,435	205,837
2017							132,335	298,333	359,492	373,901
2018								48,254	126,020	148,221
2019									33,249	81,209
2020										38,780
									Total	1,676,985
									All outstanding liabilities before 2011, net of reinsurance	4,787
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 291,580

Insurance Property and Other

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
29.5%	42.7%	15.6%	4.9%	1.3%	1.2%	(0.3)%	0.7%	0.1%	—%

6. Reserve for Losses and Loss Expenses (continued)

Insurance Marine

This reserve class includes the marine line of business which provides cover for traditional marine classes, including offshore energy, renewable offshore energy, cargo, liability, recreational marine, fine art, specie and hull and war. Offshore energy coverages include physical damage, business interruption, operators extra expense and liability coverage for all aspects of offshore upstream energy, from exploration and construction through the operation and distribution phases. The complex nature of claims arising under marine policies tends to result in reporting and payment patterns that are longer than those of the property and other class. Exposure to natural perils such as windstorm and earthquake can result in volatility.

Insurance Marine

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2020	
	For the Years Ended December 31,											
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2011	$ 66,704	$ 58,816	$ 54,583	$ 50,058	$ 49,747	$ 49,869	$ 51,588	$ 52,045	$ 51,377	$ 50,125	$ (950)	3,830
2012		66,800	60,516	50,828	52,956	53,712	55,724	54,258	45,264	47,577	5,442	4,135
2013			60,437	76,264	73,306	73,969	62,135	61,459	60,644	59,995	695	2,354
2014				44,958	33,879	36,855	33,562	34,621	35,203	30,703	(1,285)	2,166
2015					117,502	104,483	102,547	96,619	86,572	89,836	5,492	2,231
2016						64,006	58,141	56,622	51,550	50,557	2,749	2,857
2017							54,904	51,543	48,213	41,469	4,884	4,005
2018								49,159	58,472	53,340	11,137	4,120
2019									44,965	44,788	11,903	2,592
2020										59,347	33,179	665
									Total	$ 527,737		

6. Reserve for Losses and Loss Expenses (continued)

Insurance Marine

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 19,507	$ 32,423	$ 41,211	$ 43,823	$ 45,335	$ 45,900	$ 49,015	$ 50,507	$ 50,883	$ 50,861
2012		6,785	27,828	32,327	35,629	36,246	38,070	39,603	40,447	40,573
2013			13,691	32,454	40,818	47,073	48,991	57,273	57,386	58,219
2014				4,225	10,863	19,809	19,685	26,270	30,007	30,865
2015					15,233	39,475	79,298	81,489	82,523	83,666
2016						8,351	22,155	40,874	45,492	46,069
2017							6,529	16,883	25,831	29,945
2018								5,416	23,000	28,731
2019									4,070	15,576
2020										19,844
									Total	404,349
					All outstanding liabilities before 2011, net of reinsurance					5,849
					Liabilities for claims and claim adjustment expenses, net of reinsurance					$ 129,237

Insurance Marine

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
19.2%	29.0%	23.0%	6.2%	5.2%	6.4%	3.1%	2.1%	0.6%	—%

Insurance Aviation

This reserve class includes the aviation line of business which provides cover for hull and liability, and specific war covers primarily for passenger airlines but also for cargo operations, general aviation operations, airports, aviation authorities, security firms and product manufacturers. The claims reporting pattern varies by insurance coverage provided. Losses arising from war or terrorism and damage to hulls of aircraft are generally reported quickly compared with liability claims which involve passengers and third parties and generally exhibit longer reporting and payment patterns. To date, the claims reported to the Company have predominantly related to damage to hulls, therefore reporting and payment patterns have typically exhibited a relatively short tail.

6. Reserve for Losses and Loss Expenses (continued)

Insurance Aviation

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2020	
	For the Years Ended December 31,											
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2011	$ 16,587	$ 14,292	$ 11,912	$ 8,934	$ 8,031	$ 6,911	$ 6,876	$ 6,851	$ 6,832	$ 6,456	$ 51	4,203
2012		12,077	10,131	10,323	8,311	7,363	7,309	7,195	6,289	6,114	57	2,859
2013			14,891	15,522	14,408	14,473	14,774	14,653	16,895	16,712	141	3,020
2014				19,211	21,605	22,381	19,690	19,664	16,194	14,217	(399)	3,534
2015					22,333	21,576	22,442	22,062	17,811	17,260	(517)	4,155
2016						21,239	24,178	24,357	27,433	25,917	(910)	4,091
2017							37,949	27,134	36,131	34,173	(1,013)	4,347
2018								52,845	41,994	39,855	3,595	4,405
2019									31,254	26,086	3,952	2,785
2020										22,079	18,413	1,294
									Total	$ 208,869		

Insurance Aviation

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	For the Years Ended December 31,									
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 605	$ 2,609	$ 4,247	$ 4,748	$ 5,268	$ 5,512	$ 5,728	$ 5,869	$ 5,870	$ 5,879
2012		877	2,668	3,859	5,600	6,466	6,679	6,790	6,900	6,893
2013			4,271	6,871	9,112	10,734	12,786	13,373	13,792	15,247
2014				3,786	7,328	10,469	12,256	12,804	13,474	13,524
2015					6,092	11,964	15,461	17,116	18,749	19,765
2016						7,401	13,724	18,882	21,446	22,333
2017							11,631	16,445	17,275	20,996
2018								21,027	17,497	20,510
2019									13,550	14,062
2020										585
									Total	139,794
All outstanding liabilities before 2011, net of reinsurance										2,081
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 71,156

6. Reserve for Losses and Loss Expenses (continued)

Insurance Aviation

Average annual percentage payout of incurred claims by age, net of reinsurance									
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
28.1%	18.5%	16.3%	12.7%	8.6%	4.3%	2.0%	4.2%	(0.1)%	0.1%

Insurance Credit and Political Risk

This reserve class includes the credit and political risk line of business which provides credit and political risk insurance products for banks, commodity traders, corporations and multilateral and export credit agencies. Cover is provided for a range of risks including sovereign default, credit default, political violence, currency inconvertibility and non-transfer, expropriation, aircraft non-repossession and contract frustration due to political events.

The credit insurance coverage is primarily for lenders seeking to mitigate the risk of non-payment from their borrowers. In order to claim compensation under a credit insurance contract, the insured (most often a bank) cannot assign, without the Company's prior agreement, the insured contract (most often a loan) to any third party and is normally obliged to hold a material portion of insured asset on their own books, unhedged and uninsured. Claims for this business tend to be characterized by their severity risk, as opposed to their frequency risk. Claim reporting and payment patterns are anticipated to be volatile. Under the notification provisions of credit insurance policies issued by the Company, it anticipates being advised of an insured event within a relatively short time period. Consequently, the Company generally estimates ultimate losses based on a contract-by-contract analysis which considers the contracts' terms, the facts and circumstances of underlying loss events and qualitative input from claims managers.

Insurance Credit and Political Risk

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2020	
	For the Years Ended December 31,											
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2011	$ 54,207	$ 47,523	$ 47,560	$ 48,152	$ 48,310	$ 45,003	$ 33,541	$ 27,841	$ 27,841	$ 27,729	$ 92	4
2012		30,124	14,052	12,105	12,257	10,290	35	150	150	150	116	4
2013			23,894	24,320	9,766	9,795	14,856	13,977	12,334	12,696	4,389	2
2014				36,191	66,698	64,005	64,867	67,755	69,330	68,802	2,020	6
2015					27,020	29,727	26,880	25,827	25,688	24,619	1,310	2
2016						47,324	43,329	41,164	41,690	25,559	2,007	1
2017							17,975	17,632	15,734	9,155	7,590	3
2018								11,294	6,781	5,700	3,871	26
2019									14,249	39,973	2,327	33
2020										25,130	17,672	22
									Total	$ 239,513		

6. Reserve for Losses and Loss Expenses (continued)

Insurance Credit and Political Risk

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 32,788	$ 37,205	$ 27,636	$ 27,636	$ 27,636	$ 27,636	$ 27,636	$ 27,636	$ 27,636	$ 27,636
2012		—	—	—	—	30	32	33	33	33
2013			745	2,235	3,726	5,216	11,769	13,828	13,828	13,828
2014				1,924	38,645	58,456	56,016	56,016	62,209	68,382
2015					—	23,309	23,309	23,309	23,309	23,309
2016						—	23,551	23,551	23,551	23,551
2017							—	1,452	2,727	3,642
2018								2,857	1,830	1,830
2019									6,851	35,379
2020										7,136
									Total	204,726
					All outstanding liabilities before 2011, net of reinsurance					(3,964)
					Liabilities for claims and claim adjustment expenses, net of reinsurance					$ 30,823

Insurance Credit and Political Risk

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
22.3%	37.5%	2.5%	2.6%	11.9%	5.3%	2.4%	—%	—%	—%

Insurance Professional Lines

This reserve class includes the professional line of business which provides directors' and officers' liability, errors and omissions liability, employment practices liability, fiduciary liability, crime, professional indemnity, cyber and privacy insurance, medical malpractice and other financial insurance related covers for commercial enterprises, financial institutions, not-for-profit organizations and other professional service providers. This business is predominantly written on a claims-made basis. Typically this reserve class is anticipated to exhibit medium to long tail claim reporting and payment patterns.

6. Reserve for Losses and Loss Expenses (continued)

With respect to key actuarial assumptions, the Company relies on its loss experience when establishing expected loss ratios and selected loss development patterns. Loss reporting patterns for professional lines business tend to be volatile, causing instability in actuarial indications based on incurred loss data until an accident year or underwriting year matures. Consequently, initial reserves for losses and loss expenses for an accident year or underwriting year are generally based on an ELR Method and the consideration of relevant qualitative factors. As accident years and underwriting years mature, the Company increasingly gives more weight to methods that reflect its experience until its selections are based almost exclusively on experience-based methods. The Company evaluates the appropriateness of the transition to experience-based methods at the reserve class level, commencing this transition when it believes that its incurred loss development is sufficient to produce meaningful actuarial indications. The rate at which the Company transitions fully to sole reliance on experience-based methods can vary by reserve class and by year, depending on its assessment of the stability and relevance of such indications. For some professional lines in the insurance operations, the Company also relies on the evaluation of the open claim inventory in addition to the commonly employed actuarial methods when establishing reserves.

Insurance Professional Lines

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2020	
	For the Years Ended December 31,											
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2011	$ 181,108	$ 182,242	$ 190,455	$ 186,814	$ 190,286	$ 197,928	$ 199,724	$ 199,511	$ 197,759	$ 195,032	$ 11,301	7,239
2012		189,717	213,237	213,213	210,116	203,184	206,511	201,675	199,434	185,207	12,250	8,334
2013			221,087	227,221	229,443	208,733	203,907	205,167	190,333	190,779	23,404	9,457
2014				234,301	233,085	238,409	221,534	211,715	198,076	195,598	38,573	9,825
2015					215,823	214,425	218,867	206,287	200,066	188,039	31,133	10,493
2016						200,358	202,597	206,996	211,454	218,364	45,387	11,836
2017							200,104	214,122	238,669	238,081	86,240	13,666
2018								76,599	81,455	92,217	46,322	6,092
2019									87,100	90,326	56,223	5,446
2020										76,462	74,417	2,624
									Total	$1,670,105		

6. Reserve for Losses and Loss Expenses (continued)

Insurance Professional Lines

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 3,909	$ 17,575	$ 40,463	$ 58,534	$ 88,451	$ 138,283	$ 161,478	$ 167,912	$ 172,742	$ 180,577
2012		4,082	22,991	54,389	99,101	125,365	137,242	148,306	152,588	163,960
2013			9,260	38,875	71,364	96,987	117,661	136,007	148,775	156,090
2014				12,544	40,253	71,669	104,656	122,306	133,069	138,210
2015					11,881	36,081	73,934	95,310	114,845	136,530
2016						8,921	40,050	83,997	110,795	135,791
2017							10,336	36,977	75,223	110,779
2018								3,182	13,510	27,075
2019									8,881	16,413
2020										776
									Total	1,066,201
							All outstanding liabilities before 2011, net of reinsurance			74,982
							Liabilities for claims and claim adjustment expenses, net of reinsurance			$ 678,886

Insurance Professional Lines

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
4.5%	11.6%	16.6%	14.6%	11.9%	11.7%	6.8%	3.1%	4.3%	4.0%

Insurance Liability

This reserve class includes the liability line of business which primarily targets primary and low to mid-level excess and umbrella commercial liability risks in the U.S. wholesale markets in addition to primary and excess of loss employers, public, and products liability predominately in the U.K. Target industry sectors include construction, manufacturing, transportation and trucking and other services. The delay between the writing of a contract, notification and subsequent settlement of a claim in respect of that contract results in claim reporting and payment patterns that are typically long tail in nature. A consequence of the claim development tail is that this line of business is particularly exposed, amongst a number of uncertainties, to the potential for unanticipated levels of claim inflation relative to that assumed when the contracts were written. Factors influencing claim inflation on this class can include, but are not limited to, underlying economic and medical inflation, judicial inflation, mass tort and changing social trends.

6. Reserve for Losses and Loss Expenses (continued)

Insurance Liability

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2020	
	For the Years Ended December 31,											
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2011	$ 39,881	$ 41,189	$ 48,700	$ 49,703	$ 47,590	$ 46,800	$ 46,010	$ 46,094	$ 47,493	$ 47,366	$ 7,136	3,691
2012		41,252	41,037	41,146	37,652	34,618	42,366	40,555	36,003	34,710	8,052	3,312
2013			56,637	57,667	56,906	50,495	56,653	58,256	55,224	53,673	6,176	3,693
2014				57,392	65,813	68,576	66,605	67,342	66,398	66,570	9,620	5,087
2015					68,558	66,093	74,512	88,211	96,642	100,969	18,499	6,350
2016						63,168	66,410	65,982	64,746	60,916	18,054	7,242
2017							72,561	73,542	82,980	91,196	20,756	7,072
2018								8,667	8,365	8,108	3,135	1,089
2019									13,576	13,159	7,440	636
2020										18,505	17,292	273
									Total	$ 495,172		

Insurance Liability

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	For the Years Ended December 31,									
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 1,382	$ 5,322	$ 10,183	$ 23,249	$ 27,108	$ 31,570	$ 34,203	$ 35,152	$ 37,634	$ 40,089
2012		842	2,804	7,776	15,161	18,669	23,073	24,981	25,732	25,881
2013			1,213	16,413	21,457	25,832	37,497	41,177	43,904	44,630
2014				724	9,423	25,027	35,872	42,267	46,871	51,599
2015					2,724	10,982	20,525	46,814	60,870	75,852
2016						3,223	11,878	18,424	28,632	33,775
2017							2,310	13,749	28,247	54,669
2018								158	701	1,987
2019									409	1,355
2020										194
									Total	330,031
									All outstanding liabilities before 2011, net of reinsurance	28,238
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 193,379

6. Reserve for Losses and Loss Expenses (continued)

Insurance Liability

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2.5%	11.6%	13.7%	20.7%	12.0%	10.1%	5.8%	1.9%	2.8%	5.2%

Reinsurance Operations

The presentation of net incurred and paid claims development tables by accident year for the reinsurance operations is challenging due to the need to allocate loss information related to proportional treaties to the appropriate accident years. Information related to proportional treaty reinsurance contracts is generally submitted to the Company using quarterly bordereau reporting by underwriting year, with a supplemental listing of large losses. Large losses can be allocated to the corresponding accident years accurately. The remaining losses can generally only be allocated to accident years based on estimated premiums earned and loss reporting patterns. To the extent management's assumptions and allocation procedures differ from the actual loss development patterns, the actual loss development may differ materially from the net incurred and paid claims development presented in the tables below.

The reporting of cumulative claims frequency for the reserve classes within the reinsurance operations is deemed to be impracticable as the information necessary to provide cumulative claims frequency for these reserve classes is not available to the Company.

Reinsurance Property and Other

This reserve class includes catastrophe, property, agriculture, engineering, marine and aviation and accident and health lines of business.

The catastrophe line of business provides protection for most catastrophic losses that are covered in the underlying insurance policies written by the Company's cedants. The underlying policies principally cover property-related exposure but other exposures including workers compensation and personal accident are also covered. The principal perils covered by policies in this portfolio include hurricane and windstorm, earthquake, flood, tornado, hail and fire. In some instances, terrorism may be a covered peril or the only peril. The Company underwrites this business on a proportional and on an excess of loss basis.

The property line of business provides protection for property damage and related losses resulting from natural and man-made perils that are covered in underlying personal and commercial lines insurance policies written by the Company's cedants. The predominant exposure is to property damage, but other risks, including business interruption and other non-property losses, may also be covered when arising from a covered peril. The most significant perils covered by policies in this portfolio include windstorm, tornado and earthquake, but other perils such as freezes, riots, floods, industrial explosions, fires, hail and a number of other loss events are also included. The Company underwrites this business on a proportional and excess of loss basis.

6. Reserve for Losses and Loss Expenses (continued)

The agriculture line of business provides protection for risks associated with the production of food and fiber on a global basis for primary insurance companies writing multi-peril crop insurance, crop hail, and named peril covers, as well as custom risk transfer mechanisms for agricultural dependent industries with exposures to crop yield and/or price deviations. This business is written on a proportional and aggregate stop loss reinsurance basis.

The engineering line of business provides protection for all types of construction risks and risks associated with erection, testing and commissioning of machinery and plants during the construction stage. This line of business also includes coverage for losses arising from operational failures of machinery, plant and equipment and electronic equipment as well as business interruption. The Company decided to exit this line of business in 2020.

The marine and aviation line of business includes specialty marine classes such as cargo, hull, pleasure craft, marine liability, inland marine and offshore energy. The principal perils covered by policies in this portfolio include physical loss, damage and/or liability arising from natural perils of the seas or land, man-made events including fire and explosion, stranding/sinking/salvage, pollution, shipowners and maritime employers liability. This business is written on a non-proportional and proportional basis. Aviation provides cover for airline, aerospace and general aviation exposures. This business is written on a proportional and non-proportional basis.

The accident and health line of business includes specialty health, accidental death, travel, life and disability reinsurance products which are offered on a proportional and catastrophic or per life excess of events loss basis.

In general, reporting and payment patterns are relatively short-tailed and can be volatile due to the incidence of catastrophe.

Reinsurance Property and Other

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2020
	For the Years Ended December 31,										Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	
2011	$ 1,061,595	$ 1,073,021	$ 1,080,611	$ 1,044,959	$ 1,030,757	$ 1,006,840	$ 1,005,143	$ 1,006,725	$ 1,007,797	$ 1,004,918	$ 4,037
2012		472,547	446,658	431,427	404,659	391,098	386,269	387,336	384,626	384,364	703
2013			432,394	415,154	390,458	374,033	369,119	368,302	365,012	364,101	255
2014				369,580	380,815	362,063	352,465	350,005	349,301	347,007	38,483
2015					338,231	325,360	322,222	318,151	315,563	319,322	4,516
2016						429,969	439,060	429,425	424,554	425,818	2,522
2017							776,617	766,421	794,794	795,669	36,512
2018								475,088	560,620	582,071	60,401
2019									529,050	527,239	127,718
2020										492,681	246,318
									Total	$ 5,243,190	

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Property and Other

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 246,661	$ 562,543	$ 762,471	$ 860,654	$ 891,546	$ 964,186	$ 977,983	$ 981,105	$ 986,903	$ 982,640
2012		100,508	243,683	308,693	328,556	340,526	348,534	350,544	362,037	362,290
2013			77,605	231,521	320,388	344,017	351,435	352,556	352,543	350,861
2014				74,530	224,094	276,015	289,990	294,509	298,501	294,853
2015					53,586	180,678	252,526	278,317	287,866	291,237
2016						92,131	258,733	352,232	383,039	396,334
2017							181,010	491,908	602,148	662,197
2018								82,984	335,295	410,942
2019									45,466	287,990
2020										103,047
									Total	4,142,391
						All outstanding liabilities before 2011, net of reinsurance				28,217
					Liabilities for claims and claim adjustment expenses, net of reinsurance					$ 1,129,016

Reinsurance Property and Other

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
19.8%	40.1%	18.5%	6.9%	2.6%	2.4%	0.2%	0.9%	0.4%	(0.4)%

Reinsurance Credit and Surety

This reserve class includes the credit and surety line of business which provides reinsurance of trade credit insurance products and includes both proportional and excess of loss structures. The underlying insurance indemnifies sellers of goods and services in the event of a payment default by the buyer of those goods and services. Surety reinsurance provides protection for losses arising from a broad array of surety bonds issued by insurers to satisfy regulatory demands or contract obligations in a variety of jurisdictions around the world. The Company also provides mortgage reinsurance to mortgage guaranty insurers and U.S. government sponsored entities for losses related to credit risk transfer into the private sector.

Initial and most recent underwriting year loss projections are generally based on the ELR Method, with consideration given to qualitative factors. Given that there is a quicker and more stable reporting pattern for trade credit and mortgage business, the Company generally commences the transition to experience-based methods sooner for these lines of business than for the surety business.

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Credit and Surety

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,										At December 31, 2020
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims
2011	$ 88,493	$ 80,138	$ 79,800	$ 85,633	$ 83,831	$ 77,219	$ 75,794	$ 75,140	$ 72,979	$ 71,428	$ 847
2012		116,605	110,881	113,151	110,764	104,211	97,880	95,079	92,611	91,271	1,540
2013			121,941	114,167	108,297	105,621	101,627	93,074	93,032	95,026	1,977
2014				99,258	101,667	107,572	105,013	96,469	95,300	92,440	2,385
2015					118,524	124,635	120,685	117,235	103,881	104,882	3,268
2016						104,803	104,803	109,526	90,775	85,198	2,046
2017							93,597	92,826	88,746	82,745	1,962
2018								69,241	77,616	78,707	20,467
2019									44,462	41,586	11,906
2020										27,363	8,734
									Total	$ 770,646	

Reinsurance Credit and Surety

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,									
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 16,439	$ 40,148	$ 53,296	$ 59,201	$ 62,278	$ 63,970	$ 65,655	$ 66,737	$ 67,382	$ 67,891
2012		36,562	63,394	73,802	77,927	80,435	81,764	82,769	84,289	84,726
2013			24,207	57,190	68,257	73,325	78,575	80,118	83,786	85,421
2014				26,783	46,386	65,047	71,921	77,725	80,840	81,168
2015					24,757	61,794	75,560	88,399	89,752	92,809
2016						31,679	55,179	68,395	75,324	76,067
2017							24,549	51,092	63,081	72,271
2018								26,441	46,784	49,466
2019									13,605	20,416
2020										14,280
									Total	644,515
All outstanding liabilities before 2011, net of reinsurance										13,934
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 140,065

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Credit and Surety

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
32.7%	27.5%	13.5%	8.1%	3.5%	2.4%	2.0%	1.6%	0.7%	0.7%

Reinsurance Professional Lines

This reserve class includes the professional line of business which provides protection for directors' and officers' liability, employment practices liability, medical malpractice, professional indemnity, environmental liability, cyber and miscellaneous errors and omissions insurance risks. The underlying business is predominantly written on a claims-made basis. This business is written on a proportional and excess of loss basis. Typically, this reserve class is anticipated to exhibit medium to long-tail claim reporting and payment patterns.

With respect to key actuarial assumptions, the Company relies on its experience when establishing expected loss ratios and selecting loss development patterns. Loss reporting patterns for professional lines business tend to be volatile, causing instability in actuarial indications based on incurred loss data until an underwriting year matures. Consequently, initial reserves for losses and loss expenses for an underwriting year are generally based on the ELR Method and the consideration of relevant qualitative factors. As underwriting years mature, the Company increasingly gives more weight to methods that reflect its experience until its selections are based almost exclusively on experience-based methods. The Company evaluates the appropriateness of the transition to experience-based methods at the reserve class level, commencing this transition when it believes that its incurred loss development is sufficient to produce meaningful actuarial indications. The rate at which the Company transitions fully to sole reliance on experience-based methods can vary by reserve class and by year, depending on its assessment of the stability and relevance of such indications.

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Professional Lines

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,										At December 31, 2020
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims
2011	$ 107,027	$ 107,103	$ 107,568	$ 111,939	$ 110,508	$ 109,831	$ 104,045	$ 91,852	$ 86,283	$ 84,406	$ 4,236
2012		111,062	114,333	117,348	118,377	117,537	112,790	112,786	108,652	107,296	5,459
2013			111,104	113,575	114,123	113,157	112,902	109,230	95,582	88,590	8,868
2014				115,615	115,416	115,227	115,156	122,106	120,570	120,012	11,286
2015					111,987	112,272	113,755	120,080	124,977	124,255	19,109
2016						98,750	99,541	101,556	118,050	134,532	28,845
2017							68,550	69,449	72,821	81,773	31,509
2018								21,742	22,772	23,831	14,038
2019									30,088	32,051	19,492
2020										30,261	23,204
									Total	$ 827,007	

Reinsurance Professional Lines

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,									
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 756	$ 5,961	$ 15,380	$ 29,302	$ 43,210	$ 52,719	$ 61,363	$ 66,574	$ 70,449	$ 71,279
2012		397	5,580	15,674	27,949	44,537	56,138	68,968	76,423	81,336
2013			542	6,421	16,030	33,612	42,099	54,374	64,027	66,915
2014				1,184	6,928	25,463	38,655	56,760	76,237	82,417
2015					1,640	7,055	21,877	41,275	59,271	70,208
2016						1,073	10,505	26,849	48,899	64,091
2017							1,446	6,687	17,656	26,245
2018								398	1,121	2,408
2019									261	1,313
2020										377
									Total	466,589
							All outstanding liabilities before 2011, net of reinsurance			36,021
							Liabilities for claims and claim adjustment expenses, net of reinsurance			$ 396,439

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Professional Lines

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1.1%	5.2%	11.2%	14.5%	13.8%	12.2%	9.6%	5.5%	4.6%	1.0%

Reinsurance Motor

This reserve class includes the motor line of business which provides cover to insurers for motor liability and motor property damage losses arising from any one occurrence. A loss occurrence can involve one or many claimants where the ceding insurer aggregates the claims from the occurrence. The Company offers traditional proportional and non-proportional reinsurance as well as structured solutions predominantly relating to European exposures.

The business written on a proportional basis has expanded significantly since 2010 and now represents the majority of the premium in this line of business. Most of the premium relates to a relatively small number of large United Kingdom ("U.K.") quota share reinsurance treaties. The motor proportional class generally has a significantly shorter reported and payment pattern, relative to the motor non-proportional class.

The motor non-proportional business consists of standard excess of loss contracts written for cedants in several European countries with most of the premium related to two major markets, U.K. and France. Since 2009/2010, an increasing number of large bodily injury settlements in the U.K. market were settled using indexed annuities (Periodical Payment Orders "PPOs"). This led to a materially longer development tail on the older accident years for the U.K. non-proportional motor book. This also resulted in the inclusion of capitalization clauses on a number of U.K. motor treaties which allow reinsurers to settle claims arising under PPOs with a lump sum payment, to help mitigate the lengthening of the development tail on more recent accident years.

In 2017, the U.K. Ministry of Justice announced a decrease in the discount rate to be used to calculate lump sum awards in U.K. bodily injury cases, known as the Ogden Rate. Effective March 20, 2017, the Ogden rate changed from plus 2.5% to minus 0.75%. This resulted in a trend toward a lower number of claims settlements using PPOs and an increase in projected ultimate losses, particularly related to recent accident years.

Effective August 5, 2019, the Ogden rate changed from minus 0.75% to minus 0.25%. This resulted in a decrease in projected ultimate losses, particularly related to recent accident years.

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Motor

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,										At December 31, 2020
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims
2011	$ 124,310	$ 127,537	$ 130,655	$ 135,331	$ 132,242	$ 125,152	$ 116,736	$ 112,578	$ 106,513	$ 104,386	$ 13,326
2012		141,400	134,545	125,175	119,189	115,143	107,619	105,188	98,680	98,953	10,440
2013			128,921	128,199	119,169	111,603	108,861	106,370	99,468	96,928	9,365
2014				144,351	147,174	143,341	140,912	137,398	134,735	131,903	5,034
2015					175,375	173,860	176,903	177,975	169,060	167,649	8,692
2016						193,107	209,372	211,247	202,917	196,105	9,000
2017							262,529	268,549	256,175	255,562	20,300
2018								273,270	275,129	283,962	36,987
2019									261,319	262,366	58,696
2020										165,959	113,456
									Total	$ 1,763,773	

Reinsurance Motor

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,									
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 18,260	$ 37,291	$ 49,013	$ 57,331	$ 62,711	$ 67,464	$ 71,170	$ 71,959	$ 73,515	$ 67,725
2012		22,388	41,850	53,478	61,271	66,401	69,609	71,452	72,381	65,867
2013			26,085	42,519	53,843	61,883	66,442	70,873	73,286	66,649
2014				33,324	58,942	74,732	81,280	89,439	97,174	94,132
2015					44,340	73,823	90,101	103,738	116,333	117,611
2016						46,628	82,953	102,337	116,620	127,473
2017							53,521	104,516	129,253	155,094
2018								64,198	112,964	164,238
2019									68,956	142,046
2020										33,230
									Total	1,034,065
									All outstanding liabilities before 2011, net of reinsurance	177,223
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 906,931

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Motor

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
23.2%	19.5%	11.8%	7.8%	5.7%	3.8%	1.4%	(1.7)%	(2.6)%	(5.5)%

Reinsurance Liability

This reserve class includes the liability line of business which provides protection to insurers of admitted casualty business, excess and surplus lines casualty business and specialty casualty programs. The primary focus of the underlying business is general liability, workers' compensation, auto liability and excess casualty.

Claim reporting and payment patterns are typically long-tail in nature and, therefore, subject to increased uncertainty surrounding future loss development. In particular, claims can be subject to inflation from a number of sources including, but not limited to, economic and medical inflation, judicial inflation, mass tort and changing social trends.

Reinsurance Liability

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2020
	For the Years Ended December 31,										Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims
Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020	
2011	$ 102,551	$ 102,770	$ 104,931	$ 116,632	$ 121,104	$ 118,090	$ 117,663	$ 116,578	$ 115,568	$ 117,229	$ 4,223
2012		91,144	89,078	91,276	93,510	94,133	92,222	86,813	82,753	83,683	5,607
2013			95,010	96,480	99,783	100,738	100,716	95,510	82,488	80,667	8,554
2014				108,835	110,102	110,892	108,950	108,327	106,940	101,204	15,611
2015					115,888	116,017	116,453	116,377	115,364	113,813	26,944
2016						122,113	124,787	127,936	129,701	133,227	35,826
2017							119,194	116,730	120,125	124,072	45,527
2018								29,418	33,085	32,071	16,423
2019									29,394	30,605	24,483
2020										31,527	24,322
									Total	$ 848,098	

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Liability

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

For the Years Ended December 31,

Accident Year	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017 Unaudited	2018 Unaudited	2019 Unaudited	2020
2011	$ 2,617	$ 13,152	$ 24,420	$ 42,996	$ 55,519	$ 66,370	$ 72,988	$ 80,141	$ 84,034	$ 89,168
2012		1,839	6,479	14,365	29,998	39,990	51,780	59,135	64,944	69,523
2013			3,104	11,506	26,714	35,123	44,893	52,154	57,474	63,387
2014				3,668	14,454	24,420	35,956	45,778	56,626	68,848
2015					3,697	13,881	27,931	41,261	56,565	67,871
2016						5,673	17,396	33,377	54,285	70,458
2017							5,571	17,337	32,307	48,202
2018								555	2,029	2,894
2019									558	1,459
2020										264
									Total	482,074
							All outstanding liabilities before 2011, net of reinsurance			58,063
							Liabilities for claims and claim adjustment expenses, net of reinsurance			$ 424,087

Reinsurance Liability

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2.8%	7.8%	10.9%	13.8%	11.7%	10.6%	8.3%	6.8%	4.4%	4.4%

6. Reserve for Losses and Loss Expenses (continued)

Reconciliation of Development Tables to Consolidated Balance Sheet

The following table reconciles the reserve for losses and loss expenses at December 31, 2020 included in the loss development tables to the reserve for losses and loss expenses reported in the consolidated balance sheet:

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claim Adjustment Expenses

	December 31, 2020		
	Net outstanding liabilities	**Reinsurance recoverable on unpaid claims**	**Gross outstanding liabilities**
Insurance Segment			
Property and Other	$ 291,580	$ 1,171	$ 292,751
Marine	129,237	48,608	177,845
Aviation	71,156	20,171	91,327
Credit and Political Risk	30,823	2,033	32,856
Professional Lines	678,886	31,829	710,715
Liability	193,379	34,064	227,443
Total Insurance Segment	1,395,061	137,876	1,532,937
Reinsurance Segment			
Property and Other	1,129,016	294,891	1,423,907
Credit and Surety	140,065	11,661	151,726
Professional Lines	396,439	52,136	448,575
Motor	906,931	195,614	1,102,545
Liability	424,087	77,572	501,659
Total Reinsurance Segment	2,996,538	631,874	3,628,412
Total	$ 4,391,599	$ 769,750	5,161,349
Unallocated claims adjustment expenses			48,444
Foreign exchange and other(1)			(47,247)
(Ceded)/ assumed reserves related to retroactive transactions			(131,749)
Total liability for unpaid claims and claims adjustment expense			$ 5,030,797

(1) Non-U.S. dollar denominated loss data is converted to U.S dollar at the rates of exchange in effect at the balance sheet date for material underlying currencies. Fluctuations in currency exchange rates cause material shifts in loss development. Reserves for losses and loss expenses, disclosed on our Consolidated Balance Sheets, are also revalued using the exchange rate at the balance sheet date.

7. Reinsurance

In the normal course of business, the Company purchases treaty and facultative reinsurance protection to limit ultimate losses from catastrophic events and reduce loss aggregation risk.

Facultative reinsurance provides coverage for all or a portion of the losses incurred for a single policy and the Company separately negotiates each facultative contract.

Treaty reinsurance provides coverage for a specified type or category of risks. The Company's treaty reinsurance agreements provide this cover on either an excess of loss or a proportional basis. Excess of loss covers provide a contractually set amount of coverage after a specified loss amount has been reached. These treaties can provide cover for a number of lines of business within one contract. Under proportional reinsurance, the Company cedes an agreed proportion of the premiums and the losses and loss expenses on the policies it underwrites. These treaties provide the Company with a specified percentage of coverage from the first dollar of loss.

All of these reinsurance contracts provide the Company with the right to recover a specified amount of losses and loss expenses from reinsurers. To the extent that the reinsurers do not meet their obligations under these agreements due to solvency issues, contractual disputes over contract language or coverage and/or other reasons, the Company remains liable. The Company predominantly cedes its business to reinsurers rated A- or better by A.M. Best Company, Inc. ("A.M. Best") or on a fully collateralized basis.

Gross and net premiums written and earned for the years ended December 31, 2020 and 2019 are as follows:

	2020		**2019**	
	Premiums Written	**Premiums Earned**	**Premiums Written**	**Premiums Earned**
Gross	$ 1,753,077	$ 1,845,589	$ 2,008,445	$ 2,033,095
Ceded	(420,853)	(403,776)	(463,838)	(436,120)
Net	$ 1,332,224	$ 1,441,813	$ 1,544,607	$ 1,596,975

During the year ended December 31, 2020, the Company recognized ceded losses and loss expenses of $286,139 (2019: $253,713).

The Company’s provision for unrecoverable reinsurance was $2,251 at December 31, 2020 (2019: $1,790).

8. Financing Arrangements

Letter of Credit Facility

On November 20, 2013, the Company and certain of AXIS Capital's operating subsidiaries ("Participating Subsidiaries") entered into an amendment to extend the term of a secured $750 million letter of credit facility (the "LOC Facility") with Citibank Europe plc ("Citibank") pursuant to a Master Reimbursement Agreement and other ancillary documents (together, the "LOC Facility Documents"). Under the terms of the LOC Facility, letters of credit to a maximum aggregate amount of $750 million are available for issuance on behalf of the Participating Subsidiaries. These letters of credit are principally used to support the reinsurance obligations of the Participating Subsidiaries. The LOC Facility is subject to certain covenants, including the requirement to maintain sufficient collateral, as defined in the LOC Facility Documents, to cover all of the obligations under the LOC Facility. Such obligations include contingent reimbursement obligations for outstanding letters of credit and fees payable to Citibank. In the event of default, Citibank may exercise certain remedies, including the exercise of control over pledged collateral and the termination of the availability of the LOC Facility to any or all of the Participating Subsidiaries.

On March 31, 2015, AXIS Capital entered into an amendment to reduce the maximum aggregate utilization capacity of the LOC Facility from $750 million to $500 million (the "$500 million Facility"). All other material terms and conditions remained unchanged.

On March 27, 2017, the Participating Subsidiaries amended the existing $500 million Facility to include an additional $250 million of secured letter of credit capacity (the "$250 million Facility") pursuant to a Committed Facility Letter and an amendment to the Master Reimbursement Agreement. Under the terms of the $250 million Facility, letters of credit to a maximum aggregate amount of $250 million are available for issuance on behalf of the Participating Subsidiaries once the $500 million Facility is fully utilized.

On March 28, 2020, the expiration date of the $250 million Facility was extended to March 31, 2021.

On December 24, 2019, the expiration date of the $500 million Facility was extended to December 31, 2023.

At December 31, 2020, the Company had $178,174 and nil letters of credit outstanding under the $500 million Facility and $250 million Facility, respectively. In addition, letters of credit of $163,443 issued on behalf of other Participating Subsidiaries under the $500 million Facility for which the Company provides collateral were outstanding as at December 31, 2020. AXIS Capital and the Participating Subsidiaries were in compliance with all LOC Facility covenants at December 31, 2020.

9. Commitments and Contingencies

a) Concentrations of Credit Risk

Credit Risk Aggregation

The aggregation of credit risk is monitored and managed on an AXIS Capital group-wide basis by considering exposure management strategies for individual companies, countries, regions, sectors and any other relevant inter-dependencies. Credit exposures are aggregated based on the origin of risk. Credit risk aggregation is also managed through minimizing overlaps in underwriting, financing and investing activities. As part of its credit aggregation framework, aggregate credit limits are assigned by country and by single counterparty (a parent of affiliated counterparties). These limits are based on and adjusted for a variety of factors, including the prevailing economic environment and the nature of the underlying credit exposures.

The credit aggregation measurement and reporting process is facilitated by a credit risk exposure database, which contains relevant information on counterparty details and credit risk exposures. The database is accessible by management throughout AXIS Capital, therefore providing transparency to allow for the implementation of active exposure management strategies on a group-wide basis. AXIS Capital also licenses third-party tools to provide credit risk assessment. AXIS Capital monitors all its credit aggregations on a group-wide basis and, where appropriate, adjusts its internal risk limits and/or takes specific actions to reduce risk exposures. These AXIS Capital group-wide processes include some entity level monitoring and limits.

The assets that potentially subject the Company to concentrations of credit risk consist principally of cash and investments, reinsurance recoverable on unpaid and paid claims and insurance and reinsurance premium balances receivable, as described below.

Cash and Investments

In order to mitigate concentration and operational risks related to cash and cash equivalents, the Company limits the maximum amount of cash that can be deposited with a single counterparty and limits acceptable counterparties based on current rating, outlook and other relevant factors.

The Company's fixed maturity investment portfolio is exposed to potential losses arising from the diminished creditworthiness of issuers of bonds as well as third-party counterparties such as custodians.The Company's investment portfolio is managed by external investment managers in accordance with its investment guidelines. The Company limits credit risk through diversification, issuer exposure limits graded by ratings and, with respect to custodians, through contractual and other legal remedies. Excluding U.S. government and agency securities, the Company limits its concentration of credit risk to any single corporate issuer to 2% or less of its investment grade fixed maturities portfolio for securities rated A- or above and 1% or less of its investment grade fixed maturities portfolio for securities rated below A-.

At December 31, 2020, the Company was in compliance with these limits.

9. Commitments and Contingencies (continued)

Reinsurance Recoverable on Unpaid and Paid Losses and Loss Expense

The Company is exposed to the credit risk associated with reinsurance recoverable on unpaid and paid losses to the extent that any of its reinsurers fail to meet their obligations under reinsurance contracts. To help mitigate this risk, the Company's purchase of reinsurance is subject to financial security requirements specified by the AXIS Group Reinsurance Security Committee. This Committee maintains a list of approved reinsurers, performs credit risk assessments for potential new reinsurers, regularly monitors approved reinsurers with consideration for events which may have a material impact on their creditworthiness, recommends counterparty tolerance levels for different types of ceded business and monitors concentrations of credit risk. This assessment considers a wide range of individual attributes, including a review of the counterparty’s financial strength, industry position and other qualitative factors. Generally, the Committee requires that reinsurers who do not meet specified requirements provide collateral.

At December 31, 2020, the three largest balances by reinsurer accounted for 75% (2019: 76%) of reinsurance recoverable on unpaid and paid losses and loss expenses. At December 31, 2020, balances recoverable from Harrington Re Ltd. accounted for 45% (2019: 46%) of reinsurance recoverable on unpaid and paid loss and loss expenses.

At December 31, 2020, 71% of the Company’s reinsurance balances recoverable were collectible from reinsurers rated A- or better by A.M. Best (2019: 70%) and 28% were fully collateralized (2019: 30%).

Insurance and Reinsurance Premium Balances Receivable

The diversity of the Company’s client base limits the credit risk associated with its insurance and reinsurance premium balances receivable. In addition, for insurance contracts, the Company has contractual rights to cancel coverage for non-payment of premiums and for reinsurance contracts, the Company has contractual rights to offset premiums receivable balances receivable against corresponding payments for losses and loss expenses.

Brokers and other intermediaries collect premiums from customers on behalf of the Company. The Company has procedures in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions.

These contractual rights contribute to the mitigation of credit risk, together with the monitoring of aged premium balances receivable. In light of these mitigating factors, and considering that a significant portion of premium balances receivable are not currently due based on the terms of the underlying contracts, the Company does not utilize specific credit quality indicators to monitor its premium balances receivable.

At December 31, 2020, the Company recorded an allowance for estimated uncollectible premium balances receivable of $2 (2019: $272). The corresponding bad debt expense was negligible in 2020 and 2019.

9. Commitments and Contingencies (continued)

b) Brokers

The Company produces its business through brokers and direct relationships with insurance companies. Excluding business assumed from affiliates, during 2020, three brokers accounted for 29% (2019: 32%) of the total gross premiums written by the Company. Aon plc accounted for 12% (2019: 15%), Marsh & McLennan Companies Inc. 10% (2019: 12%), and Willis Tower Watson PLC for 6% (2019: 6%). With the exception of reinsurance provided to other subsidiaries of AXIS Capital through quota share and stop loss agreements, no other broker and no one insured or reinsured accounted for more than 10% of gross premiums written in the years ended December 31, 2020 and 2019.

c) Lease Commitments

In the ordinary course of business, the Company renews and enters into new leases for office space which expire at various dates.The total rent expense with respect to these operating leases for the year ended December 31, 2020 was $3,779 (2019: $3,398).

Future minimum lease payments under the leases are expected to be as follows:

Year	Amount
2021	$ 3,418
2022	3,444
2023	3,444
2024	2,859
2025	2,144
Later years	—
Total	$ 15,309

d) Guarantees

During 2014, the Company entered into a Deed of Guarantee (the “Guarantee”) with a policyholder of AXIS Specialty Europe SE (“ASE”), one of AXIS Capital’s operating subsidiary following which the Company guarantees the obligations of ASE in the event of non-payment of balances owing to the policyholder following ASE’s insolvency. The maximum limit of the guarantee is $250,000 and the amount outstanding which is based on in-force policies was $nil at December 31, 2020 (2019: $nil).

On February 14, 2017, the Company entered into a Guaranty agreement (the "Guaranty") with AXIS Reinsurance Company (“ARC”), one of AXIS Capital’s operating subsidiary following which the Company guarantees the book value of ARC's investment in a credit fund up to an amount of $75,000, in the event of ARC's insolvency or ARC's inability to pay a portion or all of its policyholder claims. The Guaranty was terminated on December 31, 2019.

10. Shareholder's Equity

Share capital consists of 12,000,000 authorized common shares of a par value of $0.10 per share. As at December 31, 2020, 12,000,000 common shares were issued and fully paid (2019: 12,000,000 common shares).

11. Retirement Plans

The Company maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation.

During 2020, the Company's total pension expenses were $1,562 (2019: $1,871) for the above retirement benefits.

12. Share-Based Compensation

AXIS Capital adopted long-term equity compensation plans that provide for, among other things, the issuance of restricted shares, restricted stock units (share-settled awards and cash-settled awards), performance units (share-settled awards and cash-settled awards), stock options, stock appreciation rights and other equity-based awards to our employees and directors.

Restricted Stock Units - Share-Settled

Share-settled restricted stock units granted either cliff vest at the end of a three year period, vest in accordance with a three year graded vesting schedule in three annual installments beginning on the grant date, or vest in accordance with a four year graded vesting schedule in four annual installments beginning on the grant date.

Restricted Stock Units - Cash-settled

Cash-settled restricted stock units granted are liability awards and generally cliff vest at the end of a three year period, or vest in accordance with a four year graded vesting schedule in four annual installments beginning on the grant date.

Performance Restricted Stock Units - Share-Settled and Cash-Settled

Performance restricted stock units granted represent the right to receive a specified number of common shares in the future, based on the achievement of established performance criteria and continued service during the applicable performance period. Awards granted pursuant to these plans generally cliff vest at the end of a three year period. Compensation expense is recognized on a straight-line basis over the applicable requisite service period and is subject to periodic adjustment based on the achievement of established performance criteria during the applicable performance period. Performance restricted stock units granted are either share-settled awards or cash-settled liability awards.

12. Share-Based Compensation (continued)

Acceleration provisions

Grants provided generally allow for accelerated vesting provisions on the employee's death, permanent disability, or certain terminations following a change in control of the Company occurring within two years of the change in control event. Notwithstanding these vesting provisions, the Compensation Committee of the AXIS Capital Board has broad authority to accelerate vesting at its discretion.

Retirement Plan

In 2016, the Company established the AXIS Executive Restricted Stock Unit Retirement Plan (the "Plan") to reward certain eligible long-term employees of the Company for their dedicated service. The Plan was implemented in 2017. Subject to certain conditions being met, eligible employees do not forfeit all of their outstanding share-settled restricted stock units or cash-settled restricted stock units on or following their retirement. Absent the Plan, outstanding restricted stock units are generally forfeited on termination of employment.

At December 31, 2020, the liability for cash-settled restricted stock units, included in other liabilities in the Consolidated Balance Sheets, is $659 (2019: $1,559).

At December 31, 2020, there were $3,243 (2019: $4,902) of unrecognized compensation costs which are expected to be recognized over the weighted average period of 2.4 years (2019: 2.3 years).

During 2020, the Company incurred share-based compensation costs of $2,644 (2019: $4,901) related to share-settled restricted stock units, and cash-settled restricted stock units.

13. Related Party Transactions

During the years ended December 31, 2020 and 2019, the Company entered into various transactions with AXIS Capital and its subsidiaries.

The following amounts relating to the quota share and stop loss agreements (see Note 1) are included in the Consolidated Statements of Operations for the years ended December 31, 2020 and 2019:

	2020	**2019**
Gross premiums written	$ 1,150,645	$ 1,270,187
Net premiums earned	1,218,347	1,343,490
Acquisition costs expensed	376,106	426,558
Losses and loss expenses	934,754	832,905

At December 31, 2020, amounts due from AXIS Capital and its subsidiaries were $2,032,724 (2019: $2,054,018). This balance includes $1,084,724 (2019: $1,135,704) of balances receivable under reinsurance arrangements that typically include quarterly settlement provisions. The balance also includes $494,929 (2019: $494,929) of loans receivable from AXIS Specialty Holdings, $407,071 (2019: $308,809) of unsecured, non-interest bearing advances to AXIS Capital and its subsidiaries that are payable on demand and $46,000 (2019: $114,576) of notes receivable from AXIS Specialty Finance plc.

The loans and accrued interest balance due from AXIS Specialty Holdings are comprised of three loans:

- The first loan of $103,500 is unsecured, matures on June 23, 2026 and bears interest at an annual rate of 3.68%, which is payable semi-annually.
- The second loan of $4,365 is unsecured, matures on December 12, 2026 and bears interest at an annual rate of 4.17%, which is payable semi-annually.
- The third loan of $387,064 is unsecured, matures on December 6, 2027 and bears interest at an annual rate of 4.25%, which is payable semi-annually.

AXIS Specialty Holdings may prepay any or all amounts due under these loans at any time without penalty.

On April 18, 2019, AXIS Specialty Finance PLC ("AXIS Finance PLC"), a company affiliated through common ownership, executed a deed following which it can issue up to $390,000 of fixed rate unsecured loan notes maturing on or before April 22, 2022 ("2022 Notes"). The 2022 Notes bear interest at LIBOR plus 1.50% with interest payable semi-annually on June 30 and December 31. On December 18, 2020 the Company invested $46,000 in 2022 Notes with an interest rate of 1.73% and a maturity date of March 31, 2021.

On November 15, 2018, the Company entered into a loan with AXIS Specialty U.S. Holdings, Inc. ("Specialty U.S. Holdings") for an amount up to $200,000 in two tranches. The loan is unsecured, matures on or before December 31, 2021 with interest payable semi-annually. Specialty U.S. Holdings borrowed the first tranche of $50,000 on November 15, 2018 at an annual interest rate of 2.70%. Specialty U.S. Holdings borrowed the second tranche of $96,000 on February 1, 2019 at an annual interest rate of 2.57%. Specialty U.S. Holdings repaid both tranches to the Company on June 19, 2019 and no amounts were outstanding as at December 31, 2020 and 2019.

13. Related Party Transactions (continued)

On February 15, 2019, the Company entered into a loan with AXIS Specialty Holdings Ireland Limited ("ASHIL") for an amount of $60,000. The loan is unsecured, matures on or before February 14, 2020 with interest payable at maturity at an annual interest rate of 3.50%. ASHIL may prepay any or all amounts due at any time without penalty. ASHIL repaid the loan on December 24, 2019 and no amounts were outstanding as at December 31, 2020 and 2019.

On June 26, 2019, the Company entered into a loan with ASHIL for an amount of $62,861. The loan is unsecured, matures on or before December 31, 2019 with interest payable at maturity at an annual interest rate of 3.59%. ASHIL may prepay any or all amounts due at any time without penalty. ASHIL repaid the loan on December 12, 2019 and no amounts were outstanding as at December 31, 2020 and 2019.

For the year ended December 31, 2020, the Company recognized $22,288 (2019: $28,654) of interest income in relation to the these loans.

At December 31, 2020, insurance and reinsurance balances payable included $93,157 (2019: $88,769) payable to affiliates under quota share agreements. Due to affiliates included $55,646 of loans and accrued interest payable to Specialty U.S. Holdings (2019: $217,524), and $9,017 (2019: $20,912) of unsecured, non-interest bearing amounts due to certain of AXIS Capital’s subsidiaries that are payable on demand.

On June 19, 2019, the Company entered into a loan with Specialty U.S. Holdings following which it borrowed $136,603 at an annual interest rate of 2.37%. The loan was extended to mature on or before December 15, 2020. The loan was repaid in 2020 and there are no amounts outstanding as at December 31, 2020.

On July 29, 2019, the Company entered into a loan with Specialty U.S. Holdings following which it borrowed $80,000 at an annual interest rate of 2.13%. The loan was extended to mature on or before June 15, 2021. The outstanding balance due at December 31, 2020 is $55,646.

On January 14, 2020, the Company entered into a loan with Specialty U.S. Holdings following which it borrowed $260,000 with a maturity of May 28, 2020 at an annual interest rate of 5.15%. The loan was repaid in 2020 and there are no amounts outstanding as at December 31, 2020

For the year ended December 31, 2020, the Company recognized $8,092 (2019: $2,609) of interest expense in relation to the these loans.

13. Related Party Transactions (continued)

In 2016, Harrington Reinsurance Holdings Limited, the parent company of Harrington Re Ltd. ("Harrington Re"), an independent reinsurance company jointly sponsored by AXIS Capital and The Blackstone Group L.P., and Harrington Re commenced operations. In the normal course of business, the Company entered into certain reinsurance transactions with Harrington Re. For the year ended December 31, 2020, the Company ceded reinsurance premiums of $75,995 (2019: $84,102) and ceded losses of $67,268 (2019: $63,455) to Harrington Re. In addition, Harrington Re paid certain acquisition costs and administrative fees to the Company. At December 31, 2020, the amount of reinsurance recoverable from Harrington Re on unpaid and paid losses was $381,427 (2019: $330,942) and the amount of ceded reinsurance payable to Harrington Re included in insurance and reinsurance balances payable was $55,936 (2019: $49,634) in the Consolidated Balance Sheets. All transactions were conducted at market rates consistent with negotiated arms-length contracts.

On November 5, 2013, AXIS Capital formed AXIS Ventures Reinsurance Limited (“Ventures Re”), a Bermuda domiciled insurer. All of Ventures Re's directors are employees of the Company. In the normal course of business, the Company entered into certain reinsurance contracts with Ventures Re. Effective, January 1, 2020, Ventures Re entered into a novation reinsurance contract with various reinsurers. For the year ended December 31, 2020, the Company ceded premiums of $nil (2019: $191,944) to Ventures Re and ceded losses of $nil (2019: $137,684) to Ventures Re. In addition, Ventures Re paid certain acquisition costs and administrative fees to the Company. At December 31, 2020, the amount of reinsurance recoverable on unpaid and paid losses was $nil (2019: $199,481) and the amount of ceded reinsurance payable included in insurance and reinsurance balances payable was $nil (2019: $43,857) in the Consolidated Balance Sheets. All transactions were conducted at market rates consistent with negotiated arms-length contracts.

A member of AXIS Capital’s Board of Directors, Mr. Charles Davis, is the Chief Executive Officer of Stone Point Capital, LLC ("Stone Point"). In the ordinary course of business, the Company engages SKY Harbor Capital Management, LLC, an affiliate of Stone Point, to provide asset management services for certain short duration high yield debt portfolios. For the year ended December 31, 2020, total fees paid to SKY Harbor Capital Management, LLC, were $2,659 (2019: $2,589).

The Company has invested $11,279 in a co-investment with Stone Point for a partnership interest in T-VIII Co-Invest-A LP ("Trident VIII Co-Invest") which was formed by Stone Point to facilitate the investment by multiple investors in Duff & Phelps, LLC, a financial advisory firm. For the year ended December 31, 2020, the Company has not paid any fees to Stone Point in relation to Trident VIII Co-Invest.

13. Related Party Transactions (continued)

The Company's investment portfolio includes certain investments where the Company is considered to have the ability to exercise significant influence over the operating and financial policies of the investee. Significant influence is generally deemed to exist where the Company has an investment of 20% or more in the common stock of a corporation or an investment greater than 3% to 5% in closed end funds, limited partnerships, LLCs or similar investment vehicles. At December 31, 2020, the Company had $183,302 (2019: $186,369) of investments where it is deemed to have the ability to exercise such significant influence. The Company generally pays management and performance fees to the investment managers of these investments. The Company considers all fees paid to the investment managers to be at market rates consistent with negotiated arms-length contracts.

14. Taxation

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on income or capital gains. The Company has received an assurance from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until March 2035. The Branch is subject to taxes in Singapore. The Branch is not under examination in this tax jurisdiction, but remains subject to examination for the tax years 2017 through 2020.

At December 31, 2020, the total operating loss carry forwards for the Branch were $110,504 (2019: $103,899). Such operating losses are currently available to offset future taxable income of the Branch and may be carried forward indefinitely. At December 31, 2020 and 2019, the Company established a full valuation allowance on these operating loss carry forwards due to the cumulative losses historically.

15. Other Comprehensive Income (Loss)

Reclassifications out of AOCI into net income were as follows:

Details About AOCI Components	**Consolidated Statements of Operations Line Item That Includes Reclassification**	**Amount Reclassified from AOCI[1]** Year ended December 31,	
		2020	**2019**
Unrealized gains (losses) on available for sale investments			
	Other realized investment gains	$ 27,366	$ 9,768
	Impairment losses	(968)	—
	OTTI losses	—	(5,234)
	Total before tax	**26,398**	**4,534**
	Income tax expenses	—	—
	Net of tax	**$ 26,398**	**$ 4,534**

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(1) Amounts in parentheses are charges to net income

16. Statutory Financial Information

The Company is licensed under the Bermuda Insurance Act 1978, amendments thereto and Related Regulations (the “Act”) and is required to comply with various provisions of the Act regarding solvency and liquidity. Under the Act, the Company is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin (“MSM”) and an Enhanced Capital Requirement (“ECR”). The MSM is the greater of $100 million, 50% of net written premiums, 15% of the net reserve for losses and loss adjustment expenses or 25% of the ECR. The ECR is calculated based on either an internally developed risk-based capital model or a standard risk-based capital model developed by the Bermuda Monetary Authority ("BMA"). In 2016, the BMA implemented an Economic Balance Sheet ("EBS") framework, which is used as the basis to determine the required and available statutory capital and surplus. Actual and required minimum statutory capital and surplus at December 31, 2020 and 2019 were as follows:

	2020	2019
Required minimum statutory capital and surplus	$ 1,584,854	$ 1,502,153
Actual statutory capital and surplus	$ 3,004,077	$ 3,288,752

Under the Act, the Company is restricted as to the payment of dividends for amounts greater than 25% of the prior year’s statutory capital and surplus, whereby a signed affidavit by at least two members of the Board of Directors attesting that a dividend in excess of this amount would not cause the company to fail to meet its relevant margins is required. The maximum dividend the Company could pay, without a signed affidavit, having met minimum levels of statutory capital and surplus requirements, was approximately $792,353 (2019: $843,574).

In accordance with the Company’s license under the Act, loss reserves are certified annually by an independent loss reserve specialist.

The Branch is licensed under the Insurance Act of Singapore and is required to comply with various provisions of the Act regarding solvency.