THIRD POINT REINSURANCE (USA) LTD.

Audited Consolidated Financial Statements

Years ended December 31, 2020 and 2019

THIRD POINT REINSURANCE (USA) LTD.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Auditors

The Board of Directors
Third Point Reinsurance (USA) Ltd.

We have audited the accompanying consolidated financial statements of Third Point Reinsurance (USA) Ltd., which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, shareholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Third Point Reinsurance (USA) Ltd. at December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the loss and loss adjustment expenses incurred, net and cumulative net losses and loss adjustment expenses paid for the years ending 2019 and prior which are on pages 23 through 30, and the historical average annual percentage payout of loss and loss adjustment expenses incurred, net by age which is on page 32 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.

Hamilton, Bermuda
March 30, 2021

THIRD POINT REINSURANCE (USA) LTD.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2020 and 2019
(expressed in thousands of U.S. dollars, except per share and share amounts)

	December 31, 2020	December 31, 2019
Assets		
Investment in related party investment fund, at fair value (cost - $81,263; 2019 - $45,965)	$ 91,627	$ 23,158
Debt securities, trading, at fair value (cost - $9,989; 2019 - $7,324)	12,056	7,327
Total investments	103,683	30,485
Cash and cash equivalents	45,695	52,161
Restricted cash and cash equivalents	225,093	269,064
Due from brokers	30,271	—
Interest and dividends receivable	107	240
Reinsurance balances receivable, net	182,837	205,433
Unearned premiums ceded	45,715	127,562
Deferred acquisition costs, net	39,410	6,565
Loss and loss adjustment expenses recoverable, net	223,001	223,864
Due from affiliates	1,831	3,334
Other assets	917	2,300
Total assets	$ 898,560	$ 921,008
Liabilities		
Accounts payable and accrued expenses	$ 10,121	$ 2,731
Reinsurance balances payable	78,726	172,284
Deposit liabilities	4,146	6,107
Unearned premium reserves	177,694	169,805
Loss and loss adjustment expense reserves	328,680	298,457
Securities sold, not yet purchased, at fair value	1,775	—
Interest and dividends payable	3	—
Total liabilities	601,145	649,384
Commitments and contingent liabilities		
Shareholder's equity		
Common shares (par value $1.00; authorized, 1,000,000; issued and outstanding, 1,000,000 (2019: 1,000,000))	1,000	1,000
Additional paid-in capital	300,469	299,337
Retained deficit	(4,054)	(28,713)
Shareholder's equity attributable to common shareholder	297,415	271,624
Total liabilities and shareholder's equity	$ 898,560	$ 921,008

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

Director

Director

THIRD POINT REINSURANCE (USA) LTD.
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2020 and 2019
(expressed in thousands of U.S. dollars)

	2020	2019
Revenues		
Gross premiums written	$ 305,883	$ 300,270
Gross premiums ceded	(98,291)	(225,823)
Net premiums written	207,592	74,447
Change in net unearned premium reserves	(89,736)	(4,935)
Net premiums earned	117,856	69,512
Net investment income from investment in related party investment fund	33,171	12,360
Net realized and unrealized investment gains	15,211	1,489
Other net investment income	1,494	3,048
Net investment income	49,876	16,897
Total revenues	167,732	86,409
Expenses		
Loss and loss adjustment expenses incurred, net	80,355	49,377
Acquisition costs, net	32,623	13,469
General and administrative expenses	8,293	12,117
Other expenses	161	—
Foreign exchange (gains) losses	(103)	33
Total expenses	121,329	74,996
Income before income tax expense	46,403	11,413
Income tax expense	(9,744)	(2,397)
Net income available to common shareholder	$ 36,659	$ 9,016

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

THIRD POINT REINSURANCE (USA) LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
For the years ended December 31, 2020 and 2019
(expressed in thousands of U.S. dollars, except share amounts)

	2020	2019
Common shares		
Balance, beginning and end of year	1,000,000	1,000,000
Common shares		
Balance, beginning and end of year	$ 1,000	$ 1,000
Additional paid-in capital		
Balance, beginning of year	299,337	283,979
Contributions of capital from parent	—	15,000
Share compensation expense	1,132	358
Balance, end of year	300,469	299,337
Retained deficit		
Balance, beginning of year	(28,713)	(33,629)
Net income	36,659	9,016
Dividends	(12,000)	(4,100)
Balance, end of year	(4,054)	(28,713)
Shareholder's equity attributable to common shareholder	$ 297,415	$ 271,624

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

THIRD POINT REINSURANCE (USA) LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019
(expressed in thousands of U.S. dollars)

	2020	2019
Operating activities		
Net income	$ 36,659	$ 9,016
Adjustments to reconcile net income to net cash provided by operating activities:		
Share compensation expense	1,132	358
Net realized and unrealized gain on investments and derivatives	(14,763)	(364)
Net realized and unrealized gain on investment in related party investment fund	(33,171)	(12,360)
Net foreign exchange (gains) losses	(103)	33
Amortization of premium and accretion of discount, net	(10)	(6)
Changes in assets and liabilities:		
Reinsurance balances receivable	22,566	(62,701)
Deferred acquisition costs, net	(32,845)	532
Unearned premiums ceded	81,847	(15,639)
Loss and loss adjustment expenses recoverable	863	(87,115)
Due from/to affiliates, net	1,503	(2,931)
Other assets	1,586	1,796
Interest and dividends receivable, net	136	106
Unearned premium reserves	7,889	20,574
Loss and loss adjustment expense reserves	30,153	116,107
Accounts payable and accrued expenses	7,390	1,233
Reinsurance balances payable	(93,558)	63,970
Net cash provided by operating activities	17,274	32,609
Investing activities		
Proceeds from redemptions from related party investment fund	14,702	130,000
Contributions to related party investment fund	(50,000)	(47,000)
Change in participation agreement with related party investment fund	—	(421)
Purchases of investments	(81,351)	(39,692)
Proceeds from sales and maturities of investments	91,249	41,977
Purchases of investments to cover short sales	(771)	—
Proceeds from short sales of investments	2,692	—
Change in due from/to brokers, net	(30,271)	178
Net cash provided by (used in) investing activities	(53,750)	85,042
Financing activities		
Contributions of capital from parent	—	15,000
Dividends paid to parent	(12,000)	(4,100)
Net proceeds (payments) on deposit liability contracts	(1,961)	6,107
Net cash provided by (used in) financing activities	(13,961)	17,007
Net increase (decrease) in cash, cash equivalents and restricted cash	(50,437)	134,658
Cash, cash equivalents and restricted cash at beginning of year	321,225	186,567
Cash, cash equivalents and restricted cash at end of year	$ 270,788	$ 321,225
Supplementary information		
Interest paid in cash	$ 49	$ 1
Income taxes paid in cash	$ —	$ —

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

Third Point Reinsurance (USA) Ltd.
Notes to the Consolidated Financial Statements
(Expressed in United States Dollars)

1. Organization

On February 26, 2021, Third Point Reinsurance Ltd. completed the acquisition of Sirius International Insurance Group, Ltd. ("Sirius" or "Sirius Group") and changed its name from Third Point Reinsurance Ltd. to SiriusPoint Ltd. ("SiriusPoint"). All references to SiriusPoint throughout these consolidated financial statements refer to legacy Third Point Reinsurance Ltd., unless otherwise indicated. SiriusPoint's common shares are listed on the New York Stock Exchange under the symbol "SPNT". Through its subsidiaries, the Company is a provider of global multi-line reinsurance and insurance products.

Third Point Reinsurance (USA) Ltd. (the "Company" or "Third Point Re USA") was incorporated as an exempted company under the laws of Bermuda on November 21, 2014 and is registered as a Class 4 insurer under the Insurance Act 1978, as amended, and related regulations (the "Act"). Third Point Re USA is a provider of global specialty property and casualty reinsurance products and commenced its reinsurance operations in February 2015.

Third Point Re USA made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity. Third Point Re USA prices and underwrites U.S. domiciled reinsurance business from an office in the United States. Third Point Re USA is a wholly owned subsidiary of Third Point Re (USA) Holdings, Inc. ("TPRUSA"), an intermediate holding company based in the U.S., which is a wholly owned subsidiary of Third Point Re (UK) Holdings Ltd. ("Third Point Re UK"), an intermediate holding company based in the United Kingdom. Third Point Re UK is a wholly owned subsidiary of SiriusPoint.

These consolidated financial statements include the results of the Company and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated.

Tabular amounts are in U.S. Dollars in thousands, except share amounts, unless otherwise noted.

2. Significant accounting policies

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no impact on the previously reported total net investment income, total revenues or net income.

The following is a summary of the significant accounting and reporting policies adopted by the Company:

Use of estimates

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

Cash, cash equivalents and restricted cash

Cash and cash equivalents consist of cash held in banks and other short-term, highly liquid investments with original maturity dates of ninety days or less.

Restricted cash and cash equivalents consist of cash held in trust accounts securing obligations under certain reinsurance contracts and cash held with brokers and in trust accounts securing letters of credit issued under credit facilities.

Premium revenue recognition

To the extent that the amount of written premium is estimable, the Company estimates the ultimate premiums for the entire contract period and records this estimate at the inception of the contract. For contracts where the full written premium is not estimable at inception, the Company records written premium for the portion of the contract period for which the amount is estimable. These estimates are based primarily on information in the underlying contracts as well as information provided by clients and/or brokers.

Changes in premium estimates are expected and may result in adjustments in any reporting period. These estimates change over time as additional information regarding the underlying business volume is obtained. Any subsequent adjustments arising on such estimates are recorded in the period in which they are determined.

Premiums written are earned over the exposure period in proportion to the period of risk covered. Reinstatement premiums are earned when written. Unearned premiums represent the portion of premiums written that relate to the remaining term of the underlying policies in force.

Premiums for retroactive exposures in reinsurance contracts are earned at the inception of the contract, as all of the underlying loss events covered by these exposures occurred in the past. If the estimated loss and loss adjustment expense reserve differs from the premium received at inception of a retroactive reinsurance contract, the resulting difference is deferred and recognized over the estimated claim payment period of the related contract with the periodic amortization reflected in earnings as a component of loss and loss adjustment expenses incurred.

Reinsurance premiums ceded

From time to time, the Company reduces the risk of losses on business written by reinsuring certain risks and exposures with other reinsurers. The Company remains liable to the extent that any retrocessionaire fails to meet its obligations and to the extent that the Company does not hold sufficient security for their unpaid obligations. Ceded premiums are written during the period in which the risks incept and are earned over the contract period in proportion to the period of risk covered. Unearned premiums ceded consist of the unexpired portion of reinsurance ceded.

Reinsurance

Reinsurance recoverables include claims we paid and estimates of unpaid losses and loss adjustment expenses that are subject to reimbursement under reinsurance and retrocessional contracts. The method for determining reinsurance recoverables for unpaid losses and loss adjustment expenses involves reviewing actuarial estimates of gross unpaid losses and loss adjustment expenses to determine our ability to cede unpaid losses and loss adjustment expenses under our existing reinsurance contracts. This method is continually reviewed and updated and any resulting adjustments are reflected in earnings in the period identified. Reinsurance premiums, commissions and expense reimbursements are accounted for on a basis consistent with those used in accounting for the original policies issued and the term of the reinsurance contracts. Amounts recoverable from reinsurers for losses and loss adjustment expenses for which the Company has not been relieved of its legal obligations to the policyholder are reported as assets.

Deferred acquisition costs

Acquisition costs consist of commissions, brokerage and excise taxes that are related directly to the successful acquisition of new or renewal reinsurance contracts. These costs are deferred and amortized over the period in which the related premiums are earned. The Company evaluates the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment income is greater than expected future loss and loss adjustment expenses and acquisition costs. If a loss is probable on the unexpired portion of contracts in force, a premium deficiency loss is recognized. As of December 31, 2020, deferred acquisition costs are considered to be fully recoverable and no premium deficiency has been recorded.

Acquisition costs also include profit commissions that are expensed when incurred. Profit commissions are calculated and accrued based on the expected loss experience for contracts and recorded when the current loss estimate indicates that a profit commission is probable under the contract terms.

Loss and loss adjustment expense reserves

The Company's loss and loss adjustment expense reserves include case reserves, reserves for losses incurred but not yet reported ("IBNR reserves") and deferred gains on retroactive reinsurance contracts. Case reserves are established for losses that have been reported, but not yet paid. IBNR reserves represent the estimated loss and loss adjustment expenses that have been incurred by insureds and reinsureds but not yet reported to the insurer or reinsurer, including unknown future development on loss and loss adjustment expenses that are known to the insurer or reinsurer. IBNR reserves are established by management based on actuarially determined estimates of ultimate loss and loss adjustment expenses.

Inherent in the estimate of ultimate loss and loss adjustment expenses are expected trends in claim severity and frequency and other factors that may vary significantly as claims are settled. Accordingly, ultimate loss and loss adjustment expenses may differ materially from the amounts recorded in the consolidated 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 the consolidated statements of income in the period in which they become known.

Deposit liabilities

Certain contracts do not transfer sufficient insurance risk to be deemed reinsurance contracts and are accounted for using the deposit method of accounting. Management exercises judgment in determining whether contracts transfer sufficient risk to be accounted for as reinsurance contracts. Using the deposit method of accounting, a deposit liability, rather than written premium, is initially recorded based upon the consideration received less any explicitly identified premiums or fees. In subsequent periods, the deposit liability is adjusted by calculating the effective yield on the deposit to reflect actual payments to date and future expected payments. In some cases, the effective yield on the contract may be negative, which will result in the recognition of other income.

Fair value measurement

The Company determines the fair value of financial instruments in accordance with current accounting guidance, which defines fair value and establishes a three level fair value hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Fair value is defined as the price that the Company would receive to sell an asset or would pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Company determines the estimated fair value of each individual security utilizing the highest level inputs available.

The fair value of the Company's assets and liabilities, which qualify as financial instruments, approximates the carrying amounts presented in the consolidated balance sheets.

U.S. GAAP disclosure requirements establish a framework for measuring fair value, including a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The three-level hierarchy of inputs is summarized below:

- Level 1 – Quoted prices available in active markets/exchanges for identical investments as of the reporting date.
- Level 2 – Observable inputs to the valuation methodology other than unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 inputs include, but are not limited to, prices quoted for similar assets or liabilities in active markets/exchanges, prices quoted for identical or similar assets or

liabilities in markets that are not active and fair values determined through the use of models or other valuation methodologies.

- Level 3 – Inputs are based all or in part on significant unobservable inputs for the investment and include situations where there is little, if any, market activity for the investment. The inputs applied in the determination of fair value require significant management judgment and estimation.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. For example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources other than those of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and considers factors specific to the investment.

Investments

Investments - Trading

The Company's investments are classified as "trading securities" and are carried at fair value with changes in fair value included in earnings in the consolidated statements of income.

The fair value of the Company's investments are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications, industry recognized pricing vendors, and/or internal pricing valuation techniques. Investment transactions are recorded on a trade date basis with balances pending settlement included in due to/from brokers in the consolidated balance sheets.

Realized gains and losses are determined using cost calculated on a specific identification basis. Dividends are recorded on the ex-dividend date. Income and expenses are recorded on the accrual basis including interest and premiums amortized and discounts accreted.

Investment in related party investment fund

The Company invests in Third Point Enhanced LP ("TP Fund"), a related party investment fund. The Company's investment in TP Fund is stated at its fair value, that generally represents the Company's proportionate interest in TP Fund as reported by the fund based on the net asset value ("NAV") provided by the fund administrator. Increases or decreases in such fair value are recorded within net investment income from investment in related party investment fund in the Company's consolidated statements of income. Realized gains or losses upon any redemptions of investments in TP Fund are calculated using the weighted average method. The Company records contributions and withdrawals related to its investments in TP Fund on the transaction date.

Share-based compensation

The Company accounts for its share-based compensation transactions using the fair value of the award at the grant date and accounts for forfeitures when they occur. Determining the fair value of share purchase options at the grant date requires estimation and judgment. The Company uses an option-pricing model (Black-Scholes) to calculate the fair value of share purchase options.

For share purchase options or restricted share awards granted that contain both a service and performance condition, the Company recognizes share compensation expense only for the portion of the options or restricted share awards that are considered probable of vesting. Share compensation for share purchase options or restricted share awards considered probable of vesting are expensed over the service (vesting) period on a straight-line basis. The probability of share purchase options or restricted share awards vesting is evaluated at each reporting period. When the share purchase options or restricted share awards are considered probable of vesting, the Company records a true up of share compensation expense from the grant date (service inception date) to the current reporting period end based on the fair value of the options or restricted share awards at the grant date.

The Company measures grant date fair value for restricted share awards, with a service condition only, based on the price of its common shares at the grant date and the expense is recognized on a straight-line basis over the vesting period.

Foreign currency transactions

The Company's functional currency is the U.S. dollar. Transactions involving monetary assets and liabilities denominated in foreign currencies have been converted into U.S. dollars at the exchange rate in effect on the balance sheet date, and the related revenues and expenses are converted using specific rates for the period, as appropriate. Net foreign currency transaction gains and losses arising from these activities are reported in the consolidated statements of income in the period in which they arise.

Income taxes, withholding taxes and uncertain tax positions

The Company provides for income taxes for its operations in income tax paying jurisdictions. The Company's provision relies on estimates and interpretations of currently enacted tax laws. The Company recognizes deferred tax assets and liabilities based on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Such temporary differences are primarily due to tax basis discounts on loss and loss adjustment expense reserves and unearned premiums, deferred acquisition costs and unrealized gains (losses) on investments. A valuation allowance against deferred tax assets is recorded if it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. Any adjustments to deferred income taxes are accounted for as changes in estimates and are reflected in the consolidated statements of income in the year in which they are made. Adjustments could be material and could significantly impact earnings in the year they are recorded.

The Company recognized uncertain tax positions related to certain investment transactions in foreign jurisdictions. The Company records its uncertain tax positions based on an estimate of the potential liability, including potential interests and penalties, arising from its investment transactions conducted in foreign countries. The changes in the Company's uncertain tax position is included in income tax expense in the Company's consolidated statements of income.

Variable interest entities

The Company accounts for variable interest entities ("VIEs") in accordance with FASB ASC Topic 810 Consolidation, 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 that will absorb a portion of the VIE's expected losses or residual returns that could potentially be significant to the VIE. For VIEs the Company determines it has a variable interest in, it 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 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.

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in the consolidated statements of income on a straight-line basis over the term of the lease.

Comprehensive income

The Company has no comprehensive income other than net income disclosed in the consolidated statements of income.

Recent accounting pronouncements

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842): Section A - Leases, Section B - Conforming Amendments Related to Leases and Section C - Background Information and Basis for Conclusions* ("ASU 2016-02"). ASU 2016-02 intends to improve financial reporting related to leasing transactions. The new standard affects all entities that lease assets such as real estate, airplanes and manufacturing equipment. ASU 2016-02 requires entities that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. ASU 2016-02 did not have a material effect on the Company's consolidated financial statements as a result of the limited number of leases the Company currently has in place.

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 amended the guidance on the impairment of financial instruments. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). ASU 2018-13 is intended to improve the effectiveness of fair value measurement disclosure requirements. The amendments are effective for interim and annual periods beginning after December 15, 2019. ASU 2018-13 did not have a material impact on the Company's consolidated financial statements.

In October 2018, the FASB issued Accounting Standards Update 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"). The amendments in ASU 2018-17 for determining whether a decision-making fee is a variable interest require reporting entities to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety. ASU 2018-17 is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption of ASU 2018-17 did not impact the Company's assessment of its variable interest entity.

Recently Issued Accounting Standards Not Yet Adopted

In December 2019, the FASB issued Accounting Standards Update 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). The amendments in ASU 2019-12 simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify U.S. GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. This new pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

In January 2020, the FASB issued Accounting Standards Update 2020-01, *Investments—Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)* ("ASU 2020-01"). The amendments in ASU 2020-01 clarify certain interactions between the guidance to account for certain equity securities under Topic 321, the guidance to account for investments under the equity method of accounting in Topic 323, and the guidance in Topic 815, which could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, Financial Instruments. These amendments improve current GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. ASU 2020-01 is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. This new pronouncement is not expected to have a material impact on the Company's consolidated financial statements.

3. Cash, cash equivalents, restricted cash and restricted investments

The following table provides a summary of cash and cash equivalents, restricted cash and restricted investments as of December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 45,695	$ 52,161
Restricted cash securing letter of credit facilities (1)	181,737	135,453
Restricted cash securing reinsurance contracts (2)	43,356	133,611
Total cash, cash equivalents and restricted cash (3)	270,788	321,225
Restricted investments securing reinsurance contracts (2)	5,039	7,327
Total cash, cash equivalents, restricted cash and restricted investments	$ 275,827	$ 328,552

(1) Restricted cash securing letter of credit facilities primarily pertains to letters of credit that have been issued to the Company's clients in support of our obligations under reinsurance contracts. The Company will not be released from the obligation to provide these letters of credit until the reserves underlying the reinsurance contracts have been settled. The time period for which the Company expects each letter of credit to be in place varies from contract to contract but can last several years.

(2) Restricted cash and restricted investments securing reinsurance contracts pertain to trust accounts securing the Company's contractual obligations under certain reinsurance contracts that the Company will not be released from until the underlying risks have expired or have been settled. Restricted investments include certain investments in debt securities including U.S. Treasury securities and sovereign debt. The time period for which the Company expects these trust accounts to be in place varies from contract to contract, but can last several years.

(3) Cash, cash equivalents and restricted cash as reported in the Company's consolidated statements of cash flows.

4. Investments

The following is a summary of the net investments managed by Third Point LLC as of December 31, 2020 and 2019:

	2020	2019
Assets		
TP Fund	$ 91,627	$ 23,158
Debt securities	12,056	7,327
Total investments	103,683	30,485
Cash and cash equivalents	19,234	24,876
Restricted cash and cash equivalents	225,093	269,064
Due from brokers	30,271	—
Interest and dividends receivable	107	240
Other assets	—	3
Total assets	378,388	324,668
Liabilities		
Accounts payable and accrued expenses	199	98
Securities sold, not yet purchased	1,775	—
Interest and dividends payable	3	—
Total liabilities	1,977	98
Total net investments managed by Third Point LLC	$ 376,411	$ 324,570

Third Point Enhanced LP

On February 28, 2019, the Company, SiriusPoint and Third Point Re BDA entered into the Second Amended and Restated Exempted Limited Partnership Agreement (the "2019 LPA") of TP Fund with Third Point Advisors LLC ("TP GP") and others, effective January 1, 2019. The 2019 LPA amended and restated the Amended and Restated Exempted Limited Partnership Agreement (the "2018 LPA") of TP Fund.

On August 6, 2020, the Company, SiriusPoint and Third Point Re BDA entered into the Third Amended and Restated Exempted Limited Partnership Agreement ("2020 LPA") of TP Fund, which amended and restated the 2019 LPA, which became effective at the closing of the merger with Sirius, except for the amendment to the calculation of the loss recovery account which became effective on December 31, 2020. The 2020 LPA updated the terms of the 2019 LPA to reflect adjustments to the loss carryforward terms for the year ended December 31, 2020. The performance of certain fixed income and other investments managed by Third Point LLC will now be considered when calculating the performance fee allocation and loss recovery account amounts under the terms of the 2019 LPA. Other material terms of the 2020 LPA became effective upon closing of the merger.

The TP Fund investment strategy, as implemented by Third Point LLC, is intended to achieve superior risk-adjusted returns by deploying capital in both long and short investments with favorable risk/reward characteristics across select asset classes, sectors and geographies. Third Point LLC identifies investment opportunities via a bottom-up, value-oriented approach to single security analysis supplemented by a top-down view of portfolio and risk management. Third Point LLC seeks dislocations in certain areas of the capital markets or in the pricing of particular securities and supplements single security analysis with an approach to portfolio construction that includes sizing each investment based on upside/ downside calculations, all with a view towards appropriately positioning and managing overall exposures.

TP Fund meets the definition of a variable interest entity principally because of the existence of disproportionate rights in the partnership compared to the obligations to absorb the expected losses and right to receive the expected residual returns of TP Fund's results. As of December 31, 2020, the Company and TP GP hold interests of approximately 7.5% and 13.9%, respectively, of the net asset value of TP Fund. As a result, both entities hold significant financial interests in TP Fund. However, TP GP controls all of the investment decision-making authority and the Company does not have the power to direct the activities which most significantly impact the economic performance of TP Fund. As a result, the Company is not considered the primary beneficiary and does not consolidate TP Fund. As of December 31, 2020, the Company had no unfunded commitments related to TP Fund and the Company's maximum exposure to loss corresponds to the value of its investments in TP Fund.

Under the 2019 LPA, the TPRE Limited Partners have the right to withdraw funds weekly from TP Fund to pay claims and expenses as needed, to meet capital adequacy requirements and to satisfy financing obligations. The TPRE Limited Partners may also withdraw their investment upon the occurrence of certain events specified in the 2019 LPA and may withdraw their investment in full on December 31, 2021 and each successive three-year anniversary of such date.

Collateral and other investment assets

In addition to serving as the investment manager for TP Fund, Third Point LLC also serves as investment manager for the Company's collateral and other investment assets, which consist of cash, U.S. Treasuries, sovereign debt, structured and corporate credit fixed income securities.

On July 31, 2018, the Company and Third Point Re BDA entered into the Collateral Assets Investment Management Agreement (the "2018 Collateral Assets IMA") with Third Point LLC effective August 31, 2018, pursuant to which Third Point LLC serves as investment manager of certain collateral assets. The collateral assets are presented in the consolidated balance sheets within debt securities and restricted cash and cash equivalents, and are considered as part of total net investments managed by Third Point LLC.

On May 24, 2019, the Company and Third Point Re BDA entered into the Amended and Restated Collateral Assets Investment Management Agreement (the "Amended Collateral Assets IMA") with Third Point LLC, effective May 24, 2019, pursuant to which, in addition to serving as the investment manager for the Company's collateral assets, Third Point LLC will serve as investment manager of certain investment assets withdrawn from TP Fund. The Amended Collateral Assets IMA will continue in effect thereafter so long as either the Company or Third Point Re BDA remains a limited partner of TP Fund. The Company entered into the Amended Collateral Assets IMA to provide for Third Point LLC's management of a substantial portion of the Company's assets that were reallocated from TP Fund into cash, U.S. Treasuries and other fixed income investments.

In the year ended December 31, 2020, the Company expanded its fixed income portfolio by investing in structured credit and corporate credit securities such as corporate bonds and bank debt. The Company has also hedged part of the interest rate risk underlying these securities by purchasing short positions in long duration U.S. Treasuries which are included in securities sold, not yet purchased in the consolidated balance sheets as of December 31, 2020.

5. Fair value measurements

The following tables present the Company's investments, categorized by the level of the fair value hierarchy as of December 31, 2020 and 2019:

	December 31, 2020			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Asset-backed securities	$ —	$ 725	$ —	$ 725
Bank debt	—	38	—	38
Corporate bonds	—	6,254	—	6,254
U.S. Treasury securities	—	5,039	—	5,039
Total debt securities	—	12,056	—	12,056
	$ —	$ 12,056	$ —	12,056
Investments in funds valued at NAV				91,627
Total assets				$ 103,683
Liabilities				
U.S. Treasury securities	$ —	$ 1,775	$ —	$ 1,775
Total securities sold, not yet purchased	—	1,775	—	1,775
Total liabilities	$ —	$ 1,775	$ —	$ 1,775

	December 31, 2019			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
U.S. Treasury securities	$ —	$ 7,327	$ —	$ 7,327
Total debt securities	$ —	$ 7,327	$ —	7,327
Investments in funds valued at NAV				23,158
Total assets				$ 30,485

The total change in unrealized gains on equity and debt securities held at the year ended December 31, 2020 were $nil and $2.2 million, respectively (2019 - $nil and $0.2 million, respectively).

Debt securities

Debt securities are priced using broker dealer quotes or a recognized third-party pricing vendor. The key inputs for corporate, government and sovereign bonds valuation are coupon frequency, coupon rate and underlying bond spread. The key inputs for asset-backed securities ("ABS") are yield, probability of default, loss severity and prepayment.

As of December 31, 2020, the Company's ABS holdings primarily consisted of private-label issued, non-investment grade securities, and none of these securities were guaranteed by a government sponsored entity. All of these classes of ABS are sensitive to changes in interest rates and any resulting change in the rate at which borrowers sell their properties, refinance, or otherwise pre-pay their loans. As an investor in these classes of ABS, the Company may be exposed to the credit risk of underlying borrowers not being able to make timely payments on loans or the likelihood of borrowers defaulting on their loans. In addition, the Company may be exposed to significant market and liquidity risks.

Investments in funds valued at NAV

The Company values its investments in limited partnerships, including its investment in related party investment fund, at fair value. The Company has elected the practical expedient for fair value for these investments which is estimated based on the Company's share of the NAV of the limited partnerships, as provided by the independent fund administrator, as the Company believes it represents the most meaningful measurement basis for the investment assets and liabilities. The NAV represents the Company's proportionate interest in the members' equity of the limited partnerships. The resulting net gains or net losses are reflected in the consolidated statements of income. These investments are included in investment in funds valued at NAV and excluded from the presentation of investments categorized by the level of the fair value hierarchy.

In order to assess the reasonableness of the NAVs, the Company performs a number of monitoring procedures on a monthly, quarterly and annual basis, to assess the quality of the information provided by the investment manager and fund administrator underlying the preparation of the NAV. These procedures include, but are not limited to, regular review and discussion of the fund's performance with the investment manager.

For the years ended December 31, 2020 and 2019, there were no changes in the valuation techniques as they relate to the above.

6. Due from brokers

During the year ended December 31, 2020, the Company expanded its fixed income portfolio by investing in structured credit and corporate credit securities such as corporate bonds and bank debt. The Company has also hedged part of the interest rate risk underlying these securities by purchasing short positions in long duration U.S. Treasuries.

The Company holds substantially all of its fixed income investments through prime brokers pursuant to agreements between the Company and each prime broker. The brokerage arrangements differ from broker to broker, but generally cash and investments in securities are available as collateral against investments in securities sold, not yet purchased, if required.

As of December 31, 2020, the Company's due from brokers were comprised of the following:

	2020
Due from brokers	
Cash held at brokers	$ 30,271
	$ 30,271

Margin debt balances were collateralized by cash held by the broker and certain of the Company's securities. Margin interest was paid either at the daily broker call rate or based on London Inter-bank Offered Rate. Amounts are borrowed through committed facilities with terms of up to 90 days, secured by assets of the Company held by the prime broker, and incur interest based on the Company's negotiated rates. This interest expense is reflected in other net investment income in the consolidated statements of income.

7. Loss and loss adjustment expense reserves

As of December 31, 2020 and 2019, loss and loss adjustment expense reserves in the consolidated balance sheets was comprised of the following:

	2020	2019
Case loss and loss adjustment expense reserves	$ 74,547	$ 48,813
Incurred but not reported loss and loss adjustment expense reserves	254,133	249,644
	$ 328,680	$ 298,457

Reserving methodologies

The Company's methodology for reserving for its reinsurance contracts and determining its loss and loss adjustment expense reserves, including incurred but not reported reserves, is as follows:

The Company's actuaries perform an actuarial projection of the Company's reserves quarterly and have a third-party actuarial review performed periodically. Reserves are estimated on an individual contract basis. The Company typically initially reserves individual contracts to the expected loss and loss expense ratio in its pricing analysis. The Company also considers the level of adequacy of the pricing loss ratio estimates, and may make upward or downward adjustments in the aggregate reserves if there is evidence that the pricing loss ratio estimates are biased in one direction or the other. As loss information is received from cedents, the Company incorporates other actuarial methods into its projection of ultimate losses and, hence, reserves.

In the Company's pricing analyses, there is a significant amount of information unique to the individual client and, when necessary, the analysis is supplemented with industry data. Industry data primarily takes the form of paid and incurred development patterns from statutory financial statements and statistical agencies. For the Company's actuarial reserve projections, the relevant information received from clients includes premium estimates, paid loss and loss adjustment expenses and case reserves. The Company's actuaries review the data for reasonableness and research any noted anomalies. On each contract, the Company's actuaries compare the expected paid and incurred amounts at each quarter-end with actual amounts reported. The Company's actuaries also compare premiums received with projected premium receipts at each quarter end.

There is a time lag between when a covered loss event occurs and when it is reported to the Company's cedents. There is also a time lag between when clients pay claims, establish case reserves and re-estimate their reserves, and when they notify the Company of the payments and/or new or revised case reserves. This reporting lag is typically 60 to 90 days after the end of a reporting period, but can be longer in some cases. The Company's actuaries use techniques that adjust for this reporting lag. While it would be unusual to have lags that extend beyond 90 days, the Company's actuarial techniques are designed to adjust for such a circumstance.

The principal actuarial methods (and associated key assumptions) used to perform the Company's quarterly loss reserve analysis may include one or more of the following methods:

A priori loss ratio method

To estimate ultimate losses using the a priori loss ratio method, the Company multiplies earned premiums by an expected loss ratio. The expected loss ratio is selected as part of the pricing and utilizes individual client data, supplemented by industry data where necessary. This method is often useful when there is limited historical data due to few losses being incurred.

Paid loss development method

This method estimates ultimate losses by calculating past paid loss development factors and applying them to exposure periods with further expected paid loss development. The paid loss development method assumes that losses are paid at a rate consistent with the historical rate of payment. It provides an objective test of reported loss projections because paid losses contain no case reserve estimates. For some lines of business, claim payments are made slowly and it may take many years for claims to be fully reported and settled.

Incurred loss development method

This method estimates ultimate losses by using past incurred loss development factors and applying them to exposure periods with further expected incurred loss development. Since incurred losses include payments and case reserves, changes in both of these amounts are incorporated in this method. This approach provides a larger volume of data to estimate ultimate losses than paid loss methods. Thus, incurred loss patterns may be less varied than paid loss patterns, especially for coverages that have historically been paid out over a long period of time but for which claims are incurred relatively early and case loss reserve estimates are established.

Bornhuetter-Ferguson paid and incurred loss methods

These methods are a weighted average of the a priori loss ratio method and the relevant development method. The weighting between the two methods depends on the maturity of the business. This means that for the more recent years a greater weight is placed on the a priori loss ratio method, while for the more mature years a greater weight is placed on the development methods. These methods avoid some of the distortions that could result from a large development factor being applied to a small base of paid or incurred losses to calculate ultimate losses. This method will react slowly if actual paid or incurred loss experience develops differently than historical paid or incurred loss experience because of major changes in rate levels, retentions or deductibles, the forms and conditions of coverage, the types of risks covered or a variety of other factors.

IBNR to outstanding ratio method

This method is used in selected cases typically for very mature years that still have open claims. This method assumes that the estimated future loss development is indicated by the current level of case reserves.

Key to the projection of ultimate loss is the amount of credibility or weight assigned to each actuarial method. Each method has advantages and disadvantages, and those can change depending on numerous factors including the reliability of the underlying data. The selection and weighting of the projection methods is a highly subjective process. In order to achieve a desirable amount of consistency from study to study and between contracts, the Company’s actuaries have implemented a weighting scheme that incorporates numerous “rules” for the weighting of actuarial methods. These rules attempt to effectively standardize the process used for selecting weights for the various methods. There are numerous circumstances where the rules would be modified for specific reinsurance contracts; examples would include a large market event or new information on historical years that may cause us to increase our a priori loss ratio.

As part of the Company’s quarterly reserving process, loss-sensitive contingent expenses (e.g., profit commissions, sliding-scale ceding commissions, etc.) are calculated on an individual contract basis. These expense calculations are based on the updated ultimate loss estimates derived from the Company's quarterly reserving process.

The Company’s reserving methodologies use a loss reserving model that calculates a point estimate for the Company’s ultimate losses. Although the Company believes that its assumptions and methodologies are reasonable, the ultimate payments may vary, potentially materially, from the estimates that the Company has made.

Catastrophe event estimates

Some of the Company’s contracts are exposed to losses from catastrophes (either natural catastrophes or man-made catastrophes). Given the high-severity, low-frequency nature of these events, the losses typically generated therefrom do not lend themselves to traditional actuarial reserving methods, such as those described above. Therefore, our reserving approach for these types of coverages is to estimate the ultimate cost associated with a single loss event rather than analyzing the historical development patterns of past losses for estimating ultimate losses for an entire contract. We estimate our reserves for these catastrophe events on a contract-by-contract basis by means of a review of policies with known or potential exposure to a particular loss event. We consider the following information when making these contract-by-contract estimates of catastrophe event losses: information provided by cedents and brokers; industry loss estimates; catastrophe model output; and the terms and conditions of the contracts with exposure to those events. Initial estimates are established in the period that a catastrophe event occurs and are then monitored each subsequent quarter, considering the latest information available.

There were no significant changes made to the Company’s methodology for calculating loss and loss adjustment reserves for the year ended December 31, 2020.

Roll forward of loss and loss adjustment expense reserves

The following table represents the activity in the loss and loss adjustment expense reserves for the years ended December 31, 2020 and 2019:

	2020	2019
Gross reserves for loss and loss adjustment expenses, beginning of year	$ 298,457	$ 182,332
Less: loss and loss adjustment expenses recoverable, beginning of year	(223,864)	(136,749)
Net reserves for loss and loss adjustment expenses, beginning of year	74,593	45,583
Increase (decrease) in net loss and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	80,198	51,115
Prior years	157	(1,738)
Total incurred loss and loss adjustment expenses	80,355	49,377
Net loss and loss adjustment expenses paid in respect of losses occurring in:		
Current year	(17,106)	(5,724)
Prior years	(32,233)	(14,661)
Total net paid losses	(49,339)	(20,385)
Foreign currency translation	70	18
Net reserves for loss and loss adjustment expenses, end of year	105,679	74,593
Plus: loss and loss adjustment expenses recoverable, end of year	223,001	223,864
Gross reserves for loss and loss adjustment expenses, end of year	$ 328,680	$ 298,457

Changes in the Company’s loss and loss adjustment expense reserves result from re-estimating loss reserves and from changes in premium earnings estimates. Furthermore, many of the Company’s contracts have sliding scale or profit commissions whereby loss reserve development can be offset by changes in acquisition costs that vary inversely with loss experience. In some instances, the Company can have loss reserve development on contracts where there is no sliding scale or profit commission or where the loss ratio falls outside of the loss ratio range to which the sliding scale or profit commission applies.

The $0.2 million net increase in prior years’ reserves for the year ended December 31, 2020 includes $2.5 million increase in loss reserves resulting from increases in premium earnings estimates on certain contracts and $2.3 million of net favorable reserve development related to decreases in loss reserve estimates. The net increase in loss reserves as well as the impact of any offsetting changes in acquisition costs as a result of sliding scale or profit commissions is explained as follows:

- The $2.5 million net increase in loss and loss adjustment expenses incurred resulting from increases in premium earnings estimates was accompanied by a $0.5 million increase in acquisition costs, for a total of $3.0 million increase in loss and loss adjustment expenses incurred and acquisition costs. The increase in loss and loss adjustment expenses incurred and acquisition costs was due to an increase in prior period earned premium of $3.5 million. The increase in prior period earned premium was the result of changes in ultimate premium and earning pattern estimates. The net impact was a $0.5 million improvement in the net underwriting results for the year ended December 31, 2020.

- The $2.3 million of net favorable prior years’ reserve development related to decreases in loss reserve estimates for the year ended December 31, 2020 was accompanied by net increases of $0.9 million in acquisition costs, resulting in a $1.4 million improvement in the net underwriting results, primarily due to:

  - $0.7 million of net favorable underwriting loss development relating to workers’ compensation contracts. The favorable development was the result of better than expected loss experience.

- In total, the change in net underwriting loss for prior periods due to loss reserve development and adjustments to premium earnings estimates resulted in a $1.9 million improvement in the net underwriting results for the year ended December 31, 2020.

The $1.7 million net decrease in prior years' reserves for the year ended December 31, 2019 includes $3.4 million of net favorable reserve development related to decreases in loss reserve estimates and $1.7 million increase in loss reserves resulting from increases in premium earnings estimates on certain contracts. The net decrease in loss reserves as well as the impact of any offsetting changes in acquisition costs as a result of sliding scale or profit commissions is explained as follows:

- The $3.4 million of net favorable prior years' reserve development for the year ended December 31, 2019 was accompanied by net increases of $0.3 million in acquisition costs, resulting in a $3.1 million improvement in the net underwriting results, primarily due to:
    - $2.8 million of net favorable underwriting loss development relating to workers' compensation contracts. The favorable development was the result of better than expected loss experience.
- The $1.7 million net increase in loss and loss adjustment expenses incurred resulting from increases in premium earnings estimates was accompanied by a $0.3 million decrease in acquisition costs, for a total of $2.0 million increase in loss and loss adjustment expenses incurred and acquisition costs. The increase in loss and loss adjustment expenses incurred and acquisition costs was due to an increase in prior period earned premium of $2.0 million. The increase in prior period earned premium was the result of changes in ultimate premium and earning pattern estimates. The net impact was a minimal increase in net underwriting loss for the year ended December 31, 2019.
- In total, the change in net underwriting loss for prior periods due to loss reserve development and adjustments to premium earnings estimates resulted in a $3.1 million improvement in the net underwriting results for the year ended December 31, 2019.

Incurred and paid development tables by accident year

The Company manages its business on the basis of one operating segment, property and casualty reinsurance. The Company disaggregated its loss information presented in the tables below by the different lines of business included in this segment. The Company has presented the below development tables for all accident years shown using exchange rates as at December 31, 2020. All accident years prior to the current year have been restated and presented using the current year exchange rate.

The Company's loss reserve analysis is based primarily on underwriting year data. The preparation of accident year development tables requires an allocation of underwriting year data to the corresponding accident years. For instance, a contract written in one particular underwriting year may have exposure to losses from two or more accident years. These allocations are done using accident year loss payment and reporting patterns, along with premium earnings patterns. These patterns are derived from either company-specific or industry historical loss data, depending on availability and applicability. The Company believes that its allocations are reasonable; however, to the extent that the Company's allocation procedure for loss and loss adjustment expenses incurred differs from actual historical development, the actual loss development may differ materially from the loss development presented.

As described in the roll forward of loss and loss adjustment expense reserves section above, changes in the Company's loss and loss adjustment expense reserves result from both re-estimating loss reserves as well as changes in premium estimates. In addition, many of the Company's contracts have sliding scale or profit commissions whereby loss reserve development can be offset by changes in acquisition costs. See additional disclosure above on the net impact on underwriting income after considering the impact of changes in premium estimates and the impact of acquisition costs for the years ended December 31, 2020 and 2019.

Property and Casualty Reinsurance - Prospective Reinsurance Contracts

The following tables provide a breakdown of the Company's loss and loss adjustment expenses incurred, net and net loss and loss adjustment expenses paid by accident year by line of business for the Company's prospective reinsurance contracts for the year ended December 31, 2020. The information related to loss and loss adjustment expenses incurred, net and net loss and loss adjustment expenses paid for the years ended December 31, 2015 through 2019 is presented as supplementary information and is unaudited:

Property Catastrophe

	Loss and loss adjustment expenses incurred, net						
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR loss and LAE reserves, net**
	<------ Unaudited				------>		
2015	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2016	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—
2019	—	—	—	—	9,895	9,812	2,750
2020	—	—	—	—	—	14,770	11,116
Total						$ 24,582	$ 13,866

	Cumulative net losses and loss adjustment expenses paid					
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	<------ Unaudited				------>	
2015	$ —	$ —	$ —	$ —	$ —	$ —
2016	—	—	—	—	—	—
2017	—	—	—	—	—	—
2018	—	—	—	—	—	—
2019	—	—	—	—	117	3,831
2020	—	—	—	—	—	1,830
Total						$ 5,661
Property Catastrophe - net reserves for loss and loss adjustment expenses, end of year						$ 18,921

Other Property

	Loss and loss adjustment expenses incurred, net						
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR loss and LAE reserves, net**
	<--		**Unaudited**		-->		
2015	$ 1,663	$ 1,571	$ 1,637	$ 1,612	$ 1,612	$ 1,611	$ 7
2016	—	3,337	3,602	3,476	3,476	3,475	26
2017	—	—	4,206	4,197	4,191	4,189	53
2018	—	—	—	4,579	4,571	4,542	50
2019	—	—	—	—	4,453	4,340	34
2020	—	—	—	—	—	20,090	11,608
Total						$ 38,247	$ 11,778

	Cumulative net losses and loss adjustment expenses paid					
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	<--		**Unaudited**		-->	
2015	$ 392	$ 1,376	$ 1,486	$ 1,524	$ 1,571	$ 1,571
2016	—	1,562	2,725	3,124	3,323	3,375
2017	—	—	2,406	3,489	3,929	4,027
2018	—	—	—	3,250	4,158	4,386
2019	—	—	—	—	1,282	3,953
2020	—	—	—	—	—	6,185
Total						$ 23,497
Other Property - net reserves for loss and loss adjustment expenses, end of year						$ 14,750

Workers' Compensation

	Loss and loss adjustment expenses incurred, net						
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR loss and LAE reserves, net**
	<---------------	---------------	**Unaudited**	---------------	--------------->		
2015	$ 1,767	$ 1,555	$ 1,556	$ 1,422	$ 1,365	$ 1,366	$ 112
2016	—	7,863	7,641	7,084	5,825	5,629	564
2017	—	—	7,609	7,458	6,071	5,624	854
2018	—	—	—	3,175	2,672	2,676	804
2019	—	—	—	—	2,879	2,548	1,107
2020	—	—	—	—	—	10,078	9,177
Total						$ 27,921	$ 12,618

	Cumulative net losses and loss adjustment expenses paid					
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	<---------------	---------------	**Unaudited**	---------------	--------------->	
2015	$ 16	$ 416	$ 571	$ 809	$ 1,014	$ 1,099
2016	—	531	2,372	3,446	4,066	4,436
2017	—	—	674	2,475	3,385	4,058
2018	—	—	—	215	962	1,489
2019	—	—	—	—	224	935
2020	—	—	—	—	—	294
Total						$ 12,311
Workers' Compensation - net reserves for loss and loss adjustment expenses, end of year						$ 15,610

Auto

Loss and loss adjustment expenses incurred, net							
Accident year	2015	2016	2017	2018	2019	2020	IBNR loss and LAE reserves, net
	<------ Unaudited				------>		
2015	$ 7,991	$ 9,142	$ 9,210	$ 9,241	$ 9,219	$ 9,187	$ 3
2016	—	18,801	20,807	20,944	20,964	20,769	—
2017	—	—	11,349	11,877	11,853	11,706	25
2018	—	—	—	11,202	10,686	10,420	279
2019	—	—	—	—	6,396	5,655	183
2020	—	—	—	—	—	16,014	6,155
Total						$ 73,751	$ 6,645

Cumulative net losses and loss adjustment expenses paid						
Accident year	2015	2016	2017	2018	2019	2020
	<------ Unaudited				------>	
2015	$ 2,291	$ 8,276	$ 8,765	$ 9,073	$ 9,129	$ 9,154
2016	—	9,011	18,775	20,006	20,601	20,675
2017	—	—	5,887	10,478	11,345	11,562
2018	—	—	—	5,296	9,721	9,928
2019	—	—	—	—	2,733	5,074
2020	—	—	—	—	—	6,004
Total						$ 62,397
Auto - net reserves for loss and loss adjustment expenses, end of year						$ 11,354

Other Casualty

	Loss and loss adjustment expenses incurred, net						
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR loss and LAE reserves, net**
	<---------- **Unaudited** ---------->						
2015	$ 230	$ 335	$ 310	$ 335	$ 292	$ 259	$ 126
2016	—	1,391	1,465	1,562	1,361	1,210	600
2017	—	—	1,959	2,066	2,131	2,163	641
2018	—	—	—	10,314	10,628	10,099	1,521
2019	—	—	—	—	7,665	8,382	1,355
2020	—	—	—	—	—	4,549	4,517
Total						$ 26,662	$ 8,760

	Cumulative net losses and loss adjustment expenses paid					
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	<---------- **Unaudited** ---------->					
2015	$ —	$ —	$ —	$ 48	$ 122	$ 109
2016	—	—	—	183	499	491
2017	—	—	—	54	267	1,296
2018	—	—	—	80	1,090	8,362
2019	—	—	—	—	219	6,926
2020	—	—	—	—	—	13
Total						$ 17,197
Other Casualty - net reserves for loss and loss adjustment expenses, end of year						$ 9,465

Credit & Financial Lines

Accident year	Loss and loss adjustment expenses incurred, net 2015	2016	2017	2018	2019	2020	IBNR loss and LAE reserves, net
	<---------- Unaudited				---------->		
2015	$ 126	$ 100	$ 106	$ 119	$ 141	$ 139	$ 4
2016	—	308	357	403	476	470	13
2017	—	—	262	256	240	237	7
2018	—	—	—	136	105	162	6
2019	—	—	—	—	27	(85)	23
2020	—	—	—	—	—	225	93
Total						$ 1,148	$ 146

Accident year	Cumulative net losses and loss adjustment expenses paid 2015	2016	2017	2018	2019	2020
	<---------- Unaudited				---------->	
2015	$ 9	$ 91	$ 90	$ 115	$ 142	$ 135
2016	—	214	306	388	480	457
2017	—	—	224	247	242	230
2018	—	—	—	131	106	156
2019	—	—	—	—	—	(109)
2020	—	—	—	—	—	131
Total						$ 1,000
Credit & Financial - net reserves for loss and loss adjustment expenses, end of year						$ 148

Multi-line

	Loss and loss adjustment expenses incurred, net						
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR loss and LAE reserves, net**
	<--		**Unaudited**		-->		
2015	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2016	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—
2018	—	—	—	8,825	10,548	9,296	4,867
2019	—	—	—	—	19,125	23,046	14,327
2020	—	—	—	—	—	13,934	9,859
Total						$ 46,276	$ 29,053

	Cumulative net losses and loss adjustment expenses paid					
Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	<--		**Unaudited**		-->	
2015	$ —	$ —	$ —	$ —	$ —	$ —
2016	—	—	—	—	—	—
2017	—	—	—	—	—	—
2018	—	—	—	766	3,340	3,179
2019	—	—	—	—	739	5,824
2020	—	—	—	—	—	2,532
Total						$ 11,535
Multi-line - net reserves for loss and loss adjustment expenses, end of year						$ 34,741

Other Specialty

	Loss and loss adjustment expenses incurred, net						
Accident year	2015	2016	2017	2018	2019	2020	IBNR loss and LAE reserves, net
	<-- Unaudited			-->			
2015	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2016	—	—	—	—	—	—	—
2017	—	—	179	179	203	207	—
2018	—	—	—	656	746	760	2
2019	—	—	—	—	851	883	242
2020	—	—	—	—	—	567	446
Total						$ 2,417	$ 690

	Cumulative net losses and loss adjustment expenses paid					
Accident year	2015	2016	2017	2018	2019	2020
	<-- Unaudited			-->		
2015	$ —	$ —	$ —	$ —	$ —	$ —
2016	—	—	—	—	—	—
2017	—	—	1	65	144	207
2018	—	—	—	239	527	758
2019	—	—	—	—	410	641
2020	—	—	—	—	—	121
Total						$ 1,727
Other Specialty - net reserves for loss and loss adjustment expenses, end of year						$ 690

Reconciliation of loss development information to loss and loss adjustment expense reserves

The following table provides a reconciliation of the Company's loss and loss expense reserves as of December 31, 2020:

		2020
Property and Casualty Reinsurance		
Property Catastrophe	$	18,921
Other Property		14,750
Workers' Compensation		15,610
Auto		11,354
Other Casualty		9,465
Credit & Financial Lines		148
Multi-line		34,741
Other Specialty		690
Net reserves for loss and loss adjustment expenses, end of year		105,679
Loss and loss adjustment expenses recoverable		
Property Catastrophe		56,817
Other Property		11,416
Workers' Compensation		23,628
Auto		7,824
Other Casualty		17,783
Credit & Financial Lines		349
Multi-line		103,125
Other Specialty		2,059
Total loss and loss adjustment expenses recoverable		223,001
Gross reserves for loss and loss adjustment expenses, end of year	$	328,680

Cumulative claims frequency

The Company determined that the disclosure of claim frequency analysis was impracticable. As a result, no claims frequency information has been disclosed. The Company's business is primarily comprised of reinsurance contracts written on a quota share or aggregate loss basis and the underlying claim count information is not provided for most contracts. Furthermore, even if claim counts were made available by the Company's cedents, the quota share cession percentage varies for each contract, resulting in the cedent claim counts not being a meaningful measure of the Company's loss exposure.

Claims duration

The following table is presented as supplementary information and presents the Company's historical average annual percentage payout of loss and loss adjustment expenses incurred, net by age, as of December 31, 2020:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
			(Unaudited)			
Property and Casualty Reinsurance						
Property Catastrophe	6.8 %	37.8 %	n/a	n/a	n/a	n/a
Other Property	43.1 %	40.4 %	8.5 %	3.5 %	2.2 %	n/a
Workers' Compensation	7.1 %	30.0 %	16.6 %	13.5 %	10.8 %	6.2 %
Auto	42.5 %	47.1 %	5.2 %	2.7 %	0.5 %	0.3 %
Other Casualty	0.6 %	18.5 %	24.2 %	30.7 %	13.8 %	(4.7)%
Credit & Financial Lines	47.6 %	40.3 %	11.5 %	10.7 %	7.3 %	(5.0)%
Multi-line	9.8 %	24.9 %	(1.7)%	n/a	n/a	n/a
Other Specialty	24.9 %	31.7 %	34.1 %	30.4 %	n/a	n/a

The Company was incorporated on November 21, 2014, commenced underwriting operations in February 2015 and predominantly writes a mix of personal and commercial lines. As a result, the Company has limited historical data and is unable to present a full cycle of claim payments.

8. Reinsurance premiums ceded

The Company purchases retrocessional coverage for one or more of the following reasons: to manage its overall exposure, to reduce its net liability on individual risks, to obtain additional underwriting capacity and to balance its underwriting portfolio. Additionally, retrocession can be used as a mechanism to share the risks and rewards of business written and therefore can be used as a tool to align the Company's interests with those of its counterparties.

In addition to the reinsurance contract with Third Point Re BDA, as disclosed in Note 15 to these consolidated financial statements, the Company ceded premiums of $27.4 million and $2.5 million for the years ended December 31, 2020 and 2019, respectively. Loss and loss adjustment expenses recoverable from the retrocessionaire are recorded as assets. Retrocession contracts do not relieve the Company from its obligations to the insureds. Failure of retrocessionaires to honor their obligations could result in losses to the Company.

In addition to the reinsurance contract with Third Point Re BDA, as disclosed in Note 15 to these consolidated financial statements, as of December 31, 2020, the Company had loss and loss adjustment expenses recoverable of $3.0 million (December 31, 2019 - $0.1 million). The Company generally obtains retrocessional coverage from companies rated "A-" or better by A.M. Best Company, Inc. unless the retrocessionaire's obligations are collateralized.

9. Management and performance fees

Management fees

Pursuant to the 2019 LPA, Third Point LLC is entitled to receive monthly management fees. Management fees are charged at the TP Fund level and were calculated based on 1.25% of the investment in TP Fund and multiplied by an exposure multiplier computed by dividing the average daily investment exposure leverage of the TP Fund by the average daily investment exposure leverage of the Third Point Offshore Master Fund L.P. ("Offshore Master Fund"). Third Point LLC also serves as the investment manager for the Offshore Master Fund.

There are no management fees associated with the management of the other investment assets managed by Third Point LLC.

Performance fees

Pursuant to the 2019 LPA, TP GP receives a performance fee allocation equal to 20% of the Company's investment income in the related party investment fund. The performance fee is included as part of "Investment in related party investment fund" on the Company's consolidated balance sheet since the fees are charged at the TP Fund level.

The performance fee is subject to a loss carryforward provision pursuant to which TP GP is required to maintain a loss recovery account, which represents the sum of all prior period net loss amounts and not subsequently offset by prior year net profit amounts, and that is allocated to future profit amounts until the loss recovery account has returned to a positive balance. Until such time, no performance fees are payable, provided that the loss recovery account balance shall be reduced proportionately to reflect any withdrawals from TP Fund. The 2019 LPA preserves the loss carryforward attributable to our investment in TP Fund when contributions to TP Fund are made within nine months of certain types of withdrawals from TP Fund. As of December 31, 2020, the loss recovery account for the Company's investment in TP Fund was $nil (2019 - $0.5 million).

Pursuant to the 2020 LPA, the performance of certain fixed income and other investments managed by Third Point LLC are now included when calculating the performance fee allocation and loss recovery account amounts under the terms of the 2019 LPA for the year ended December 31, 2020.

The total management and performance fees to related parties for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Management fees - TP Fund	$ 1,183	$ 983
Performance fees - fixed income and other investments[1]	3,063	—
Performance fees - TP Fund (before loss carryforward)	5,154	1,921
Performance fees - loss carryforward utilized	(506)	(1,921)
Total management and performance fees to related parties	$ 8,894	$ 983

[1] Pursuant to the terms of the 2020 LPA, the performance of certain fixed income and other investments managed by Third Point LLC are now also subject to 20% performance fees for the year ended December 31, 2020.

10. Deposit accounted contracts

The following table represents activity for the deposit contracts for the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 6,107	$ —
Consideration received	—	6,107
Payments	(1,961)	—
Balance, end of year	$ 4,146	$ 6,107

11. Letter of credit facilities

As of December 31, 2020, the Company had entered into the following letter of credit facilities:

	Letters of Credit		Collateral
	Committed Capacity	Issued	Cash and Cash Equivalents
Committed - Secured letters of credit facilities	$ 135,000	$ 79,174	$ 79,174
Uncommitted - Secured letters of credit facilities	n/a	102,563	102,563
	$ 135,000	$ 181,737	$ 181,737

The Company's secured letter of credit facilities are bilateral agreements that generally renew on an annual basis. The letters of credit issued under the secured letter of credit facilities are fully collateralized. See Note 3 for additional information.

12. Net investment income

Net investment income for the years ended December 31, 2020 and 2019 consisted of the following:

	2020	2019
Net investment income by type		
Net realized gains on investments and investment derivatives	$ 12,586	$ 131
Net change in unrealized gains on investments and investment derivatives	2,177	233
Net gains on currencies	448	1,125
Dividend and interest income	1,713	3,254
Other expenses	(219)	(206)
Net investment income from investment in related party investment fund	33,171	12,360
Net investment income	$ 49,876	$ 16,897

13. Income taxes

The Company provides for income tax expense or benefit based upon pre-tax income or loss reported in the consolidated statements of income and the provisions of currently enacted tax laws.

The Company is incorporated under the laws of Bermuda and is subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company is not subject to any income or capital gains taxes in Bermuda. In the event that such taxes are imposed, the Company would be exempted from any such taxes until March 2035 under the Tax Assurance Certificates issued to such entities pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, as amended. The Company made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity.

For the years ended December 31, 2020 and 2019, the Company recorded income tax expense, as follows:

	2020	2019
Income tax expense	$ 9,744	$ 2,397

The following table presents the Company's current and deferred incomes taxes for the year ended December 31, 2020 and 2019:

	2020	2019
Current tax expense	$ 38	$ 2
Deferred tax expense	9,706	2,395
Income tax expense	$ 9,744	$ 2,397

The following table presents the tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities as of December 31, 2020 and 2019:

	2020	2019
Deferred tax assets:		
Discounting of loss and loss adjustment expense reserves	$ 1,027	$ 786
Unearned premiums	5,543	1,774
Temporary differences in recognition of expenses	327	334
Net operating loss carryforward	3,636	3,340
Total deferred tax assets	10,533	6,234
Deferred tax liabilities:		
Deferred acquisition costs	8,276	1,379
Unrealized gains on investments	10,474	3,366
Total deferred tax liabilities	18,750	4,745
Net deferred tax asset (liability)	$ (8,217)	$ 1,489

The deferred tax assets and liabilities as of December 31, 2020 were primarily related to U.S. income tax. To evaluate the recoverability of the deferred tax assets, the Company considers the timing of the reversal of deferred income and expense items as well as the likelihood that the Company will generate sufficient taxable income to realize future tax benefits. The Company believes that it is more likely than not that it will generate sufficient taxable income and realize the future tax benefits in order to recover the deferred assets and, accordingly, no valuation allowance was recorded as of December 31, 2020 and 2019. As of December 31, 2020, deferred tax assets included $17.3 million related to net operating loss carryforwards. A portion of the net operating losses generated prior to January 1, 2018 can be carried forward for twenty years and will begin to expire in 2035. Losses generated after January 1, 2018 can generally be carried forward indefinitely.

14. Share-based compensation

On July 15, 2013, the SiriusPoint 2013 Omnibus Incentive Plan ("Omnibus Plan") was approved by the Board of Directors and subsequently on August 2, 2013 by the Shareholders of the Company. An aggregate of 21,627,906 common shares were made available under the Omnibus Plan. This number of shares includes the shares available under the SiriusPoint Share Incentive Plan ("Share Incentive Plan"). Awards under the Omnibus Plan may be made in the form of performance awards, restricted shares, restricted share units, share options, share appreciation rights and other share-based awards.

As of December 31, 2020, 7,617,210 (December 31, 2019 - 9,006,995) of SiriusPoint's common shares were available for future issuance under the equity incentive compensation plans.

The following table provides the total share-based compensation expense included in general and administrative expenses during the years ended December 31, 2020 and 2019:

	2020	2019
Restricted shares with service condition	$ 375	$ 189
Restricted shares with service and performance condition	757	169
	$ 1,132	$ 358

As of December 31, 2020, the Company had $1.8 million (December 31, 2019 - $1.2 million) of unamortized share compensation expense, which is expected to be amortized over a weighted average period of 1.5 years (December 31, 2019 - 1.5 years).

Management and director options

The management options issued under the Share Incentive Plan were subject to a service and performance condition. The service condition will be met with respect to 20% of the management options on each of the first five anniversary dates following the grant date of the management options. The performance condition with respect to the management options was met as a result of the IPO.

There were no share options granted in the years ended December 31, 2020 and 2019. For the year ended December 31, 2020, the Company did not receive proceeds from the exercise of options (2019 - $1.9 million).

Restricted shares with service condition

Restricted shares with service condition vest either ratably or at the end of the required service period and contain certain restrictions during the vesting period, relating to, among other things, forfeiture in the event of termination of employment or service and transferability.

The restricted shares issued to employees in 2019 and 2020 vest in equal annual installments over three years based on continued employment.

Restricted shares with service and performance condition

Beginning in December 2014, SiriusPoint granted on an annual basis performance-based restricted shares to certain employees pursuant to the Omnibus Plan. Performance-based restricted shares vest based on continued service and the achievement of certain financial performance measures over a three-year measurement period. The number of performance-based restricted shares that will be retained upon vesting will vary based on the level of achievement of the performance goals. The formula for determining the amount of shares that will vest is based on underwriting performance of the property and casualty reinsurance segment including underwriting income and the amount of float generated, as defined in the relevant award agreements.

Defined contribution retirement plans

The Company's employees are eligible for retirement benefits through defined contribution retirement plans. The Company and employees contribute an amount equal to a specified percentage of each employee's salary. Expenses related to the defined contribution plans were $0.2 million for each of the years ended December 31, 2020 and 2019.

15. Related party transactions

In addition to the transactions disclosed in Notes 4 and 9 to these consolidated financial statements, the following transactions are classified as related party transactions, as the counterparties have either a direct or indirect shareholding in the Company or the Company has an investment in such counterparty.

Third Point Re BDA

In February 2015, the Company entered into a quota share reinsurance contract with Third Point Re BDA, a company related by common control. In March 2020, the Company entered into a new quota share and aggregate stop loss reinsurance contract with Third Point Re BDA, effective January 1, 2020. The consolidated balance sheets and consolidated statements of income include the following amounts related to the reinsurance contracts with Third Point Re BDA for the years ended December 31, 2020 and 2019:

	2020	2019
Balance sheets		
Unearned premium ceded	$ 35,547	$ 126,731
Deferred acquisition costs, net	4,783	29,132
Loss and loss adjustment expenses ceded	219,982	223,781
Reinsurance balances payable	63,608	164,992
Statements of income		
Gross premiums ceded	70,885	223,344
Earned premiums ceded	162,068	208,537
Loss and loss adjustment expenses	119,934	148,132
Acquisition costs, net	$ 38,271	$ 56,966

As of December 31, 2020, Third Point Re BDA issued $44.4 million (December 31, 2019 - $53.2 million) of letters of credit to the benefit of clients of the Company. The cash collateral securing these letters of credit is included in restricted cash and cash equivalents in Third Point Re BDA's balance sheet.

Services Agreements

Third Point Re BDA

The Company and SiriusPoint have entered into a services agreement with Third Point Re BDA, pursuant to which Third Point Re BDA and SiriusPoint provide certain finance, actuarial, legal and administrative support services to Third Point Re USA, and Third Point Re USA provides certain IT and actuarial services to Third Point Re BDA and SiriusPoint. For the year ended December 31, 2020, the Company recognized $0.3 million (2019 - $2.6 million) of service fee expense, which is included in the Company's general and administrative expenses.

Third Point Re Marketing (UK)

TPRUK entered into an agreement with the Company whereby TPRUK recharges the Company for the provision of marketing services performed in the United Kingdom on behalf of the Company. For the year ended December 31, 2020, the Company recognized de minimis fees (2019 - $0.3 million), which are included in the Company's general and administrative expenses.

Net Worth Maintenance Agreement

Third Point Re USA also has entered into a Net Worth Maintenance Agreement with SiriusPoint, pursuant to which SiriusPoint has agreed to commit funds sufficient to maintain a minimum level of capital at Third Point Re USA of $250.0 million (the "Net Worth Maintenance Agreement").

16. Financial instruments with off-balance sheet risk or concentrations of credit risk

Off-balance sheet risk

There are no off-balance sheet risks associated with the Company's investment in TP Fund. The Company's maximum exposure to loss associated with its investment in the TP Fund corresponds to the carrying value of its investments in TP Fund.

Concentrations of credit risk

Investments

The Company's maximum exposure to loss associated with its investment in the TP Fund corresponds to the carrying value of its investments in TP Fund. The Company does not have any unfunded capital commitments associated with its investment in TP Fund.

Underwriting

The Company is exposed to credit risk through reinsurance contracts with companies that write credit risk insurance. The Company's portfolio of risk is predominantly U.S. mortgage insurance and mortgage credit risk transfer. The Company provides its clients in these lines of business with reinsurance protection against credit deterioration, defaults or other types of financial non-performance. Loss experience in these lines of business has been very good but is cyclical and is affected by the state of the general economic environment. The Company proactively manages the risks associated with these credit-sensitive lines of business by closely monitoring its risk aggregation and by diversifying the underlying risks where possible. The Company has bought some retrocessional coverage against a subset of these risks.

The Company has exposure to credit risk as it relates to its business written through brokers, if any of the Company's brokers are unable to fulfill their contractual obligations with respect to payments to the Company. In addition, in some jurisdictions, if the broker fails to make payments to the insured under the Company's policy, the Company may remain liable to the insured for the deficiency. The Company's exposure to such credit risk is somewhat mitigated in certain jurisdictions by contractual terms.

The Company has exposure to credit risk related to balances receivable under our reinsurance contracts, including funds withheld and premiums receivable, and the possibility that counterparties may default on their obligations to the Company. The risk of counterparty default is partially mitigated by the fact that any amount owed from a reinsurance counterparty would be netted against any losses or acquisition costs the Company would pay in the future. The Company monitors the collectability of these balances on a regular basis.

17. Commitments and Contingencies

Operating lease

The Company leases office space in New Jersey, U.S.A. The lease has been accounted for as an operating lease. Total rent expenses for each of the years ended December 31, 2020 and 2019 were $0.2 million.

Future minimum rental commitments as of December 31, 2020 under this lease are expected to be as follows:

2021	$	236
2022		39
2023		—
2024		—
2025		—
Thereafter		—
	$	275

Agreements

Third Point LLC

As a result of the 2019 LPA effective January 1, 2019, Third Point LLC is entitled to receive monthly management fees. Management fees are charged at the TP Fund level and are calculated based on 1.25% of the investment in TP Fund and multiplied by an exposure multiplier computed by dividing the average daily investment exposure leverage of the TP Fund by the average daily investment exposure leverage of the Offshore Master Fund.

Investments

The Company does not have any unfunded commitments or obligations.

Letters of Credit

See Note 11 for additional information related to the Company's letter of credit facilities.

Litigation

From time to time in the normal course of business, the Company may be involved in formal and informal dispute resolution procedures, which may include arbitration or litigation, the outcomes of which determine the rights and obligations under the Company's reinsurance contracts and other contractual agreements. In some disputes, the Company may seek to enforce its rights under an agreement or to collect funds owed to it. In other matters, the Company may resist attempts by others to collect funds or enforce alleged rights. The Company is not currently involved in any material formal or informal dispute resolution procedures.

Revolving Credit Facility

On November 2, 2020, SiriusPoint entered into a three-year, $300.0 million senior unsecured revolving credit facility (the "Facility") with JPMorgan Chase Bank, N.A. as administrative agent. The Facility includes an option, subject to satisfaction of certain conditions including agreement of lenders representing greater than a majority of commitments, for SiriusPoint to request an extension by such lenders of the maturity date of the Facility by an additional 12 months. The Facility provides access to loans for working capital and general corporate purposes, and letters of credit to support obligations under insurance and reinsurance agreements, retrocessional agreements and for general corporate purposes. Loans and letters of credit under the Facility will become available, subject to customary conditions precedent, upon the consummation of the merger (the date such loans and letters of credit are first made available, the "Closing Date"). Prior to the Closing Date, the Facility is guaranteed solely by Third Point Re (USA) Holdings Inc. On and after the Closing Date, the Facility will be required to be guaranteed by Sirius International Group, Ltd., Sirius International Holdings Ltd., Sirius International Insurance Group, Ltd., and subject to customary exceptions certain other material subsidiaries of SiriusPoint.

All borrowings under the Facility bear interest at a rate per annum equal to, at the option of the SiriusPoint, (i) adjusted LIBOR plus an applicable margin ranging from 1.25% to 2.25%, or (ii) an alternate base rate plus an applicable margin ranging from 0.25% to 1.25%, in each case with the applicable margin determined based upon SiriusPoint's credit rating. The Facility is subject to an unused line fee on or after the Closing Date on the average daily undrawn commitments under the Facility, payable quarterly in arrears, of 0.20% to 0.40% per annum based upon the SiriusPoint's credit rating.

The Facility is subject to customary representations and warranties, affirmative and negative covenants and events of default (including a change of control provision) that SiriusPoint considers customary for similar facilities. The Facility also includes financial covenants, including a minimum consolidated tangible net worth test, a maximum consolidated indebtedness to total consolidated capitalization ratio and a financial strength rating test.

18. Statutory requirements

Under the Bermuda Insurance Act 1978, as amended, and related regulations, Third Point Re USA is subject to capital requirements calculated using the Bermuda Solvency and Capital Requirement ("BSCR") model, which is a standardized statutory risk-based capital model used to measure the risk associated with Third Point Re USA's assets, liabilities and premiums. Third Point Re USA's required statutory capital and surplus under the BSCR model is referred to as the enhanced capital requirement ("ECR"). Third Point Re USA is required to calculate and submit the ECR to the Bermuda Monetary Authority ("BMA"), annually. Following receipt of the submission of Third Point Re USA's ECR, the BMA has the authority to impose additional capital requirements (capital add-ons) if it deems necessary. If a company fails to maintain or meet its ECR, the BMA may take various degrees of regulatory action. In 2016, the BMA implemented the economic balance sheet ("EBS") framework, which is now used as the basis to determine the Company's ECR. Under this framework, assets and liabilities are mainly assessed and included on the EBS at fair value, with the insurer's U.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. As of December 31, 2020 and 2019, Third Point Re USA met its ECR.

As of December 31, 2020 and 2019, the principal difference between statutory capital and surplus and shareholder's equity presented in accordance with GAAP is that prepaid expenses is a non-admitted asset for statutory purposes.

Third Point Re USA is also required under its Class 4 license to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business. As of December 31, 2020 and 2019, Third Point Re USA met its minimum liquidity ratio requirement.

The following is a summary of actual and required statutory capital and surplus, based on the EBS framework, of the Company as of December 31, 2020 and 2019:

	2020	2019
Actual statutory capital and surplus	$ 296,938	$ 274,221
Required statutory capital and surplus	$ 115,086	$ 112,601

The Company had statutory net income of $36.7 million and $9.0 million for the years ended December 31, 2020 and 2019, respectively.

Dividend restrictions

Third Point Re USA may declare dividends subject to it continuing to meet its solvency and capital requirements, which includes continuing to hold statutory capital and surplus equal to or exceeding its ECR. In addition, the Company is prohibited from declaring or paying in any fiscal year dividends of more than 25% of its prior year's statutory capital and surplus, unless the Company files with the BMA a signed affidavit by at least two members of the Board of Directors attesting that a dividend would not cause the Company to fail to meet its capital requirements.

Third Point Re USA is also restricted by the amount of shareholder's equity that is available for the payment of dividends and must maintain a minimum shareholder's equity of $250.0 million as per the Net Worth Maintenance Agreement. As of December 31, 2020, Third Point Re USA could pay dividends of approximately $47.4 million (December 31, 2019 - $21.6 million). In June 2020 and December 2020, Third Point Re USA declared and paid dividends of $8.0 million and $4.0 million, respectively, to TPRUSA.

19. Subsequent events

The Company has evaluated subsequent events through March 30, 2021, the date of issuance of the audited consolidated financial statements.

Acquisition of Sirius

On February 26, 2021, Third Point Reinsurance Ltd. completed the acquisition of Sirius, a provider of multi-line insurance and reinsurance on a worldwide basis. The total deal consideration was estimated at the time of announcement as $788.0 million, which comprises stock, cash, and other contingent value components. Third Point Reinsurance Ltd. was renamed SiriusPoint Ltd. upon completion of the acquisition.