Aspen Bermuda Limited

Financial Statements

(With Independent Auditor's Report Thereon)

December 31, 2020 and 2019

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Aspen Bermuda Limited

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aspen Bermuda Limited as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other matter

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts in Note 6 to the basic financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States 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. Management has omitted claim duration information that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 29, 2021

Aspen Bermuda Limited

Balance Sheets

As At December 31, 2020 and 2019
(Expressed in thousands of United States dollars)

	2020	2019
	US$	US$
Assets		
Investments:		
Fixed income maturities, available for sale (amortized cost - $1,419,778 and $1,817,263)	1,518,066	1,878,559
Fixed income maturities, trading at fair value (amortized cost - $603,916 and $853,489)	608,412	872,091
Short term investments, trading at fair value (amortized cost - $34,360 and $59,440)	34,360	59,440
Privately-held investments, trading at fair value (amortized cost - $314,768 and $275,393)	294,973	275,327
Other investments	109,413	111,421
Total Investments (Notes 3 and 4)	2,565,224	3,196,838
Cash and cash equivalents (Note 10)	203,201	294,767
Loss reserves recoverable (Note 11)[1]	835,192	444,416
Ceded unearned premiums	54,673	45,115
Premiums receivable (Note 11)	181,741	154,657
Funds withheld	586,634	654,540
Deferred policy acquisition costs	36,405	33,156
Derivatives at fair value (Note 5)	4,785	937
Right-of-use operating lease assets (Note 10)	1,829	1,853
Due from related party (Note 8)	109,818	72,506
Other assets	17,362	20,325
Total Assets	4,596,864	4,919,110

[1] Included within loss reserves recoverable are $423.5 million of recoveries associated with the purchase of an adverse development cover.

Aspen Bermuda Limited

Balance Sheets (continued)

As At December 31, 2020 and 2019
(Expressed in thousands of United States dollars)

	2020	**2019**
	US$	US$
Liabilities		
Loss and loss adjustment expense reserves (Note 6)	2,828,090	3,020,325
Unearned premium reserves	231,907	202,417
Reinsurance premiums payable	171,793	201,847
Operating lease liabilities (Note 10)	1,853	1,853
Liabilities under derivative contracts (Note 5)	11,991	84,224
Deferred gain (Note 8)	6,984	14,459
Other liabilities	10,418	12,788
Total Liabilities	3,263,036	3,537,913
Shareholder's Equity		
Common shares, $1 par value, 1,000,000 authorized, issued and fully paid (Note 9)	1,000	1,000
Additional paid-in capital (Note 9)	1,329,000	1,229,000
Retained earnings	(94,571)	89,908
Accumulated other comprehensive income	98,399	61,289
Total Shareholder's Equity	1,333,828	1,381,197
Total Liabilities and Shareholder's Equity	4,596,864	4,919,110

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

Signed on behalf of the Board

Director

Director

Aspen Bermuda Limited

Statements of Income and Comprehensive Income

For the years ended December 31, 2020 and 2019
(Expressed in thousands of United States dollars)

	2020	2019
	US$	US$
Revenues		
Gross premiums written	935,862	871,732
Premiums ceded (Note 7)	(255,328)	(203,592)
Net premiums written	680,534	668,140
Change in net unearned premiums	(19,845)	54,854
Net earned premium	660,689	722,994
Other underwriting income	(4,185)	(3,821)
Net investment income (Note 3)	83,591	107,582
Net realized and unrealized foreign exchange losses	(6,329)	(6,267)
Net realized and unrealized investment gains (Note 3)	25,137	76,190
Total Revenues	758,903	896,678
Expenses		
Losses and loss adjustment expenses (Note 6 and 7)	520,885	515,142
Amortization of deferred policy acquisition costs	160,230	201,583
Change in fair value of derivatives (Note 5)	86,484	137,025
General, administrative and corporate expenses (Note 8)	40,622	39,274
Total Expenses	808,221	893,024
Net (Loss) Income	(49,318)	3,654
Other Comprehensive Income		
Net (loss) income	(49,318)	3,654
Net change in other comprehensive income during the year	36,991	90,671
Total Comprehensive (Loss) Income	(12,327)	94,325

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

Aspen Bermuda Limited

Statements of Changes in Shareholder's Equity

For the years ended December 31, 2020 and 2019
(Expressed in thousands of United States dollars)

	2020	2019
	US$	US$
Shareholder's Equity		
Ordinary shares:		
Beginning and end of the year	1,000	1,000
Additional paid-in capital:		
Beginning of the year	1,229,000	1,229,000
Additional paid-in capital[2]	100,000	—
End of the year	1,329,000	1,229,000
Retained earnings:		
Beginning of the year	89,908	356,254
Net (loss) / income for the year	(49,318)	3,654
Dividends on ordinary shares	(135,000)	(270,000)
Opening credit losses ("CECL")[3]	(161)	—
End of the year	(94,571)	89,908
Accumulated other comprehensive income:		
Cumulative foreign currency translation adjustments:		
Beginning of the year	—	—
Change for the year	119	—
End of the year	119	—
Unrealized appreciation on investments:		
Beginning of the year	61,289	(29,382)
Change for the year	72,412	94,752
Reclassification for net realized (losses) / gains included in net income	(35,421)	(4,081)
End of the year	98,280	61,289
Total accumulated other comprehensive income	98,399	61,289
Total Shareholder's Equity	1,333,828	1,381,197

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

[2] The $100 million relates to additional capital contribution received from our parent company, Aspen Insurance Holdings Limited.
[3] The $161 thousand relates to the cumulative effect-adjustment to opening retained earnings as a result of the recognition of current expected credit losses ('CECL') in the Company's available-for-sale investment portfolio and reinsurance recoverables following the adoption of ASU 2016-13.

Aspen Bermuda Limited

Statements of Cash Flows

For the years ended December 31, 2020 and 2019
(Expressed in thousands of United States dollars)

	2020	2019
	US$	US$
Cash flows from / (used in) operating activities:		
Net (loss) / income	(49,318)	3,654
Adjustment to reconcile net income to net cash flows provided by operating activities:		
Amortization of premium on investments	2,578	2,907
Net realized investment (gains) / losses - available for sale	(35,421)	(4,081)
Net unrealized and realized investment (gains) / losses - trading[4]	12,217	(70,864)
Change in fair value of other investments	2,008	(8,912)
Change in assets and liabilities:		
Loss reserves recoverable	(390,776)	43,390
Ceded unearned premiums	(9,558)	19,513
Premiums receivable	(27,084)	(13,861)
Funds withheld	67,906	86,706
Deferred policy acquisition costs	(3,249)	22,040
Derivatives at fair value	(3,848)	3,319
Right-of-use operating lease assets	24	(1,853)
Due from related party	6,813	22,804
Other assets	2,963	10,298
Loss and loss adjustment expense reserves	(192,235)	(389,979)
Unearned premium reserves	29,490	(73,453)
Reinsurance premiums payable	(30,054)	71,085
Operating lease liabilities	—	1,853
Liabilities under derivative contracts	(72,233)	83,943
Deferred gain	(7,475)	(7,801)
Other liabilities	(2,370)	528
Net Cash flows used in Operating Activities	(699,622)	(198,764)

[4] Net unrealized and realized investment (gains) / losses - trading, includes unrealized and realized foreign exchange (gains) / losses

Aspen Bermuda Limited

Statements of Cash Flows (continued)

For the years ended December 31, 2020 and 2019
(Expressed in thousands of United States dollars)

	2020	2019
	US$	US$
Investing Activities		
Purchases of fixed maturity investments - available for sale	(428,987)	(462,736)
Purchases of fixed maturity investments - trading	(108,675)	(1,061,293)
Proceeds from sales of fixed maturity investments - available for sale	857,878	1,090,815
Proceeds from sales of fixed maturity investments - trading	367,705	1,275,255
Net (purchases) of short-term investments - available for sale	—	(14,589)
Net (purchases) / sales of short-term investments - trading	27,036	(33,374)
Purchases of private assets	(91,849)	(279,871)
Proceeds from sale of private assets	64,073	6,209
Net Cash flows provided by Investing Activities	687,181	520,416
Financing Activities		
Net loans to affiliated companies	(44,125)	29,136
Additional Paid in Capital	100,000	—
Dividends paid	(135,000)	(270,000)
Net Cash flows used in Financing Activities	(79,125)	(240,864)
Net (decrease) increase in cash and cash equivalents	(91,566)	80,788
Cash and cash equivalents, beginning of year	294,767	213,979
Cash and Cash Equivalents, End of Year	203,201	294,767

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

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

1. History and organization

Aspen Bermuda Limited ("the Company"), formerly Aspen Insurance Limited, was incorporated under the laws of Bermuda, and is a wholly owned subsidiary of Aspen Insurance Holdings Limited ("Holdings"). The Company is licensed under the Insurance Act 1978, amendments thereto and related regulations to write general business as a Class 4 insurer with effect from December 9, 2002. In October 2019, the Company established a branch in Zurich, Switzerland to write prospective business effective January 1, 2020.

The Company writes a diversified book of business which includes property, specialty and casualty reinsurance as well as direct insurance lines including, but not limited to, excess casualty, management and professional liability and credit and political risk. Cedants are mainly located in the United States of America, Europe and the Asia Pacific region.

The Company assumes certain risks of Aspen Insurance UK Limited ("Aspen UK"), a UK corporation, Aspen Specialty Insurance Company ("ASIC"), a North Dakota corporation, Aspen American Insurance Company ("AAIC"), a Texas corporation, Aspen Underwriting Limited ("AUL"), a UK corporation and Aspen Syndicate 4711 at Lloyds, all of which are wholly-owned subsidiaries of Holdings. The Company also participates in quota share arrangements with Aspen UK and multiple quota share arrangements with Peregrine Re Limited, mainly in relation to its property reinsurance business.

Business Combination. On February 15, 2019, Holdings completed its merger with Highlands Merger Sub, Ltd. ("Merger Sub"), a wholly owned subsidiary of Highlands Holdings, Ltd. ("Parent"). Merger Sub merged with and into Holdings (the "Merger"), with Holdings continuing as the surviving company and as a wholly owned subsidiary of Parent. Parent, a Bermuda exempted company, is an affiliate of certain investments funds managed by affiliates of Apollo Global Management, Inc., a leading global investment manager (collectively with its subsidiaries, "Apollo").

2. Basis of preparation and significant accounting policies

The accompanying financial statements are prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

(a) Use of estimates

Assumptions and estimates made by management have a significant effect on the amounts reported within the financial statements. The most significant of these relate to losses and loss adjustment expenses, reinsurance recoverables, gross written premiums and commissions which have not been reported to the Company such as those relating to proportional treaty reinsurance contracts, the fair value of derivatives and the fair value of other and privately-held investments. All material assumptions and estimates are regularly reviewed and adjustments made as necessary but actual results could be significantly different from those expected when the assumptions or estimates were made.

2. Basis of preparation and significant accounting policies (continued)

(b) Accounting for Insurance and Reinsurance Operations

Premiums Earned. Premiums are recorded as written on the inception date of a policy. Premiums are primarily recognized as revenues proportionately over the coverage period. Premiums earned are recorded in the statements of operations, net of the cost of purchased reinsurance. Premiums written which are not yet recognized as earned premium are recorded in the balance sheet as unearned premiums, gross of any ceded unearned premiums. Written and earned premiums and the related costs include estimates for premiums which have not been finally determined. These relate mainly to contractual provisions for the payment of adjustment or additional premiums, premiums payable under proportional treaties and delegated underwriting authorities, and reinstatement premiums.

Adjustment and additional premiums are premiums charged which relate to experience during the policy term. The proportion of adjustable premiums included in the premium estimates varies between business lines with the largest adjustment premiums being in property and casualty reinsurance, marine, aviation and energy insurance and the smallest in property and casualty insurance.

Premiums under proportional treaty contracts and delegated underwriting authorities are generally not reported to the Company until after the reinsurance coverage is in force. As a result, an estimate of these "pipeline" premiums is recorded. The Company estimates pipeline premiums based on projections of ultimate premium taking into account reported premiums and expected development patterns.

Reinstatement premiums on assumed excess of loss reinsurance contracts are provided based on experience under such contracts. Reinstatement premiums are the premiums charged for the restoration of the reinsurance limit of an excess of loss contract to its full amount after payment by the reinsurer of losses as a result of an occurrence. Reinstatement premiums are recognized as revenue in full at the date of loss, triggering the payment of the reinstatement premiums. Reinstatement premiums provide future insurance cover for the remainder of the initial policy term. An allowance for uncollectible premiums is established for possible non-payment of premium receivables, as deemed necessary.

Outward reinsurance premiums, which are paid when the Company purchases reinsurance or retrocessional coverage, are accounted for using the same accounting methodology as the Company uses for inwards premiums. Premiums payable under reinsurance contracts that operate on a "losses occurring during" basis are accounted for in full over the period of coverage while those arising from "risks attaching during" policies are expensed over the earnings period of the underlying premiums receivable from the reinsured business. Adjustment premiums and reinstatement premiums in relation to outward reinsurance are accrued when it is determined that the ultimate losses will trigger a payment and recognized within premiums payable. Premiums payable for retroactive reinsurance coverage and meeting the conditions of reinsurance accounting are reported as reinsurance recoverables to the extent that those amounts do not exceed recorded liabilities relating to underlying reinsurance contracts. To the extent that recorded liabilities on an underlying reinsurance contract exceed premiums payable for retroactive coverage, a deferred gain is recognized.

Credit Losses on Underwriting Premiums Receivable. Underwriting premium receivable balances are reported net of an allowance for expected credit losses. The allowance, based on ongoing review and monitoring of amounts outstanding, historical loss data, including write-offs and other relevant factors, is charged to net income in the period the receivable is recorded and revised in subsequent periods to reflect changes in the Company's estimate of expected credit losses. Credit risk is partially mitigated by the Company's ability to cancel the policy if the policyholder does not pay the premium.

Losses and Loss Adjustment Expenses. Losses represent the amount paid or expected to be paid to claimants in respect of events that have occurred on or before the balance sheet date. The costs of investigating, resolving and processing these claims are known as loss adjustment expenses ("LAE"). The statement of operations records these losses net of

2. Basis of preparation and significant accounting policies (continued)

(b) Accounting for Insurance and Reinsurance Operations (continued)

reinsurance, meaning that gross losses and loss adjustment expenses incurred are reduced by the amounts recovered or expected to be recovered under reinsurance contracts.

Reinsurance. Written premiums, earned premiums, incurred claims, LAE and the amortization of deferred policy acquisition costs all reflect the net effect of assumed and ceded reinsurance transactions. Assumed reinsurance refers to the Company's acceptance of certain insurance risks that other insurance companies have underwritten. Ceded reinsurance arises from contracts under which other insurance companies agree to share certain risks with the Company.

Reinsurance accounting is followed when there is significant timing risk, significant underwriting risk and a reasonable possibility of significant loss. Reinsurance and retrocession does not isolate the ceding company from its obligations to policyholders. In the event that a reinsurer or retrocessionaire fails to meet its obligations, the ceding company's obligations remain. The Company regularly evaluates the financial condition of its reinsurers and retrocessionaires and monitors the concentration of credit risk to minimize its exposure to financial loss from reinsurers' and retrocessionaires' insolvency. Where it is considered required, appropriate provision is made for balances deemed irrecoverable from reinsurers.

Reserves. Insurance reserves are established for the total unpaid cost of claims and LAE in respect of events that have occurred by the balance sheet date, including the Company's estimates of the total cost of claims incurred but not yet reported ("IBNR"). Claim reserves are reduced for estimated amounts of salvage and subrogation recoveries. Estimated amounts recoverable from reinsurers on unpaid losses and LAE are reflected as assets.

For reported claims, reserves are established on a case-by-case basis within the parameters of coverage provided in the insurance policy or reinsurance agreement. For IBNR claims, reserves are estimated using a number of established actuarial methods to establish a range of estimates from which a management best estimate is selected. Both case and IBNR reserve estimates consider variables such as past loss experience, changes in legislative conditions, changes in judicial interpretation of legal liability, policy coverages and inflation.

As many of the coverages underwritten involve claims that may not be ultimately settled for many years after they are incurred, subjective judgments as to the ultimate exposure to losses are an integral and necessary component of the loss reserving process. The Company regularly reviews its reserves, using a variety of statistical and actuarial techniques to analyze current claims costs, frequency and severity data, and prevailing economic, social and legal factors. Reserves established in prior periods are adjusted as claim experience develops and new information becomes available. Adjustments to previously estimated reserves are reflected in the financial results of the period in which the adjustments are made.

The process of estimating required reserves does, by its very nature, involve considerable uncertainty. The level of uncertainty can be influenced by factors such as the existence of coverage with long duration payment patterns and changes in claims handling practices, as well as the factors noted above. Ultimate actual payments for claims and LAE could turn out to be significantly different from the Company's estimates.

Credit Losses on Reinsurance Recoverables. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability with the reinsured business. The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk to minimize its exposure to significant losses from individual reinsurers. To further reduce credit exposure on reinsurance recoverables, the Company has received collateral, including letters of credit and trust accounts, from certain reinsurers. Following the adoption of ASC 326, as described above, an allowance is established for expected credit losses to be recognized over the life of the reinsurance recoverable. The allowance is based upon the current financial strength of the individual reinsurer and the amount of collateral held.

2. Basis of preparation and significant accounting policies (continued)

(b) Accounting for Insurance and Reinsurance Operations (continued)

Amortization of Deferred Policy Acquisition Costs. The costs directly related to writing an insurance policy are referred to as policy acquisition expenses and include commissions, premium taxes and profit commissions. With the exception of profit commissions, these expenses are incurred when a policy is issued, and only the costs directly related to the successful acquisition of new and renewal insurance and reinsurance contracts are deferred and amortized over the same period as the corresponding premiums are recorded as revenues. Profit commissions are estimated based on the related performance criteria evaluated at the balance sheet date, with subsequent changes to those estimates recognized when they occur.

On a regular basis a recoverability analysis is performed of the deferred policy acquisition costs in relation to the expected recognition of revenues, including anticipated investment income, and adjustments, if any, are reflected as period costs. Should the analysis indicate that the acquisition costs are unrecoverable, further analyses are performed to determine if a reserve is required to provide for losses which may exceed the related unearned premium.

General, Administrative and Corporate Expenses. These costs represent the expenses incurred in running the business and include, but are not limited to compensation costs for employees, rental costs, IT development and operating costs and professional and consultancy fees. General, policy and administrative costs directly attributable to the successful acquisition of business are deferred and amortized over the same period as the corresponding premiums are recorded as revenues. When reporting the results for its business segments, the Company includes expenses which are directly attributable to the segment plus an allocation of central administrative costs. Corporate expenses are not allocated to the Company's business segments as they typically do not fluctuate with the levels of premium written and are related to the Company's operations which include group executive costs, group finance costs, group legal and actuarial costs and certain strategic and non-recurring costs.

(c) Accounting for Investments, Cash and Cash Equivalents

Fixed Income Securities. The fixed income securities portfolio comprises securities issued by governments and government agencies, corporate bonds, mortgage and other asset-backed securities and bank loans. Investments in fixed income securities are classified as available for sale or trading and are reported at estimated fair value in the balance sheet. Investment transactions are recorded on the trade date with balances pending settlement reflected in the balance sheet under receivables for securities sold and accrued expenses and other payables for securities purchased, respectively. Fair values are based on quoted market prices and other data provided by third-party pricing services.

Short-term Investments. Short-term investments primarily comprise highly liquid debt securities with a maturity greater than three months but less than one year from the date of purchase and are held as part of the investment portfolio of the Company. Short-term investments are classified as either trading or available for sale and carried at estimated fair value.

Privately-held Investments. The Company's privately-held investments primarily comprise commercial mortgage loans and middle market loans. These investments are classified as trading and are carried on the balance sheet at estimated fair value. Privately-held investments are initially valued at cost or transaction value which approximates fair value. In subsequent measurement periods, the fair values of these securities are primarily determined using internally developed discounted cash flow models. Interest income is accrued on the principal amount of the loan based on its contractual interest rate subject to it being probable that we will receive interest on that particular underlying loan. Interest income, amortization of premiums and discounts, and prepayment fees are reported in net investment income on the statements of income.

Other investments. Other investments represent the Company's investment in a real estate fund. Adjustments to the fair value are made based on the net asset value of the investment.

2. Basis of preparation and significant accounting policies (continued)

(c) Accounting for Investments, Cash and Cash Equivalents (continued)

Cash and Cash Equivalents. Cash and cash equivalents are carried at fair value. Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments due to mature within three months from the date of purchase and which are subject to insignificant risk of change in fair value.

Gains and Losses. Realized gains or losses on the sale of investments are determined on the basis of the first in first out cost method and, for fixed income available for sale securities, include adjustments to the cost basis of investments for declines in value that are considered to be other-than-temporary. Unrealized gains and losses represent the difference between the cost, or the cost as adjusted by amortization of any difference between its cost and its redemption value ("amortized cost"), of the security and its fair value at the reporting date and are included within other comprehensive income for securities classified as available for sale and in realized and unrealized investment gains or losses in the statement of operations for securities classified as trading.

Current Expected Credit Losses ("CECL")/ Other-than-temporary Impairment of Investments. Following the Company's adoption of ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326)", effective January 1, 2020, credit losses on available for sale debt securities accounting policy is applicable. Prior to this date, the comparative periods presented the other-than-temporary impairment of investment accounting policy which was applicable.

Credit Losses on Available for Sale Debt Securities. A detailed analysis is performed each reporting period end to assess declines in the fair values of available for sale debt securities. Our credit loss model employs a discounted cash flow approach across all asset classes. Credit losses are only computed for assets held at an unrealized loss at the balance sheet date and will have a fair value floor. Default probabilities are estimated for each rating from AAA to C and analysis is undertaken separately for different assets classes and geographies. The expected credit losses, and subsequent adjustments to such losses are recorded within net realized gains/(losses) and is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected.

Other-than-temporary Impairment of Investments. A security is impaired when its fair value is below its cost or amortized cost. The Company reviewed its investment portfolio each quarter on an individual security basis for potential other-than-temporary impairment ("OTTI") based on criteria including issuer-specific circumstances, credit ratings actions and general macro-economic conditions.

OTTI was deemed to occur when there was no objective evidence to support recovery in value of a security and (i) the Company intended to sell the security or more likely than not would be required to sell the security before recovery of its cost or adjusted amortized cost basis or (ii) it was deemed probable that the Company would be unable to collect all amounts due according to the contractual terms of the individual security. In the first case, the entire unrealized loss position was taken as an OTTI charge to realized losses in earnings. In the second case, the unrealized loss was separated into the amount related to credit loss and the amount related to all other factors. The OTTI charge related to credit loss was recognized in realized losses in earnings and the amount related to all other factors was recognized in other comprehensive income. The cost basis of the investment is reduced accordingly and no adjustments to the cost basis were made for subsequent recoveries in value.

Although the Company reviewed each security on a case by case basis, it had also established parameters focusing on the extent and duration of impairment to help identify securities in an unrealized loss position which were other-than-temporarily impaired. For fixed income securities in the available for sale portfolio, the Company considered securities which had been in an unrealized loss position for 12 months or more which had a market value of more than 20% below cost should be other-than-temporarily impaired.

2. Basis of preparation and significant accounting policies (continued)

(c) Accounting for Investments, Cash and Cash Equivalents (continued)

Investment Income. Investment income includes amounts received and accrued in respect of periodic interest ("coupons") payable to the Company by the issuer of fixed income securities, equity dividends and interest credited on cash and cash equivalents. It also includes amortization of premium and accretion of discount in respect of fixed income securities. Investment management and custody fees are charged against net investment income reported in the statement of operations.

(d) Accounting for Derivative Financial Instruments

The Company enters into derivative instruments such as interest rate swaps and forward exchange contracts in order to manage certain market and credit risks. The Company records derivative instruments at fair value on the Company's balance sheet as either assets or liabilities, depending on their rights and obligations.

The accounting for the gain or loss due to the changes in the fair value of these instruments is dependent on whether the derivative qualifies as a hedge. If the derivative does not qualify as a hedge, the gains or losses are reported in earnings when they occur. If the derivative does qualify as a hedge, the accounting treatment varies based on the type of risk being hedged.

(e) Accounting for Right-of-Use Operating Lease Assets

Right-of-use operating lease assets comprise primarily of leased office real estate and other assets. For all office real estate leases, rent incentives, including reduced-rent and rent free periods and contractually agreed rent increases during the lease term, have been included when determining the present value of future cash flows. Right-of-use operating leased assets are carried at cost less accumulated depreciation. Right-of-use operating leased assets are depreciated over the lease term.

(f) Accounting for Foreign Currencies Translation

The reporting currency of the Company is the U.S. Dollar. The functional currencies of the Company's foreign operations and branches are the currencies in which the majority of their business is transacted.

Transactions in currencies other than the functional currency are measured in the functional currency of that operation at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in non-functional currencies are remeasured at the exchange rate prevailing at the balance sheet date and any resulting foreign exchange gains or losses are reflected in the statement of operations.

Monetary and non-monetary assets and liabilities of the Company's functional currency operations are translated into U.S. Dollars at the exchange rate prevailing at the balance sheet date. Income and expenses of these operations are translated at the exchange rate prevailing at the date of the transaction. Unrealized gains or losses arising from the translation of functional currencies are recorded net of tax as a component of other comprehensive income.

(g) Accounting Pronouncements

Accounting Pronouncements Adopted in 2020

On June 16, 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326)" which introduces a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than

2. Basis of preparation and significant accounting policies (continued)

(g) Accounting Pronouncements (continued)

incurred losses. Under the new credit loss model, the Company would recognize an allowance for its estimate of expected credit losses and this would apply to most debt instruments (other than those measured at fair value), trade receivables, lease receivables, reinsurance receivables, financial guarantee contracts and loan commitments. This ASU also made limited amendments to the impairment model for available-for-sale debt securities, requiring an allowance for credit losses to be recognized. There are other amendments required as a result of this ASU that are effective for fiscal years beginning after December 15, 2019. Additionally, on May 15, 2019, the FASB issued ASU 2019-05, "Financial Instruments - Credit Losses (Topic 326)" which allows an entity, upon adoption of ASU 2016-13, to irrevocably elect the fair value option on an instrument-by-instrument basis (except for existing held-to-maturity securities). If an entity elects the fair value option, the difference between the instrument's fair value and carrying amount is recognized as a cumulative-effect adjustment. This ASU was effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years.

Following the adoption of this standard,the Company reduced the available-for-sale investment portfolio and reinsurance recoverables as a result of recognizing current expected credit losses, which had a cumulative effect adjustment of $161 thousand through opening retained earnings.

On April 4, 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit *Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*" amending guidance on credit losses, hedging, and recognizing and measuring financial instruments in response to questions raised by stakeholders and to correct unintended application. This ASU will be effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years for both Topic 326 and Topic 825, whereas for Topic 815 the amendments are effective as of the beginning of the entity's next annual period for entities that have already adopted the hedge accounting standard.

Accounting Pronouncements Not Yet Adopted

Other accounting pronouncements were issued during the year ended December 31, 2020 which were either not relevant to the Company or did not impact the Company's financial statements.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments

The Company's Board of Directors establishes investment guidelines in accordance with the Investment Committee of the Board of Directors of Holdings and supervises the Company's investment activity. The investment guidelines specify minimum criteria on the overall credit quality and liquidity characteristics of the portfolio. They include limitations on the size of certain holdings as well as restrictions on purchasing certain types of securities. Management and the Investment Committee review the Company's investment performance, its compliance with investment objectives and guidelines, and assess credit and market risk concentrations and exposures to issuers.

Income Statements

Investment Income. The following table summarizes investment income for the twelve months ended December 31, 2020 and 2019:

	2020	2019
Fixed maturity investments	71,233	96,452
Short term investments	534	1,939
Cash and cash equivalents	864	3,340
Privately-held investments	20,356	3,159
Other investments	(2,008)	8,912
Investment income before expenses	90,979	113,802
Investment expenses	(7,388)	(6,220)
Net investment income	83,591	107,582

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

The following table summarizes the net realized and unrealized investment gains and losses recorded in the statement of operations and the change in unrealized gains and losses on investments recorded in other comprehensive income for the twelve months ended December 31, 2020, and 2019:

	2020	2019
Available for sale short term investments and fixed maturities:		
Gross realized gains	36,015	8,471
Gross realized (losses)	(594)	(4,390)
Trading portfolio short term investments and fixed maturities:		
Gross realized gains	16,124	33,517
Gross realized (losses)	(3,847)	(2,723)
Net change in gross unrealized gains /(losses)	(2,983)	41,719
Trading equity investments:		
Gross realized gains	191	59
Trading cash & cash equivalents		
Gross realized gains	268	2
Gross realized (losses)	(312)	(284)
Privately-held investments - Trading		
Gross realized gains	—	2
Gross realized (losses)	—	(250)
Net change in gross unrealized (losses) / gains	(19,725)	67
Net realized and unrealized investment gains	25,137	76,190

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

Balance Sheet

Fixed Income Securities — Available For Sale. The following tables present the cost or amortized cost, gross unrealized gains and losses and estimated fair market value of available for sale investments in fixed income securities and short-term investments as at December 31, 2020 and December 31, 2019:

2020	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	374,764	31,518	(716)	405,566
U.S. Agency Securities	5,452	695	—	6,147
Municipal Securities	31,760	3,364	—	35,124
Corporate Securities	582,438	44,712	(23)	627,127
Non-agency commercial mortgage-backed securities	1,539	150	—	1,689
Foreign Government Securities	2,297	223	—	2,520
Agency Mortgage-backed Securities	415,369	18,334	(11)	433,692
Bond Backed by Foreign Government	6,159	42	—	6,201
Total	1,419,778	99,038	(750)	1,518,066

2019	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	497,605	17,161	(316)	514,450
U.S. Agency Securities	5,452	274	—	5,726
Municipal Securities	23,248	2,119	(2)	25,365
Corporate Securities	754,373	29,900	(81)	784,192
Non-agency commercial mortgage-backed securities	1,544	—	(31)	1,513
Foreign Government Securities	2,296	128	—	2,424
Agency Mortgage-backed Securities	526,589	12,574	(508)	538,655
Bond Backed by Foreign Government	6,156	78	—	6,234
Total	1,817,263	62,234	(938)	1,878,559

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

Fixed Income Securities, Short Term Investments, and Privately-held Investments — Trading. The following tables present the cost or amortized cost, gross unrealized gains and losses, and estimated fair market value of trading investments in fixed income securities, short-term investments, and privately-held investments as at December 31, 2020 and December 31, 2019:

2020	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	8,559	1,113	(18)	9,654
Corporate Securities	38,308	4,684	—	42,992
High Yield Loans	10,000	—	(200)	9,800
Foreign Government Securities	41,129	72	—	41,201
Asset-backed Securities	491,759	2,968	(4,875)	489,852
Agency Mortgage-backed Securities	14,161	752	—	14,913
Total Fixed Income Maturities, Trading	603,916	9,589	(5,093)	608,412
Total Short-term Investments, Trading	34,360	—	—	34,360
Privately-held Investments, Trading				
Commercial Mortgage Loans	178,589	123	(15,140)	163,572
Middle Market Loans	113,145	228	(4,922)	108,451
Asset-backed Securities	18,750	44	(100)	18,694
Equities Securities	4,284	—	(28)	4,256
Total Privately-held Investments, Trading	314,768	395	(20,190)	294,973
Total	953,044	9,984	(25,283)	937,745

2019	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	21,981	907	—	22,888
Corporate Securities	171,873	9,384	(148)	181,109
Foreign Government Securities	143,490	7,402	(89)	150,803
Asset-backed Securities	491,826	2,383	(1,707)	492,502
Agency Mortgage-backed Securities	24,319	470	—	24,789
Total Fixed Income Maturities, Trading	853,489	20,546	(1,944)	872,091
Total Short-term Investments, Trading	59,440	—	—	59,440
Privately-held Investments - Trading				
Commercial mortgage loans	156,330	49	(4)	156,375
Middle market loans	107,663	62	(173)	107,552
Asset-backed securities	8,750	—	—	8,750
Equities securities	2,650	—	—	2,650
Total privately-held-investments - Trading	275,393	111	(177)	275,327
Total	1,188,322	20,657	(2,121)	1,206,858

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

The Company classifies the financial instruments listed above as held for trading because this most closely reflects the facts and circumstances of the investments held.

As at December 31, 2020, the Company had a 11.5% (2019: 7.9%) position in Privately-held Investments, a Nil% (2019: 6.9%) position in weighted average BBB Emerging Market Debt and a 4.3% (2019: 3.2%) position in a real estate fund totaling 15.8% (2019: 18.0%) of our Managed Portfolio.

Privately-held investments. The Company has invested in privately-held investments, which primarily include commercial mortgage loans of $163.6 million and middle market loans of $108.5 million as at December 31, 2020 (December 31, 2019 – commercial mortgage loans of $156.4 million and middle market loans of $107.5 million).

Commercial Mortgage Loans. The commercial mortgage loans are related to investments in properties including apartments, hotels, office and retail buildings, other commercial properties and industrial properties. The commercial mortgage loan portfolio is diversified by property type, geographic region and issuer to reduce risks. As part of our investment process, we evaluate factors such as size, property type, and security to determine that properties are performing at a consistent and acceptable level to secure the related debt. The following table presents the type of commercial mortgage loans and geographic region as at December 31, 2020:

Commercial mortgage loans

	As at December 31, 2020		As at December 31, 2019	
Property type	**Fair Value**	**Percentage of Total**	**Fair Value**	**Percentage of Total**
Apartment	80,744	50 %	48,163	31 %
Hotels	20,393	12 %	47,626	30 %
Office building	33,865	21 %	21,856	14 %
Other commercial	28,570	17 %	16,962	11 %
Retail	—	— %	15,232	10 %
Industrial	—	— %	6,536	4 %
Total commercial mortgage loans	163,572	100 %	156,375	100 %
Geographic Region				
U.S Region	122,721	75 %	85,376	55 %
International Region	40,851	25 %	70,999	45 %
Total commercial mortgage loans	163,572	100 %	156,375	100 %

The primary credit quality indicator of commercial mortgage loans is loan performance. Non-performing commercial mortgage loans are generally 90 days or more past due. As of December 31, 2020, $0.7 million of our commercial mortgage loans were non-performing. Loan-to-value and debt service coverage ratios are measures we use to assess the risk and quality of commercial mortgage loans. The loan-to-value ratio is expressed as a percentage of the value of the loan relative to the value of the underlying property. A loan-to-value ratio in excess of 100% indicates the unpaid loan amount exceeds the underlying collateral. The following table represents the loan-to-value ratio of the commercial mortgage loan portfolio as at December 31, 2020 and December 31, 2019:

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

Loan-to-value ratio	**As at December 31, 2020**	**As at December 31, 2019**
Less than 50%	14,948	—
50% to 60%	39,351	80,357
61% to 70%	99,524	35,531
71% to 80%	9,749	40,487
81% to 100%	—	—
Total commercial mortgage loans	163,572	156,375

The debt-service coverage ratio is measured by a property's net operating income as a multiple of its debt re-payments. A ratio of less than 1.0 reflects a property's operations is not sufficient to cover its debt payments. The following table represents the debt-service coverage ratio of the commercial mortgage loan portfolio as at December 31, 2020 and December 31, 2019:

Debt-service coverage ratio	**As at December 31, 2020**	**As at December 31, 2019**
Greater than 1.20x	82,125	94,498
1.00 - 1.20x	14,948	48,162
Less than 1.00x	—	13,715
	97,073	156,375
Other	66,499	—
Total commercial mortgage loans	163,572	156,375

Middle Market Loans. The middle market loans are investments in senior secured loan positions with full covenants, focused on the middle market in both U.S. and Europe. The middle market loan portfolio is diversified by industry type, geographic region and issuer to reduce risks. As part of our investment process, we evaluate factors such as size, industry and security to determine that loans are performing at a consistent and acceptable level to secure the related debt. The following table presents the type of middle market loans and geographic region as at December 31, 2020 and December 31, 2019:

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

Middle market loans

	As at December 31, 2020		As at December 31, 2019	
Industry Type	**Fair Value**	**Percentage of Total**	**Fair Value**	**Percentage of Total**
Materials	27,900	25 %	29,446	27 %
Financials	27,127	25 %	22,105	20 %
Industrials	13,779	13 %	14,791	14 %
Consumer Discretionary	13,678	13 %	14,219	13 %
Health Care	7,475	7 %	8,225	8 %
Energy	7,295	7 %	7,414	7 %
Consumer Staples	6,358	6 %	6,423	6 %
Information Technology	4,839	4 %	4,929	5 %
Total middle market loans	108,451	100 %	107,552	100 %
Geographic Region				
U.S. Region	88,167	81 %	87,696	82 %
International Region	20,284	19 %	19,856	18 %
Total middle market loans	108,451	100 %	107,552	100 %

The primary credit quality indicator of middle market loans is loan performance. Non-performing middle market loans are generally 90 days or more past due. As of December 31, 2020, all of our middle market loans were performing. Loan-to-enterprise-value and fixed charge coverage ratios are measures we use to assess the risk and quality of middle market loans. The loan-to-enterprise-value ratio is expressed as a percentage of the value of the loan relative to the value of the business. A loan-to-enterprise-value ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying business. The following table represents the loan-to-enterprise-value ratio of the middle market loan portfolio as at December 31, 2020 and December 31, 2019:

Loan-to-enterprise-value ratio	**As at December 31, 2020**	**As at December 31, 2019**
Less than 50%	59,653	86,472
50% to 60%	7,475	21,080
61% to 70%	6,358	—
71% to 80%	—	—
81% to 100%	17,234	—
Greater than 100%	17,731	—
Total middle market loans	108,451	107,552

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

The fixed charge coverage ratio, based upon the most recent financial statements, is expressed as a percentage of a firm's earnings plus fixed charges to its fixed charges. Fixed charges include debt repayments, interest and equipment lease expenses. A fixed charge coverage ratio of less than 1.0 indicates a firm's operations do not generate enough income to cover its fixed charges. The following represents the fixed charge coverage ratio of the middle market loan portfolio as at December 31, 2020 and December 31, 2019:

Fixed charge coverage ratio	As at December 31, 2020	As at December 31, 2019
Greater than 1.20x	73,486	68,380
1.00 - 1.20x	—	25,491
Less than 1.00x	34,965	13,681
Total middle market loans	108,451	107,552

Asset-backed securities. Our asset-backed securities portfolio of privately-held investments consists of non-U.S. based issuers that issue fixed rate notes that are backed by future flows from international credit card companies and the securities are performing.

Equity securities. Our equity securities portfolio of privately-held investments consists of a single non-U.S. based issuer that is a special purpose vehicle designed to grant a first lien right to the underlying senior notes within the structure. The underlying issuer is a financial services lender to middle market companies and this security is performing.

Other Investments. On December 20, 2017, the Company committed $100.0 million as a limited partner to a real estate fund. The investment objective of the fund is to achieve attractive risk-adjusted returns through the acquisition of income producing, high quality assets in gateway cities located in the U.S. and Canada in the office, retail, industrial and multifamily sectors of the real estate market. On May 1, 2018, the Company received a demand for an initial capital call of $86.2 million and paid the capital call on May 10, 2018. On September 19, 2018, the Company received a demand for the final capital call of $13.8 million and paid the capital on September 28, 2018.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

Fixed Income Securities. The scheduled maturity distribution of the Company's available for sale fixed income securities as at December 31, 2020 and December 31, 2019 is set forth below. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

2020	Amortized cost	Fair value	Weighted average rating by maturity
Due within one year	78,504	79,133	A+
Due after one year through five years	549,825	583,433	AA-
Due after five years through ten years	304,048	331,600	AA-
Due after ten years	70,493	88,519	AA-
	1,002,870	1,082,685	
Agency Mortgage-backed Securities	415,369	433,692	AA+
Non-agency Commercial Mortgage-backed Securities	1,539	1,689	AA+
Total	1,419,778	1,518,066	

2019	Amortized cost	Fair value	Weighted average rating by maturity
Due within one year	126,557	126,971	AA-
Due after one year through five years	692,847	709,584	AA-
Due after five years through ten years	386,020	402,553	AA-
Due after ten years	83,706	99,283	AA-
	1,289,130	1,338,391	
Agency Mortgage-backed Securities	526,589	538,655	AA+
Non-agency Commercial Mortgage-backed Securities	1,544	1,513	AA+
Total	1,817,263	1,878,559	

Guaranteed Investments. As at December 31, 2020 and December 31, 2019, the Company held no investments which are guaranteed by mono-line insurers, excluding those with explicit government guarantees. The Company's exposure to other third-party guaranteed debt is primarily to investments backed by non-U.S. government guaranteed issuers.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

3. Investments (continued)

Gross Unrealized Losses. The following tables summarize, by type of security, the aggregate fair value and gross unrealized loss by length of time the security has been in an unrealized loss position for the Company's available for sale portfolio as at December 31, 2020 and December 31, 2019:

2020	0-12 months		Over 12 months		Total	
	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss
U.S. Government Securities	36,928	(716)	—	—	36,928	(716)
Corporate Securities	6,558	(23)	—	—	6,558	(23)
Agency Mortgage-backed Securities	4,796	(11)	—	—	4,796	(11)
Total	48,282	(750)	—	—	48,282	(750)

2019	0-12 months		Over 12 months		Total	
	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss
U.S. Government Securities	28,331	(265)	19,106	(51)	47,437	(316)
Municipal Securities	223	(2)	—	—	223	(2)
Non-agency commercial mortgage-backed securities	1,513	(31)	—	—	1,513	(31)
Corporate Securities	18,161	(68)	6,476	(13)	24,637	(81)
Agency Mortgage-backed Securities	26,854	(100)	36,379	(408)	63,233	(508)
Total	75,082	(466)	61,961	(472)	137,043	(938)

4. Fair Value Measurements

The Company's estimates of fair value for financial assets and liabilities are based on the framework established in the fair value accounting guidance included in ASC Topic 820, "Fair Value Measurements and Disclosures." The framework prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels.

The Company considers prices for actively traded securities to be derived based on quoted prices in an active market for identical assets, which are Level 1 inputs in the fair value hierarchy. The majority of these securities are valued using prices supplied by pricing services.

The Company considers prices for other securities that may not be as actively traded which are priced via pricing services, vendors and broker-dealers, or with reference to interest rates and yield curves, to be derived based on inputs that are observable for the asset, either directly or indirectly, which are Level 2 inputs in the fair value hierarchy. The majority of these securities are also valued using prices supplied by pricing services.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

4. Fair Value Measurements (continued)

The Company considers privately-held investments whose valuation is derived by internal valuation models to be based largely on unobservable inputs, which are Level 3 inputs in the fair value hierarchy.

The following tables present the level within the fair value hierarchy at which the Company's financial assets and liabilities are measured on a recurring basis as at December 31, 2020 and December 31, 2019:

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Available for Sale Financial Assets, at Fair Value				
U.S. Government Securities	405,566	—	—	405,566
U.S. Agency Securities	—	6,147	—	6,147
Municipal Securities	—	35,124	—	35,124
Corporate Securities	—	627,127	—	627,127
Bond Backed by Foreign Government	—	6,201	—	6,201
Foreign Government Securities	—	2,520	—	2,520
Non-agency Commercial Mortgage-backed Securities	—	1,689	—	1,689
Agency Mortgage-backed Securities	—	433,692	—	433,692
Total Fixed Income Securities Available for Sale, at fair value	405,566	1,112,500	—	1,518,066
Held for Trading Financial Assets, at Fair Value				
U.S. Government Securities	9,654	—	—	9,654
Corporate Securities	—	42,992	—	42,992
Foreign Government Securities	41,201	—	—	41,201
Asset-backed	—	489,852	—	489,852
High Yield Loans	—	9,800	—	9,800
Agency Mortgage-backed Securities	—	14,913	—	14,913
Total Fixed Income Securities Trading, at Fair Value	50,855	557,557	—	608,412
Short-term Investments Trading, at Fair Value	34,360	—	—	34,360
Other Investment (1)	—	—	—	109,413
Privately-held Investments Trading, at Fair Value	—	—	294,973	294,973
Total Investments held for Trading, at Fair Value	85,215	557,557	294,973	1,047,158
Other Financial Assets, at Fair Value				
Derivatives at Fair Value - Foreign Exchange Contracts	—	4,785	—	4,785
Liabilities under Derivative Contracts- Foreign Exchange Contracts	—	(11,991)	—	(11,991)
Derivatives at Fair Value - Interest Rate Swaps	—	—	—	—
Total	490,781	1,662,851	294,973	2,558,018

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

4. Fair Value Measurements (continued)

	December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Available for Sale Financial Assets, at Fair Value				
Available for Sale Financial Assets, at Fair Value				
U.S. Government Securities	514,450	—	—	514,450
U.S. Agency Securities	—	5,726	—	5,726
Municipal Securities	—	25,365	—	25,365
Corporate Securities	—	784,192	—	784,192
Bond Backed by Foreign Government	—	6,234	—	6,234
Foreign Government Securities	—	2,424	—	2,424
Non-agency Commercial Mortgage-backed Securities	—	1,513	—	1,513
Agency Mortgage-backed Securities	—	538,655	—	538,655
Total Fixed Income Securities Available for Sale, at Fair Value	514,450	1,364,109	—	1,878,559
Held for Trading Financial Assets, at Fair Value				
U.S. Government Securities	22,888	—	—	22,888
Corporate Securities	—	181,109		181,109
Foreign Government Securities	48,312	102,491	—	150,803
Asset-backed	—	492,502	—	492,502
Agency Mortgage-backed Securities	—	24,789	—	24,789
Total Fixed Income Securities Trading, at Fair Value	71,200	800,891	—	872,091
Short-term Investments Trading, at Fair Value	59,440	—	—	59,440
Other Investment (1)	—	—	—	111,421
Privately-held Investments Trading, at Fair Value	—	—	275,327	275,327
Total Investments Trading, at Fair Value	130,640	800,891	275,327	1,318,279
Other Financial Assets, at Fair Value				
Derivatives at Fair Value - Foreign Exchange Contracts	—	937	—	937
Liabilities under Derivative Contracts- Foreign Exchange Contracts	—	(5,904)	—	(5,904)
Derivatives at Fair Value - Interest Rate Swaps	—	(78,320)	—	(78,320)
Total	645,090	2,081,713	275,327	3,113,551

(1) Other investments represents our investment in a real estate fund and is measured at fair value using the net asset value per share practical expedient. As a result this has not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet. The investment in the real estate fund is subject to restrictions as detailed in Note 10(a), "Commitments and Contingencies."

Transfers of assets into or out of a particular level are recorded at their fair values as of the end of each reporting period consistent with the date of the determination of fair value. During the twelve months ended December 31, 2020, $8.3 million was transferred from Level 2 to Level 3 due to a change in pricing methodology. (December 31, 2019, no transfers were made between Level 1, Level 2 and Level 3)

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

4. Fair Value Measurements (continued)

As at December 31, 2020, there were privately-held investments worth $295.0 million (December 31, 2019 — $275.3 million) classified as Level 3.

The following table presents a reconciliation of the beginning and ending balances for all assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for the twelve months ended December 31, 2020:

Twelve Months Ended December 31, 2020	Balance at beginning of year	Purchases and issuances	Transfer in/ (out)	Settlements and sales	Increase / (decrease) in fair value included net income	Balance at end of year	Change in unrealized investment gains (losses) relating to assets held at end of year
Assets							
Privately-held Investments - Trading							
Commercial mortgage loans	156,375	79,663	—	(59,406)	(13,060)	163,572	(15,017)
Middle market loans	107,552	484	8,313	(4,598)	(3,300)	108,451	(4,695)
Asset-backed securities	8,750	10,000	—	—	(56)	18,694	(56)
Equity securities	2,650	1,702	—	(69)	(27)	4,256	(26)
Total Level 3 Assets	$ 275,327	$ 91,849	$ 8,313	$ (64,073)	$ (16,443)	$ 294,973	$ (19,794)

Valuation of Fixed Income Securities. The Company's fixed income securities are classified as either available for sale or trading and are carried at fair value. As at December 31, 2020 and December 31, 2019, the Company's fixed income securities were valued by pricing services or broker-dealers using standard market conventions. The market conventions utilize market quotations, market transactions in comparable instruments and various relationships between instruments including, but not limited to, yield to maturity, dollar prices and spread prices in determining value.

Independent Pricing Services. The underlying methodology used to determine the fair value of securities in the Company's available for sale and trading portfolios is by the pricing services. Pricing services will gather observable pricing inputs from multiple external sources, including buy and sell-side contacts and broker-dealers, in order to develop their internal prices.

Pricing services provide pricing for less complex, liquid securities based on market quotations in active markets. Pricing services supply prices for a broad range of securities including those for actively traded securities, such as Treasury and other Government securities, in addition to those that trade less frequently or where valuation includes reference to credit spreads, pay down and pre-pay features and other observable inputs. These securities include Government agency, municipals, corporate and asset-backed securities.

For securities that may trade less frequently or do not trade on a listed exchange, these pricing services may use matrix pricing consisting of observable market inputs to estimate the fair value of a security. These observable market inputs include: reported trades, benchmark yields, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic factors. Additionally, pricing services may use a valuation model such as an option adjusted spread model commonly used for estimating fair values of mortgage-backed and asset-backed securities. The Company does not derive dollar prices using an index as a pricing input for any individual security.

4. Fair Value Measurements (continued)

Broker-Dealers. The Company obtains quotes from broker-dealers who are active in the corresponding markets when prices are unavailable from independent pricing services or index providers. Generally, broker-dealers value securities through their trading desks based on observable market inputs. Their pricing methodologies include mapping securities based on trade data, bids or offers, observed spreads and performance of newly issued securities. They may also establish pricing through observing secondary trading of similar securities. Quotes from broker-dealers are non-binding.

The Company obtains prices for all of its fixed income investment securities via its third-party accounting service provider, and in the majority of cases receiving a number of quotes so as to obtain the most comprehensive information available to determine a security's fair value. A single valuation is applied to each security based on the vendor hierarchy maintained by the Company's third-party accounting service provider.

As at December 31, 2020, the Company obtained an average of 2.6 quotes per fixed income investment compared to 2.4 quotes at December 31, 2019. The Company, in conjunction with its third-party accounting service provider, obtains an understanding of the methods, models and inputs used by the third-party pricing service and index providers to assess the ongoing appropriateness of vendors' prices. The Company and its third-party accounting service provider also have controls in place to validate that amounts provided represent fair values. Processes to validate and review pricing include, but are not limited to:

- quantitative analysis (e.g., comparing the quarterly return for each managed portfolio to its target benchmark, with significant differences identified and investigated);
- comparison of market values obtained from pricing services and broker-dealers against alternative price sources for each security where further investigation is completed when significant differences exist for pricing of individual securities between pricing sources;
- initial and ongoing evaluation of methodologies used by outside parties to calculate fair value; and
- comparison of the fair value estimates to the Company's knowledge of the current market.

Prices obtained from pricing services and broker-dealers are not adjusted by us; however, prices provided by a pricing service, or broker-dealer in certain instances may be challenged based on market or information available from internal sources, including those available to the Company's third-party investment accounting service provider. Subsequent to any challenge, revisions made by the pricing service or broker-dealer to the quotes are supplied to the Company's investment accounting service provider.

Management reviews the vendor hierarchy maintained by the Company's third-party accounting service provider in order to determine which price source provides the most appropriate fair value (i.e., a price obtained from a pricing service with more seniority in the hierarchy will be used over a less senior one in all cases). The hierarchy level assigned to each security in the Company's available for sale and trading portfolios is based upon its assessment of the transparency and reliability of the inputs used in the valuation as of the measurement date. The hierarchy of pricing services is determined using various qualitative and quantitative points arising from reviews of the vendors conducted by the Company's third-party accounting service provider. Vendor reviews include annual onsite due diligence meetings with index providers and pricing services vendors covering valuation methodology, operational walkthroughs and legal and compliance updates.

Fixed Income Securities. Fixed income securities are traded on the over-the-counter ("OTC") market based on prices provided by one or more market makers in each security. Securities such as U.S. Government, U.S. Agency, Foreign Government and investment grade corporate bonds have multiple market makers in addition to readily observable market value indicators such as expected credit spread, except for Treasury securities, over the yield curve. The Company uses a variety of pricing sources to value fixed income securities including those securities that have pay down/prepay features such as mortgage-backed securities and asset-backed securities in order to ensure fair and accurate pricing. The fair value estimates for the investment grade securities in the Company's portfolio do not use significant unobservable inputs or modeling techniques.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

4. Fair Value Measurements (continued)

U.S. Government and Agency Securities. U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and corporate debt issued by agencies such as the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal Home Loan Bank. As the fair values of U.S. Treasury securities are based on unadjusted market prices in active markets, they are classified within Level 1. The fair values of U.S. government agency securities are priced using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of U.S. government agency securities are classified within Level 2.

Municipal Securities. The Company's municipal portfolio consist of bonds issued by U.S. domiciled state and municipality entities. The fair value of these securities is determined using spreads obtained from broker-dealers, trade prices and the new issue market which are Level 2 inputs in the fair value hierarchy. Consequently, these securities are classified within Level 2.

Non-U.S. Government. The issuers for securities in this category are non-U.S. governments and their agents including, but not limited to, the U.K., Australia, Canada, France and Germany. The fair values of certain non-U.S. government bonds, primarily sourced from international indices, are based on unadjusted market prices in active markets and are therefore classified within Level 1. The remaining non-U.S. government bonds are classified within level 2 as they are not actively traded. The fair values of the non-U.S. agency securities, again primarily sourced from international indices, are priced using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of non-U.S. agency securities are classified within Level 2.

Corporate. Corporate securities consist primarily of short-term, medium-term and long-term debt issued by U.S. and foreign corporations covering a variety of industries and are generally priced by index providers and pricing vendors. Some issuers may participate in government programs which guarantee timely payment of principal and interest in the event of a default. The fair values of these securities are generally determined using the spread above the risk-free yield curve. Inputs used in the evaluation of these securities include credit data, interest rate data, market observations and sector news, broker-dealer quotes and trade volumes. In addition, corporate securities include a portion of the EMD portfolio. The Company classifies all of these securities within Level 2.

Mortgage-backed Securities. Residential and commercial mortgage-backed securities consist of bonds issued by the Government National Mortgage Association, the FNMA and the FHLMC as well as private non-agency issuers. The fair values of these securities are determined through the use of a pricing model (including Option Adjusted Spread) which uses prepayment speeds and spreads to determine the appropriate average life of the mortgage-backed security. These spreads are generally obtained from broker-dealers, trade prices and the new issue market. As the significant inputs used to price mortgage-backed securities are observable market inputs, these securities are classified within Level 2.

Asset-backed Securities. Asset-backed securities are securities backed by notes or receivables against assets other than real estate. The underlying collateral for the Company's asset-backed securities consists mainly of student loans, automobile loans and credit card receivables. These securities are primarily priced by index providers and pricing vendors. Inputs to the valuation process include broker-dealer quotes and other available trade information, prepayment speeds, interest rate data and credit spreads. The Company classifies these securities within Level 2.

Short-term Investments. Short-term investments consist of highly liquid debt securities with a maturity greater than three months but less than one year from the date of purchase. Short-term investments are classified as either trading or available for sale according to the facts and circumstances of the investment held. Short-term investments are valued in a manner similar to the Company's fixed maturity investments and are classified within Levels 1 and 2.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

4. Fair Value Measurements (continued)

Privately-Held Investments. Privately-held investments are initially valued at cost or transaction value which approximates fair value. In subsequent measurement periods, the fair values of these securities are determined using internally developed discounted cash flow models. These models include inputs that are specific to each investment. The inputs used in the fair value measurements include dividend or interest rates and 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 securities. A significant increase (decrease) in this input in isolation could result in significantly lower (higher) fair value measurement for privately-held investments. In order to assess the reasonableness of the inputs the Company uses in the discounted cash flow models, the Company maintains an understanding of current market conditions, issuer specific information that may impact future cash flows as well as collaboration with independent vendors for most securities to assess the reasonableness of the discount rate being used.

The following table summarizes the quantitative inputs and assumptions used for financial assets and liabilities categorized as Level 3 under the fair value hierarchy as at December 31, 2020:

December 31, 2020	Fair Value	Valuation Techniques	Unobservable (U) Inputs	Ranges	Weighted Average
Privately-held investments - Trading					
Commercial Mortgage Loans	150,757	Discounted cash flow	Discount rate	6% - 9%	7.3%
Commercial Mortgage Loans	12,113	Transaction Value	n/a	n/a	n/a
Commercial Mortgage Loans	702	Liquidation Method	n/a	n/a	n/a
Middle Market Loans	102,821	Discounted cash flow	Discount rate	6.3% -16.5%	8.6%
Middle Market Loans	5,630	Recovery Approach	n/a	n/a	n/a
Asset-backed securities	18,694	Discounted cash flow	Discount rate	5.7% -6.9%	6.2%
Equity securities	4,256	Discounted cash flow	Discount rate	9.3%	9.3%
Total	294,973				

Foreign Exchange Contracts. The foreign exchange contracts which the Company uses to mitigate currency risk are characterized as OTC due to their customized nature and the fact that they do not trade on a major exchange. These instruments trade in a very deep liquid market, providing substantial price transparency and accordingly are classified as Level 2.

Other investments. The Company's other investments represent our investment in a real estate fund. Adjustments to the fair value are made based on the net asset value of the investment. The net valuation criteria established by the manager of such investments are established in accordance with the governing documents and the asset manager's valuation guidelines, which consider a two part approach: the discounted cash flows approach and the performance multiple approach, which uses a multiple/capitalization rate derived from market metrics from comparable companies or assets to produce operating performance metrics. Alternative valuation methodologies may be employed for investments with unusual characteristics.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

5. Derivative Financial Instruments

The following table summarizes information on the location and amounts of derivative fair values on the balance sheets as at December 31, 2020 and 2019:

		December 31, 2020		December 31, 2019	
Derivatives not designated as Hedging Instruments under ASC 815	**Balance Sheet Location**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Foreign Exchange Contracts	Derivatives at fair value	219,492	4,785	178,300	937
Foreign Exchange Contracts	Liabilities under derivative contracts	224,437	(11,991)	394,500	(5,904)
Interest Rate Swaps	Liabilities under derivative contracts	—	—	1,800,000	(78,320)

The following table provides the total unrealized and realized gains (losses) recorded in earnings for the twelve months ended December 31, 2020 and 2019:

		Amount of (Loss) / Gain Recognized in Income	
Derivatives not designated as Hedging Instruments under ASC 815	**Location of (Loss) / Gain Recognized in Income**	**Year Ended December 31, 2020**	**Year Ended December 31, 2019**
Foreign Exchange Contracts	Change in fair value of derivatives	(5,339)	(6,666)
Interest Rate Swaps	Change in fair value of derivatives	(81,145)	(130,359)

Foreign Exchange Contracts. The Company uses foreign exchange contracts to manage foreign currency risk associated with our operating expenses but also foreign exchange risk associated with net assets or liabilities in currencies other than the U.S. dollar. A foreign exchange contract involves an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Foreign exchange contracts will not eliminate fluctuations in the value of the Company's assets and liabilities denominated in foreign currencies but rather allow it to establish a rate of exchange for a future point in time.

As at December 31, 2020, the Company held foreign exchange contracts that were not designated as hedging under ASC 815 with an aggregate nominal amount of $443.9 million (2019 — $572.8 million). The foreign exchange contracts are recorded as derivatives at fair value in the balance sheet with changes recorded as a change in fair value of derivatives in the statement of operations. For the twelve months ended December 31, 2020, the impact of foreign exchange contracts on net income was a loss of $5.3million (December 31, 2019 — $6.7 million).

Interest Rate Swaps. As at December 31, 2020, the Company held $Nil notional amount of floating interest rate swaps (2019 - $1,800.0 million). The interest rate swaps are used in the ordinary course of the Company's investments activities to partially mitigate any negative impact of rises in interest rates on the market value of the Company's fixed income portfolio. For the twelve months ended December 31, 2020, there was a loss of $81.1 million (December 31, 2019 — $130.4).

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

6. Reserve for losses and loss adjustment expenses

The following table summarizes the activity in the reserves for losses and loss adjustment expenses for the years ended December 31, 2020 and 2019:

	2020	2019
Gross reserves as at January 1	3,020,325	3,410,304
Loss reserves recoverable as at January 1	444,416	487,806
Net reserves as at January 1	2,575,909	2,922,498
Net loss and LAE expenses (disposed)[5]	(430,413)	—
Net losses incurred related to:		
Current year	493,957	529,569
Prior years	26,928	(14,427)
Total net incurred losses	520,885	515,142
Net paid losses related to:		
Current year	(50,079)	(71,216)
Prior years	(531,799)	(690,975)
Total net paid losses	(581,878)	(762,191)
Foreign exchange and other	(91,605)	(99,540)
Total net reserves as at December 31	1,992,898	2,575,909
Loss recoverable as at December 31	835,192	444,416
Total gross reserves as at December 31	2,828,090	3,020,325

For the twelve months ended December 31, 2020, there was net unfavorable prior year loss development of $26.9 million. Prior years development was attributable to various lines of business. For the twelve months ended December 31, 2019, there was net favourable loss development of $14.4 million.

[5] Net loss and LAE expenses disposed includes the adverse development cover reinsurance agreement providing $423.5 million of cover. The adverse development cover is detailed in Note 7., "Reinsurance".

6. Reserve for losses and loss adjustment expenses (continued)

Short Duration Contracts

In 2017, the Company adopted ASU 2015-09, which makes targeted improvements to disclosure requirements for Insurance companies that issue short-duration contracts. The ASU requires enhanced disclosures, on an annual basis, related to the reserves for losses and loss expenses which include (1) net incurred and paid claims development information by accident year, (2) a reconciliation of incurred and paid claims development information to the aggregate carrying amount of the reserves for losses and LAE, (3) for each accident year presented of incurred claims development, information about claim frequency (unless impracticable), and the amount of IBNR liabilities, including expected development on reported claims, included in the reserve for losses and LAE, (4) a description of, and any significant changes to the methods for determining both IBNR and expected claims development on reported claims. While the adoption of this guidance impacted our disclosures, it did not have an impact on our financial statements.

All of the business contained within the Company's Reinsurance segment represents treaty business that is assumed from other insurance and reinsurance companies, for which the Company does not have access to the underlying claim counts.

Further, this business includes both quota share and excess of loss treaty reinsurance, through which only a portion of each reported claim results in losses to the Company. As such, the Company has excluded claim count information from the claims development tables. Information about the average annual percentage payout of incurred claims, has also been omitted as management believes the information to be immaterial to the financial statements and would be inaccurate due to the quota share and excess of loss treaty business previously mentioned.

The Company has also revalued all historical data using exchange rates at December 31, 2020 in order to mitigate the effect of foreign exchange on the development throughout the triangles. Due to currency mix changes from one year-end to the next, revaluation of incurred losses will result in different year-on-year movements within the triangles with each annual presentation. This approach for handling foreign exchange movements within the triangles differs somewhat from the underlying calculation of prior year development in the Company's financial statements due to the inclusion of the historical loss payments as well as reserves and the level of granularity used in the calculation. The differences have been deemed not to be material.

Management has determined that the appropriate level of disaggregation for the Incurred paid and paid claims development information best falls into three categories : Property Reinsurance, Casualty Reinsurance and Specialty Reinsurance.

The following tables show an analysis of incurred claims and allocated loss adjustment expenses, net of reinsurance and cumulative paid claims and allocated claims adjustment expenses, as at December 31, 2020, 2019, 2018, 2017, 2016, 2015, 2014 and 2013.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

6. Reserve for losses and loss adjustment expenses (continued)

Property Reinsurance

Incurred Claims, IBNR and Loss Adjustment Expenses, Net of Reinsurance

	For the year ended December 31,								December 31, 2020
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR**
Accident Year									
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2013	328,323	483,234	504,645	510,487	517,717	520,412	511,406	490,320	2,496
2014		319,924	369,176	358,968	354,232	344,421	345,492	335,694	16,600
2015			382,990	386,385	372,744	347,359	364,457	364,302	(4,662)
2016				406,415	478,746	479,811	470,522	458,348	11,256
2017					653,466	683,298	670,316	625,167	29,776
2018						343,501	354,456	367,278	11,886
2019							196,413	234,219	54,786
2020								181,226	154,108
Total								3,056,554	

Cumulative Paid Claims and Allocated Adjustment Expenses Net of Reinsurance

	For the year ended December 31,							
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Accident Year								
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2013	66,988	328,553	402,588	439,835	465,337	474,664	475,968	486,078
2014		71,131	163,332	243,154	267,662	284,379	295,732	302,940
2015			70,450	193,853	256,170	272,781	310,879	338,962
2016				93,076	296,058	364,737	402,452	423,794
2017					189,621	477,936	540,520	574,838
2018						64,413	296,798	363,592
2019							36,125	111,498
2020								6,941
Total								2,608,643

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	447,911
All outstanding liabilities before 2013	84,833
Liabilities for claims and claims adjustment expenses, net of reinsurance	532,744

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

6. Reserve for losses and loss adjustment expenses (continued)

Casualty Reinsurance

Incurred Claims, IBNR and Loss Adjustment Expenses, Net of Reinsurance

	For the year ended December 31,								December 31, 2020
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR**
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2013	328,826	474,825	450,459	435,071	415,968	427,610	419,151	394,176	3,068
2014		328,986	319,352	298,961	275,264	288,017	216,838	259,033	30,796
2015			375,316	342,624	306,980	344,803	261,214	323,269	58,197
2016				428,166	340,713	374,744	268,019	346,128	73,932
2017					445,557	342,656	190,260	321,181	69,273
2018						243,724	127,084	216,702	125,605
2019							83,252	184,004	131,295
2020								182,157	156,222
Total								2,226,650	

Cumulative Paid Claims and Allocated Expenses Net of Reinsurance

	For the year ended December 31,							
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2013	10,882	249,304	264,969	289,653	321,044	343,905	345,821	350,587
2014		15,550	54,089	90,831	122,603	155,246	192,447	216,541
2015			21,046	55,170	104,653	152,617	199,009	234,487
2016				33,373	87,921	133,499	197,734	235,433
2017					24,646	55,034	109,084	179,088
2018						14,181	51,771	88,376
2019							12,065	38,405
2020								9,699
Total								1,352,616

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	874,034
All outstanding liabilities before 2013	186,655
Liabilities for claims and claims adjustment expenses, net of reinsurance	1,060,689

Notes to Financial Statements
December 31, 2020 and 2019

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

6. Reserve for losses and loss adjustment expenses (continued)

Specialty Reinsurance

Incurred Claims, IBNR and Loss Adjustment Expenses, Net of Reinsurance

	For the year ended December 31,								December 31, 2020
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR**
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2013	103,953	157,838	154,454	154,990	154,746	154,253	151,319	148,802	860
2014		97,592	101,515	99,217	98,354	99,771	99,255	107,603	4,454
2015			139,841	153,443	152,614	136,797	136,745	131,518	11,684
2016				125,956	150,567	161,583	150,754	149,469	38,686
2017					168,748	169,650	170,128	164,734	58,635
2018						129,628	133,461	123,139	24,181
2019							98,420	98,502	38,143
2020								101,819	72,020
Total								1,025,586	

Cumulative Paid Claims and Allocated Adjustment Expenses Net of Reinsurance

	For the year ended December 31,							
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2013	17,182	124,686	133,352	139,297	141,596	141,566	141,407	143,737
2014		8,810	34,450	59,828	68,916	79,460	84,719	93,598
2015			6,250	30,634	72,701	89,493	109,607	118,321
2016				4,614	34,055	60,777	73,056	84,562
2017					9,614	54,276	80,025	99,176
2018						14,304	48,973	78,314
2019							21,606	43,892
2020								14,183
Total								675,783

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	349,804
All outstanding liabilities before 2013	11,298
Liabilities for claims and claims adjustment expenses, net of reinsurance	361,102

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

6. Reserve for losses and loss adjustment expenses (continued)

Reconciliation of Incurred and Paid Claims Development to total Provision for Losses and LAE

	Twelve Months Ended December 31, 2020
Net outstanding liabilities	
Property Reinsurance	532,744
Casualty Reinsurance	1,060,689
Specialty Reinsurance	361,102
Insurances lines	34,197
Reinsurance recoverable on unpaid claims	835,192
Unallocated claims incurred	4,166
Provision for losses and LAE at the end of the year	2,828,090

7. Reinsurance

The Company purchases retrocession and reinsurance to limit and diversify the Company's risk exposure and to increase its own insurance and reinsurance underwriting capacity. These agreements provide for recovery of a portion of losses and loss adjustment expenses from reinsurers. As is the case with most reinsurance contracts, the Company remains liable to the extent that reinsurers do not meet their obligations under these agreements. In line with its risk management objectives, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.

On March 2, 2020, Holdings and its operating subsidiaries entered into an adverse development reinsurance agreement with a wholly-owned subsidiary of Enstar Group Limited. Under this agreement, these entities ceded to the wholly-owned subsidiary of Enstar Group Limited, losses incurred on or prior to December 31, 2019 on a diversified mix of property, liability and specialty lines business across the U.S., U.K and Europe, in excess of $3.8 billion, up to an aggregate limit of $4.6 billion (coverage of $0.8 billion). The reinsurance agreement also provides for $0.3 billion of cover in excess of $4.8 billion. As a result of the ADC, we have significantly reduced our exposure to claims from risks underwritten on or prior to December 31, 2019, and we expect the ADC to significantly reduce volatility from our historical business going forward.

Balances pertaining to reinsurance transactions are reported "gross" on the balance sheet, meaning that reinsurance recoverable on unpaid losses and ceded unearned premiums are not deducted from insurance reserves but are recorded as assets. For more information on reinsurance recoverables, refer to Note 11, "Concentrations of Credit Risk – Reinsurance recoverables" and Note 6, "Reserves for Losses and Loss Adjustment Expenses" of these financial statements.

The effect of assumed and ceded reinsurance on premiums written, premiums earned and insurance losses and loss adjustment expenses for the twelve months ended December 31, 2020, and 2019 was as follows:

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

7. Reinsurance (continued)

	2020	2019
Premiums written:		
Assumed	935,862	871,732
Ceded	(255,328)	(203,592)
Net Premiums written	680,534	668,140
Premiums earned:		
Assumed	906,372	944,283
Ceded	(245,683)	(221,289)
Net Premiums earned	660,689	722,994
Incurred losses:		
Assumed	632,395	747,844
Ceded	(111,510)	(232,702)
Net Incurred losses	520,885	515,142

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

8. Related party transactions

As discussed in Note 1, in 2020 and 2019 the Company participated in a number of reinsurance agreements with affiliated companies. Balances relating to these contracts, various intercompany loan arrangements and intercompany recharges, are incorporated in the statements of income for the years ended December 31, 2020 and 2019 and in the balance sheets as at December 31, 2020 and 2019 as follows:

	2020	2019
Balance sheets:		
Loss reserves recoverable	103,537	86,328
Premium receivable	40,992	35,386
Funds withheld	583,928	651,833
Deferred acquisition costs	16,049	20,816
Due from related party	109,818	72,506
Other assets	7,917	4,018
Loss and loss adjustment expense reserves	(2,270,753)	(2,481,019)
Unearned premium reserves	(58,404)	(73,316)
Reinsurance balances payable	(80,457)	(128,852)
Deferred gain on LPT	(6,984)	(14,459)
Statements of Income:		
Gross premiums written	487,233	545,389
Premiums ceded	(90,828)	(58,168)
Net premiums earned	415,217	582,957
Loss and loss adjustment expenses	(387,662)	(446,116)
Acquisition costs	(132,122)	(187,267)
Other underwriting income	9,240	(3,791)

Relationships and Related Party Transactions with Apollo or its Affiliates

Apollo's indirect subsidiary, Apollo Asset Management Europe PC LLP ("AAME"), serves as the investment manager for the Company.

A description of relationships we have with Apollo and its affiliates and transactions that have existed or that we have entered into with Apollo and its affiliates are described below.

Investment Management Relationships

AAME serves as the investment manager and provides centralized asset management investment advisory and risk services for the portfolio of investments pursuant to the investment management agreement ("IMA") that have been entered into with AAME. AAME is integrated into the Apollo investment platform and provides the Company with access to Apollo's investment expertise and fully-built infrastructure without the burden of incurring the development and maintenance costs of building an in-house investment asset manager with the capabilities of Apollo/AAME.

8. Related party transactions (continued)

AAME is registered in England and Wales and is authorized and regulated by the Financial Conduct Authority in the United Kingdom under the Financial Services and Markets Act 2000 and the rules promulgated thereunder for the primary purpose of providing a centralized asset management and risk function to European clients in the financial services and insurance sectors. AAME has necessary permissions to engage in certain specified regulated activities including providing investment advice, undertaking discretionary investment management and arranging deals in relation to certain types of investment.

In addition, pursuant to the IMA, AAME may engage sub-advisors or delegates to provide certain of the investment advisory and management services. In this regard, AAME is able to leverage its relationships with other Apollo-affiliated investment advisors in a sub-advisory capacity, pursuant to which AAME has mandated its affiliates, Apollo Management International LLP (“AMI”) and Apollo Capital Management L.P. (“AMC”), to invest in asset classes in which they have investment expertise and sourcing capabilities, such as middle market loans, commercial mortgage loans, structured products and short term secured investments. Pursuant to the IMA, all sub-advisors and delegates are ultimately overseen by AAME to ensure they are appropriate for the business and consistent with the investment strategy of the Company and such sub-advisory delegations are revocable by AAME.

IMA

In April 2019, following the completion of the Merger, AAME was engaged as the investment advisor. The Company's assets are managed by AAME and certain affiliates of AAME through a sub-advisory arrangement.

Under the IMA, AAME will be paid an annual investment management fee (the “Management Fee”) which will be based on a cost-plus structure. The “cost” is comprised of the direct and indirect fees, costs, expenses and other liabilities arising in or otherwise connected with the services provided under the IMA. The “plus” component will be a mark-up in an amount of up to 25% determined based on an applicable transfer pricing study. The Management Fee will be subject to certain maximum threshold levels, including an annual fee cap of 15 bps of the total amount of investable assets. Affiliated sub-advisors, including AMI and AMC, will also earn additional fees for sub-advisory services rendered.

Termination of Investment Management or Advisory Agreements with AAME

The IMA has no stated term and may be terminated by either AAME or the relevant subsidiary, as applicable, upon 60 days’ notice at any time or when required by such party’s regulator or by applicable law. In addition, AAME may terminate the IMA immediately upon notice if the implementation of any amendments to the applicable investment guidelines is impossible for, or cannot reasonably be expected of, AAME. Such termination rights may adversely affect the Company’s investment results.

Third Party Sub-Advisory Agreements

In the limited instances in which AAME desires to invest in asset classes for which neither AAME nor Apollo possesses the investment expertise or sourcing abilities required to manage the assets, or in instances in which AAME makes the determination that it is more effective or efficient to do so, AAME may mandate third-party sub-advisors to invest in such asset classes. Pursuant to the IMA, the Company will be responsible for fees paid to such sub-advisors.

IMA and Management Consulting Fees

During the year ended December 31, 2020, the Company recognized IMA fees of $6.1 million (2019 - $2.6 million), of which $1.4 million (2019 - $1.2 million) remains payable to AAME and AMI at year end.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

8. Related party transactions (continued)

Privately-held investments

All investments in privately-held investments, disclosed within Note 4, "Investments", have either been placed via the AAME structures mentioned above, or are investments directly or indirectly in Companies or funds affiliated with Apollo.

9. Share capital and additional paid-in capital

Share capital consists of 1,000,000 authorized, issued and fully paid common shares with a par value of $1 each.

Additional paid-in capital represents amounts contributed in cash by the shareholder in addition to the subscription to the issued share capital.

10. Commitments and Contingent Liabilities

(a) Restricted assets

The following table details the forms and value of Company's material restricted assets as at December 31, 2020 and 2019:

	December 31, 2020	**December 31, 2019**
Regulatory trusts and deposits		
Affiliated transactions	926,964	687,858
Third party	644,770	822,488
Letters of credit / guarantees	389,477	435,779
Total restricted assets (excluding illiquid assets)	1,961,211	1,946,125
Other investments - real estate fund (illiquid assets)	109,413	111,421
Total restricted assets and illiquid assets	**2,070,624**	**2,057,546**
Cash and invested assets	2,781,641	3,510,028
Percentage of cash and invested assets	**74.4 %**	**58.6 %**

Real Estate Fund. On December 20, 2017, the Company committed $100.0 million as a limited partner to a real estate fund. The investment objective of the fund is to achieve attractive risk-adjusted returns through the acquisition of income producing, high quality assets in gateway cities located in the U.S. and Canada in the office, retail, industrial and multifamily sectors of the real estate market. On May 1, 2018, the Company received a demand for an initial capital call of $86.2 million and the capital call on May 10, 2018. On September 19, 2018, the Company received a demand for the final capital call of $13.8 million and paid the capital on September 28, 2018.

Investments in the real estate fund may be redeemed on a quarterly basis with 90 days' notice subject to available cash in the fund once the lock-up period ends two years after the capital call. If sufficient cash is not available then all requested redemptions will be made on a pro rata basis. If a redemption request has not been met in full, as of such calendar quarter, the remaining portion of the request will be redeemed in subsequent quarters. There are no assurances as to when the Company may be able to withdraw, in whole or in part, its redemption request from the fund. A lock-up period is the initial amount of time an investor is contractually required to remain invested before having the ability to redeem.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

10. Commitments and Contingent Liabilities (continued)

The Company's current arrangements with our bankers for the issue of letters of credit require us to provide collateral in the form of cash and investments for the full amount of all secured and undrawn letters of credit that are outstanding. We monitor the proportion of our otherwise liquid assets that are committed to trust funds or to the collateralization of letters of credit. As at December 31, 2020 and 2019, these funds amounted to approximately 74.4% of the $2.8 billion and approximately 58.6% of the $3.5 billion of investable assets held by the Company, respectively. We do not consider that this unduly restricts our liquidity at this time.

The Company has established and must retain a multi-beneficiary U.S. trust fund for the benefit of its U.S. cedants so that they may take financial statement credit without the need to post cedant-specific security. The minimum trust fund amount is $20.0 million plus an amount equal to 100% of the Company's liabilities to its U.S. cedants which was $382.8 million and $427.7 million as at December 31, 2020 and 2019 respectively.

(b) Operating Leases

Right-of-use lease assets comprises of leased office real estate globally. For all office real estate leases, rent incentives, including reduced-rent and rent free periods and contractually agreed rent increases during the lease term, have been included when determining the present value of future cash flows.

The Company believes its office space is sufficient to conduct its operations for the foreseeable future in these locations. The Company has no lease transactions between related parties.

The following table summarizes the operating lease charge for the twelve months ended December 31, 2020 and 2019:

	For the Twelve Months Ended December 31, 2020	For the Twelve Months Ended December 31, 2019
Amortization charge on right-of-use operating leased assets	1,154	942
Interest on operating lease liabilities	111	942
Operating lease charge	1,265	1,884

Lease Liabilities. The following table summarizes the maturity of lease liabilities under non-cancellable leases as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Operating leases — maturities		
2021	1,142	1,060
2022	259	883
2023	259	—
2024	259	—
2025	65	—
Later years	—	—
Total minimum lease payments	1,984	1,943
Less imputed interest	(131)	(90)
Total lease liabilities	1,853	1,853

10. Commitments and Contingent Liabilities (continued)

(c) Contingent liabilities

In common with the rest of the insurance and reinsurance industry, the Company is also subject to litigation and arbitration in the ordinary course of business. The Company is regularly engaged in the investigation, conduct and defense of disputes, or potential disputes, resulting from questions of insurance or reinsurance coverage or claims activities. Pursuant to insurance and reinsurance arrangements, many of these disputes are resolved by arbitration or other forms of alternative dispute resolution. Such legal proceedings are considered in connection with estimating the Company's Insurance Reserves – Loss and Loss Adjustment Expenses, as provided on the Company's balance sheet.

As at December 31, 2020, it was the opinion of the Company's management based on available information that the probability of the ultimate resolution of pending or threatened litigation or arbitrations having a material effect on the Company's financial condition, results of operations or liquidity would be remote.

11. Concentration of Credit Risk

The Company is potentially exposed to concentrations of credit risk in respect of amounts recoverable from reinsurers, investments and cash and cash equivalents, and insurance and reinsurance balances owed by the brokers with whom the Company transacts business.

The Company defines credit risk tolerances in line with the risk appetite set by our Board and they, together with the group's risk management function, monitor exposures to individual counterparties. Any exceptions are reported to senior management and the Risk Committee of the Board of Directors.

Reinsurance Recoverables

The total amount recoverable by the Company from reinsurers as at December 31, 2020 was $835.2 million (2019 — $444.4 million) of which $212.9 million was uncollateralized (2019 — $179.3 million). As at December 31, 2020, of the Company's uncollateralized reinsurance recoverables 43.3% (2019 — 41.5%) were with Aspen Insurance UK Limited which is rated A by A.M. Best and A- by S&P, 6.6% (2019 — 14.8%) were with Munich Re which is rated A+ by A.M. Best and AA- by S&P, 6.5% (2019 —14.5%) were with Everest Re which is rated A+ by A.M Best and A+ by S&P. These are the Company's largest exposures to individual reinsurers. The Company has made no provision for doubtful debts from any of its reinsurers as at December 31, 2020 or December 31, 2019.

Underwriting premium receivables

The total underwriting premium receivable by the Company as at December 31, 2020 was $181.7 million (2019 — $154.7 million). As at December 31, 2020, $Nil of the total premiums receivable balance has been due for settlement for more than one year. The Company assesses the recoverability of premium receivables through a review of policies and the concentration of receivables by broker. A bad debt provision was included of $Nil as at December 31, 2020 (2019 — $Nil) for underwriting premiums unlikely to be collected.

Investments and cash and cash equivalents

The Company's investment policies include specific provisions that limit the allowable holdings of a single issue and issuer. As at December 31, 2020, there were no investments in any single issuer, other than the U.S. government, U.S. government agencies, U.S. government sponsored enterprises, the Canadian government and the U.K. government in excess of 2% of the aggregate investment portfolio.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

11. Concentration of Credit Risk (continued)

Balances owed by brokers

The Company underwrites a significant amount of its business through brokers and a credit risk exists should any of these brokers be unable to fulfill their contractual obligations in respect of insurance or reinsurance balances due to the Company. The following table shows the largest brokers that the Company transacted business with during the two years ended December 31, 2020 and the proportion of gross written premiums from each of those brokers.

	December 31, 2020	December 31, 2019
Aon Corporation[6]	36.5 %	37.4 %
Guy Carpenter	30.5 %	26.9 %
Willis Group Holdings, Ltd.	18.1 %	18.9 %

12. Credit Facility

In the normal course of its operations, the Company enters into agreements with financial institutions to obtain secured and unsecured credit facilities.

Credit Agreement. On March 17, 2017, the Company, Holdings and certain of its direct or indirect subsidiaries (collectively, the "Borrowers") entered into a Second Amendment and Restated Credit Agreement (the "Credit Agreement") with various lenders and Barclays Bank plc, as administrative agent, which amends and restates the Amended and Restated Credit Agreement, dated as of June 12, 2013, among the Company, Holdings and certain subsidiaries thereof, various lenders and Barclays Bank plc, as administrative agent. The credit facility will be used by the Borrowers to finance the working capital needs of Holdings and its subsidiaries, for letters of credit in connection with the insurance and reinsurance business of Holdings and its subsidiaries and for other general corporate purposes. Initial availability under the credit facility is $200,000,000 and Holdings has the option (subject to obtaining commitments from acceptable lenders) to increase the credit facility by up to $100,000,000. The credit facility will expire on March 27, 2022.

As at December 31, 2020, no borrowings were outstanding under the Credit Agreement. The fees and interest rates on the loans and the fees on the letters of credit payable by the Borrowers under the Credit Agreement are based upon the credit ratings for Holding's long-term unsecured senior debt by S&P and Moody's. In addition, the fees for a letter of credit vary based upon whether the applicable Borrower has provided collateral (in the form of cash or qualifying debt securities) to secure its reimbursement obligations with respect to such letter of credit.

Other Credit Facilities. On September 20, 2019, the Company and Citibank Europe plc (“Citi Europe”) amended the committed letter of credit facility, dated June 30, 2012, as amended on June 30, 2014, June 30, 2016, June 29, 2018 and June 30, 2020 (the “LOC Facility”). The latest amendment to the LOC Facility extends the term to June 30, 2022. The maximum aggregate amount available under the LOC Facility is $500.0 million. Under the LOC Facility, the Company will pay to Citi Europe (a) a letter of credit fee based on the available amounts of each letter of credit and (b) a commitment fee, which varies based upon usage, on the unutilized portion of the LOC Facility. The Company will also pay interest on the amount drawn by any beneficiary under the LOC Facility at a rate per annum of LIBOR plus 1% (plus reserve asset costs, if any) from the date of drawing until the date of reimbursement by the Company.

[6] On March 9, 2020, Aon plc and Willis Towers Watson announced a definitive agreement to combine, and expect the transaction to close in the first half of 2021.

12. Credit Facility (continued)

In addition, the Company and Citi Europe entered into an uncommitted letter of credit facility whereby the Company has the ability to request letters of credit under this facility subject to the prior approval of Citi Europe. The fee associated with the uncommitted facility is a letter of credit fee based on the available amounts of each letter of credit issued under the uncommitted facility. Both the LOC Facility and the uncommitted facility are used to secure obligations of the Company to its policyholders. In addition to these facilities, we also use regulatory trusts to secure our obligations to policyholders.

The terms of a pledge agreement between the Company and Citi Europe (pursuant to an assignment agreement dated October 11, 2006) dated January 17, 2006, as amended, were also amended on June 30, 2014 to change the types of securities or other assets that are acceptable as collateral under the New LOC Facility. All other agreements relating to the Company's LOC Facility, which now apply to the LOC Facility with Citi Europe, as previously filed with the SEC, remain in full force and effect. As at December 31, 2020, we had $446.6 million of outstanding collateralized letters of credit under the LOC Facility (December 31, 2019 — $444.2 million).

On November 30, 2020, AUL and the Company (acting as AUL's guarantor) entered into a Funds at Lloyd's Facility Agreement, for the account of AUL, pursuant to which the lender pledges securities for the benefit of Lloyd's to support AUL's Funds at Lloyd's requirements. This facility is for a one year period, subject to annual automatic extensions, and provides that a maximum aggregate amount of up to $100 million may be pledged on behalf of AUL. As at December 31, 2020, $100 million in securities were pledged on behalf of AUL under this facility.

13. Shareholder's Equity and Regulation

The Company is regulated by the Bermuda Monetary Authority ("BMA") and is licensed as a Class 4 insurer under the Insurance Act 1978 of Bermuda as amended (the "Insurance Act"). The Insurance Act imposes solvency and liquidity standards as well as auditing and reporting requirements on Bermuda insurers and reinsurers, and it empowers the BMA to supervise, investigate, require information and intervene in the affairs of Bermuda registered insurance companies. There are a number of remedial actions the BMA can take to protect the public interest if it determines that a Bermuda insurer or reinsurer may become insolvent or that a breach of the Insurance Act or of a registration condition has occurred or is about to occur. The BMA also acts as group supervisor of the Aspen group of companies ("Aspen Group") and has named The Company as the designated insurer.

In addition to requiring the appointment of a principal representative in Bermuda, the appointment of an independent auditor and the appointment of a loss reserve specialist, significant provisions of the Insurance Act applicable to The Company include:

Annual Filings. On an annual basis, The Company is required to submit to the BMA: (i) a statutory financial return; (ii) audited financial statements including notes to the financial statements, in accordance with GAAP Standards; and (iii) a capital and solvency return ("CSR"), which includes the Bermuda Solvency Capital Requirement ("BSCR"), a risk-based capital adequacy model, and associated schedules, a Commercial Insurer Solvency Self-Assessment ("CISSA"), a Financial Condition Report (the "FCR") and an opinion of a BMA approved loss reserve specialist on the economic balance sheet technical provisions. The CISSA is a self-assessment of our risk and solvency requirements that allows the BMA to obtain our view of the capital resources required to achieve our business objectives and to assess our governance, risk management and controls surrounding this process. The audited financial statements are published by the BMA on its website. The FCR is submitted by Aspen Group and published on our website, and includes information pertaining to The Company.

Enhanced Capital Requirements. The Company must maintain available statutory capital and surplus in an amount equal to or exceeding its Enhanced Capital Requirement ("ECR"). The ECR is determined either by reference to the BSCR model or an approved internal capital model. The Company currently relies on the BSCR model to establish its ECR.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

13. Shareholder's Equity and Regulation (continued)

The BMA also expects Class 4 insurers such as The Company to operate at or above a Target Capital Level ("TCL"), which the BMA has set at 120% of the ECR. The Company holds capital in excess of its TCL as at December 31, 2020.

Minimum Solvency Margin and Minimum Liquidity Ratio. The Company is also required to comply with a minimum solvency margin and minimum liquidity ratio in respect of its business. The minimum solvency margin is the greater of: (i) $100,000,000; or (ii) 50% of net premiums written (being gross premiums written less any premiums ceded (not exceeding 25% of gross premiums)) in its current financial year; or (iii) 15% of net losses and loss expense provisions and other insurance reserves; or (iv) 25% of the ECR reported at the end of its relevant year. The minimum liquidity ratio requires that the value of relevant assets not be less than 75% of the amount of relevant liabilities.

Restrictions on Dividends, Distributions and Reduction of Capital. The Company may not declare or pay any dividends during any financial year if it would cause the insurer to fail to meet its relevant solvency margins, capital requirements or liquidity ratio, and an insurer which fails to meet its relevant requirements on the last day of any financial year may not, without the approval of the BMA, declare or pay any dividends during the next financial year. In addition, as a Class 4 insurer, The Company may not in any financial year pay dividends which would exceed 25% of its total statutory capital and surplus, as shown on its statutory balance sheet in relation to the previous financial year, unless it files with the BMA a solvency affidavit at least seven days in advance. Further, The Company must obtain the prior approval of the BMA before reducing by 15% or more its total statutory capital as set out in its previous year's financial statements.

The Insurance Amendment (No. 2) Act 2018 amended the Insurance Act to provide for the prior payment of policyholders' liabilities ahead of general unsecured creditors in the event of the liquidation or winding up of an insurer. The amendments provide among other matters that, subject to certain statutorily preferred debts, the insurance debts of an insurer must be paid in priority to all other unsecured debts of the insurer. Insurance debt is defined as a debt to which an insurer is or may become liable pursuant to an insurance contract excluding debts owed to an insurer under an insurance contract where the insurer is the person insured.

In addition, The Company must comply with the provisions of the Bermuda Companies Act 1981, as amended (the "Companies Act"), regulating the payment of dividends and distributions. A Bermuda company may not declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that: (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the company's assets would thereby be less than its liabilities.

Actual and required statutory capital and surplus for The Company, as at December 31, 2020 and December 31, 2019 were estimated as follows:

	2020	2019
Required statutory capital and surplus	633,663	788,479
Actual statutory capital and surplus	1,333,083	1,380,619

14. Taxation

Under current Bermuda law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an assurance from the Minister of Finance of Bermuda under The Exempted Undertakings Tax Protection Act, 1966 of Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until March 31, 2035.

15. Subsequent Events

Singapore Branch. In February 2021, ABL received approval from the Monetary Authority of Singapore ("MAS") to establish a reinsurance branch in Singapore. The activities of this branch are regulated by the MAS pursuant to The Insurance Act of Singapore. ABL is also regulated by the Accounting and Corporate Regulatory Authority ("ACRA") as a foreign company in Singapore.

The Company completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2020 through to April 29th, 2021, the date the financial statements were available for issuance.