EVEREST REINSURANCE (BERMUDA), LTD.

(a wholly owned subsidiary of Everest Re Group, Ltd.)

GAAP Financial Statements

For the Years Ended December 31, 2020 and 2019

Report of Independent Auditors

To the Board of Directors of Everest Reinsurance (Bermuda), Ltd.

We have audited the accompanying financial statements of Everest Reinsurance (Bermuda), Ltd. (the “Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and comprehensive income (loss), of changes in shareholder's equity and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Everest Reinsurance (Bermuda), Ltd. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP, PricewaterhouseCoopers Center, 300 Madison Avenue, New York, NY 10017
T: (646) 471 3000, www.pwc.com/us

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Emphasis of Matter

As discussed in Note 13 to the financial statements, the Company has entered into significant transactions with related parties. Our opinion is not modified with respect to this matter.

Other Matter

Accounting principles generally accepted in the United States of America require that the information about incurred and paid claims development for the years ended December 31, 2012 to December 31, 2019 on pages 19 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

April 29, 2021

EVEREST REINSURANCE (BERMUDA), LTD.
BALANCE SHEETS

(Dollars in thousands, except par value per share)	December 31, 2020	December 31, 2019
ASSETS:		
Fixed maturities - available for sale, at market value	$ 6,319,709	$ 6,571,974
(amortized cost: 2020, $6,026,161; 2019, $6,431,573; credit allowances: 2020, $178; 2019, $0)		
Equity securities, at fair value	154,064	151,685
Short-term investments (cost: 2020, $63,546; 2019, $92,021)	63,546	92,021
Other invested assets (cost: 2020, $938,651; 2019, $837,685)	938,651	837,685
Cash	67,609	61,118
Total investments and cash	7,543,579	7,714,483
Accrued investment income	41,578	43,720
Premiums receivable	857,929	745,215
Reinsurance receivables - unaffiliated	330,033	354,360
Reinsurance receivables - affiliated	938,302	702,703
Funds held by reinsureds	461,445	279,063
Deferred acquisition costs	128,911	110,135
Prepaid reinsurance premiums	207,152	168,102
Income taxes	4,226	-
Other assets	11,969	12,404
TOTAL ASSETS	$ 10,525,124	$ 10,130,185
LIABILITIES:		
Reserve for losses and loss adjustment expenses	$ 6,283,337	$ 5,819,737
Future policy benefit reserve	37,723	42,592
Unearned premium reserve	758,178	629,959
Funds held under reinsurance treaties	21,759	16,756
Losses in course of payment	103,340	114,254
Income taxes payable	-	3,295
Other net payable to reinsurers	185,163	126,669
Deferred gain on retroactive reinsurance	143,196	146,449
Other liabilities	61,084	32,925
Total liabilities	7,593,780	6,932,636
Commitments and Contingencies (Note 12)		
SHAREHOLDER'S EQUITY:		
Common shares, par value: $1.00; 1.25 million shares authorized, issued and outstanding (2020 and 2019)	1,250	1,250
Additional paid-in capital	1,331,801	1,331,801
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of $9,456 at 2020 and $11,124 at 2019	172,705	(4,344)
Retained earnings	1,425,588	1,868,842
Total shareholder's equity	2,931,344	3,197,549
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 10,525,124	$ 10,130,185

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

EVEREST REINSURANCE (BERMUDA), LTD.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)	Years Ended December 31, 2020	2019
REVENUES:		
Premiums earned	$ 1,358,478	$ 1,182,238
Net investment income	246,437	275,330
Net realized capital gains (losses):		
Credit allowances on fixed maturity securities	(179)	-
Other-than-temporary impairments on fixed maturity securities	-	(1,256)
Other net realized capital gains (losses)	31,432	30,822
Total net realized capital gains (losses)	31,253	29,566
Gain (loss) on retroactive reinsurance	16,478	(28,929)
Other income (expense)	28,641	13,200
Total revenues	1,681,287	1,471,405
CLAIMS AND EXPENSES:		
Incurred losses and loss adjustment expenses	1,133,820	628,422
Commission, brokerage, taxes and fees	297,925	265,441
Other underwriting expenses	41,606	36,424
Total claims and expenses	1,473,351	930,287
INCOME (LOSS) BEFORE TAXES	207,936	541,118
Income tax expense (benefit)	(1,701)	10,456
NET INCOME (LOSS)	$ 209,637	$ 530,662
Other comprehensive income (loss), net of tax:		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	189,800	239,745
Less: reclassification adjustment for realized losses (gains) included in net income (loss)	(34,808)	(26,784)
Total URA(D) on securities arising during the period	154,992	212,961
Foreign currency translation adjustments	22,057	12,941
Total other comprehensive income (loss), net of tax	177,049	225,902
COMPREHENSIVE INCOME (LOSS)	$ 386,686	$ 756,564

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

EVEREST REINSURANCE (BERMUDA), LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(Dollars in thousands, except share amounts)	Years Ended December 31, 2020	2019
COMMON SHARES (shares outstanding):		
Balance, beginning of period	1,250,000	1,250,000
Balance, end of period	1,250,000	1,250,000
COMMON SHARES (par value):		
Balance, beginning of period	$ 1,250	$ 1,250
Balance, end of period	1,250	1,250
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	1,331,801	1,331,801
Share-based compensation plans	-	-
Balance, end of period	1,331,801	1,331,801
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:		
Balance, beginning of period	(4,344)	(230,246)
Net increase (decrease) during the period	177,049	225,902
Balance, end of period	172,705	(4,344)
RETAINED EARNINGS:		
Balance, beginning of period	1,868,842	1,938,180
Change to beginning balance due to adoption of Accounting Standards Update 2016-13	(2,891)	-
Net income (loss)	209,637	530,662
Dividends paid	(650,000)	(600,000)
Balance, end of period	1,425,588	1,868,842
TOTAL SHAREHOLDER'S EQUITY, END OF PERIOD	$ 2,931,344	$ 3,197,549

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

EVEREST REINSURANCE (BERMUDA), LTD.
STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 209,637	$ 530,662
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(102,440)	(18,266)
Decrease (increase) in funds held by reinsureds, net	(175,860)	(69,034)
Decrease (increase) in reinsurance receivables	(175,442)	3,171
Increase (decrease) in reserve for losses and loss adjustment expenses	389,293	(360,050)
Increase (decrease) in future policy benefit reserve	(4,869)	(4,186)
Increase (decrease) in unearned premiums	113,967	109,964
Increase (decrease) in losses in course of payment	(10,547)	141,225
Increase (decrease) in other net payable to reinsurer	51,468	30,451
Change in equity adjustments in limited partnerships	(62,508)	(62,900)
Distribution of limited partnership income	27,952	29,328
Change in other assets and liabilities, net	(16,464)	15,959
Amortization of bond premium (accrual of bond discount)	23,534	22,164
Net realized capital (gains) losses	(31,253)	(29,566)
Net cash provided by (used in) operating activities	236,468	338,922
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale, at market value	1,075,196	1,124,488
Proceeds from fixed maturities sold - available for sale, at market value	962,204	631,136
Proceeds from equity securities sold - available for sale, at fair value	1,046	-
Distributions from other invested assets	2,386,008	2,564,007
Cost of fixed maturities acquired - available for sale, at market value	(1,570,283)	(1,791,321)
Cost of equity securities acquired - available for sale, at fair value	(397)	(400)
Cost of other invested assets acquired	(2,441,937)	(2,525,626)
Cost of lending for long term note - affiliated	-	300,000
Net change in short-term investments	28,641	(48,873)
Net change in unsettled securities transactions	(2,905)	2,501
Net cash provided by (used in) investing activities	437,573	255,912
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common shares issued during the period for share-based compensation, net of expense	(610)	(397)
Dividends paid to shareholder	(650,000)	(600,000)
Net cash provided by (used in) financing activities	(650,610)	(600,397)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(16,940)	(9,211)
Net increase (decrease) in cash	6,491	(14,774)
Cash, beginning of period	61,118	75,892
Cash, end of period	$ 67,609	$ 61,118
SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid (recovered)	$ 3,143	$ 7,662

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business and Basis of Presentation.

Everest Reinsurance (Bermuda) Ltd. (the "Company" or "Bermuda Re"), a Bermuda insurance company and direct wholly owned subsidiary of Everest Re Group, Ltd. ("Group"), is registered as a Class 4 insurer and long-term insurer and underwrites property and casualty reinsurance and insurance and life and annuity business. The Company's U.K. branch writes property and casualty reinsurance for the United Kingdom and European markets.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All amounts are reported in U.S. dollars.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate actual results could differ, possibly materially, from those estimates.

Certain reclassifications and format changes have been made to prior years' amounts to conform to the 2020 presentation.

B. Investments.

Fixed maturity investments available for sale, at market value, reflect unrealized appreciation and depreciation, as a result of temporary changes in market value during the period, in shareholders' equity, net of income taxes in "accumulated other comprehensive income (loss)" in the balance sheets, since cash flows from these investments will be primarily used to settle its reserve for losses and loss adjustment expense liabilities. The Company anticipates holding these investments for an extended period as the cash flow from interest and maturities will fund the projected payout of these liabilities. The Company reviews all of its fixed maturity, available for sale securities whose fair value has fallen below their amortized cost at the time of review. The Company then assesses whether the decline in value is due to non-credit related or credit related factors. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security's value caused by a change in the market, interest rate or foreign exchange environment does not constitute a credit impairment, but rather a non-credit related decline in market value. Non-credit related declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company intends to sell the security or is more likely than not to sell the security, the Company records the entire fair value adjustment in net realized capital gains (losses) in the Company's statements of operations and comprehensive income (loss). If the Company determines that the decline is credit related and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the Company establishes a credit allowance equal to the estimated credit loss and is recorded in net realized capital gains (losses) in the Company's statements of operations and comprehensive income (loss). The amount of the allowance for a given security will generally be the difference between a discounted cash flow model and the Company's carrying value. The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's balance sheets. The Company will adjust the credit allowance account for future changes in credit loss estimates for a security and record this adjustment through net realized capital gains (losses) in the Company's statements of operations and comprehensive income (loss).

For equity securities, at fair value, the Company reflects changes in value as net realized capital gains and losses since these securities may be sold in the near term depending on financial market conditions. Interest income on all fixed maturities and dividend income on all equity securities are included as part of net investment income in the statements of operations and comprehensive income (loss). Short-term investments are stated at cost, which approximates market value. Realized gains or losses on sales of investments are determined on the basis of identified cost. For some non-publicly traded securities, market prices are determined through the use of pricing models that evaluate securities relative to the U.S. Treasury yield curve, taking into account the issue type, credit quality, and cash flow characteristics of each security. For other non-publicly traded securities, investment managers' valuation committees will estimate fair value and, in many instances, these fair values are supported with opinions from qualified independent third parties. All fair value estimates from investment managers are reviewed by the Company for reasonableness. For publicly traded securities, market value is based on quoted market prices or valuation models that use observable market inputs. When a sector of the financial markets is inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. Retrospective adjustments are employed to recalculate the values of asset-backed securities. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if the new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Conditional prepayment rates, computed with life to date factor histories and weighted average maturities, are used to effect the calculation of projected and prepayments for pass-through security types. Other invested assets include limited partnerships, rabbi trust and, a private placement liquidity sweep facility. Limited partnerships are accounted for under the equity method of accounting, which can be recorded on a monthly or quarterly lag.

C. Allowance for Receivable Balances.
Effective January 1, 2020, the Company adopted the Current Expected Credit Losses (CECL) methodology for estimating allowances for credit losses. The Company evaluates the recoverability of its premiums and reinsurance receivable balances and establishes an allowance for estimated uncollectible amounts. Prior to the adoption of CECL, an allowance for doubtful accounts was estimated on the basis of periodic evaluations of balances due from third parties, considering historical collection experience, solvency and current economic conditions.

Premiums receivable, excluding retrospectively-rated policy premiums, are primarily comprised of premiums due from policyholders/ cedants. Balances are considered past due when amounts that have been billed are not collected within contractually stipulated time periods. For these balances, the allowance is estimated based on recent historical credit loss and collection experience, adjusted for current economic conditions and reasonable and supportable forecasts, when appropriate. In response to significant economic stress experienced as a result of the COVID-19 pandemic, during 2020, the Company increased the expected loss factors used to estimate the allowance based on collection experience during past moderate and severe recessions as well as experience during periods when we provided policyholders additional time to make premiums payments.

Retrospectively-rated policies are policies whereby the ultimate premium is adjusted based on actual losses incurred. Although the premium adjustment feature of a retrospectively-rated policy substantially reduces insurance risk for the Company, it presents credit risk to the Company. The Company's results of operations could be adversely affected if the amount of additional premium owed under retrospectively-rated policies. The Company manages these credit risks through credit analysis, collateral requirements, and oversight. The allowance for retrospectively-rated policy premiums is estimated as the amount of the receivable exposed to loss multiplied by estimated factors for probability of default. The probability of default is assigned based on each policyholder's credit rating, or a rating is estimated if no external rating is available. Credit ratings are reviewed and updated at least annually. The exposure amount is estimated net of collateral and other offsets, considering the nature of the collateral, potential future changes in collateral values, and historical loss information for the type of collateral obtained. The probability of default factors are historical corporate defaults for receivables with similar durations estimated through multiple economic cycles. Credit ratings are forward-looking and consider a variety of economic outcomes. The Company's evaluation of the required allowance for retrospectively-rated policy premiums considers the current economic environment as well as the probability-weighted macroeconomic scenarios.

In response to significant economic stress experienced as a result of the COVID-19 pandemic, the Company increased the weight of both a moderate and severe recession scenario in our estimate of the allowance for loss within a deductible and retrospectively-rated policy premiums. The ultimate impact to the Company's financial statements from the COVID-19 pandemic could vary significantly from our estimates depending on the duration and severity of the pandemic, the duration and severity of the economic downturn and the degree to which federal, state and local government actions to mitigate the economic impact of COVID-19 are effective.

The Company records total credit loss expenses related to premiums receivable in other underwriting expenses and records credit loss expenses related to deductibles through losses incurred

The allowance for uncollectible reinsurance reflects management's best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers' unwillingness or inability to pay. The allowance for uncollectible reinsurance comprises an allowance and an allowance for disputed balances. Based on this analysis, the Company may adjust the allowance for uncollectible reinsurance or charge off reinsurer balances that are determined to be uncollectible.

The allowance is estimated as the amount of reinsurance receivable exposed to loss multiplied by estimated factors for the probability of default. The reinsurance receivable exposed is the amount of reinsurance receivable net of collateral and other offsets, considering the nature of the collateral, potential future changes in collateral values, and historical loss information for the type of collateral obtained. The probability of default factors are historical insurer and reinsurer defaults for liabilities with similar durations to the reinsured liabilities as estimated through multiple economic cycles. Credit ratings are forward-looking and consider a variety of economic outcomes. The Company's evaluation of the required allowance for reinsurance receivable considers the current economic environment as well as macroeconomic scenarios.

The Company expects the impact of the COVID-19 pandemic to reinsurers to be somewhat mitigated by their regulated capital and liquidity positions. The ultimate impact to the Company's financial statements could vary significantly from our estimates depending on the duration and severity of the pandemic, the duration and severity of the economic downturn and the degree to which federal, state and local government actions to mitigate the economic impact of COVID-19 are effective.

The Company records credit loss expenses related to reinsurance receivable in losses and loss adjustment expenses. Write-offs of reinsurance receivable and any related allowance are recorded in the period in which the balance is deemed uncollectible.

Allowances are presented in the table below for the periods indicated.

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Reinsurance recoverable and premium receivables	$ 2,626	$ 317

D. Deferred Acquisition Costs.
Acquisition costs, consisting principally of commissions and brokerage expenses and certain premium taxes and fees incurred at the time a contract or policy is issued and that vary with and are directly related to the Company's reinsurance and insurance business, are deferred and amortized over the period in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value by line of business based on the related unearned premiums, anticipated claims and claim expenses and anticipated investment income. Deferred acquisition costs amortized to income are presented in the table below for the periods indicated.

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Deferred acquisition costs	$ 297,925	$ 265,441

E. Reserve for Losses and Loss Adjustment Expenses.
The reserve for losses and loss adjustment expenses ("LAE") is based on individual case estimates and reports received from ceding companies. A provision is included for losses and LAE incurred but not reported ("IBNR") based on past experience. A provision is also included for certain potential liabilities relating to asbestos and environmental ("A&E") exposures, which liabilities cannot be estimated using traditional reserving techniques. See also Note 4. The reserves are reviewed periodically and any changes in estimates are reflected in earnings in the period the adjustment is made. The Company's loss and LAE reserves represent management's best

estimate of the ultimate liability. Loss and LAE reserves are presented gross of reinsurance receivables and incurred losses and LAE are presented net of reinsurance.

Accruals for commissions are established for reinsurance contracts that provide for the stated commission percentage to increase or decrease based on the loss experience of the contract. Changes in estimates for such arrangements are recorded as commission expense. Commission accruals for contracts with adjustable features are estimated based on expected loss and LAE.

F. Future Policy Benefit Reserve.
Liabilities for future policy benefits on annuity policies are carried at their accumulated values. Reserves for policy benefits include mortality claims in the process of settlement and IBNR claims. Actual experience in a particular period may fluctuate from expected results.

G. Premium Revenues.
Written premiums are earned ratably over the periods of the related insurance and reinsurance contracts. Unearned premium reserves are established relative to the unexpired contract period. For reinsurance contracts, such reserves are established based upon reports received from ceding companies or estimated using pro rata methods based on statistical data. Reinstatement premiums represent additional premium received on reinsurance coverages, most prevalently catastrophe related, when limits have been depleted under the original reinsurance contract and additional coverage is granted. Written and earned premiums and the related costs, which have not yet been reported to the Company, are estimated and accrued. Premiums are net of ceded reinsurance.

H. Prepaid Reinsurance Premiums.
Prepaid reinsurance premiums represent unearned premium reserves ceded to other reinsurers.

I. Income Taxes.
The U.K. branch of Bermuda Re files a U.K. income tax return. Income taxes have been recorded to recognize the tax effect of temporary differences between the financial reporting and income tax bases of assets and liabilities, which arise because of differences between GAAP and U.K. income tax accounting rules.

As an accounting policy, the Company has adopted the aggregate portfolio approach for releasing disproportionate income tax effects from AOCI.

J. Foreign Currency.
Assets and liabilities relating to foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date; revenues and expenses are translated into U.S. dollars using average exchange rates in effect during the reporting period. Gains and losses resulting from translating foreign currency financial statements, net of deferred income taxes, are excluded from net income (loss) and accumulated in shareholder's equity. Gains and losses resulting from foreign currency transactions, other than debt securities available for sale, are recorded through the statements of operations and comprehensive income (loss) in other income (expense). Gains and losses resulting from changes in the foreign currency exchange rates on debt securities, available for sale at market value, are recorded in the balance sheets in accumulated other comprehensive income (loss) as unrealized appreciation (depreciation) and any losses which are deemed non-credit related are charged to net income (loss) as net realized capital loss.

K. Deposit Assets and Liabilities.

In the normal course of its operations, the Company may enter into contracts that do not meet risk transfer provisions. Such contracts are accounted for using the deposit accounting method and are included in other liabilities in the Company's consolidated balance sheets. For such contracts, the Company originally records deposit liabilities for an amount equivalent to the assets received. Actuarial studies are used to estimate the final liabilities under such contracts with any change reflected in the consolidated statements of operations and comprehensive income (loss).

L. Retroactive Reinsurance.
The gains on assumed retroactive contracts are deferred and amortized into income based on cash payouts. Losses on assumed retroactive contracts are recognized immediately into income.

M. Application of Recently Issued Accounting Standard Changes.
Accounting for Long Duration Contracts. In August 2018, FASB issued ASU 2018-12, which discusses changes to the recognition, measurement and presentation of long duration contracts. The main provisions of this guidance address the following: 1) In determining liability for future policy benefits, companies must review cash flow assumptions at least annually and the discount rate assumption at each reporting period date 2) Amortization of deferred acquisition costs has been simplified to be in constant level proportion to either premiums, gross profits or gross margins 3) Disaggregated roll forwards of beginning and ending liabilities for future policy benefits are required. The guidance was originally effective for annual reporting periods beginning after December 15, 2020 and interim periods within that annual reporting period. However, FASB issued ASU 2019-09 in November 2019 and then ASU 2020-11 in November 2021, which ultimately defers the effective date of ASU 2018-12 until annual reporting periods beginning after December 15, 2022. The Company is currently evaluating the impact of the adoption of ASU 2018-12 on its financial statements.

Amortization of Bond Premium. In March 2017, FASB issued ASU 2017-08 which outlines guidance on the amortization period for premium on callable debt securities. The new guidance requires that the premium on callable debt securities be amortized through the earliest call date rather than through the maturity date of the callable security. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The Company adopted the guidance effective January 1, 2019. The adoption of ASU 2017-08 did not have a material impact on the Company's financial statements.

Valuation of Financial Instruments. In June 2016, FASB issued ASU 2016-13 (and has subsequently issued related guidance and amendments in ASU 2019-11 and ASU 2019-10 in November 2019) which outline guidance on the valuation of and accounting for assets measured at amortized cost and available for sale debt securities. The new guidance requires the carrying value of assets measured at amortized cost, including reinsurance and premiums receivables to be presented as the net amount expected to be collected on the financial asset (amortized cost less an allowance for credit losses valuation account). The allowance reflects expected credit losses of the financial asset which considers available information using a combination both historical information, current market conditions and reasonable and supportable forecasts. For available-for-sale debt securities, the guidance modified the previous other than temporary impairment model, now requiring an allowance for estimated credit related losses rather than a permanent impairment, which will be limited to the amount by which fair value is below amortized cost. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. The Company adopted the guidance effective January 1, 2020, on a modified retrospective basis. The adoption resulted in a cumulative reduction of $2,891 thousand in retained earnings, net of tax, which is disclosed separately within the Consolidated Statements of Shareholders' Equity.

Leases. In February 2016, FASB issued ASU 2016-02 (and subsequently issued ASU 2018-11 in July, 2018) which outline new guidance on the accounting for leases. The new guidance requires the recognition of lease assets and lease liabilities on the balance sheets for most leases that were previously deemed operating leases and required only lease expense presentation in the statements of operations. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The Company adopted ASU 2016-02 effective January 1, 2019 and elected to utilize a cumulative-effect adjustment to the opening balance of retained earnings for the year of adoption. Accordingly, the Company's reporting for the comparative periods prior to adoption continue to be presented in the financial statements in accordance with previous lease accounting guidance. The Company also elected to apply the package of practical expedients applicable to the Company in the updated guidance for transition for leases in effect at adoption. The Company did not elect the hindsight practical expedient to determine the lease term of existing leases (e.g. The Company did not re-assess lease renewals, termination options nor purchase options in determining lease terms). The adoption of the updated guidance resulted in the Company recognizing a right-of-use asset of $1,157 thousand as part of other assets and a lease liability of $1,157 thousand as part of other liabilities in the consolidated balance sheet at the time of adoption, as well as de-recognizing the liability for deferred rent that was required under the previous guidance. The cumulative effect adjustment to the opening balance of retained earnings was zero. The adoption of the updated guidance did not have a material effect on the Company's results of operations or liquidity.

2. INVESTMENTS

Effective January 1, 2020, the Company adopted ASU 2016-13 which modified the previous other than temporary impairment model for available for sale fixed maturity securities. The guidance requires the Company to record allowances for credit losses for securities that are deemed to have valuation deterioration due to credit related factors. The initial table below presents the amortized cost, allowance for credit losses, gross unrealized appreciation/(depreciation) and market value of fixed maturity securities as of December 31, 2020 in accordance with ASU 2016-13 guidance. The second table presents the amortized cost, gross unrealized appreciation/(depreciation), market value and other-than-temporary impairments ("OTTI") in AOCI as of December 31, 2019, in accordance with previously applicable guidance.

	At December 31, 2020				
(Dollars in thousands)	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Market Vallue
Fixed maturity securities					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	$ 489,722	$ -	$ 22,823	$ (3,284)	$ 509,261
U.S. Corporate securities	2,532,937	(14)	162,691	(13,471)	2,682,143
Asset-backed securities	30,014	-	1,174	(458)	30,730
Mortgage-backed securities					-
Commercial	340,466	-	32,827	(691)	372,602
Agency residential	955,256	-	30,216	(356)	985,116
Non-agency residential	19	-	-	-	19
Foreign government securities	568,992	(22)	28,952	(15,936)	581,986
Foreign corporate securities	1,108,755	(142)	65,277	(16,038)	1,157,852
Total fixed maturity securities	$ 6,026,161	$ (178)	$ 343,960	$ (50,234)	$ 6,319,709

	At December 31, 2019				
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value	OTTI in AOCI (a)
Fixed maturity securities					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	$ 357,041	$ 14,494	$ (462)	$ 371,073	$ -
U.S. Corporate securities	2,594,263	87,033	(7,387)	2,673,909	224
Asset-backed securities	63,203	735	(523)	63,415	-
Mortgage-backed securities					
Commercial	446,204	12,643	(1,036)	457,811	-
Agency residential	1,299,064	14,138	(5,213)	1,307,989	-
Non-agency residential	20	-	-	20	-
Foreign government securities	577,423	18,964	(24,549)	571,838	44
Foreign corporate securities	1,094,355	46,722	(15,158)	1,125,919	114
Total fixed maturity securities	$ 6,431,573	$ 194,729	$ (54,328)	$ 6,571,974	$ 382

(a) Represents the amount of OTTI recognized in AOCI. Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.

The amortized cost and market value of fixed maturity securities are shown in the following table by contractual maturity. Mortgage-backed securities are generally more likely to be prepaid than other fixed maturity securities. As the stated maturity of such securities may not be indicative of actual maturities, the totals for mortgage-backed and asset-backed securities are shown separately.

	At December 31, 2020		At December 31, 2019	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale:				
Due in one year or less	$ 425,203	$ 432,614	$ 654,089	$ 658,181
Due after one year through five years	2,389,029	2,465,192	2,451,083	2,494,185
Due after five years through ten years	1,577,405	1,694,214	1,267,011	1,318,111
Due after ten years	308,769	339,222	250,899	272,262
Asset-backed securities	30,014	30,730	63,203	63,415
Mortgage-backed securities:				
Commercial	340,466	372,602	446,204	457,811
Agency residential	955,256	985,116	1,299,064	1,307,989
Non-agency residential	19	19	20	20
Total fixed maturity securities	$ 6,026,161	$ 6,319,709	$ 6,431,573	$ 6,571,974

The changes in net unrealized appreciation (depreciation) for the Company's investments are derived from the following sources for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Increase during the period between the market value and cost		
of investments carried at market value, and income taxes thereon:		
Fixed maturity securities	$ 153,324	$ 212,485
Fixed maturity securities, other-than-temporary impairment	-	(990)
Change in unrealized appreciation (depreciation), pre-tax	153,324	211,495
Income tax benefit (expense)	1,668	1,466
Change in unrealized appreciation (depreciation),		
net of income taxes, included in shareholder's equity	$ 154,992	$ 212,961

The Company reviews all of its fixed maturity, available for sale securities whose fair value has fallen below their amortized cost at the time of review. The Company then assesses whether the decline in value is due to non-credit related or credit related factors. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security's value caused by a change in the market, interest rate or foreign exchange environment does not constitute a credit impairment, but rather a non-credit related decline in market value. Non-credit related declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company intends to sell the security or is more likely than not to sell the security, the Company records the entire fair value adjustment in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). If the Company determines that the decline is credit related and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the Company establishes a credit allowance equal to the estimated credit loss and is recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). The amount of the allowance for a given security will generally be the difference between a discounted cash flow model and the Company's carrying value. The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's consolidated balance sheets. The Company will adjust the credit allowance account for future changes in credit loss estimates for a security and record this adjustment through net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss).

The Company does not create an allowance for uncollectible interest. If interest is not received when due, the interest receivable is immediately reversed and no additional interest is accrued. If future interest is received that has not been accrued, it is recorded as income at that time.

Prior to the adoption of ASU 2016-13 effective January 1, 2020, estimated credit losses were recorded as adjustments to the carrying value of the security and any subsequent improvement in market value were recorded through other comprehensive income.

The Company's assessments are based on the issuers' current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

Retrospective adjustments are employed to recalculate the values of asset-backed securities. All of the Company's asset-backed and mortgage-backed securities have a pass-through structure. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if the new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Conditional prepayment rates, computed with life to date factor histories and weighted average maturities, are used in the calculation of projected prepayments for pass-through security types.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the period indicated:

	Duration of Unrealized Loss at December 31, 2020 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	$ 77,528	$ (3,284)	$ -	$ -	$ 77,528	$ (3,284)
U.S. Corporate securities	247,306	(10,758)	27,719	(2,713)	275,025	(13,471)
Asset-backed securities	1,176	(176)	3,643	(282)	4,819	(458)
Mortgage-backed securities						
Commercial	14,022	(376)	2,610	(315)	16,632	(691)
Agency residential	83,818	(244)	10,989	(112)	94,807	(356)
Non-agency residential	19	-	-	-	19	-
Foreign government securities	67,804	(6,457)	106,915	(9,479)	174,719	(15,936)
Foreign corporate securities	173,880	(9,784)	56,163	(6,254)	230,043	(16,038)
Total fixed maturity securities	$ 665,553	$ (31,079)	$ 208,039	$ (19,155)	$ 873,592	$ (50,234)

	Duration of Unrealized Loss at December 31, 2020 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 37,685	$ (1,536)	$ 19,902	$ (2,799)	$ 57,587	$ (4,335)
Due in one year through five years	275,509	(14,314)	134,264	(14,048)	409,773	(28,362)
Due in five years through ten years	216,504	(13,588)	36,631	(1,599)	253,135	(15,187)
Due after ten years	36,820	(845)	-	-	36,820	(845)
Asset-backed securities	1,176	(176)	3,643	(282)	4,819	(458)
Mortgage-backed securities	97,859	(620)	13,599	(427)	111,458	(1,047)
Total fixed maturity securities	$ 665,553	$ (31,079)	$ 208,039	$ (19,155)	$ 873,592	$ (50,234)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2020 were $873,592 thousand and $50,234 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2020, did not exceed 1.0% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $31,079 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of U.S. and foreign corporate securities, U.S. government securities and foreign government securities. Of these unrealized losses, $30,862 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The $19,155 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to foreign government securities and U.S. and foreign corporate securities. Of these unrealized losses, $19,139 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. There was no gross unrealized depreciation for mortgage-backed securities related to sub-prime and alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The Company, given the size of its investment portfolio and capital position, does not have the intent to sell these securities; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis. In addition, all securities currently in an unrealized loss position are current with respect to principal and interest payments.

	Duration of Unrealized Loss at December 31, 2019 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	$ 12,350	$ (333)	$ 37,093	$ (129)	$ 49,443	$ (462)
U.S. Corporate securities	131,735	(3,902)	45,944	(3,485)	177,679	(7,387)
Asset-backed securities	2,808	(127)	5,489	(396)	8,297	(523)
Mortgage-backed securities						
Commercial	65,920	(558)	3,167	(478)	69,087	(1,036)
Agency residential	312,078	(1,382)	271,814	(3,831)	583,892	(5,213)
Non-agency residential	-	-	-	-	-	-
Foreign government securities	59,583	(3,756)	141,082	(20,793)	200,665	(24,549)
Foreign corporate securities	115,508	(5,748)	81,278	(9,410)	196,786	(15,158)
Total fixed maturity securities	$ 699,982	$ (15,806)	$ 585,867	$ (38,522)	$ 1,285,849	$ (54,328)

	Duration of Unrealized Loss at December 31, 2019 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 4,309	$ (87)	$ 113,103	$ (11,119)	$ 117,412	$ (11,206)
Due in one year through five years	128,058	(4,582)	159,009	(18,745)	287,067	(23,327)
Due in five years through ten years	153,684	(8,040)	31,196	(3,814)	184,880	(11,854)
Due after ten years	33,125	(1,030)	2,089	(139)	35,214	(1,169)
Asset-backed securities	2,808	(127)	5,489	(396)	8,297	(523)
Mortgage-backed securities	377,998	(1,940)	274,981	(4,309)	652,979	(6,249)
Total fixed maturity securities	$ 699,982	$ (15,806)	$ 585,867	$ (38,522)	$ 1,285,849	$ (54,328)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2019 were $1,285,849 thousand and $54,328 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2019, did not exceed 1.2% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $15,806 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of U.S. and foreign corporate securities, foreign government securities and agency residential mortgage-backed securities. Of these unrealized losses, $15,011 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The $38,522 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to foreign government securities, U.S. and foreign corporate securities and agency residential mortgage-backed securities. Of these unrealized losses, $37,438 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. There was no gross unrealized depreciation for mortgage-backed securities related to sub-prime and alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The components of net investment income are presented in the table below for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Fixed maturities	$ 179,662	$ 194,110
Equity securities	7,310	8,722
Short-term investments and cash	1,311	2,741
Other invested assets:		
Limited partnerships	62,605	62,911
Other	669	3,711
Gross investment income before adjustments	251,557	272,195
Funds held interest income (expense)	6,390	6,276
Future policy benefit reserve income (expense)	(1,238)	(1,379)
Interest income from Parent	-	5,534
Gross investment income	256,709	282,626
Investment expenses	(10,272)	(7,296)
Net investment income	$ 246,437	$ 275,330

The Company records results from limited partnership investments on the equity method of accounting with changes in value reported through net investment income. Due to the timing of receiving financial information from these partnerships, the results are generally reported on a one month or quarter lag. If the Company determines there has been a significant decline in value of a limited partnership during this lag period, a loss will be recorded in the period in which the Company identifies the decline.

The Company had contractual commitments to invest up to an additional $261,837 thousand in limited partnerships at December 31, 2020. These commitments will be funded when called in accordance with the partnership agreements, which have investment periods that expire, unless extended, through 2025 for new investments. Following the investment period, these capital commitments may be called by the partnerships for follow on investments, management fees and operating expenses.

The Company's other invested assets at December 31, 2020 and 2019 included $103,014 thousand and $95,544 thousand, respectively, related to a private placement liquidity sweep facility. The primary purpose of the facility is to enhance the Company's return on its short-term investments and cash positions. The facility invests in high quality, short-duration securities and permits daily liquidity.

The components of net realized capital gains (losses) are presented in the table below for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2020	2019
Fixed maturity securities, market value:		
Allowance for credit losses	$ (179)	$ -
Other-than-temporary impairments	-	(1,256)
Gains (losses) from sales	30,708	19,835
Equity securities, fair value:		
Gains (losses) from sales	(1,036)	-
Gains (losses) from fair value adjustments	1,734	10,987
Short-term investments gain (loss)	26	-
Total net realized capital gains (losses)	$ 31,253	$ 29,566

(Some amounts may not reconcile due to rounding.)

	Roll Forward of Allowance for Credit Losses			
	Twelve Months Ended December 31, 2020			
(Dollars in thousands)	Corporate Securities	Foreign Government Securites	Foreign Corporate Securites	Total
Beginning Balance	$ -	$ -	$ -	$ -
Credit losses on securities where credit losses were not previously recorded	(5,836)	(448)	(4,138)	(10,422)
Increases in allowance on previously impaired securities	(227)	(28)	(270)	(525)
Decreases in allowance on previously impaired securities	2,510	309	600	3,419
Reduction in allowance due to disposals	3,539	145	3,666	7,350
Total fixed maturity securities	$ (14)	$ (22)	$ (142)	$ (178)

The Company recorded as net realized capital gains (losses) in the consolidated statements of operations and comprehensive income (loss) fair value re-measurements, allowances for credit losses per ASU 2016-13 and write-downs in the value of securities deemed to be impaired on an other-than-temporary basis in prior years as displayed in the table above. The Company had no other-than-temporary impaired securities where the impairment had both a credit and non-credit component.

The proceeds and split between gross gains and losses, from sales of fixed maturity and equity securities, are presented in the table below for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2020	2019
Proceeds from sales of fixed maturity securities	$ 962,204	$ 631,136
Gross gains from sales	43,381	26,252
Gross losses from sales	(12,673)	(6,417)
Proceeds from sales of equity securities	$ 1,046	$ -
Gross gains from sales	9	-
Gross losses from sales	(1,045)	-

3. RESERVE FOR LOSSES, LAE AND FUTURE POLICY BENEFIT RESERVE

Reserves for losses and LAE.
Activity in the reserve for losses and LAE is summarized for the periods indicated:

	At December 31,	
(Dollars in thousands)	2020	2019
Gross reserves at January 1	$ 5,819,737	$ 6,122,993
Less reinsurance recoverables	(1,050,587)	(1,028,853)
Net reserves at January 1	4,769,150	5,094,140
Incurred related to:		
Current year	931,920	718,169
Prior years	201,900	(89,747)
Total incurred losses and LAE	1,133,820	628,422
Paid related to:		
Current year	69,722	82,681
Prior years	882,316	897,826
Total paid losses and LAE	952,038	980,507
Foreign exchange/translation adjustment	74,552	27,095
Net reserves at December 31	5,025,484	4,769,150
Plus reinsurance recoverables	1,257,853	1,050,587
Gross reserves at December 31	$ 6,283,337	$ 5,819,737

(Some amounts may not reconcile due to rounding.)

Current year incurred losses were $931,920 thousand and $718,169 thousand at December 31, 2020 and 2019, respectively. The increase in current year incurred losses was primarily due to fluctuations in assumed business under affiliated reinsurance agreements.

Prior years' reserves increased by $201,900 thousand for the year ended December 31, 2020 and decreased by $89,747 thousand for the year ended December 31, 2019. The 2020 increase was primarily attributable to long-tail lines such as general liability, auto liability and professional liability and to a lesser degree non-cat property lines.

The 2019 decrease was primarily attributable to favorable development on affiliated reinsurance agreements.

The following is information about incurred and paid claims development as of December 31, 2020, net of reinsurance, as well as cumulative claim frequency and the total of incurred but not reported liabilities (IBNR) plus expected development on reported claims included within the net incurred claims amounts. The Company's loss activity has been disaggregated into casualty and property business. The casualty and property segregation results in groups that have homogeneous loss development characteristics and are large enough to represent credible trends. Generally, casualty claims take longer to be reported and settled, resulting in longer payout patterns and increased volatility. Property claims on the other hand, tend to be reported and settled quicker and therefore tend to exhibit less volatility. The property business is more exposed to catastrophe losses, which can result in year over year fluctuations in incurred claims depending on the frequency and severity of catastrophes claims in any one accident year.

The information about incurred and paid claims development for the years ended December 31, 2012 to December 31, 2019 is presented as supplementary information.

These tables present nine years of incurred and paid claims development as it is impracticable to retrospectively create the tables for ten years. For the years prior to 2012, the total of IBNR plus expected development on reported claims was not prepared on an accident year basis. The Company calculated these IBNR amounts in the aggregate as of prior year end points in time. As a result of not being able to present the information prior to 2012, prospectively an additional year will be added to the tables each reporting year until a ten year table is presented.

The Cumulative Number of Reported Claims is not shown as it is impracticable to provide the information. The loss activity includes pro rata contracts for which ceding companies provide only summary information via a bordereau. This summary information does not include the number of reported claims underlying the paid and reported losses. Therefore, it is not possible to provide this information.

The following tables present the ultimate loss and ALAE and the paid loss and ALAE, net of reinsurance for casualty and property, as well as the average annual percentage payout of incurred claims by age, net of reinsurance for each of our disclosed lines of business.

Casualty Business

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of reinsurance Years Ended December 31,									Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
Accident Year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020		
(Dollars in thousands)											
2012	$ 596,561	$ 638,140	$ 618,703	$ 600,851	$ 578,114	$ 566,214	$ 574,549	$ 586,670	$ 567,756	39,200	N/A
2013		611,202	683,977	672,542	659,605	625,396	593,491	589,059	588,038	55,103	N/A
2014			641,221	721,310	696,981	692,331	588,808	571,772	585,848	79,531	N/A
2015				695,793	722,227	724,358	728,263	645,050	684,687	150,619	N/A
2016					617,781	769,366	810,522	844,548	857,729	243,190	N/A
2017						820,239	816,183	806,387	920,335	365,985	N/A
2018							354,919	355,753	405,176	275,932	N/A
2019								451,405	488,032	351,283	N/A
2020									595,770	530,843	N/A
									$ 5,693,371		

(Some amounts may not reconcile due to rounding.)

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance Years Ended December 31,								
Accident Year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020
(Dollars in thousands)									
2012	$ 38,552	$ 99,849	$ 171,643	$ 251,159	$ 316,043	$ 384,050	$ 445,942	$ 475,736	$ 490,219
2013		44,763	129,269	206,986	287,801	337,630	415,263	456,510	474,335
2014			58,431	131,038	209,171	276,988	366,101	426,996	454,380
2015				56,224	141,994	175,699	289,364	379,555	427,549
2016					63,035	16,367	146,681	243,588	363,070
2017						3,398	63,159	200,310	349,097
2018							20,147	41,662	74,064
2019								28,699	65,272
2020									27,543
									$ 2,725,529
All outstanding liabilities prior to 2012, net of reinsurance									599,820
Liabilities for claims and claim adjustment expenses, net of reinsurance									$ 3,567,663

(Some amounts may not reconcile due to rounding.)

	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited)								
Years	1	2	3	4	5	6	7	8	9
Casualty	6.0%	7.4%	12.2%	14.0%	12.6%	10.5%	7.5%	4.1%	2.6%

Property Business

Accident Year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020	Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	Incurred Claims and Allocated Claim Adjustment Expenses, Net of reinsurance Years Ended December 31,										
(Dollars in thousands)											
2012	$ 901,480	$ 683,442	$ 619,423	$ 603,526	$ 608,655	$ 599,549	$ 602,590	$ 594,580	$ 599,844	4,600	N/A
2013		868,716	627,498	573,392	558,568	555,161	551,317	550,764	549,014	888	N/A
2014			775,119	689,907	661,508	599,736	598,283	593,996	587,076	1,568	N/A
2015				877,755	724,500	670,515	645,650	642,393	635,837	415	N/A
2016					1,142,431	926,315	951,015	947,937	928,448	9,540	N/A
2017						1,657,025	1,651,721	1,632,081	1,671,871	10,181	N/A
2018							286,507	288,945	290,742	54,678	N/A
2019								273,756	275,443	70,816	N/A
2020									277,296	208,447	N/A
									$ 5,815,571		

(Some amounts may not reconcile due to rounding.)

Accident Year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020
	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance Years Ended December 31,								
(Dollars in thousands)									
2012	$ 267,463	$ 416,847	$ 506,583	$ 556,952	$ 572,756	$ 577,111	$ 580,374	$ 582,146	$ 583,898
2013	-	269,354	396,697	479,817	519,641	529,769	535,628	536,395	536,652
2014	-	-	249,804	431,137	501,022	544,251	559,273	563,352	565,304
2015	-	-	-	264,713	418,189	509,532	569,552	580,864	594,249
2016	-	-	-	-	316,359	531,980	696,508	787,628	823,522
2017	-	-	-	-	-	99,023	682,539	850,134	1,066,127
2018	-	-	-	-	-	-	51,697	121,256	161,427
2019	-	-	-	-	-	-	-	52,826	96,082
2020									27,449
									$ 4,454,709
All outstanding liabilities prior to 2012, net of reinsurance									48,229
Liabilities for claims and claim adjustment expenses, net of reinsurance									$ 1,409,091

(Some amounts may not reconcile due to rounding.)

	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited)								
Years	1	2	3	4	5	6	7	8	9
Casualty	27.6%	27.5%	13.4%	10.1%	2.7%	1.2%	0.3%	0.2%	0.3%

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

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated statement of financial position is as follows.

(Dollars in thousands)	December 31, 2020
Net outstanding liabilities	
Casualty	$ 3,567,663
Property	1,409,091
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	4,976,754
Reinsurance recoverable on unpaid claims	
Casualty	1,041,130
Property	216,723
Total reinsurance recoverable on unpaid claims	1,257,853
Insurance lines other than short-duration	-
Unallocated claims adjustment expenses	37,831
Other	10,900
	48,731
Total gross liability for unpaid claims and claim adjustment expense	$ 6,283,337

(Some amounts may not reconcile due to rounding.)

Reserving Methodology

The Company maintains reserves equal to our estimated ultimate liability for losses and loss adjustment expense (LAE) for reported and unreported claims. Because reserves are based on estimates of ultimate losses and LAE by underwriting or accident year, the Company uses a variety of statistical and actuarial techniques to monitor reserve adequacy over time, evaluate new information as it becomes known, and adjust reserves whenever an adjustment appears warranted. The Company considers many factors when setting reserves including: (1) exposure base and projected ultimate premium; (2) expected loss ratios by product and class of business, which are developed collaboratively by underwriters and actuaries; (3) actuarial methodologies and assumptions which analyze loss reporting and payment experience, reports from ceding companies and historical trends, such as reserving patterns, loss payments, and product mix; (4) current legal interpretations of coverage and liability; and (5) economic conditions. Insurance and reinsurance loss and LAE reserves represent the Company's best estimate of its ultimate liability. Actual loss and LAE ultimately paid may deviate, perhaps substantially, from such reserves. Net income (gain or loss) will be impacted in a period in which the change in estimated ultimate loss and LAE is recorded.

Reserving for reinsurance requires evaluation of loss information received from ceding companies. Ceding companies report losses in many forms depending on the type of contract and the agreed or contractual reporting requirements. Generally, pro rata contracts require the submission of a monthly/quarterly account, which includes premium and loss activity for the period with corresponding reserves as established by the ceding company. This information is recorded into the Company's records. For certain pro rata contracts, the Company may require a detailed loss report for claims that exceed a certain dollar threshold or relate to a particular type of loss. Excess of loss and facultative contracts generally require individual loss reporting with precautionary notices provided when a loss reaches a significant percentage of the attachment point of the contract or when certain causes of loss or types of injury occur. Experienced claims staff handles individual loss reports and supporting claim information. Based on evaluation of a claim, the Company may establish additional case reserves in addition to the case reserves reported by the ceding company. To ensure ceding companies are submitting required and accurate data, the Company performs various reviews of ceding companies, particularly larger ceding companies.

The Company assigns business to exposure groupings so that the underlying exposures have reasonably homogeneous loss development characteristics and are large enough to facilitate credible estimation of ultimate losses. The Company periodically reviews its exposure groupings and may change groupings over time as business changes. The Company currently uses approximately 200 exposure groupings to develop reserve estimates. One of the key selection characteristics for the exposure groupings is the historical duration of the claims settlement process. Business in which claims are reported and settled relatively quickly are commonly referred to as short tail lines, principally property lines. On the other hand, casualty claims tend to take longer to be reported and settled and casualty lines are generally referred to as long tail lines. Estimates of ultimate losses for shorter tail lines, with the exception of loss estimates for large catastrophic events, generally exhibit less volatility than those for the longer tail lines.

The Company uses a variety of actuarial methodologies, such as the expected loss ratio method, chain ladder methods, and Bornhuetter-Ferguson methods, supplemented by judgment where appropriate, to estimate ultimate loss and LAE for each exposure group.

Expected Loss Ratio Method: The expected loss ratio method uses earned premium times an expected loss ratio to calculate ultimate losses for a given underwriting or accident year. This method relies entirely on expectation to project ultimate losses with no consideration given to actual losses. As such, it may be appropriate for an immature underwriting or accident year where few, if any, losses have been reported or paid, but less appropriate for a more mature year.

Chain Ladder Method: Chain ladder methods use a standard loss development triangle to project ultimate losses. Age-to-age development factors are selected for each development period and combined to calculate age-to-ultimate development factors which are then applied to paid or reported losses to project ultimate losses. This method relies entirely on actual paid or reported losses to project ultimate losses. No other factors such as changes in pricing or other expectations are taken into account. It is most appropriate for groups with homogeneous, stable experience where past development patterns are expected to continue in the future. It is least appropriate for groups which have changed significantly over time or which are more volatile.

Bornhuetter-Ferguson Method: The Bornhuetter-Ferguson method is a combination of the expected loss ratio method and the chain ladder method. Ultimate losses are projected based partly on actual paid or reported losses and partly on expectation. Incurred but not reported (IBNR) reserves are calculated using earned premium, an a priori loss ratio, and selected age-to-age development factors and added to actual reported (paid) losses to determine ultimate losses. It is more responsive to actual reported or paid development than the expected loss ratio method but less responsive than the chain ladder method. The reliability of the method depends on the accuracy of the selected a priori loss ratio.

Although the Company uses similar actuarial methods for both short tail and long tail lines, the faster reporting of experience for the short tail lines allows the Company to have greater confidence in its estimates of ultimate losses for short tail lines at an earlier stage than for long tail lines. As a result, the Company utilizes, as well, exposure-based methods to estimate its ultimate losses for longer tail lines, especially for immature underwriting or accident years. For both short and long tail lines, the Company supplements these general approaches with analytically based judgments.

Key actuarial assumptions contain no explicit provisions for reserve uncertainty nor does the Company supplement the actuarially determined reserves for uncertainty.

Carried reserves at each reporting date are the Company's best estimate of ultimate unpaid losses and LAE at that date. The Company completes detailed reserve studies for each exposure group annually. The completed annual reserve studies are "rolled-forward" for each accounting period until the subsequent reserve study is completed. Analyzing the roll-forward process involves comparing actual reported losses to expected losses based on the most recent reserve study. The Company analyzes significant variances between actual and expected losses and post adjustments to its reserves as warranted.

Certain reserves, including losses from widespread catastrophic events and COVID-19 related losses, cannot be estimated using traditional actuarial methods. These types of events are reserved for separately using a variety of statistical and actuarial techniques. We estimate losses for these types of events based on information derived from catastrophe models, quantitative and qualitative exposure analyses, reports and communications from ceding companies and development patterns for historically similar events, where available.

The Company continues to receive claims under expired insurance and reinsurance contracts asserting injuries and/or damages relating to or resulting from environmental pollution and hazardous substances, including asbestos. Environmental claims typically assert liability for (a) the mitigation or remediation of environmental contamination or (b) bodily injury or property damage caused by the release of hazardous substances into the land, air or water. Asbestos claims typically assert liability for bodily injury from exposure to asbestos or for property damage resulting from asbestos or products containing asbestos.

The Company's reserves include an estimate of the Company's ultimate liability for A&E claims. The Company's A&E liabilities emanate from direct insurance business of Mt. McKinley Insurance Company ("Mt. McKinley"), a formerly affiliated company and assumed reinsurance business of Everest Reinsurance Company ("Everest Re"), an affiliated company. All of the contracts of insurance and reinsurance, under which the Company has received claims during the past three years, expired more than 20 years ago. There are significant uncertainties surrounding the Company's reserves for its A&E losses.

A&E exposures represent a separate exposure group for monitoring and evaluating reserve adequacy. The following table summarizes incurred losses with respect to A&E reserves on both a gross and net of reinsurance basis for the periods indicated:

	At December 31,	
(Dollars in thousands)	2020	2019
Gross basis:		
Beginning of period reserves	$ 32,127	$ 37,909
Incurred losses	3,980	-
Paid losses	(5,292)	(5,782)
End of period reserves	$ 30,815	$ 32,127
Net basis:		
Beginning of period reserves	$ 32,127	$ 37,909
Incurred losses	3,980	-
Paid losses	(5,292)	(5,782)
End of period reserves	$ 30,815	$ 32,127

Reinsurance Receivables. Reinsurance receivables for both paid and unpaid losses were $1,268,335 thousand and $1,057,063 thousand at December 31, 2020 and 2019, respectively. At December 31, 2020, $937,896 thousand, or 73.9%, was receivable from Everest International Reinsurance, Ltd. ("Everest International") and $329,727 thousand, or 26.0%, was receivable from Mt. Logan Reinsurance Limited ("Mt. Logan Re"), an affiliated entity. No other retrocessionaire accounted for more than 5% of reinsurance receivables.

Future Policy Benefit Reserve.
Activity in the reserve for future policy benefit is summarized for the periods indicated:

	At December 31,	
(Dollars in thousands)	2020	2019
Balance at beginning of year	$ 42,592	$ 46,778
Liabilities assumed	35	53
Adjustments to reserves	(1,113)	350
Benefits paid in the current year	(3,791)	(4,589)
Balance at end of year	$ 37,723	$ 42,592

(Some amounts may not reconcile due to rounding.)

4. FAIR VALUE

GAAP guidance regarding fair value measurements address how companies should measure fair value when they are required to use fair value measures for recognition or disclosure purposes under GAAP and provides a common definition of fair value to be used throughout GAAP. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. In addition, it establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement, with Level 1 being the highest priority and Level 3 being the lowest priority.

The levels in the hierarchy are defined as follows:

Level 1: Inputs to the valuation methodology are observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in an active market;

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's fixed maturity and equity securities are primarily managed by third party investment asset managers. The investment asset managers managing publicly traded securities obtain prices from nationally recognized pricing services. These services seek to utilize market data and observations in their evaluation process. They use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment and interest rate scenarios for securities that have prepayment features.

The investment asset managers do not make any changes to prices received from either the pricing services or the investment brokers. In addition, the investment asset managers have procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. In addition, the Company continually performs analytical reviews of price changes and tests the prices on a random basis to an independent pricing source. No material variances were noted during these price validation procedures. In limited situations, where financial markets are inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. The Company made no such adjustments at December 31, 2020 and 2019.

Equity securities denominated in U.S. currency with quoted prices in active markets for identical assets are categorized as Level 1 since the quoted prices are directly observable. Equity securities traded on foreign exchanges are categorized as Level 2 due to the added input of a foreign exchange conversion rate to determine fair or market value. The Company uses foreign currency exchange rates published by nationally recognized sources.

All categories of fixed maturity securities listed in the tables below are generally categorized as Level 2, since a particular security may not have traded but the pricing services are able to use valuation models with observable market inputs such as interest rate yield curves and prices for similar fixed maturity securities in terms of issuer, maturity and seniority. For foreign government securities and foreign corporate securities, the fair values provided by the third party pricing services in local currencies, and where applicable, are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

In addition to the valuations from investment managers, some of the fixed maturities with fair values categorized as Level 3 result when prices are not available from the nationally recognized pricing services. The asset managers may obtain non-binding price quotes for the securities from brokers. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The prices received from brokers are reviewed for reasonableness by the third party asset managers and the Company. If the broker quotes are for foreign denominated securities, the quotes are converted to U.S. dollars using currency exchange rates from nationally recognized sources. In limited circumstances when broker prices are not available for private placements, the Company will value the securities using comparable market information or receive fair values from investment managers.

The composition and valuation inputs for the presented fixed maturities categories are as follows:

- U.S. Treasury securities and obligations of U.S. government agencies and corporations are primarily comprised of U.S. Treasury bonds and the fair value is based on observable market inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields;

- Corporate securities are primarily comprised of U.S. corporate and public utility bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;

- Asset-backed and mortgage-backed securities fair values are based on observable inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields and cash flow models using observable inputs such as prepayment speeds, collateral performance and default spreads;

- Foreign government securities are comprised of global non-U.S. sovereign bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source;

- Foreign corporate securities are comprised of global non-U.S. corporate bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source.

The following table presents the fair value measurement levels for all assets and liabilities, which the Company has recorded at fair value (fair and market values) as of the periods indicated:

		Fair Value Measurement Using:		
(Dollars in thousands)	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of U.S. government agencies and corporations	$ 509,261	$ -	$ 509,261	$ -
U.S. Corporate securities	2,682,143	-	2,611,494	70,649
Asset-backed securities	30,730	-	30,730	-
Mortgage-backed securities				
Commercial	372,602	-	372,602	-
Agency residential	985,116	-	985,116	-
Non-agency residential	19	-	19	-
Foreign government securities	581,986	-	581,986	-
Foreign corporate securities	1,157,852	-	1,157,852	-
Total fixed maturities, market value	6,319,709	-	6,249,060	70,649
Equity securities, at fair value	154,064	146,546	7,518	-

There were no transfers between Level 1 and Level 2 for the twelve months ended December 31, 2020.

The following table presents the fair value measurement levels for all assets and liabilities, which the Company has recorded at fair value (fair and market values) as of the periods indicated:

(Dollars in thousands)	December 31, 2019	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 371,073	$ -	$ 371,073	$ -
U.S. Corporate securities	2,673,909	-	2,603,260	70,649
Asset-backed securities	63,415	-	63,415	-
Mortgage-backed securities				
Commercial	457,811	-	457,811	-
Agency residential	1,307,989	-	1,307,989	-
Non-agency residential	20	-	20	-
Foreign government securities	571,838	-	571,838	-
Foreign corporate securities	1,125,919	-	1,125,919	-
Total fixed maturities, market value	6,571,974	-	6,501,325	70,649
Equity securities, at fair value	151,685	145,037	6,648	-

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs by asset type, for the periods indicated:

(Dollars in thousands)	December 31, 2020 Corporate Securities	December 31, 2020 Total	December 31, 2019 Corporate Securities	December 31, 2019 Total
Beginning balance	$ 70,649	$ 70,649	$ 51,965	$ 51,965
Total gains or (losses) (realized/unrealized)				
Included in earnings	-	-	-	-
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	-	-	18,684	18,684
Transfers in and/or (out) of Level 3	-	-	-	-
Ending balance	$ 70,649	$ 70,649	$ 70,649	$ 70,649
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ -	$ -	$ -	$ -

There were no net transfers to/(from) level 3, fair value measurements using significant unobservable inputs as of December 31, 2020 and 2019.

5. CREDIT FACILITY

Group Credit Facility

Effective May 26, 2016, Group, Bermuda Re and Everest International, entered into a five year, $800,000 thousand senior credit facility with a syndicate of lenders, which amended and restated in its entirety the June 22, 2012, four year, $800,000 thousand senior credit facility. Both the May 26, 2016 and June 22, 2012 senior credit facilities, which have similar terms, are referred to as the "Group Credit Facility". Wells Fargo Corporation ("Wells Fargo Bank") is the administrative agent for the Group Credit Facility, which consists of two tranches. Tranche one provides up to $200,000 thousand of unsecured revolving credit for liquidity and general corporate purposes, and for the issuance of unsecured standby letters of credit. The interest on the revolving loans shall, at the Company's option, be either (1) the Base Rate (as defined below) or (2) an adjusted

London Interbank Offered Rate ("LIBOR") plus a margin. The Base Rate is the higher of (a) the prime commercial lending rate established by Wells Fargo Bank, (b) the Federal Funds Rate plus 0.5% per annum or (c) the one month LIBOR Rate plus 1.0% per annum. The amount of margin and the fees payable for the Group Credit Facility depends on Group's senior unsecured debt rating. Tranche two exclusively provides up to $600,000 thousand for the issuance of standby letters of credit on a collateralized basis.

The Group Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1 and to maintain a minimum net worth. Minimum net worth is an amount equal to the sum of $5,370,979 thousand plus 25% of consolidated net income for each of Group's fiscal quarters, for which statements are available ending on or after March 31, 2016 and for which consolidated net income is positive, plus 25% of any increase in consolidated net worth during such period attributable to the issuance of ordinary and preferred shares, which at December 31, 2020, was $6,391,043 thousand. As of December 31, 2020, the Company was in compliance with all Group Credit Facility covenants

The following table summarizes the outstanding letters of credit and/or borrowings for the periods indicated:

(Dollars in thousands)		At December 31, 2020			At December 31, 2019		
Bank		Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Wells Fargo Bank Group Credit Facility	Tranche One	$ 200,000	$ 164,242	12/31/2021	$ 200,000	$ 33,737	12/31/2020
	Tranche Two	600,000	589,690	12/31/2021	600,000	2,381	7/29/2020
	Tranche Two		-			1,649	9/30/2020
	Tranche Two		-			573,353	12/31/2020
	Tranche Two		-			12,364	1/4/2021
Total Wells Fargo Bank Group Credit Facility		$ 800,000	$ 753,932		$ 800,000	$ 623,484	

Bermuda Re Letter of Credit Facility

Effective December 31, 2020, Bermuda Re renewed its letter of credit issuance facility with Citibank N.A. referred to as the "Bermuda Re Letter of Credit Facility", which commitment is reconfirmed annually with updated fees. The current renewal of the Bermuda Re Letter of Credit Facility provides for the issuance of up to $200,000 thousand of secured letters of credit to collateralize reinsurance obligations as a non-admitted reinsurer. The interest on drawn letters of credit shall be (A) 0.35% per annum of the principal amount of issued standard letters of credit (expiry of 15 months or less) and (B) 0.45% per annum of the principal amount of issued extended tenor letters of credit (expiry maximum of up to 60 months). The commitment fee on undrawn credit shall be 0.15% per annum.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands)	At December 31, 2020			At December 31, 2019		
Bank	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Citibank Bilateral Letter of Credit Agreement	$ 200,000	$ 4,425	2/28/2021	$ 200,000	$ 4,425	2/29/2020
		3,672	11/24/2021		512	9/3/2020
		448	12/16/2021		3,672	11/24/2020
		115	12/20/2021		177	12/16/2020
		136,383	12/31/2021		125	12/20/2020
		39,619	12/30/2024		101,404	12/31/2020
		821	8/15/2022		559	8/15/2021
		-			37,096	12/30/2023
Total Citibank Bilateral Agreement	$ 200,000	$ 185,483		$ 200,000	$ 147,970	

6. TRUST AGREEMENTS

The Company has established trust agreements, which effectively use the Company's investments as collateral, as security for assumed losses payable to certain non-affiliated ceding companies. At December 31, 2020 the total amount on deposit in trust accounts was $395,202 thousand.

7. LEASES

Effective January 1, 2019, the Company adopted ASU 2016-02 and ASU 2018-11 which outline new guidance on the accounting for leases. The Company enters into lease agreements for real estate that is primarily used for office space in the ordinary course of business. Lease agreements are accounted for as operating leases, whereby lease expense is recognized on a straight-line basis over the term of the lease.

Supplemental information related to operating leases is as follows for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Lease expense incurred:		
Operating lease cost	$ 308	$ 299

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Operating lease right of use assets	$ 699	$ 988
Operating lease liabilities	699	988

	At December 31,	
	2020	2019
Weighted average remaining operating lease term	2.4 years	3.4 years

Maturities of the existing lease liabilities are expected to occur as follows:

(Dollars in thousands)	
2021	$ 289
2022	289
2023	121
2024	-
2025	-
Thereafter	-
Total operating lease liability	$ 699

8. INCOME TAXES

Under Bermuda law, no income or capital gains taxes are imposed on Group and its Bermuda subsidiaries. The Minister of Finance of Bermuda has assured Group and its Bermuda subsidiaries that, pursuant to The Exempted Undertakings Tax Protection Amendment Act of 2011, they will be exempt until 2035 from imposition of any such taxes. However, the UK Branch of Bermuda Re is subject to UK income taxes on its income.

The provision for income taxes in the statement of operations and comprehensive income (loss) has been determined by reference to the applicable tax laws of jurisdictions in which the income of Bermuda Re is subject to tax. It reflects the permanent differences between financial and taxable income. The significant components of the provision are as follows for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Current foreign tax expense (benefit)	$ 1,670	$ 10,456
Deferred foreign tax expense (benefit)	(3,371)	-
Total income tax expense (benefit)	$ (1,701)	$ 10,456

The weighted average expected tax provision has been calculated using the pre-tax income (loss) in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. Reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate for the periods indicated is provided below:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Expected tax provision at weighted average rate	$ 1,860	$ 15,735
2020 and prior year benefit related to the HMRC APA agreement	(3,127)	(7,257)
Withholding tax	(11)	1,318
Other	(423)	660
Total income tax provision	$ (1,701)	$ 10,456

On October 20, 2017, Her Majesty's Revenue and Customs ("HMRC") signed an Advance Pricing Agreement ("APA") covering tax years 2016 – 2020 with regard to the pricing of the quota share agreement between the UK Branch of Bermuda Re and Everest International. The tax provision benefit related to the APA includes $3,127 thousand for the tax year 2020 and $7,257 thousand for tax year 2019.

Deferred Income taxes reflect the tax effect of the temporary differences between the value of assets and liabilities for financial statement purposes and such values are measured by the U.S. tax laws and regulations. The principal items making up the net deferred income tax assets/(liabilities) are as follows for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Deferred tax assets:		
Net operating loss carryforward	$ 3,928	$ -
Net unrealized investment losses	1,589	-
Total deferred tax assets	5,517	-
Deferred tax liabilities:		
Net unrealized investment gains	-	78
Total deferred liabilities	-	78
Net deferred tax assets	5,517	(78)
Less: Valuation allowance	-	-
Total net deferred tax assets/(liabilities)	$ 5,517	$ (78)

The Company believes that it will more than likely not recognize all of the deferred tax assets. Tax effected UK NOLs of $3,928 thousand do not expire.

9. REINSURANCE

The Company engages in reinsurance transactions, including agreements with affiliates Everest Re, Everest International, Everest Reinsurance Company (Ireland), Ltd. ("Ireland Re"), Everest Insurance Company of Canada ("Everest Canada"), Everest International Assurance ("Everest Assurance") and Mt. Logan Re, primarily driven by enterprise risk and capital management considerations under which business is assumed or ceded at market rates and terms. These agreements provide for recovery from reinsurers of a portion of losses and LAE under certain circumstances without relieving the ceding company of its obligations to the policyholders. Losses and LAE incurred and premiums earned are reported after deduction for reinsurance. In the event that one or more of the reinsurers were unable to meet their obligations under these reinsurance agreements, the Company would not realize the full value of the reinsurance recoverable balances. The Company may hold partial collateral, including letters of credit and funds held, under these agreements. See also Note 1C and Note 4.

Premiums written and earned and incurred losses and LAE are comprised of the following for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2020	2019
Written premiums:		
Direct	$ 6,293	$ 5,489
Assumed	1,821,396	1,626,139
Ceded	(389,307)	(385,828)
Net written premiums	$ 1,438,382	$ 1,245,800
Premiums earned:		
Direct	$ 3,959	$ 4,929
Assumed	1,711,303	1,515,991
Ceded	(356,784)	(338,682)
Net premiums earned	$ 1,358,478	$ 1,182,238
Incurred losses and LAE:		
Direct	$ 3,922	$ 4,821
Assumed	1,458,283	858,716
Ceded	(328,385)	(235,115)
Net incurred losses and LAE	$ 1,133,820	$ 628,422

The table below represents affiliated quota share reinsurance agreements ("whole account quota share") for all new and renewal business for the indicated coverage period:

(Dollars in thousands)

Coverage Period	Ceding Company	Percent Ceded	Assuming Company	Type of Business	Single Occurrence Limit	Aggregate Limit
01/01/2010-12/31/2010	Everest Re	44.0%	Bermuda Re	property / casualty business	150,000	325,000
01/01/2011-12/31/2011	Everest Re	50.0%	Bermuda Re	property / casualty business	150,000	300,000
01/01/2012-12/31/2014	Everest Re	50.0%	Bermuda Re	property / casualty business	100,000	200,000
01/01/2015-12/31/2016	Everest Re	50.0%	Bermuda Re	property / casualty business	162,500	325,000
01/01/2017-12/31/2017	Everest Re	60.0%	Bermuda Re	property / casualty business	219,000	438,000
01/01/2010-12/31/2011	Bermuda Re (U.K. Branch)	50.0%	Everest International	property / casualty business	€ 80,000	-
01/01/2012-12/31/2012	Bermuda Re (U.K. Branch)	50.0%	Everest International	property / casualty business	€ 70,000	-
01/01/2013	Bermuda Re (U.K. Branch)	59.5%	Everest International	property business	€ 41,650	-
01/01/2010-12/31/2010	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	350,000 (1)	-
01/01/2011-12/31/2011	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	350,000 (1)	-
01/01/2012-12/31/2012	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	206,250 (1)	412,500 (1)
01/01/2013-12/31/2013	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	150,000 (1)	412,500 (1)
01/01/2014-12/31/2017	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	262,500 (1)	412,500 (1)
01/01/2018	Everest Canada	80.0%	Bermuda Re	property / casualty business	-	-
01/01/2020	Everest International Assurance	100.0%	Bermuda Re	property / casualty business	-	-

(1) Amounts shown are Canadian dollars.

Effective April 1, 2018, the Company entered into a retroactive reinsurance transaction with one of the Mt. Logan Re segregated accounts to retrocede $269,198 thousand of casualty reserves related to accident years 2002 through 2015. As consideration for entering the agreement, the Company transferred cash of $252,000 thousand to the Mt. Logan Re segregated account. The maximum liability to be retroceded under the agreement will be $319,000 thousand. The Company will retain liability for any amounts exceeding the maximum liability.

As of December 31, 2017, the quota share reinsurance agreements between Everest Re and the Company and between the Everest Re-Canadian Branch and the Company were not renewed.

Effective January 1, 2018, the Company entered into a twelve month whole account aggregate stop loss reinsurance contract (“stop loss agreement”) with Everest Re. Through the stop loss agreement, the Company provides Everest Re with coverage for ultimate net losses on applicable net earned premiums above a retention level, subject to certain other coverage limits and conditions. The stop loss agreement has been renewed annually and was most recently renewed effective January 1, 2020.

The table below represents loss portfolio transfer reinsurance agreements whereby net insurance exposures and reserves were transferred from an affiliate.

(Dollars in thousands)

Effective Date	Transferring Company	Assuming Company	% of Business or Amount of Transfer	Covered Period of Transfer
10/01/2001	Everest Re (Belgium Branch)	Bermuda Re	100%	All years
10/01/2008	Everest Re	Bermuda Re	$ 747,022	01/01/2002-12/31/2007
12/31/2017	Everest Re	Bermuda Re	$ 970,000	All years

On December 31, 2017, the Company entered into a loss portfolio transfer (“LPT”) agreement with Everest Re. The LPT agreement covers Everest Re loss reserves of $2,336,242 thousand for accident years 2017 and prior. As a result of the LPT agreement, the Company received $1,000,000 thousand of cash and fixed maturity securities from Everest Re and assumed $970,000 thousand of loss reserves to Everest Re. The Company has recorded a deferred gain of $30,000 thousand on the LPT transaction. As part of the LPT agreement, the Company will provide an additional $500,000 thousand of adverse development coverage on the subject loss reserves.

On July 13, 2015, Everest Reinsurance Holdings, Inc., an affiliate of the Company, sold Mt. McKinley to Clearwater Insurance Company, a Delaware domiciled insurance company. Concurrently with the closing, the Company entered into a retrocession treaty with an affiliate of Clearwater Insurance Company. Per the retrocession treaty, the Company retroceded 100% of the liabilities associated with certain Mt. McKinley policies. As consideration for entering into the retrocession treaty, the Company transferred cash of $140,279 thousand, an amount equal to the net loss reserves as of the closing date. The maximum liability retroceded under the retrocession treaty will be $440,279 thousand, equal to the retrocession payment plus $300,000 thousand. The Company will retain liability for any amounts exceeding the maximum liability retroceded under the retrocession treaty.

On December 20, 2019, the retrocession treaty was amended and included a partial commutation. As a result of this amendment and partial commutation, gross A&E reserves and correspondingly reinsurance receivable were reduced by $43,362 thousand. In addition, the maximum liability permitted to be retroceded increased to $450,298 thousand.

Bermuda Re has entered into catastrophe excess of loss reinsurance contracts with Ireland Re beginning in 2010. The table below represents Bermuda Re's liability limits for any losses per one occurrence and for aggregate losses under each contract.

(Euros in thousands)	Liability Limits Exceeding		Not to Exceed	
01/01/2010 - 12/31/2010				
Losses per one occurrence	€	45,000	€	45,000
Aggregate losses	€	-	€	100,000
01/01/2011 - 12/31/2011				
Losses per one occurrence	€	75,000	€	50,000
Aggregate losses	€	-	€	100,000
01/01/2012 - 12/31/2012				
Losses per one occurrence	€	75,000	€	25,000
Aggregate losses	€	-	€	50,000
01/01/2013 -				
Losses per one occurrence	€	75,000	€	50,000
Aggregate losses	€	-	€	100,000

The following tables summarize the premiums and losses assumed and ceded by the Company to and from its affiliates for the periods indicated:

Everest Re and subsidiaries	Years Ended December 31,			
(Dollars in thousands)	2020		2019	
Assumed written premiums	$	181,629	$	136,247
Assumed earned premiums		175,348		134,860
Assumed losses and LAE		136,595		(30,150)

Everest International	Years Ended December 31,			
(Dollars in thousands)	2020		2019	
Ceded written premiums	$	336,586	$	320,005
Ceded earned premiums		300,803		276,920
Ceded losses and LAE		288,930		194,907

Mt. Logan Re	Years Ended December 31,			
(Dollars in thousands)	2020		2019	
Ceded written premiums	$	25,931	$	41,470
Ceded earned premiums		26,675		41,001
Ceded losses and LAE		40,761		7,741

10. COMPREHENSIVE INCOME (LOSS)

The following table presents the components of other comprehensive income (loss) in the statements of operations and comprehensive income (loss) for the periods indicated:

	Years Ended December 31,					
	2020			2019		
(Dollars in thousands)	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized appreciation (depreciation) ("URA(D)") on securities - temporary	$ 184,551	$ 5,249	189,800	$ 242,051	$ (1,316)	$ 240,735
URA(D) on securities - OTTI	-	-	-	(990)	-	(990)
Reclassification of net realized losses (gains) included in net income (loss)	(31,227)	(3,581)	(34,808)	(29,566)	2,782	(26,784)
Foreign currency translation adjustments	22,057	-	22,057	12,941	-	12,941
Total other comprehensive income (loss)	$ 175,381	$ 1,668	$ 177,049	$ 224,436	$ 1,466	$ 225,902

The following table presents details of the amounts reclassified from accumulated other comprehensive income ("AOCI") for the periods indicated:

AOCI component	Years Ended December 31, 2020	2019	Affected line item within the statements of operations and comprehensive income (loss)
(Dollars in thousands)			
URA(D) on securities	$ (31,227)	$ (29,566)	Other net realized capital gains (losses)
	(3,581)	2,782	Income tax expense (benefit)
	$ (34,808)	$ (26,784)	Net income (loss)

The following table shows the components of the change in accumulated other comprehensive income (loss) for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2020	2019
Beginning balance of URA (D) on securities	$ 129,740	$ (83,221)
Current period change in URA (D) of investments - temporary	154,992	213,951
Current period change in URA (D) of investments - non-credit OTTI	-	(990)
Ending balance of URA (D) on securities	284,732	129,740
Beginning balance of foreign currency translation adjustments	(134,084)	(147,025)
Current period change in foreign currency translation adjustments	22,057	12,941
Ending balance of foreign currency translation adjustments	(112,027)	(134,084)
Ending balance of accumulated other comprehensive income (loss)	$ 172,705	$ (4,344)

11. DIVIDEND RESTRICTIONS AND STATUTORY FINANCIAL INFORMATION

Dividend Restrictions.

Under Bermuda law, Bermuda Re is prohibited from declaring or making payment of a dividend if it fails to meet its minimum solvency margin or minimum liquidity ratio. As a long term insurer, Bermuda Re is also unable to declare or pay a dividend to anyone who is not a policyholder unless, after payment of the dividend, the value of the assets in its long term business fund, as certified by its approved actuary, exceeds its liabilities for long term business by at least the $250 thousand minimum solvency margin. Prior approval of the BMA is required if Bermuda Re's dividend payments would exceed 25% of its prior year-end total statutory capital and surplus.

Statutory Financial Information.

Bermuda Re prepares its statutory financial statements in conformity with the accounting principles set forth in Bermuda in The Insurance Act 1978, amendments thereto and related regulations. The statutory capital and surplus of Bermuda Re was $2,930,250 thousand and $3,197,418 thousand at December 31, 2020 and 2019, respectively. The statutory net income of Bermuda Re was $208,563 thousand and $503,610 thousand for the years ended December 31, 2020 and 2019, respectively.

Capital Restrictions.

In Bermuda, Bermuda Re is subject to the BSCR administered by the BMA. No regulatory action is taken if an insurer's capital and surplus is equal to or in excess of their enhanced capital requirement determined by the BSCR model. In addition, the BMA has established a target capital level for each insurer, which is 120% of the enhanced capital requirement.

The regulatory targeted capital and the actual statutory capital for Bermuda Re was as follows:

	Bermuda Re [1] At December 31,	
(Dollars in thousands)	2020	2019
Regulatory targeted capital	$ 1,923,209	$ 2,061,065
Actual capital	2,930,250	3,197,418

[1] Regulatory targeted capital represents the target capital level from the applicable year's BSCR calculation.

12. CONTINGENCIES

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company's rights and obligations under insurance and reinsurance agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. The Company considers the statuses of these proceedings when determining its reserves for unpaid loss and loss adjustment expenses.

Aside from litigation and arbitrations related to these insurance and reinsurance agreements, the Company is not a party to any other material litigation or arbitration.

The Company had one equity index put option contract at December 31, 2020, based on the Standard & Poor's 500 ("S&P 500") index. Based on historical index volatilities and trends and the December 31, 2020 S&P 500 index value, the Company estimates the probability that the equity index put option contract of the S&P 500 index falling below the strike price on the exercise date to be less than 0.2%. The theoretical maximum payout under this equity index put option contract would occur if on the exercise date the S&P 500 index value was zero. At December 31, 2020, the present value of the theoretical maximum payout using a 3% discount factor was $147,894 thousand. Conversely, if the contract had expired on December 31, 2020, with the S&P index at 3,756.07, there would have been no settlement amount.

On April 1, 2009, the Company entered into a guaranty agreement with Ireland Re, an affiliate, for an annual fee. The guaranty agreement states that if Ireland Re's surplus at the end of any fiscal quarter is less than €250,000 thousand, the Company will guarantee Ireland Re's commercial payment obligations to the extent that such payment obligations are not disputed or contested and have not been discharged or commuted. At December 31, 2020, Ireland Re's surplus was €476,695 thousand.

13. RELATED-PARTY TRANSACTIONS

The Company has engaged in reinsurance transactions with Everest Re, Everest Security and Ireland Re under which business is assumed and Everest International and Mt. Logan Re under which business is ceded. See also Note 10.

Effective March 2019, the parent company Group entered into a $100,000 thousand promissory note agreement with the Company. The note was repaid in December 2019. The Company recorded interest income related to the affiliated note of $1,876 thousand for the year ended December 31, 2019.

Effective December 31, 2018, Everest Reinsurance Holdings, Inc., an affiliated entity, entered into a $300,000 thousand long-term promissory note agreement with the Company. The note was scheduled to mature in December 2023 but was repaid in May 2019. The Company recorded interest income related to the affiliated note of $3,658 thousand for the year ended December 31, 2019.

Everest Global Services, Inc. ("Everest Global"), an affiliate of Bermuda Re, provides centralized management and home office services, through a management agreement. Services provided by Everest Global include executive managerial services, legal services, actuarial services, accounting services, information technology services and others.

The following table presents the expenses incurred by Bermuda Re from services provided by Everest Global for the periods indicated.

	Years Ended December 31,	
(Dollars in thousands)	2020	2019
Expenses incurred	$ 18,944	$ 15,184

14. SUBSEQUENT EVENTS

The Company has evaluated known recognized and non-recognized subsequent events. The Company does not have any subsequent events to report.