Hamilton Re, Ltd.

Consolidated Financial Statements

For the Year Ended November 30, 2020

Hamilton Re, Ltd.

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Building a better working world

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Report of Independent Auditors

The Shareholder
Hamilton Re, Ltd.

We have audited the accompanying consolidated financial statements of Hamilton Re, Ltd. (the Company), which comprise the consolidated balance sheets as of November 30, 2020 and 2019, and the related consolidated statements of operations, shareholder's equity and cash flows for each of the three years in the period ended November 30, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hamilton Re, Ltd. at November 30, 2020 and 2019, and the consolidated results of its operations and its cash flows for each of the three years in the period ended November 30, 2020, in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred losses and allocated loss adjustment expenses, net of reinsurance and cumulative paid losses and allocated loss adjustment expenses, net of reinsurance for the years ending 2019 and prior, and the average annual percentage payout of incurred losses by age, net of reinsurance which are on pages 22 through 24 be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young Ltd.

Ernst & Young Ltd.
February 11, 2021

Hamilton Re, Ltd.
Consolidated Balance Sheets

(Expressed in thousands of United States Dollars, except share information)	November 30, 2020	November 30, 2019
Assets		
Fixed maturity investments, at fair value (amortized cost: 2020, $452,398; 2019, $359,709)	$ 460,936	$ 362,507
Short term investments, at fair value (amortized cost: 2020, $703,278; 2019 $748,935)	703,341	749,633
Investments in Two Sigma Funds, at fair value (cost: 2020, $594,507; 2019 $633,548)	633,694	659,800
Total investments	1,797,971	1,771,940
Cash and cash equivalents	448,148	556,921
Restricted cash	7,870	9,214
Premiums receivable	446,044	382,067
Paid loss recoverable	11,610	9,463
Deferred acquisition costs	71,750	48,930
Unpaid losses and loss adjustment expenses recoverable	319,658	437,137
Receivable for investments sold	78,398	45,036
Prepaid reinsurance	42,312	43,692
Intercompany receivable	15,078	2,296
Intangible assets	2,356	3,654
Other assets	4,049	6,151
Total assets	$ 3,245,244	$ 3,316,501
Liabilities, non-controlling interest, and shareholder's equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	$ 1,115,101	$ 1,165,129
Unearned premiums	316,526	240,214
Reinsurance balances payable	149,730	142,529
Payable for investments purchased	134,701	73,395
Accounts payable and accrued expenses	16,897	15,575
Intercompany payable	381	2,672
Total liabilities	1,733,336	1,639,514
Non-controlling interest – TS Hamilton Fund	119	177
Shareholder's equity:		
Common Shares:		
Par value $0.01; authorized, issued and outstanding 100,000,000 common shares	1,000	1,000
Additional paid-in capital	917,000	917,000
Retained earnings	593,789	758,810
Total shareholder's equity	1,511,789	1,676,810
Total liabilities, non-controlling interest, and shareholder's equity	$ 3,245,244	$ 3,316,501

See accompanying notes to the consolidated financial statements.

Hamilton Re, Ltd.
Consolidated Statements of Operations
For the Years Ended November 30, 2020, 2019 and 2018

(Expressed in thousands of United States Dollars)	2020	2019	2018
Revenues			
Gross premiums written	$ 734,030	$ 562,397	$ 500,759
Reinsurance premiums ceded	(161,041)	(162,614)	(123,091)
Net premiums written	572,989	399,783	377,668
Net change in unearned premiums	(77,692)	(13,111)	8,614
Net premiums earned	495,297	386,672	386,282
Net investment income (loss)	(39,225)	204,375	573,664
Other income (loss)	(95)	380	(92)
Net foreign exchange gains (losses)	(7,632)	(2,071)	525
Total revenues	448,345	589,356	960,379
Expenses			
Losses and loss adjustment expenses	390,059	313,113	336,087
Acquisition costs	124,956	101,068	96,952
General and administrative expenses	33,885	37,339	33,892
Interest expense	5,832	5,847	6,108
Total expenses	554,732	457,367	473,039
Income (loss) before income tax	(106,387)	131,989	487,340
Income tax	9,425	8,078	9,395
Net income (loss)	(115,812)	123,911	477,945
Net income attributable to non-controlling interest	24,931	67,825	232,004
Net income (loss) attributable to common shareholder	$ (140,743)	$ 56,086	$ 245,941

See accompanying notes to the consolidated financial statements.

Hamilton Re, Ltd.
Consolidated Statements of Shareholders' Equity
For the Years Ended November 30, 2020, 2019 and 2018

(Expressed in thousands of United States Dollars)	2020	2019	2018
Common shares			
Balance, beginning of period	$ 1,000	$ 1,000	$ 1,000
Issuance of common shares	—	—	—
Balance, end of period	$ 1,000	$ 1,000	$ 1,000
Additional paid-in capital			
Balance, beginning of period	$ 917,000	$ 917,000	$ 917,000
Capital contribution	—	—	—
Balance, end of period	$ 917,000	$ 917,000	$ 917,000
Retained earnings			
Balance, beginning of period	$ 758,810	$ 840,724	$ 644,783
Net income (loss)	(115,812)	123,911	477,945
Dividends declared	(24,278)	(138,000)	(50,000)
Net income attributable to non-controlling interest	(24,931)	(67,825)	(232,004)
Balance, end of period	$ 593,789	$ 758,810	$ 840,724
Total shareholder's equity	$ 1,511,789	$ 1,676,810	$ 1,758,724

See accompanying notes to the consolidated financial statements.

Hamilton Re, Ltd.
Consolidated Statements of Cash Flows
For the Years Ended November 30, 2020, 2019 and 2018

(Expressed in thousands of United States Dollars)	2020	2019	2018
Operating activities			
Net income (loss)	$ (115,812)	$ 123,911	$ 477,945
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Depreciation	3,256	3,105	2,996
Loss on disposal of fixed assets	—	(1)	48
Interest accretion	2,585	(327)	(102)
Net realized (gains) losses on investments	23,237	(442,864)	(519,122)
Change in net unrealized (gains) losses on investments	(19,561)	202,073	(99,419)
Other items	(2,702)	86	1,113
Change in:			
Premiums receivable	(63,977)	(81,240)	(104,145)
Paid loss recoverable	(2,147)	393	2,341
Deferred acquisition costs	(22,820)	(707)	5,677
Prepaid reinsurance	1,380	(6,679)	3,413
Unpaid losses and loss adjustment expenses recoverable	117,479	(75,143)	(143,813)
Other assets	1,607	(1,613)	(1,016)
Reserve for losses and loss adjustment expenses	(50,028)	207,306	310,705
Unearned premiums	76,312	19,790	(12,027)
Reinsurance balances payable	7,201	47,461	39,656
Intercompany balances	(15,073)	7,302	(35,801)
Accounts payable and accrued expenses	1,322	(1,534)	1,323
Incentive fee payable to related party	—	(119,773)	119,773
Net cash from (used in) operating activities	$ (57,741)	$ (118,454)	$ 49,545
Investing activities			
Proceeds from redemptions from Two Sigma Funds	$ 2,135,985	$ 2,224,760	$ 2,338,794
Contributions to Two Sigma Funds	(2,131,410)	(1,944,419)	(1,683,360)
Purchases of fixed maturity investments	(625,301)	(732,950)	(223,279)
Proceeds from sales, redemptions and maturity of fixed maturity investments	520,573	508,876	83,082
Purchases of short term investments	(2,777,196)	(2,730,654)	(3,727,277)
Proceeds from sale of short term investments	2,845,058	3,120,797	3,161,372
Receivables for investments sold	(33,362)	(21,510)	(9,775)
Payables for investments purchased	61,306	(1,504)	61,152
Purchases of fixed assets and development of intangible assets	(1,463)	(1,947)	(5,601)
Other	(2)	2	2
Net cash from (used in) investing activities	$ (5,812)	$ 421,451	$ (4,890)
Financing activities			
Withdrawal of non-controlling interest	(24,988)	(68,033)	(242,180)
Dividends paid	(24,278)	(138,000)	(50,000)
Net cash used in financing activities	$ (49,266)	$ (206,033)	$ (292,180)
Effect of exchange rate changes on cash and cash equivalents	$ 2,702	$ (86)	$ (1,113)
Net increase (decrease) in cash and cash equivalents	$ (110,117)	$ 96,878	$ (248,638)
Cash and cash equivalents and restricted cash, beginning of period	566,135	469,257	717,895
Cash and cash equivalents and restricted cash, end of period	$ 456,018	$ 566,135	$ 469,257
Net income taxes paid	$ 8,247	$ 10,190	$ 9,871
Interest paid	$ 5,835	$ 5,852	$ 6,018

See accompanying notes to the consolidated financial statements.

1. Organization

Hamilton Re, Ltd. ("Hamilton Re") was incorporated in Bermuda on June 8, 2012, and is a wholly-owned subsidiary of Hamilton Insurance Group, Ltd. ("Hamilton Group"), a Bermuda domiciled holding company.

Hamilton Re is licensed as a Class 4 insurer in Bermuda and writes property, casualty and specialty insurance and reinsurance on a global basis. In 2017, Hamilton Re established a special purpose insurer, Turing Re Ltd. ("Turing Re"), funded by third party investors to provide collateralized reinsurance capacity for Hamilton Re's property treaty business.

Two Sigma Hamilton Fund, LLC ("TS Hamilton Fund"), a Delaware limited liability company, was formed in October 2013. On December 23, 2013, Hamilton Re entered into a limited liability company agreement with TS Hamilton Fund and Two Sigma Principals, LLC (the "Managing Member") as the managing member of TS Hamilton Fund. Hamilton Re initially committed to invest all of its investable assets in TS Hamilton Fund, other than a portion thereof that it held in cash and cash equivalents as a liquidity buffer. Commencing in 2017, Hamilton Re's commitment was reduced to require that its investment in TS Hamilton Fund is equal to a minimum of 95% of the consolidated net tangible assets of Hamilton Group. TS Hamilton Fund has engaged Two Sigma Investments, LP ("Two Sigma"), a Delaware limited partnership and a related party, to serve as its investment manager for a term ending on December 31, 2023. Two Sigma is a United States Securities and Exchange Commission ("SEC") registered investment adviser specializing in quantitative analysis. Although Two Sigma has broad discretion to allocate invested assets to different opportunities, the current strategy is focused on highly diversified liquid positions in global equities, futures and foreign exchange markets.

2. Summary of Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies as described in the Company's audited consolidated financial statements for the year ended November 30, 2019.

(a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The financial statements include the accounts of Hamilton Re, Hamilton Insurance Services (Bermuda), Ltd. and TS Hamilton Fund (collectively, "the Company"). All significant intercompany transactions and balances have been eliminated on consolidation. Certain comparative information has been reclassified to conform to the current year presentation.

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The major estimates recorded in the Company's financial statements include, but are not limited to, premiums written, the reserve for losses and loss adjustment expenses and the fair value of investments.

(c) Fair Value Measurements

Financial Instruments Subject to Fair Value Measurements

Accounting guidance over fair value measurements requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the "exit price"). Instruments that the Company owns are marked to bid prices. Fair value measurements are not adjusted for transaction costs

Basis of Fair Value Measurements

Fair value measurements accounting guidance also establishes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The three levels of the fair value hierarchy are described further below:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Details on assets and liabilities that have been included under the requirements of authoritative guidance on fair value measurements to illustrate the bases for determining the fair values of these items held by the Company are included in each respective section of this significant accounting policies note.

The Company's fixed maturity and short term investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing, however models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third party data. Securities which are priced by an index provider are generally included in the index. In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets. The Company considers these Level 2 inputs as they are corroborated with other market observable inputs.

(d) Premiums and Acquisition Costs

Premiums written and ceded on a losses occurring basis are earned pro-rata over the terms of the related contracts and policies For contracts written on a risks attaching basis, premiums written and ceded are earned over the terms of the underlying contracts and policies. Premiums written and ceded include estimates based on information received from insureds, brokers and ceding companies, and any subsequent differences arising on such estimates are recorded in the periods in which they are determined. The portion of the premiums written and ceded applicable to the unexpired terms of the underlying contracts and policies are recorded as unearned premiums and prepaid reinsurance premiums, respectively. Amounts are computed by pro-rata methods based on statistical data or reports received from insureds, brokers or ceding companies. Reinstatement premiums are estimated after the occurrence of a significant loss and are recorded in accordance with the contract terms based upon paid losses and case reserves. Reinstatement premiums are earned when written.

Acquisition expenses are costs that vary with and are directly related to the successful acquisition of new or renewal business, and consist principally of commissions, brokerage and premium tax expenses. These costs are deferred and amortized over the periods in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated losses and loss expenses, based on historical and current experience, and anticipated net investment income related to the premiums are considered in determining the recoverability of deferred acquisition costs.

(e) Reinsurance

In the normal course of business, the Company seeks to reduce the potential amount of loss arising from claims events by reinsuring certain levels of risk with other insurers or reinsurers. Ceded reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Prepaid reinsurance represents the portion of premiums ceded to reinsurers applicable to the unexpired coverage terms of the reinsurance contracts in place. Amounts recoverable from reinsurers are estimated based on the terms and conditions of the reinsurance contracts, in a manner consistent with the underlying liabilities insured or reinsured by the Company. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the periods in which they are determined. Amounts recoverable from reinsurers are recorded net of a valuation allowance for estimated uncollectible recoveries.

(f) Reserve for Losses and Loss Adjustment Expenses

The reserve for losses and loss adjustment expenses includes reserves for unpaid reported losses and for losses incurred but not reported ("IBNR"). The reserve for unpaid reported losses and loss expenses is established by management based on reports from insureds, brokers and ceding companies, and represents the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Company. The reserve for IBNR losses and loss expenses is established by management based on estimates of ultimate losses and loss expenses.

Inherent in the estimates of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors, which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are recorded in earnings in the periods in which they become known.

(g) Cash and Cash Equivalents

Cash and cash equivalents include money market funds and highly liquid short term deposits and securities with maturities of 90 days or less at the time of purchase. Bank deposits are not considered to be fair value measurements and as such are not subject to the authoritative guidance on fair value measurement disclosures. Money market funds are classified as Level 1 as these instruments are considered actively traded; however, certificates of deposit are classified as Level 2.

Restricted cash primarily relates to funds held in trust supporting a portion of the Lloyd's capital requirements.

(h) Investments

Investments – Trading

The Company elects the fair value option for all of its fixed maturities, short term investments, equities and certain other invested assets (excluding those that are accounted for using specialized Investment Company accounting as noted below). All changes in the fair value of investments are recorded within net investment income in the Consolidated Statements of Operations.

All investment transactions are recorded on a trade date basis and are valued using pricing data received from third parties. Realized gains or losses on sales of investments are determined on a weighted average basis. Investment income is recognized when earned and includes interest and dividend income, recorded as of the ex-dividend date, together with the amortization of premium and discount on fixed maturities and short term investments computed using the effective yield method. Net investment income includes related investment expenses.

Short Term Investments

Short term investments comprise securities with a maturity greater than three months but less than one year from the date of purchase.

Investments in Two Sigma Funds

TS Hamilton Fund invests in Two Sigma Funds ("Two Sigma Funds"), which are stated at their estimated fair values, that generally represent the Company’s proportionate interest in the members’ equity of the Two Sigma Funds as reported by the respective funds based on the net asset value ("NAV") provided by the fund administrator. The Company accounts for its investment in Two Sigma Funds under the variable interest model at NAV as a practical expedient for fair value in the Consolidated Balance Sheets. Increases or decreases in such fair values are recorded within net investment income in the Consolidated Statements of Operations. Realized gains or losses upon any redemptions of investments in the Two Sigma Funds are calculated using the weighted average method. The assets and liabilities of the Two Sigma Funds are recorded at fair value, or at amounts approximating fair value. The Company records contributions and withdrawals related to its investments in the Two Sigma Funds on the transaction date.

The specialized investment company accounting as described above is retained in the Company’s consolidated financial statements upon consolidation of TS Hamilton Fund.

(i) Foreign Exchange

The Company's functional currency is the U.S. Dollar. Monetary assets and liabilities denominated in foreign currencies are revalued into the functional currency at the exchange rates in effect at the balance sheet date with the resulting foreign exchange gains and losses included in earnings. Revenues and expenses denominated in foreign currencies are revalued at the prevailing exchange rate on the transaction date.

(j) Stock-Based Compensation

Hamilton Group issues restricted stock units, performance stock units, restricted stock, warrants and options, and may issue other equity-based awards to employees of Hamilton Re. The fair value of the compensation cost is measured at the grant date and expensed over the period for which the employee is required to provide services in exchange for the award. For awards subject to graded vesting, the awards are separated into vesting tranches, which are amortized over their respective vesting periods. The fair value of awards with performance conditions is remeasured at each reporting period with any changes in the expected outcome of the performance conditions recorded in compensation expense by a cumulative catch-up adjustment to apply the revised estimate. Forfeitures are recognized as they occur.

(k) Intangible Assets

The Company accounts for intangible assets in accordance with FASB ASC Topic Intangibles - Goodwill and Other. A purchase price that is in excess of the fair value of the net assets acquired arising from a business combination is recorded as goodwill or other intangible assets, according to their nature. Intangible assets with indefinite useful lives are not amortized. Intangible assets with a finite life are amortized over the estimated useful lives of the assets.

Finite lived intangible assets are reviewed for indicators of impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable, and tested for impairment if appropriate. The Company has established the beginning of the fourth quarter as the date for performing its annual impairment tests. If intangible assets are impaired, they are written down to their estimated fair value, with a corresponding expense recorded in the Company's consolidated statement of operations.

(l) Variable Interest Entities

The Company accounts for variable interest entities ("VIE") in accordance with GAAP guidance, which requires the consolidation of all VIEs by the primary beneficiary, that being the investor that has the power to direct the activities of the VIE and will absorb a majority of the VIE's expected losses or residual returns. The Company determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers: (i) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders; (ii) the VIE's capital structure; (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE; (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE; and (vi) related party relationships. The Company reassesses its initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events. The Company also reassesses its determination of whether the Company is the primary beneficiary of a VIE upon changes in facts and circumstances that could potentially alter the Company's assessment.

(m) Non-Controlling Interest

The share classes related to the redeemable non-controlling interest portion of TS Hamilton Fund are not considered liabilities in accordance with GAAP and have redemption features that are not solely within the control of TS Hamilton Fund. Therefore, the redeemable non-controlling interest in TS Hamilton Fund is presented in the mezzanine section on the Company's Consolidated Balance Sheets. The net income (loss) attributable to non-controlling interest is presented separately in the Company's Consolidated Statements of Operations. Refer to Note 4, *Variable Interest Entity,* for further discussion of non-controlling interest in the Company.

(n) Income Taxes

The Company recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained upon audit by tax authorities. Recognized income tax positions would be measured at the largest amount that is greater than 50 percent likely of being realized. Changes in recognition or measurement are recorded in the period in which the change in judgment occurs. The Company would recognize accruals for any interest and penalties related to underpaid taxes in income tax expenses.

(o) Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019 -12 Simplifying the Accounting for Income Taxes, which simplifies accounting for income taxes, changes the accounting for certain income tax transactions and makes minor improvements to the accounting guidance. This guidance is effective for annual reporting periods beginning after December 15, 2021 for private companies. Early adoption is permitted. This guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

In October 2018, the FASB issued ASU 2018-17 Targeted Improvements to Related Party Guidance for Variable Interest Entities, permitting private companies to elect not to apply VIE guidance to legal entities under common control if both the parent and the legal entity being evaluated for consolidation are not public businesses. The guidance is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. The Company has determined that it will not elect the private company option, and therefore this guidance is not expected to have an impact on the Company's results of operations, financial position or cash flows.

In August 2018, the FASB issued ASU 2018-15 Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which updated accounting guidance on the treatment of fees paid by a customer in a cloud computing arrangement. The guidance specifies that if a license is included in the arrangement, the related costs should be recorded on the balance sheet; if no license is included, the costs should be expensed. The guidance is effective for annual reporting periods beginning after December 15, 2020. Early adoption is permitted. This guidance is not expected to have an impact on the Company's results of operations, financial position or cash flows.

In August 2018, the FASB issued ASU 2018-13 Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which updated accounting guidance to simplify and streamline fair value disclosures by eliminating certain disclosures, while enhancing the usefulness of information about investments in Level 3 of the fair value hierarchy. The enhancements include disclosure of transfers into and out of Level 3; the changes in unrealized gains and losses for the period included in other comprehensive income related to assets and liabilities in Level 3 at the end of the reporting period; and the range and weighted average of significant observable inputs used to develop Level 3 fair values. The guidance is effective for fiscal years beginning after December 15, 2019. Early adoption of removed or modified disclosures is permitted, while still implementing additional disclosures on their effective date. This guidance relates to disclosures and will not have an impact on the Company's results of operations, financial position or cash flows.

In June 2016, the FASB issued ASU 2016-13 Measurement of Credit Losses on Financial Instruments (further clarified in November 2019 ASU 2019-11 Codification Improvements Financial Instruments - Credit Losses), which updated accounting guidance that replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to record credit loss estimates. This guidance is effective for annual periods beginning after December 15, 2022 for private companies. Early adoption is permitted for annual periods beginning after December 15, 2018. This guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

In February 2016 the FASB issued ASU 2016-02 Leases (further clarified in July 2018 (ASU 2018-11 Leases - Targeted Improvements) and in January 2019 (ASU 2019-01 Leases - Codification Improvements)) which updated accounting guidance that applies to any entity that enters into a lease that does not meet certain scope exceptions. The guidance requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The Company expects that, as a lessee, the primary impact to the Company will be the gross-up of the balance sheet by recognition of an operating lease liability in respect of future lease payments and the associated right-of-use asset in respect of the right to use the underlying asset for the lease term. This guidance is effective for years beginning after December 15, 2021 for private companies. Early adoption is permitted. This guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

3. Investments

Fixed Maturity and Short Term Investments - Trading

The Company's fixed maturity and short term investments at November 30, 2020 and 2019 are as follows:

	2020			
(Expressed in thousands of United States Dollars)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:				
U.S. government treasuries	$ 109,227	$ 2,574	$ (105)	$ 111,696
Non-U.S. sovereign governments	2,573	56	—	2,629
Corporate	199,858	6,977	(37)	206,798
Residential mortgage-backed securities - Agency	121,345	2,445	(3,547)	120,243
Residential mortgage-backed securities - Non-agency	5,115	29	(132)	5,012
Commercial mortgage-backed securities - Non-agency	4,256	93	(2)	4,347
Other asset-backed securities	10,024	189	(2)	10,211
Total fixed maturities	452,398	12,363	(3,825)	460,936
Short term investments	703,278	105	(42)	703,341
Total	$ 1,155,676	$ 12,468	$ (3,867)	$ 1,164,277

	2019			
(Expressed in thousands of United States Dollars)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:				
U.S. government treasuries	$ 172,578	$ 1,774	$ (29)	$ 174,323
Non-U.S. sovereign governments	2,606	39	(3)	2,642
Corporate	117,271	702	(109)	117,864
Residential mortgage-backed securities - Agency	45,454	251	(63)	45,642
Commercial mortgage-backed securities - Non-agency	8,226	148	(17)	8,357
Other asset-backed securities	13,574	108	(3)	13,679
Total fixed maturities	359,709	3,022	(224)	362,507
Short term investments	748,935	849	(151)	749,633
Short term investments	$ 1,108,644	$ 3,871	$ (375)	$ 1,112,140

The Company's fixed maturity and short term investments are considered to be Level 2 in the fair value hierarchy.

Contractual Maturities Summary

Contractual maturities of fixed maturity securities at November 30, 2020 are presented in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2020	
(Expressed in thousands of United States Dollars)	**Amortized Cost**	**Fair Value**
Due less than one year	$ 25,126	$ 25,239
Due after one through five years	253,296	261,650
Due after five through ten years	33,236	34,234
Mortgage backed	130,716	129,602
Asset backed	10,024	10,211
Total	$ 452,398	$ 460,936

Investments in Two Sigma Funds

The Company's investments in Two Sigma Funds at November 30, 2020 and 2019 are as follows:

	2020			2019		
(Expressed in thousands of United States Dollars)	**Cost**	**Net Unrealized Gains (Losses)**	**Fair Value**	**Cost**	**Net Unrealized Gains (Losses)**	**Fair Value**
Two Sigma Futures Portfolio, LLC (FTV)	$ 279,006	$ (10,198)	$ 268,808	$ 271,569	$ (20,674)	$ 250,895
Two Sigma Spectrum Portfolio, LLC (STV)	221,031	32,139	253,170	234,723	35,283	270,006
Two Sigma Equity Spectrum Portfolio, LLC (ESTV)	94,470	17,246	111,716	127,256	11,643	138,899
Total	$ 594,507	$ 39,187	$ 633,694	$ 633,548	$ 26,252	$ 659,800

The Company, through its investments in FTV, STV and ESTV, seeks to achieve absolute dollar-denominated returns on a substantial capital base primarily by combining multiple hedged and leveraged systematic investment strategies with proprietary risk management and execution techniques. These systematic strategies include, but are not limited to, technical and statistically-based, fundamental-based, event-based, market condition-based and spread-based strategies as well as contributor-based and/or sentiment-based strategies and blended strategies. FTV primarily trades equity securities, global futures and foreign exchange contracts, options, swap contracts, exchange traded funds and government debt securities. STV and ESTV primarily trade equity securities, swap contracts and foreign currency forward contracts. At November 30, 2020, the Company owns an 11.7%, 16.2% and 8.3% interest in each of the FTV, STV and ESTV funds respectively.

The following table summarizes certain investments of FTV, STV and ESTV where TS Hamilton Fund's proportionate share of the fair value of the investment represents more than 5% of TS Hamilton Fund's members' equity at November 30, 2020:

(Expressed in thousands of United States Dollars, except for share figures)	**Principal/ Shares (1)**	**Fair Value (1)**	**% of Members' Equity**
U.S. Treasury Securities, 0.0000%- 2.7500%, due 12/17/2020 - 11/15/2030	$ 1,008,597	$ 1,010,420	62.7 %
State Street Treasury Obligations Money Market Fund	130,911	130,911	8.1 %
U.S. Treasury Securities, 1.6250%, due 11/15/50	(6,218)	(6,302)	(0.4)%

(1) Values represent TS Hamilton Fund's proportionate share of the aggregate of FTV, STV and ESTV total holdings (expressed in thousands).

The components of net investment income for the years ended November 30, 2020, 2019 and 2018 are as follows:

(Expressed in thousands of United States Dollars)	2020	2019	2018
Investment income:			
Net realized gains on investments	$ (23,237)	$ 442,864	$ 519,122
Change in net unrealized gains (losses) on investments	19,561	(202,073)	99,419
Interest	14,859	22,566	11,497
Total investment income	$ 11,183	$ 263,357	$ 630,038
Investment expenses:			
Management fees	(49,919)	(58,322)	(55,747)
Other expenses	(489)	(660)	(627)
Total expenses	(50,408)	(58,982)	(56,374)
Net investment income	$ (39,225)	$ 204,375	$ 573,664

Two Sigma and the Managing Member are related parties to the Company (see Note 1, *Organization*). The investment management agreement with Two Sigma requires TS Hamilton Fund to incur a management fee of 3% of the non managing members' equity in the net asset value of the TS Hamilton Fund per annum. The management fee for the years ended November 30, 2020, 2019 and 2018 was $49.9 million, $58.3 million and $55.7 million, respectively. Under the terms of the limited liability company agreement between Hamilton Re and the Managing Member, the Managing Member is entitled to an incentive allocation equal to 30% of TS Hamilton Fund's net profits, subject to high watermark provisions, and adjusted for withdrawals, and any incentive allocation to the Managing Member; provided, however, that in the event there is a net loss during a quarter and a net profit during any subsequent quarter, the Managing Member is entitled to a modified incentive allocation whereby the regular incentive allocation will be reduced by 50% until subsequent cumulative net profits are credited in an amount equal to 200% of the previously allocated net losses.

The Managing Member is also entitled to receive an additional incentive allocation as of the end of each fiscal year (or on any date Hamilton Re withdraws all or a portion of its capital), in an amount equal to 20% of the Excess Profits; where "Excess Profits" for any given fiscal year (or other such accounting period) means the net profits over 15% for such fiscal year, net of management fees and expenses and gross of incentive allocations, but only after recouping previously unrecouped net losses. To the extent Hamilton Re contributes capital other than at the beginning of a fiscal year or withdraws capital other than at the end of a fiscal year, the additional incentive allocation hurdle with respect to such capital is prorated.

The aggregate incentive allocation (inclusive of the additional incentive allocation) for the years ended November 30, 2020, 2019 and 2018 was $24.9 million, $67.8 million and $231.9 million, respectively.

Hamilton Re has a commitment with TS Hamilton Fund to maintain at least approximately 93% of its investable assets in TS Hamilton Fund for a period (the "Commitment Period"), subject to certain circumstances and the liquidity options described below, with the Commitment Period ending on December 31, 2023. The Commitment Period consists of a 3-year rolling term that automatically renews on an annual basis unless Hamilton Re or the Managing Member provide advance notice of non-renewal. The commitment is subject to a waiver that permits Hamilton Re to maintain a minimum investment in TS Hamilton equal to a minimum of 95% of the consolidated net tangible assets of Hamilton Group. The waiver is applicable to December 31, 2021, is intended to automatically renew annually, and may be revoked by the Managing Member in its sole discretion upon 90 days' prior written notice. The TS Hamilton Fund generally has two liquidity options, subject to Hamilton Re's minimum investment commitment, which are as follows:

<u>Monthly liquidity</u> - Subject to certain conditions, Hamilton Re may request a whole or partial withdrawal of its capital account, no later than fifteen days prior to the end of a calendar month, effective as of the last day of such calendar month.

<u>Daily liquidity</u> - Subject to certain limited circumstances, including the need to meet obligations pursuant to Hamilton Re's underwriting operations, Hamilton Re may request a withdrawal of all or a portion of its capital account upon at least one business day's written notice of such withdrawal request date to the Managing Member.

The Managing Member may, at its discretion, but is not required to, permit or require Hamilton Re to withdraw all or any portion of its respective capital account at other times or waive or reduce certain notice periods or allow a notice to be revoked. The Managing Member may withdraw all or any portion of its capital account at any time.

Pledged Assets

At November 30, 2020, $252.9 million of investments secured a portion of the Lloyd's capital requirements. In addition, certain investments were pledged as security for letter of credit facilities as described further in Note 7, *Letter of Credit Facilities*.

At November 30, 2020, restricted cash balances were comprised of $4.0 million of cash balances held at Lloyd's securing a portion of the capital requirements and $3.8 million of cash securing other underwriting obligations.

4. Variable Interest Entity

TS Hamilton Fund meets the definition of a Variable Interest Entity ("VIE") principally because the Managing Member does not hold substantive equity at risk in the entity and controls all of the decision making authority over it. Therefore, the Company assessed its ownership in the VIE to determine if it is the primary beneficiary. A quantitative assessment of the VIE's expected losses and expected residual returns was not applied because the Managing Member is a related party to the Company and collectively they hold all of the variable interest. The Company performed a qualitative assessment of all relevant facts and circumstances and determined that it is the entity within the related party group that is most closely related to the VIE. As a result, the Company concluded that it is the primary beneficiary of TS Hamilton Fund.

Activity in the non-controlling interest of TS Hamilton Fund for the years ended November 30, 2020, 2019 and 2018 was as follows:

(Expressed in thousands of United States Dollars)	2020	2019	2018
Non-controlling interest - balance at beginning of period	$ 177	$ 385	$ 10,561
Withdrawals	(24,988)	(68,033)	$ (242,180)
Equity in earnings	(1)	33	107
Incentive allocation	24,931	67,792	231,897
Non-controlling interest - balance at end of period	$ 119	$ 177	$ 385

The following table represents the total assets and total liabilities of TS Hamilton Fund at November 30, 2020 and 2019. Creditors or beneficial interest holders of TS Hamilton Fund have no recourse to the general credit of the Company, as the Company's obligation is limited to the amount of its committed investment.

	2020	2019
Assets		
Cash and cash equivalents	$ 340,192	$ 411,312
Short term investments	694,208	743,173
Investments in Two Sigma Funds, at fair value	633,694	659,800
Receivables for investments sold	78,398	43,285
Interest and dividends receivable	149	1,933
Total assets	$ 1,746,641	$ 1,859,503
Liabilities		
Accounts payable and accrued expenses	171	255
Payable for investments purchased	134,701	73,029
Total liabilities	134,872	73,284
Total net assets managed by TS Hamilton Fund	$ 1,611,769	$ 1,786,219

5. Reinsurance

The Company purchases reinsurance and other protection to manage its risk portfolio and to reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions or on a proportional basis. Amounts recoverable under reinsurance contracts are recorded as assets. The Company remains liable to the extent that any reinsurance company fails to meet its obligations.

The following tables set forth the effect of reinsurance and retrocessional activity on premiums written and earned and on net claims and claim expenses incurred during the years ended November 30, 2020, 2019 and 2018:

	Premiums written			Premiums earned		
(Expressed in thousands of United States Dollars)	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Assumed	$ 648,095	$ 490,519	$ 433,782	$ 576,431	$ 474,797	$ 446,272
Direct	85,935	71,878	66,977	81,286	67,810	66,514
Ceded	(161,041)	(162,614)	(123,091)	(162,420)	(155,935)	(126,504)
Net	$ 572,989	$ 399,783	$ 377,668	$ 495,297	$ 386,672	$ 386,282

	Net claims and claims expenses		
(Expressed in thousands of United States Dollars)	**2020**	**2019**	**2018**
Gross losses and loss adjustment expenses	$ 382,247	$ 522,068	$ 541,833
Losses and loss adjustment expenses ceded	7,812	(208,955)	(205,746)
Net	$ 390,059	$ 313,113	$ 336,087

The Company evaluates the financial condition of its reinsurers on a regular basis and also monitors concentrations of credit risk with reinsurers. A provision for uncollectible reinsurance would be required due to the potential failure of reinsurers to indemnify the Company for either disputes under reinsurance contracts or insolvencies. There was no allowance for doubtful recoveries recorded at November 30, 2020 or 2019.

6. Reserve for Losses and Loss Adjustment Expenses

The following table presents a reconciliation of unpaid losses and loss adjustment expenses ("LAE") for the years ended November 30, 2020, 2019 and 2018:

(Expressed in thousands of United States Dollars)	2020	2019	2018
Gross unpaid losses and loss expenses, beginning of period	$ 1,165,129	$ 957,823	$ 647,118
Reinsurance recoverable on unpaid losses	(437,137)	(361,994)	(218,181)
Net unpaid losses and loss expenses, beginning of period	727,992	595,829	428,937
Net losses and loss expenses incurred in respect of losses occurring in:			
Current period	426,845	294,486	335,537
Prior periods	(36,786)	18,627	550
Total incurred	390,059	313,113	336,087
Net losses and loss expenses paid in respect of losses occurring in:			
Current period	64,817	31,688	37,512
Prior periods	268,979	149,321	129,059
Total paid	333,796	181,009	166,571
Foreign currency revaluation and other	11,188	59	(2,624)
Net unpaid losses and loss expenses, end of period	795,443	727,992	595,829
Reinsurance recoverable on unpaid losses	319,658	437,137	361,994
Gross unpaid losses and loss expenses, end of period	$ 1,115,101	$ 1,165,129	$ 957,823

Net favorable prior year development of $36.8 million for the year ended November 30, 2020 was primarily comprised of:

- Net favorable development of $18.9 million on property contracts as a result of reductions in loss estimates for Hurricanes Harvey, Irma and Maria and other catastrophe events along with lower than expected attritional losses;
- Net favorable development of $22.4 million on specialty contracts as a result of lower than expected loss experience in marine and energy and mortgage credit lines of business; and
- Net unfavorable development of $4.5 million on casualty contracts.

Net unfavorable prior year development of $18.6 million for the year ended November 30, 2019 was comprised of $4.5 million of unfavorable prior year loss development arising from the following significant components:

- Net unfavorable loss development of $35.8 million in casualty lines of business, arising from reserve strengthening in anticipation of increased loss trends and mass tort losses. Reserve strengthening related primarily to casualty classes including international professional indemnity, tort liability, U.S. high excess casualty and financial institutions business.
- Net favorable loss development of $27.0 million in specialty lines of business, due primarily to reductions in estimates on financial lines of business, attritional loss reductions in marine and energy exposures, and 2018 and prior accident year catastrophes; and
- Net favorable loss development of $4.3 million in property lines of business from the 2018 and prior accident year catastrophes.

In addition to the above noted items were revisions to premium estimates relating to casualty contracts written in 2018 and prior which increased earned premium by $17.0 million during 2019 Associated loss estimates of $14.1 million recorded relating to the increased 2018 and prior year premiums are included in the prior periods development line in the above table.

The $0.6 million of net unfavorable development for the year ended November 30, 2018 included two components. Net favorable prior year loss development of $12.6 million for the year ended November 30, 2018 was comprised of the following significant components:

- Net favorable development of $22.2 million in specialty lines of business, driven primarily by $12.9 million of reductions on attritional losses in marine and aviation business and $9.3 million of reductions related to hurricanes Harvey, Irma and Maria; and
- Net unfavorable development of $8.5 million in casualty lines of business, driven primarily by $4.9 million on medical malpractice contracts written in 2014 and 2013 underwriting years and $3.0 million on a 2015 casualty retro contract.

In addition, revisions to premium estimates relating to long-tail contracts written in 2017 and prior increased earned premium by $23.8 million during 2018. Associated loss estimates of $13.2 million recorded relating to the increased 2017 and prior year premiums are included in the prior periods development line in the above table.

The Company has incurred net losses and loss adjustment expenses of $40.5 million for the year ended 30 November, 2020 relating to the Covid-19 pandemic. The determination of the Company's net reserves for losses and loss adjustment expenses was based on its ground-up assessment of coverage from individual contracts, including a review of contracts with potential exposure to the Covid-19 pandemic. In addition, the determination of the Company's net reserves for losses and loss adjustment expenses for its reinsurance segment was supplemented by notifications received from cedants, a review of further treaties that may provide coverage, and supplemented by industry insured loss estimates and market share analyses, supplemented by a review of in-force treaties that may provide coverage. The Company also considered preliminary information received from clients, brokers and loss adjusters.

The estimate of net reserves for losses and loss adjustment expenses related to the Covid-19 pandemic remains subject to significant uncertainty. This uncertainty is driven by the inherent complexity of assumptions around the impact of the Covid-19 pandemic due to the lack of comparable events, the ongoing nature of the event, and its vast impact on the global economy and the health of the human population. Significant estimates have been made around items including, but not limited to, the severity, nature and duration of the pandemic, the coverage provided under the Company's contracts, the legislative interpretation of coverage in subsequent court cases, the coverage provided by the Company's ceded reinsurance, and the outcome of actions taken to minimize losses and loss adjustment expenses, and the impact that the economic environment has had on our insurance exposure in credit, financial and professional lines.

The pandemic has given rise to a significant amount of coverage litigation between policyholders and insurance companies across the world. The Company is actively following litigation surrounding Covid-19 related losses and any associated rulings in updating our estimates of Covid-19 related loss and loss adjustment expenses.

While the Company believes its estimate of net reserves for losses and loss expenses is adequate for losses and loss adjustment expenses that have been incurred at November 30, 2020 based on current facts and circumstances, the Company will continue to monitor the appropriateness of its assumptions as new information comes to light and will adjust its estimate of net reserves for losses and loss adjustment expenses, as appropriate. Actual ultimate losses for these events may differ materially from the Company's current estimates.

The Company amortized acquisition costs of $125.0 million, $101.1 million and $97.0 million in the years ended November 30, 2020, 2019 and 2018, respectively.

The Company's reserve for losses and loss expenses consists of case reserves and IBNR reserves. Case reserves are reserves for reported losses and loss expenses that have not yet been settled. IBNR are reserves for incurred but not reported losses and loss expenses, and include reserves for reported losses in excess of case reserves.

Case Reserves

For reinsurance business, the Company typically receives loss notifications from its cedants in the form of loss bordereaux or individual loss notifications. These notifications generally include varying amounts of information about the nature and quantum of the loss including paid amounts and estimates of outstanding loss. The Company records the estimates of outstanding loss from its cedants as Case Reserves. Typically there is a timing lag between the cedant establishing a reserve and notifying the loss to the Company. In addition, different cedants have different claims handling practices which result in case reserve estimates that vary in the level of prudence embedded in them.

For insurance business, the Company records a case reserve for the estimated amount of settlement. This amount is based on the judgment of the Company's claims team and takes into account the class of business, nature of the claim and if appropriate, the advice of specialist legal counsel and external loss adjusters and includes the estimated expenses of settling the claim such as legal and other fees. The Company may sometimes use third party claims administrators to handle claims and set case reserves, but within defined authority levels and service level agreements. In syndicated markets such as Lloyd's, the

Company's case reserve will be based in part on information provided by the lead insurer, where the Company is not an agreement party. Any adjustments to case reserves are accounted for as changes in estimates and recorded in the period in which such changes are identified.

IBNR Reserves

The Company establishes IBNR reserves for large events based on a number of different factors, including discussions with brokers and cedants, proprietary loss modelling and pricing software, estimates of market loss and market share, experience from historical large events and other information that can guide the estimates of loss reserves. These estimates are reviewed periodically as new information emerges on the events.

IBNR reserves for attritional losses are established using actuarial loss reserving techniques. These techniques include the loss development factor method, ("LDF"), Bornheutter Ferguson method ("BF"), the Initial Expected Loss Ratio method ("IELR") and other techniques. These techniques rely on estimates of paid and reported loss development patterns and estimates of loss ratio at the inception of the contract. The Company's actuaries review the estimates of IBNR reserves on a quarterly basis and adjust the estimates as new information becomes available. Any such adjustments are accounted for as changes in estimates and recorded in the periods in which they become known.

To establish IBNR reserves for attritional losses, contracts are grouped into cohorts, or reserving classes, that have similar coverage, inception period and loss reporting characteristics. The paid and reported losses for these reserving classes are tracked over time against expectations and against the actuarial loss reserving indications and IBNR reserve is selected for each cohort.

Claims Development and Frequency

The information provided herein about incurred and paid accident year claims development, net of reinsurance, for the periods ended prior to November 30, 2020 and the annual percentage payouts of incurred claims by age, net of reinsurance, is presented as supplementary information. For incurred and paid accident year claims denominated in foreign currency, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

In determining the cumulative number of reported claims, the Company measures claim counts on its insurance business by individual claimant where information is available. The claim counts include all claims reported where the Company has identified a potential liability for the claim even if there is no existing reserve. Reinsurance business is typically written under either proportional (quota share arrangements) or non-proportional arrangements (excess of loss or other facultative covers).

The Company typically does not have direct access to claim frequency information underlying its assumed quota share arrangements given the nature of that business. In addition, multiple claims are often aggregated by the ceding company before being reported to the Company. The Company generally does not use claim frequency information in the determination of loss reserves or for other internal purposes relating to proportional business. In addition, the nature, size, terms and conditions of contracts entered into by the Company changes from one accident year to the next and the quantum of contractual or policy limits, and accordingly the potential amount of claims and claim expenses associated with a reported claim, can range from nominal, to significant, and therefore the Company does not believe providing claims frequency information is practicable as it relates to its proportional business.

The Company has developed claims frequency information associated with its non-proportional reinsurance contracts. In determining claims frequency for its excess of loss reinsurance contracts, claims counts include all claims reported by each insured where a reserve for loss and loss adjustment expenses has been recorded. The Company has assumed that claims below the loss layer of a contract are excluded; if an insured's claim impacts multiple layers of a contract, the Company considers each impact to be a separate claim; and for an insured loss impacting more than one operating subsidiary, each impact is considered a separate claim.

The information provided about incurred and paid accident year claims development for the periods ended prior to November 30, 2020 on a consolidated basis is presented as supplementary information. The following tables show the paid and incurred loss development by broad classification based on groupings of contracts that are similar in coverage and duration:

Property

(Expressed in thousands of United States Dollars, except claim count)

	Incurred losses and allocated loss adjustment expenses, net of reinsurance									As of November 30, 2020	
	For the years ended November 30,										
Accident year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020	IBNR (1)	Cumulative Number of Reported Claims
2012	$ —	$ —	$ 4	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		15,447	14,779	12,065	10,948	9,265	9,644	9,712	9,406	—	28
2014			19,416	20,563	19,374	18,205	18,119	18,093	17,774	393	48
2015				29,519	17,011	12,586	12,178	7,887	6,495	23	42
2016					61,893	43,648	42,419	41,092	39,766	265	96
2017						129,824	130,544	127,330	112,473	(12,778)	262
2018							113,219	116,316	102,396	(17,948)	207
2019								68,286	75,963	315	93
2020									203,412	131,836	124
								Total	$ 567,685	$ 102,106	

(1) Total of incurred but not reported liabilities plus expected development on reported claims.

	Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance								
	For the years ended November 30,								
Accident year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		4,295	6,136	8,345	8,874	8,689	9,250	9,464	9,226
2014			8,047	14,310	15,920	16,640	17,229	17,454	17,313
2015				1,776	4,664	5,060	5,270	5,470	5,608
2016					12,969	27,687	33,024	36,873	38,169
2017						31,428	112,818	97,132	113,085
2018							13,643	83,723	98,664
2019								5,542	40,348
2020									29,699
								Total	$ 352,112
								Liabilities for claims and claims adjustment expenses, net of reinsurance	$ 215,573

	Average annual percentage payout of incurred losses by age, net of reinsurance (1)								
Years	1 (unaudited)	2 (unaudited)	3 (unaudited)	4 (unaudited)	5 (unaudited)	6 (unaudited)	7 (unaudited)	8 (unaudited)	9 (unaudited)
	21.1 %	50.3 %	11.6 %	3.7 %	1.5 %	5.8 %	— %	— %	— %

(1) Unaudited supplementary information

Casualty

(Expressed in thousands of United States Dollars, except claim count)

Accident year	Incurred losses and allocated loss adjustment expenses, net of reinsurance — For the years ended November 30, 2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020	As of November 30, 2020 — IBNR (1)	Cumulative Number of Reported Claims
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		2,201	2,758	2,911	2,501	3,666	4,450	4,445	4,449	565	1
2014			13,350	13,408	18,549	13,062	18,644	20,435	16,773	2,977	4
2015				19,729	18,378	31,861	30,763	39,066	39,682	11,570	25
2016					44,878	50,615	55,051	55,498	57,575	20,826	3
2017						85,971	101,057	108,849	111,438	35,951	23
2018							102,587	122,460	128,569	54,262	31
2019								93,188	102,896	75,226	6
2020									93,983	77,635	12
								Total	$ 555,365	$ 279,012	

(1) Total of incurred but not reported liabilities plus expected development on reported claims.

Accident year	Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance — For the years ended November 30, 2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	2020
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		55	229	572	958	1,865	2,251	2,631	2,890
2014			776	2,026	3,330	4,644	6,276	10,666	12,847
2015				708	2,111	3,544	11,280	17,052	18,828
2016					1,541	5,131	12,780	20,620	27,103
2017						3,777	11,037	23,479	52,596
2018							3,874	23,276	53,044
2019								4,011	11,589
2020									6,947
							Total		$ 185,844
	Liabilities for claims and claims adjustment expenses, net of reinsurance								$ 369,521

Years	Average annual percentage payout of incurred losses by age, net of reinsurance (1) — 1 (unaudited)	2 (unaudited)	3 (unaudited)	4 (unaudited)	5 (unaudited)	6 (unaudited)	7 (unaudited)	8 (unaudited)	9 (unaudited)
	3.4 %	6.5 %	9.9 %	17.5 %	11.0 %	8.7 %	— %	— %	— %

(1) Unaudited supplementary information

Specialty

(Expressed in thousands of United States Dollars, except claim count)

	Incurred losses and allocated loss adjustment expenses, net of reinsurance									As of November 30, 2020	
	For the years ended November 30,										
Accident year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020	IBNR (1)	Cumulative Number of Reported Claims
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		1,742	2,284	827	571	819	781	709	674	49	3
2014			11,857	12,478	10,293	8,374	9,124	8,867	8,730	188	19
2015				27,712	26,756	19,435	19,410	17,643	16,928	1,914	39
2016					40,055	38,492	33,069	27,181	23,896	5,074	57
2017						74,483	57,403	49,155	41,091	8,589	71
2018							83,315	76,635	71,045	14,566	91
2019								103,953	99,138	25,716	80
2020									122,589	86,672	41
								Total	$ 384,091	$ 142,768	

(1) Total of incurred but not reported liabilities plus expected development on reported claims.

	Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance								
	For the years ended November 30,								
Accident year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		14	438	406	425	517	583	590	589
2014			2,218	7,196	6,767	6,359	7,455	7,505	7,519
2015				3,330	8,650	13,162	13,209	14,319	14,510
2016					3,124	10,208	8,637	13,158	15,701
2017						3,988	16,937	26,885	32,739
2018							9,144	32,429	49,174
2019								11,746	43,295
2020									15,029
								Total	$ 178,556
								Liabilities for claims and claims adjustment expenses, net of reinsurance	$ 205,535

	Average annual percentage payout of incurred losses by age, net of reinsurance (1)								
Years	1 (unaudited)	2 (unaudited)	3 (unaudited)	4 (unaudited)	5 (unaudited)	6 (unaudited)	7 (unaudited)	8 (unaudited)	9 (unaudited)
	10.7 %	25.7 %	4.0 %	(1.2)%	12.0 %	8.5 %	— %	— %	— %

(1) Unaudited supplementary information

Reconciliation

(Expressed in thousands of United States Dollars)	**November 30, 2020**
Net outstanding liabilities	
Property	$ 215,573
Casualty	369,521
Specialty	205,535
Liabilities for unpaid losses and loss adjustment expenses, net of reinsurance	790,629
Reinsurance recoverable on unpaid claims	
Property	184,357
Casualty	116,291
Specialty	19,010
Total reinsurance recoverable on unpaid claims	319,658
Other insurance lines	2,649
Unallocated loss adjustment expenses	2,165
	4,814
Total gross liability for unpaid losses and loss adjustment expenses	**$ 1,115,101**

7. Letter of Credit Facilities

The Company has several available letter of credit facilities provided by commercial banks. These facilities are utilized to provide collateral to reinsureds of Hamilton Re and its affiliates to the extent required under reinsurance agreements, and to support the capital requirements of the Company's affiliated Lloyd's operations.

On December 5, 2018 Hamilton Re entered into a committed letter of credit facility agreement with Citibank Europe PLC ("Citi") under which Citi agreed to make available to Hamilton Re a secured letter of credit facility of $50 million for a term that will expire on December 5, 2020. On December 4, 2020 Hamilton Re amended and restated its committed letter of credit facility agreement with Citibank Europe PLC under which Citi agreed to make available to Hamilton Re a secured letter of credit facility of $75 million for a term that will expire on December 5, 2022.

On June 28, 2019, Hamilton Re amended its letter of credit facility agreement with Macquarie Funding LLC ("Macquarie") (the "Macquarie Facility"), as further amended on September 30, 2019, under which Macquarie and certain of its affiliates agreed to make available to Hamilton Re a secured letter of credit facility for up to an aggregate amount of $50 million. Unless renewed or otherwise terminated in accordance with its terms, the Macquarie Facility is scheduled to terminate on June 30, 2021.

On January 22, 2020, Hamilton Re amended and restated its unsecured letter of credit agreement with a syndication of lenders (the "Unsecured Facility). Under the Unsecured Facility, the lenders have agreed to provide up to an aggregate of $350 million of letters of credit capacity, up to $150 million of which may be utilized for revolving loans to be issued to Hamilton Group. To the extent such loans are issued, the available letter of credit capacity shall decrease proportionally, such that the aggregate credit exposure for the lenders under the credit agreement is $350 million. Subject to the receipt of commitments and satisfaction of other conditions set out therein, the Unsecured Facility may be increased up to $375 million. Capacity is provided by Wells Fargo Bank, National Association, Truist Bank, BMO Harris Bank N.A., Commerzbank AG, New York Branch, HSBC Bank USA, National Association and Citibank, N.A. Unless renewed or otherwise terminated in accordance with its terms, the Unsecured Facility is scheduled to terminate on September 23, 2021.

On October 29, 2020, Hamilton Re amended its letter of credit facility agreement with UBS AG ("UBS") under which UBS and certain of its affiliates agreed to make available to Hamilton Re a secured letter of credit facility of $100 million for a term that will expire on October 29, 2021.

In addition, Hamilton Re is the borrower under an unsecured letter of credit facility agreement that it utilizes to provide Funds at Lloyd's ("FAL") ("FAL LOC Facility") to support the FAL requirements of Syndicate 3334 and Syndicate 4000. See Note 10, "Commitments and Contingencies" for further details. Capacity is provided by Barclays Bank PLC, ING Bank N.V., London Branch, Bank of Montreal, London Branch, and Citibank Europe PLC.

The Company's obligations under the Letter of Credit facilities require Hamilton Re to comply with various covenants. The Company was in compliance with all such covenants at November 30, 2020 and 2019.

At November 30, 2020, the facilities were secured by pledged interests in the TS Hamilton Fund and the Company's fixed income security portfolio. The Company's facilities at November 30, 2020, and associated securities pledged, were as follows:

(Expressed in thousands of United States Dollars)	**2020**
Available letter of credit facilities - commitments	837,257
Available letter of credit facilities - in use	549,496
Security pledged under letter of credit facilities	
Pledged Interests in Fixed Income Portfolio	58,751
Pledged interests in TS Hamilton Fund	231,195

8. Stock Incentive Plans

Hamilton Group has a stock incentive plan under which employees, directors, and consultants of Hamilton Re may be granted restricted stock units, performance stock awards, restricted stock awards, warrants, options, stock appreciation rights, and stock bonus awards. During the years ended November 30, 2020, 2019 and 2018, the Company was recharged by Hamilton Group for amounts related to the stock incentive plan in the amounts of $1.2 million, $2.7 million and $2.1 million, respectively.

9. Taxes

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company. Hamilton Re has obtained assurances from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966 of Bermuda, as amended, that in the event any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not be applicable to Hamilton Re until March 31, 2035, provided that the assurance is subject to the condition that it will not prevent the application of any taxes payable by Hamilton Re in respect of real property or leasehold interests in Bermuda held by it.

Hamilton Re is subject to U.S. withholding tax earned on certain investment income from TS Hamilton Fund.

10. Commitments and Contingencies

(a) Concentrations of Credit Risks.

Credit risk arises out of the failure of a counter-party to perform according to the terms of the contract. The Company underwrites most of its insurance and reinsurance business through brokers and credit risk exists should any of these brokers be unable to fulfill their contractual obligations with respect to the payments of insurance and reinsurance balances to the Company. During the years ended November 30, 2020, 2019 and 2018 gross premiums written generated from or placed by the below companies individually accounted for more than 9% of the Company's consolidated gross written premiums, as follows:

(Percentage of consolidated gross premiums written)	**2020**	**2019**	**2018**
Intercompany	42 %	19 %	21 %
Aon plc	21 %	32 %	30 %
Marsh & McLennan Companies, Inc	22 %	28 %	26 %
Willis Towers Watson plc	9 %	12 %	14 %
All Others/Direct	6 %	9 %	9 %
Total	100 %	100 %	100 %

The Company believes that the brokers will meet all of their obligations. The Company's credit risk is generally reduced by the contractual right to offset loss obligations against premiums receivable.

(b) Operating leases.

The Company leases office space under an operating lease. Operating lease expense was $1.2 million, $1.2 million, and $1.1 million, for the years ended November 30, 2020, 2019 and 2018 respectively. Future minimum lease payments under the lease are expected to be as follows:

(Expressed in thousands of United States Dollars)

Year Ending November 30,	**Minimum Lease Payments**
2021	$ 1,187
2022	791
Thereafter	—
	$ 1,978

(c) Funds at Lloyd's.

The Company, as an approved third-party capital provider, provides capital in the form of FAL to its affiliated Lloyd's businesses through, and for the benefit of, two corporate members: Hamilton Corporate Member Limited (HCML) and Ironshore CC (Three) Limited (ICC), both as managed by Hamilton Managing Agency Limited. HCML has been the sole participant in Syndicate 3334 for each underwriting year from 2015 to 2019 and is the sole participant in Syndicate 4000 for the 2020 underwriting year of account. ICC is the sole participant in Syndicate 4000 for the 2019 underwriting year of account. Lloyd's sets HCML's and ICC's FAL requirements semi-annually based upon a business plan, known as the syndicate business forecast, submitted by Hamilton Managing Agency Limited, internal models, performance and other factors.

As from January 1, 2020, Syndicate 3334 has ceased underwriting, with Hamilton Managing Agency Limited having been granted approval by Lloyd's to manage the ongoing obligations of Syndicate 3334.

As at November 30, 2020, the FAL provided by Hamilton Re was comprised of (1) a $185.0 million unsecured letter of credit and $4.0 million in cash for the benefit of HCML and (2) a $100.0 million unsecured letter of credit and $252.9 million of fixed income and cash support for the benefit of ICC.

Notwithstanding the above, the corporate members and Hamilton Managing Agency Limited have received approval from Lloyd's for the FAL provided by the Company (and other forms of FAL otherwise made available to the corporate members in support of their capital obligations) to be made interavailable, subject to any requirements or restrictions from Lloyd's from time to time.

(d) Indemnifications.

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

(e) Bermuda Infrastructure Fund.

On April 27, 2018, Hamilton Re entered into a limited partnership agreement with Fortress Bermuda Infrastructure Partners (A) LP (the "Fund"), whose purpose is to provide capital for development of various Bermuda-based infrastructure projects. Hamilton Re committed to subscribing to the Fund for up to an aggregate of $5.0 million, upon demand. As of November 30, 2020, less than $0.2 million had been called under the agreement.

11. Related Party Transactions

The intercompany payable and receivable at November 30, 2020 were $0.4 million and $15.1 million, respectively, and intercompany payable and receivable at November 30, 2019 of $2.7 million and $2.3 million, respectively, represent balances due from/to affiliates that are unsecured, non-interest bearing and due on demand.

Hamilton Re provides intercompany reinsurance to affiliates. The following table summarizes the impact of intercompany reinsurance for the years ended November 30, 2020, 2019 and 2018:

(Expressed in thousands of United States Dollars)	**2020**	**2019**	**2018**
Gross premiums written	$ 309,031	$ 108,542	$ 105,001
Net premiums earned	204,793	110,167	96,113
Losses and loss adjustment expenses	(156,237)	(108,519)	(80,454)
Acquisition costs	(66,897)	(37,141)	(33,427)
Net loss on related party reinsurance	$ (18,341)	$ (35,493)	$ (17,768)

Included in the Company's balance sheet as at November 30, 2020 and November 30, 2019 are the following balances related to intercompany reinsurance:

(Expressed in thousands of United States Dollars)	**2020**	**2019**
Premiums receivable	$ 214,722	$ 121,557
Deferred acquisition costs	49,073	15,332
Reserve for losses and loss adjustment expenses	169,579	161,303
Unearned premiums	154,013	49,775

During June 2017, Hamilton Re established Turing Re, a special purpose insurer, to provide collateralized reinsurance capacity for Hamilton Re's property treaty business. The following table summarizes the impact of the business ceded to Turing Re for the years ended November 30, 2020, 2019 and 2018:

(Expressed in thousands of United States Dollars)	**2020**	**2019**	**2018**
Reinsurance premiums ceded	$ (17,348)	$ (24,149)	$ (18,330)
Net premiums earned	(18,404)	(23,184)	(22,357)
Losses and loss adjustment expenses	(866)	32,523	34,802
Acquisition costs	3,550	4,081	3,189
Net gain (loss) on related party reinsurance	$ (15,720)	$ 13,420	$ 15,634

12. Statutory Requirements

The statutory net loss for the Company for the years ended November 30, 2020, was $140.7 million. The statutory net income for the years ended November 30, 2019 and 2018 was $56.1 million and $245.9 million, respectively.

At November 30, 2020 the primary difference between statutory financial statements and statements prepared in accordance with GAAP is that statutory financial statements do not reflect prepaid expenses or intangible assets.

Under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Insurance Act"), Hamilton Re is required to prepare statutory financial statements and to file with the BMA a statutory financial return. As a Class 4 (re)insurer, Hamilton Re must maintain capital at the greater of a minimum solvency margin ("MSM") and its Enhanced Capital Requirement ("ECR"), which is established by reference to the Bermuda Solvency Capital Requirement ("BSCR") model. The BSCR model is a risk-based capital model that provides a method for determining a (re)insurer's capital requirements (statutory capital and surplus) by taking into account the risk characteristics of different aspects of the (re)insurer's business. The Insurance Act also requires Hamilton Re to maintain certain measures of solvency and liquidity. The MSM that must be maintained by a Class 4 insurer with respect to its general business is the greater of (i) $100 million, or (ii) 50% of net premiums written (with a credit for reinsurance premiums ceded up to 25% of gross premiums written) or (iii) 15% of net discounted aggregate loss and loss expense provisions and other insurance reserves.

The BSCR for Hamilton Re for the year ended November 30, 2020 will not be filed with the BMA until March 2021. As a result, the required statutory capital and surplus disclosed as at November 30, 2020 is based on the MSM. At November 30, 2020, the actual statutory capital and surplus of Hamilton Re was $1.5 billion and the MSM was $286.5 million.

The BMA utilizes the economic balance sheet ("EBS") framework, which is currently used as the basis to determine the Company's ECR. Under the new framework, assets and liabilities are mainly assessed and included on the EBS at fair value, with the (re)insurer's GAAP balance sheet serving as a starting point. The model also requires insurers to estimate insurance technical provisions, which consist of the insurer's insurance related balances valued based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate, with the addition of a risk margin to reflect the uncertainty in the underlying cash flows.

Independent of the Insurance Act, the BMA has also established a target capital level (TCL) for Hamilton Re equal to 120% of its ECR. While Hamilton Re is not required to maintain its statutory capital and surplus at this level, the TCL serves as an early warning tool for the BMA, and failure to maintain statutory capital at least equal to the TCL will likely result in increased regulatory oversight. Hamilton Re's actual capital and surplus levels are expected to exceed the TCL at November 30, 2020.

Hamilton Re received approval from the BMA to treat its investment in TS Hamilton Fund as a "Relevant Asset" for the purpose of computing its "Liquidity Ratio" (under which relevant assets must be maintained at not less than 75% of relevant liabilities) in respect of 2021 and 2020. Hamilton Re is in compliance with the Liquidity Ratio at November 30, 2020.

Under the Insurance Act, Hamilton Re is restricted as to the payment of dividends and/or distributions for amounts greater than 25% of the prior year's statutory capital and surplus. In addition, before reducing its total statutory capital by 15% or more (as set out in its previous year's statutory financial statements), a Class 4 Bermuda insurance subsidiary must make application to the BMA for permission to do so; such application shall consist of an affidavit signed by at least two directors and such insurance subsidiary's principal representative stating that, in their opinion, the proposed reduction in capital will not cause such subsidiary to fail to meet its relevant margins, and such other information as the BMA may require. For the year ended November 30, 2020, Hamilton Re had capacity to pay dividends of $250.8 million without prior approval under Bermuda law, of which, $24.2 million of dividends were paid during the year.

13. Subsequent Events

The Company has evaluated subsequent events through February 8, 2021, the date these financial statements were available to be issued, and concluded that there are no subsequent events requiring recognition or disclosure.