Consolidated Financial Statements

Transatlantic Holdings, Inc. and Subsidiaries
(A Wholly Owned Subsidiary of Alleghany Corporation)

As of December 31, 2020 and 2019 and
for the years ended December 31, 2020 and 2019

With Report of Independent Auditors

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Report of Independent Auditors

Audit Committee and Management of
Transatlantic Holdings, Inc.

We have audited the accompanying consolidated financial statements of Transatlantic Holdings, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of earnings (loss) and comprehensive income (loss), changes in stockholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Transatlantic Holdings, Inc. and subsidiaries at December 31, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that paid and incurred loss and loss adjustment expense development as well as average annual payout for years prior to 2020 presented in Note 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the FASB who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

February 23, 2021

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Alleghany Corporation)
Consolidated Balance Sheets

	As of December 31,	
	2020	2019
	(in thousands, except for share data)	
Assets		
Investments:		
Securities at fair value:		
Equity securities (cost: 2020 –$891,245; 2019 –$1,016,692)	$ 1,376,705	$ 1,537,645
Debt securities (amortized cost: 2020 –$11,028,240; 2019 –$9,927,866; allowance for credit losses: 2020 –$1,652)	11,545,284	10,216,417
Short-term investments, cost approximates fair value	307,051	280,729
Commercial mortgage loans	469,168	480,344
Other invested assets	298,775	325,248
Total investments	13,996,983	12,840,383
Cash	555,846	963,678
Accrued investment income	64,166	68,011
Premium balances receivable	858,489	723,136
Reinsurance recoverables	865,784	946,760
Ceded unearned premiums	35,692	40,276
Deferred acquisition costs	460,670	406,654
Property and equipment at cost, net of accumulated depreciation and amortization	23,330	29,131
Goodwill	8,812	8,812
Intangible assets, net of amortization	78,389	78,188
Current taxes receivable	-	2,479
Net deferred tax assets	6,059	39,220
Funds held under reinsurance agreements	793,547	770,587
Other assets	229,780	258,036
Total assets	$ 17,977,547	$ 17,175,351
Liabilities and Stockholder's Equity		
Loss and loss adjustment expense reserves	$ 9,813,957	$ 9,323,836
Unearned premiums	1,873,725	1,668,103
Senior notes	388,833	389,806
Reinsurance payable	107,831	109,420
Current taxes payable	6,510	-
Other liabilities	409,625	440,891
Total liabilities	12,600,481	11,932,056
Common stock ($0.01 par value; shares authorized, issued and outstanding: 1,000)	-	-
Contributed capital	4,319,718	4,319,942
Accumulated other comprehensive income (loss)	299,920	93,469
Retained earnings	757,428	829,884
Total stockholder's equity	5,377,066	5,243,295
Total liabilities and stockholder's equity	$ 17,977,547	$ 17,175,351

See accompanying Notes to Consolidated Financial Statements.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Alleghany Corporation)
Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)

	For the Years Ended December 31, 2020	For the Years Ended December 31, 2019
	(in thousands)	
Revenues		
Net premiums earned	$ 4,644,712	$ 4,327,030
Net investment income	330,214	371,905
Change in the fair value of equity securities	55,411	386,098
Net realized capital gains (losses)	34,945	41,256
Change in allowance for credit losses on available for sale securities	(7,102)	-
Other than temporary impairments	-	(19,110)
Other income	25,894	21,894
Total revenues	5,084,074	5,129,073
Costs and Expenses		
Net loss and loss adjustment expenses	3,386,821	2,961,120
Commissions, brokerage and other underwriting expenses	1,425,088	1,406,770
Other operating expenses	64,074	59,037
Amortization of intangible assets	(201)	(87)
Interest expense	27,028	27,092
Total costs and expenses	4,902,810	4,453,932
Earnings (losses) before income taxes	181,264	675,141
Income tax expense (benefit)	42,199	136,476
Net earnings (loss)	139,065	538,665
Other comprehensive income (losses):		
Change in unrealized (losses) gains, net of deferred taxes of ($48,330) and ($75,301) for 2020 and 2019, respectively	181,815	283,275
Change in unrealized currency translation adjustment, net of deferred taxes of ($5,760) and ($681) for 2020 and 2019, respectively	21,666	2,567
Retirement plans	2,970	(5,026)
Comprehensive income (losses)	$ 345,516	$ 819,481

See accompanying Notes to Consolidated Financial Statements.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES

(A Wholly Owned Subsidiary of Alleghany Corporation)

Consolidated Statements of Changes in Stockholder's Equity

	Common Stock	Contributed Capital	Accumulated Other Comprehensive Income	Retained Earnings	Stockholder's Equity
			(in thousands)		
Balance at December 31, 2018	$ -	$ 4,318,676	$ (187,347)	$ 592,201	$ 4,723,530
Add (deduct):					
Net earnings (losses)	-	-	-	538,665	538,665
Other comprehensive income, net of tax:					
Change in unrealized appreciation of investments, net	-	-	283,275	-	283,275
Change in unrealized currency translation adjustment	-	-	2,567	-	2,567
Retirement plans	-	-	(5,026)	-	(5,026)
Comprehensive income (losses)	-	-	280,816	-	280,816
Dividends	-	-	-	(300,982)	(300,982)
Other	-	1,266	-	-	1,266
Balance at December 31, 2019	$ -	$ 4,319,942	$ 93,469	$ 829,884	$ 5,243,295
Add (deduct):					
Cummulative effect of adoption of new accounting pronouncements	-	-	-	(1,521)	(1,521)
Net earnings (losses)	-	-	-	139,065	139,065
Other comprehensive income, net of tax:					
Change in unrealized appreciation of investments, net	-	-	181,815	-	181,815
Change in unrealized currency translation adjustment	-	-	21,666	-	21,666
Retirement plans	-	-	2,970	-	2,970
Comprehensive income (losses)	-	-	206,451	-	206,451
Dividends	-	-	-	(210,000)	(210,000)
Other	-	(224)	-	-	(224)
Balance at December 31, 2020	$ -	$ 4,319,718	$ 299,920	$ 757,428	$ 5,377,066

See accompanying Notes to Consolidated Financial Statements.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Alleghany Corporation)
Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2020	2019
	(in thousands)	
Cash flows from operating activities		
Net earnings (loss)	$ 139,065	$ 538,665
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	54,954	37,204
Change in the fair value of equity securities	(55,411)	(386,098)
Net realized capital (gains) losses	(34,945)	(41,256)
Change in allowance for credit losses on available for sale securities and commercial mortgage loans	7,764	-
Other than temporary impairments	-	19,110
(Increase) decrease in reinsurance recoverables, net of reinsurance payable	78,192	48,172
(Increase) decrease in premium balances receivable	(135,642)	(72,587)
(Increase) decrease in ceded unearned premiums	4,584	22,435
(Increase) decrease in deferred acquisition costs	(54,016)	(45,469)
Increase (decrease) in unearned premiums	205,622	144,158
Increase (decrease) in loss and loss adjustment expenses	490,121	(118,316)
(Increase) decrease in funds held under reinsurance agreements	(22,960)	(28,485)
Change in unrealized foreign exchange gains (losses)	(98,734)	(17,939)
Other, net	(5,877)	255,326
Net adjustments	433,652	(183,745)
Net cash (used in) provided by operating activities	572,717	354,920
Cash flows from investing activities		
Purchases of debt securities	(5,199,747)	(4,739,055)
Purchases of equity securities	(533,657)	(251,710)
Sales of debt securities	2,980,336	3,251,536
Maturities and redemptions of debt securities	1,203,229	842,088
Sales of equity securities	758,485	921,723
Net (purchases) sales of short-term investments	(25,406)	(124,189)
Net (purchases) sales of commercial mortgage loans	10,075	(6,773)
Acquisition of subsidary, net of cash acquired	-	(1,146)
Other, net	13,514	(17,717)
Net cash (used in) provided by investing activities	(793,171)	(125,243)
Cash flows from financing activities		
Dividends paid	(210,000)	(200,000)
Other, net	(1,000)	-
Net cash (used in) provided by financing activities	(211,000)	(200,000)
Effect of exchange rate changes on cash	23,622	5,620
Net increase (decrease) in cash	(407,832)	35,297
Cash at beginning of period	963,678	928,381
Cash at end of period	$ 555,846	$ 963,678
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest paid	$ 28,000	$ 28,000
Income taxes paid (refunded)	54,401	(53,936)
Non-cash dividends paid	$ -	$ 100,982

See accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Principles

(a) Principles of Financial Statement Presentation

Transatlantic Holdings, Inc. ("TransRe"), a Delaware corporation, is engaged principally in the property and casualty reinsurance business. TransRe is a wholly-owned subsidiary of Alleghany Corporation ("Alleghany"). Unless the context otherwise requires, references to "TransRe" include TransRe together with its subsidiaries.

TransRe, through its principal wholly-owned subsidiaries Transatlantic Reinsurance Company ("TRC"), TransRe London Ltd. ("TRL") and TransRe Europe S.A. ("TRESA") provides property and casualty reinsurance to insurance and other reinsurance companies. These products are distributed both through brokers and on a direct basis in the domestic and foreign markets. Domestically, TransRe is headquartered in New York, New York and has seven other office locations in the U.S. TransRe also has operations worldwide, including: Africa, Australia, Bermuda, Canada, Asia (where it has five locations), South America (where it has two locations) and the U.K. and Europe (where it has four locations). TRC is licensed, accredited or otherwise approved as a reinsurer in all 50 states and the District of Columbia in the U.S. and in Puerto Rico and Guam. TRC is also licensed in Bermuda, Canada, Japan, the U.K., Mexico, several countries in South and Central America and the Caribbean, the Hong Kong Special Administrative Region of the People's Republic of China, Australia and Singapore. In addition, TRL is licensed as a reinsurer in the U.K. and India and TRESA is licensed as a reinsurer in Luxembourg and Dubai.

The accompanying consolidated financial statements include the results of TransRe and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). All material inter-company balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. TransRe relies on historical experience and on various other assumptions that it believes to be reasonable under the circumstances to make judgments about the carrying value of assets and liabilities and reported revenues and expenses that are not readily apparent from other sources. Actual results may differ materially from those reported results to the extent that those estimates and assumptions prove to be inaccurate. Changes in estimates are reflected in the Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss) in the period in which the changes are made.

(b) Investments

Investments consist of debt securities, equity securities, short-term investments, commercial mortgage loans and other invested assets. TransRe considers all of its marketable debt securities and short-term investments as available-for-sale ("AFS"). Debt securities consist of securities with an initial fixed maturity of more than one year. Debt securities typically take the form of bonds and redeemable preferred stock. Equity securities generally consist of securities that represent ownership interests in an enterprise. Equity securities typically take the form of common stock or perpetual preferred stock. Mutual funds and exchange-traded securities are also classified as equity securities, including those that invest mostly in debt securities. All marketable equity securities are measured at fair value with changes in fair value recognized in net earnings. Short-term investments include commercial paper, certificates of deposit, money market instruments and any fixed maturity investment with an initial maturity of one year or less.

AFS securities are recorded at fair value. Unrealized gains and losses during the year, net of the related tax effect, for AFS securities are excluded from earnings and reflected in comprehensive income, and the cumulative effect is reported as a separate component of stockholders' equity until realized. Beginning January 1, 2020, credit losses for AFS securities are recorded through an allowance for credit losses. Changes in the allowance for credit losses are recorded for (or as a reversal of) credit losses on AFS securities. Credit losses on an AFS security cannot exceed the amount by which the fair value of the security is less than its amortized cost. Any portion of a decline in fair value related to a debt security that is believed to arise from factors other than credit is recorded as a component of other comprehensive income rather than charged against earnings. Prior to January 1, 2019, if a decline in fair value was deemed to be other than temporary, the investment was written down to its fair value and the amount of the write-down was recorded as an other than temporary impairment ("OTTI") loss on the statement of earnings. In addition, any portion of such decline related to debt securities that was believed to arise from factors other than credit is recorded as a component of other comprehensive income rather than against earnings.

Commercial mortgage loans are carried at unpaid principal balance, less an allowance for credit losses. Credit losses for commercial mortgage loans are recorded through an allowance for credit losses. Estimates of expected credit losses are based on historical experience, current conditions and reasonable and supportable forecasts, and include an ongoing review of amounts outstanding, the creditworthiness of the borrower, value of the real estate collateral and other relevant factors. Amounts deemed to be uncollectible are written off against the allowance. Subsequent reversals in credit loss estimates are recognized in earnings. Interest income on loans is accrued as earned.

Other invested assets include invested assets not identified above, primarily related to: (i) equity investments in operating companies where TransRe has significant influence (an aggregate common stock position held at or above 20 percent is presumed to convey significant influence); (ii) partnership investments (including hedge funds and private equity funds); and (iii) non-marketable equity investments. Equity investments in operating companies where TransRe has significant influence are accounted for using the equity method. Partnership investments are accounted for at fair value with changes in fair value recognized in net earnings or using the equity method where TransRe has significant influence. Non-marketable equity investments are accounted for at fair value with changes in fair value recognized in net earnings.

Net realized gains and losses on investments are determined in accordance with the specific identification method.

Net investment income consists primarily of: (i) interest income from debt securities, short-term investments, commercial mortgage loans, funds withheld by cedants and cash, including any premium amortization or discount accretion; (ii) dividend income from equity securities; and (iii) investment income from other invested assets, which includes results arising from partnership investments whether accounted for under the equity method or at fair value. Interest income is accrued when earned.

Premiums and discounts arising from the purchase of certain debt securities are treated as a yield adjustment over the estimated useful life of the securities, adjusted for anticipated prepayments using the retrospective interest method. Under this method, the effective yield on a security is estimated. Such estimates are based on the prepayment terms of the security, past actual cash flows, and assumptions as to future expected cash flow. The future expected cash flow assumptions consider various prepayment assumptions based on historical experience, as well as current market conditions. Periodically, the effective yield is re-estimated to reflect actual prepayments and updated future expected cash flow assumptions. Upon a re-estimation, a security's book value is restated at the most recently calculated effective yield, assuming that yield had been in effect since the security was purchased. This treatment results in an increase or decrease to net investment income (accretion of premium or amortization of discount) at the new measurement date. With respect to callable debt securities purchased at a premium to par value, the amortization period for that premium is the earliest call date.

See Note 1(o) for additional information regarding investments.

In the normal course of business, TransRe has investments in variable interest entities ("VIE") primarily as a passive investor in residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities, and private equity limited partnerships issued by VIEs. TransRe also has an investment in the Pillar investments, as defined and discussed further in Note 3(i). TransRe is not the primary beneficiary of these VIEs. TransRe's maximum exposure to loss with respect to these investments is limited to the investment carrying values included in the Consolidated Balance Sheets and the unfunded commitments related to partnerships and private equity investments. TransRe has unfunded commitments of $36 million at each of December 31, 2020 and 2019, respectively.

(c) Fair value

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. In addition, a three-tiered hierarchy for inputs is used in management's determination of fair value of financial instruments that emphasizes the use of observable inputs over the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are market participant assumptions based on market data obtained from sources independent of the reporting entity. Unobservable inputs are the reporting entity's own assumptions about market participant assumptions based on the best information available under the circumstances. In assessing the appropriateness of using observable inputs in making its fair value determinations, TransRe considers whether the market for a particular security is "active" or "inactive" based on all the relevant facts and circumstances. A market may be considered to be inactive if there are relatively few recent transactions or if there is a significant decrease in market volume. Furthermore, TransRe considers whether observable transactions are "orderly" or not. TransRe does not consider a transaction to be orderly if there is evidence of a forced liquidation or other distressed condition; as such, little or no weight is given to that transaction as an indicator of fair value.

Although TransRe is responsible for the determination of the fair value of its financial assets and the supporting methodologies and assumptions, it employs third party valuation service providers to gather, analyze and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments. When those providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either by requesting a quote, which is generally non-binding, from brokers who are knowledgeable about these securities or by employing widely accepted valuation models.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of widely accepted valuation models, provide a single fair value measurement for individual securities for which a fair value has been requested under the terms of service agreements. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, currency rates and other market observable information, as applicable. The valuation models take into account, among other things, market observable information as of the measurement date as well as the specific attributes of the security being valued including its term, interest rate, credit rating, industry sector and, when applicable, collateral quality and other issue or issuer specific information. When market transactions or other market observable data is limited, the extent to which judgment is applied in determining fair value is greatly increased.

The three-tiered hierarchy used in management's determination of fair value is broken down into three levels based on the reliability and observability of inputs as follows:

- Level 1: Valuations are based on unadjusted quoted prices in active markets that TransRe has the ability to access for identical, unrestricted assets and do not involve any meaningful degree of judgment. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis. TransRe's Level 1 assets include publicly traded common stocks and mutual funds (which are included on the consolidated balance sheet in equity securities) where TransRe's valuations are based on quoted market prices.
- Level 2: Valuations are based on direct and indirect observable inputs other than quoted market prices included in Level 1. Level 2 inputs include quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset, such as the terms of the security and market-based inputs. Terms of the security include coupon, maturity date and any special provisions that may, for example, enable the investor, at its election, to redeem the security prior to its scheduled maturity date (such provisions may apply to all debt securities except U.S. Government obligations). Market-based inputs include interest rates and yield curves that are observable at commonly quoted intervals and current credit rating(s) of the security. Market-based inputs may also include credit spreads of all debt securities except U.S. Government obligations, and currency rates for certain foreign government obligations and foreign corporate bonds denominated in foreign currencies. Fair values are determined using a market approach that relies on the securities' relationships to quoted prices for similar assets in active markets, as well as the other inputs described above. In determining the fair values for the vast majority of commercial mortgage-backed securities ("CMBS") and other asset- backed securities, as well as a small portion of residential mortgage-backed securities ("RMBS"), an income approach is used to corroborate and further support the fair values determined by the market approach. The income approach primarily involves developing a discounted cash flow model using the future projected cash flows of the underlying collateral, and the terms of the security. Level 2 assets generally include short-term investments and most debt securities. TransRe's Level 2 liabilities consist of the Senior Notes, as defined in Note 1(l).
- Level 3: Valuations are based on techniques that use significant inputs that are unobservable. The valuation of Level 3 assets requires the greatest degree of judgment. These measurements may be made under circumstances in which there is little, if any, market activity for the asset. TransRe's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. In making the assessment, TransRe considers factors specific to the asset. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assets classified as Level 3 principally include other asset-backed securities (primarily, collateralized loan obligations) and, to a lesser extent U.S. and foreign corporate bonds (including privately issued securities), RMBS, CMBS and commercial mortgage loans.

  Mortgage-backed and asset-backed securities are initially valued at the transaction price. Subsequently, TransRe uses widely accepted valuation practices that produce a fair value measurement. The vast majority of fair values are determined using an income approach. The income approach primarily involves developing a discounted cash flow model using the future projected cash flows of the underlying collateral, as well as other inputs described below. A few Level 3 valuations are based entirely on non-binding broker quotes. These securities consist primarily of mortgage-backed and asset-backed securities where reliable pool and loan level collateral information cannot be reasonably obtained, and as such, an income approach is not feasible.

Since Level 3 valuations are based on techniques that use significant inputs that are unobservable with little or no market activity, the fair values under the market approach for Level 3 securities are less credible than under the income approach; however, the market approach, where feasible, is used to corroborate the fair values determined by the income approach. The market approach primarily relies on the securities' relationships to quoted transaction prices for similarly structured instruments. To the extent that transaction prices for similarly structured instruments are not available for a particular security, other market approaches are used to corroborate the fair values determined by the income approach, including option adjusted spread analyses.

Unobservable inputs, significant to the measurement and valuation of mortgage-backed and asset-backed securities, are generally used in the income approach, and include assumptions about prepayment speed and collateral performance, including default, delinquency and loss severity rates. Significant changes to any one of these inputs, or combination of inputs, could significantly change the fair value measurement for these securities.

The impact of prepayment speeds on fair value is dependent on a number of variables including whether the securities were purchased at a premium or discount. A decrease in interest rates generally increases the assumed rate of prepayments, and an increase in interest rates generally decreases the assumed speed of prepayments. Increased prepayments increase the yield on securities purchased at a discount and reduce the yield on securities purchased at a premium. In a decreasing prepayment environment, yields on securities purchased at a discount are reduced but are increased for securities purchased at a premium. Changes in default assumptions on underlying collateral are generally accompanied by directionally similar changes in other collateral performance factors, but generally result in a directionally opposite change in prepayment assumptions.

TransRe employs specific control processes to determine the reasonableness of the fair values of its financial assets and liabilities. TransRe's processes are designed to ensure that the values received or internally estimated are accurately recorded and that the data inputs and the valuation techniques used are appropriate, consistently applied and that the assumptions are reasonable and consistent with the objective of determining fair value. TransRe assesses the reasonableness of individual security values received from valuation service providers through various analytical techniques. In addition, TransRe validates the reasonableness of fair values by comparing information obtained from TransRe's valuation service providers to other third party valuation sources for selected securities. TransRe also validates prices obtained from brokers for selected securities through reviews by those who have relevant expertise and who are independent of those charged with executing investing transactions.

In addition to such procedures, TransRe reviews the reasonableness of its classification of securities within the three-tiered hierarchy to ensure that the classification is consistent with GAAP.

See Note 2 for additional information regarding fair value.

(d) Cash

Cash includes all deposit balances with a bank that are available for immediate withdrawal, whether interest-bearing or non-interest bearing.

(e) Premiums and Unearned Premiums

Premiums are recognized as revenue on a pro rata basis over the term of an insurance policy. Assumed reinsurance premiums written and earned are based on reports received from ceding companies for pro rata treaty contracts and are generally recorded as written based on contract terms for excess-of-loss treaty contracts. Premiums are earned ratably over the terms of the related coverages.

Unearned premiums and ceded unearned premiums represent the portion of gross premiums written and ceded premiums written, respectively, related to the unexpired periods of such coverages. Assumed reinsurance premiums written and earned, along with related costs, for which data has not been reported by the ceding companies, are estimated based on historical patterns and other relevant factors. These estimates may change when actual data for such estimated items becomes available.

Premium balances receivable are reported net of an allowance for credit losses. Estimates of expected credit losses are based on historical experience, current conditions and reasonable and supportable forecasts, and include an ongoing review of amounts outstanding, length of collection periods, the creditworthiness of the insured and other relevant factors. Amounts deemed to be uncollectible are written off against the allowance. Subsequent reversals are recognized in earnings.

(f) Reinsurance Ceded

Reinsurance is used to mitigate the exposure to losses, manage capacity and protect capital resources. Reinsuring loss exposures does not relieve a ceding entity from its obligations to policyholders and cedants. Reinsurance recoverables (including amounts related to incurred but not reported ("IBNR") claims) and ceded unearned premiums are reported as assets. To minimize exposure to losses related to a reinsurer's inability to pay, the financial condition of such reinsurer is evaluated initially upon placement of the reinsurance and periodically thereafter. In addition to considering the financial condition of a reinsurer, the collectability of the reinsurance recoverables is evaluated based upon a number of other factors. Such factors include the amounts outstanding, length of collection periods, disputes, any collateral or letters of credit held and other relevant factors. Credit losses for reinsurance recoverables are recorded through an allowance for credit losses. Estimates of expected credit losses are based on historical experience, current conditions and reasonable and supportable forecasts. Amounts deemed to be uncollectible are written off against the allowance. Subsequent reversals in credit loss estimates are recognized in earnings.

Ceded premiums written are recorded in accordance with the applicable terms of the various reinsurance contracts and ceded premiums earned are charged against revenue over the period of the various reinsurance contracts. This also generally applies to reinstatement premiums paid to a reinsurer, which arise when contractually-specified ceded loss triggers have been breached. Ceded commissions reduce commissions, brokerage and other underwriting expenses and ceded losses incurred reduce net loss and loss adjustment expenses ("LAE") incurred over the applicable periods of the various reinsurance contracts with third party reinsurers. If premiums or commissions are subject to adjustment (for example, retrospectively-rated or experience-rated), the estimated ultimate premium or commission is recognized over the period of the contract.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured business and consistent with the terms of the underlying reinsurance contract.

See Note 4 for additional information on reinsurance ceded and reinsurance recoverables.

(g) Deferred Acquisition Costs

Acquisition costs related to unearned premiums that vary with, and are directly related to, the production of such premiums are deferred. Furthermore, such deferred costs: (i) represent only incremental, direct costs associated with the successful acquisition of a new or renewal insurance or reinsurance contract; (ii) are essential to the contract transaction; (iii) would not have been incurred had the contract transaction not occurred; and (iv) are related directly to the acquisition activities involving underwriting, policy issuance and processing. Acquisition costs principally relate to commissions. To a lesser extent, acquisition costs can include premium taxes and certain qualifying underwriting expenses. For insurance policies written, acquisition costs are generally incurred directly and include commissions, premium taxes and certain qualifying underwriting expenses. For reinsurance contracts written, acquisition costs are generally incurred through brokerage commissions and indirectly through ceding commissions, which are deferred. Deferred acquisition costs are amortized to expense as the related premiums are earned, generally over a period of one year. Deferred acquisition costs are reviewed at least annually to determine their recoverability from future income, including investment income. If any such costs are determined not to be recoverable they are charged to expense.

Anticipated net loss and LAE and estimated remaining costs of servicing the contracts are considered when evaluating recoverability of deferred acquisition costs.

(h) Goodwill and Other Intangible Assets

Goodwill and other intangible assets, net of amortization, are recorded as a consequence of business acquisitions. Goodwill represents the excess, if any, of the amount paid to acquire subsidiaries and other businesses over the fair value of their net assets as of the date of acquisition. Other intangible assets are recorded at their fair value as of the acquisition date. A significant amount of judgment is needed to determine the fair value as of the date of acquisition of other intangible assets and the net assets acquired in a business acquisition. The determination of the fair value of other intangible assets and net assets often involves the use of valuation models and other estimates, which involve many assumptions and variables and are inherently subjective. The fair value estimates may include the use of financial projections and discount rates. Other intangible assets that are not deemed to have an indefinite useful life are amortized over their estimated useful lives. Goodwill and intangible assets that have an indefinite useful life are not subject to amortization.

Goodwill and other intangible assets deemed to have an indefinite useful life are tested annually for impairment in the fourth quarter. Goodwill and other intangible assets are also tested whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. A significant amount of judgment is required in performing goodwill and other intangible asset impairment tests. These tests may include estimating the fair value of TransRe's operating subsidiaries and other intangible assets. The fair value estimates may include the use of financial projections and discount rates. If it is determined that an asset has been impaired, the asset is written down by the amount of the impairment, with a corresponding charge to net earnings. Subsequent reversal of any impairment charge is not permitted.

With respect to goodwill, a qualitative assessment is first made to determine whether it is necessary to perform quantitative testing. This initial assessment includes, among other factors, consideration of: (i) past, current and projected future earnings and equity; (ii) recent trends and market conditions; and (iii) valuation metrics involving similar companies that are publicly-traded and acquisitions of similar companies, if available. If this initial qualitative assessment indicates that the fair value of an operating subsidiary may be less than its carrying amount, a second step is taken, involving a comparison between the estimated fair value of the operating subsidiary with its respective carrying amount including goodwill. Under GAAP, fair value refers to the amount for which the entire operating subsidiary may be bought or sold. The methods for estimating the fair value of an operating subsidiary values include asset and liability fair values and other valuation techniques, such as discounted cash flows and multiples of earnings or revenues. All of these methods involve significant estimates and assumptions. If the carrying value exceeds estimated fair value, an impairment charge is recognized for the amount by which the carrying amount of the operating subsidiary exceeds its estimated fair value. Any resulting impairment loss recognized cannot exceed the total amount of goodwill associated with the operating subsidiary.

See Note 14 for additional information on goodwill and other intangible assets.

(i) Income Taxes

Alleghany files a consolidated federal income tax return with its subsidiaries, including TransRe. The consolidated federal income tax return includes as part of its taxable income all items of income of non-U.S. subsidiaries that are subject to current U.S. income tax, currently pursuant to provisions of the Internal Revenue Code. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Current tax liabilities or assets are recognized for the estimated taxes payable or refundable on tax returns for the current year.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. This determination is based upon a review of all available information, both positive and negative, including TransRe’s earnings history, the timing, character and amount of future earnings potential, the reversal of taxable temporary differences and the tax planning strategies available.

See Note 7 for additional information on income taxes.

(j) Loss Reserves

The reserves for loss and LAE represent management’s best estimate of the ultimate cost of all reported and unreported losses incurred through the balance sheet date.

The reserves for loss and LAE include but are not limited to: (i) reports and individual case estimates received from ceding companies with respect to assumed reinsurance business; (ii) the accumulation of individual estimates for claims reported with respect to direct insurance business; (iii) estimates for IBNR claims based on past experience, modified for current trends and industry data; and (iv) estimates of expenses for investigating and settling claims based on past experience. The methods used to determine such estimates and to establish the resulting reserves are continually reviewed and updated. Any adjustments are reflected in current income. Net loss and LAE consist of the estimated ultimate cost of settling claims incurred within the reporting period (net of related reinsurance recoverable), including IBNR claims, plus changes in estimates of prior period losses.

The estimation of the liability for unpaid loss and LAE is inherently difficult and subjective, especially in view of changing legal and economic environments that impact the development of loss reserves and, therefore, quantitative techniques frequently have to be supplemented by subjective considerations and managerial judgment. In addition, trends that have affected development of liabilities in the past may not necessarily occur or affect liability development to the same degree in the future.

While the reserving process is difficult for the insurance business, the inherent uncertainties of estimating loss reserves are even greater for the reinsurance business, due primarily to the longer-term nature of most of the business, the diversity of development patterns among different types of reinsurance contracts, the necessary reliance on the ceding companies for information regarding reported claims and differing reserving practices among ceding companies which may change without notice. TransRe writes a significant amount of non-proportional assumed casualty reinsurance as well as proportional assumed reinsurance of excess liability business. Claims from such classes can exhibit greater volatility over time than most other classes due to their low frequency, high severity nature and loss cost trends that are more difficult to predict. Net loss and LAE also include amounts for risks related to asbestos-related illness and environmental impairment.

TransRe establishes reserves on its balance sheet for unpaid loss and LAE related to its property and casualty reinsurance and insurance contracts. As of any balance sheet date, there are claims that have not yet been reported, and some claims may not be reported for many years after the date a loss occurs. As a result of this historical pattern, the liability for unpaid loss and LAE includes significant estimates for IBNR claims. Additionally, reported claims are in various stages of the settlement process. Each claim is settled individually based upon its merits, and certain claims may take years to settle, especially if legal action is involved. As a result, the liabilities for unpaid loss and LAE include significant judgments, assumptions and estimates made by management related to the actual ultimate losses that will arise from the claims.

As noted above, as of any balance sheet date, not all claims that have occurred have been reported to TransRe, and if reported may not have been settled. The time period between the occurrence of a loss and the time it is settled is referred to as the “claim tail.” Reported losses for the shorter-tailed classes, such as property, generally reach the ultimate level of incurred losses in a relatively short period of time and as such, are only relevant for the more recent accident years.

Casualty claims can have a very long claim tail, in certain situations extending for many years. In addition, casualty claims are more susceptible to litigation and the legal environment and can be significantly affected by changing contract interpretations, all of which contribute to extending the claim tail. For long-tail casualty lines of business, estimating the ultimate liabilities for unpaid loss and LAE is a more complex process and depends on a number of factors, including the line and volume of the business involved.

TransRe’s loss reserve review processes use actuarial methods that vary by operating subsidiary and line of business and produce point estimates for each class of business. The actuarial methods used include the following methods:

- *Reported Loss Development Method:* a reported loss development pattern is calculated based on historical loss development data, and this pattern is then used to project the latest evaluation of cumulative reported losses for each accident year or underwriting year, as appropriate, to ultimate levels;
- *Paid Loss Development Method:* a paid loss development pattern is calculated based on historical paid loss development data, and this pattern is then used to project the latest evaluation of cumulative paid losses for each accident year or underwriting year, as appropriate, to ultimate levels;
- *Expected Loss Ratio Method:* expected loss ratios are applied to premiums earned, based on historical company experience, or historical insurance industry results when company experience is deemed not to be sufficient; and
- *Bornhuetter-Ferguson Method:* the results from the Expected Loss Ratio Method are essentially blended with either the Reported Loss Development Method or the Paid Development Method.

See Notes 5 and 9(c) for additional information on loss reserves.

(k) Book Value Units

The cost resulting from book value units awarded to certain employees is accrued over the period of the employee’s service in a systematic and rational manner.

(l) Senior Notes

The senior notes are carried at unpaid principal balance including unamortized premium.

See Note 6 for additional information on the senior notes.

(m) Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at period-end exchange rates. Income and expense accounts are translated at average exchange rates for the year. The resulting unrealized currency translation gain or loss for functional currencies is recorded, net of tax, in accumulated other comprehensive income, a component of stockholders’ equity.

Transaction gains and losses on assets and liabilities denominated in foreign currencies are recorded as a component of net realized capital gains during the period in which they occur.

(n) Reclassification

Certain prior year amounts may have been reclassified to conform to the 2020 presentation of the financial statements.

(o) Recent Accounting Standards

Recently Adopted

In February 2016, the FASB issued guidance on leases. Under this guidance, a lessee is required to recognize lease liabilities and corresponding right-of-use assets for leases with terms of more than one year, whereas under the prior guidance, a lessee is only required to recognize assets and liabilities for those leases qualifying as capital leases. This guidance also requires new disclosures about the amount, timing and uncertainty of cash flows arising from leases. The accounting by lessors remains largely unchanged. This guidance became effective in the first quarter of 2019 for public entities, with early adoption permitted. A modified retrospective transition approach was elected for all leases in existence as of, or entered into after, the beginning of the earliest comparative period presented in the financial statements. TransRe adopted this guidance in the first quarter of 2019 and the implementation did not have a material impact on its results of operations and financial condition. As of January 1, 2019, TransRe’s right-of-use asset was approximately $82 million and the corresponding lease liability was $98 million. See Note 9(b) for further information on TransRe’s leases.

In June 2016, the FASB issued guidance on credit losses. Under this guidance, a company is required to measure all expected credit losses on loans, reinsurance recoverables and other financial assets accounted for at cost or amortized cost, as applicable, over the remaining expected life of such assets. Estimates of expected credit losses are to be based on historical experience, current conditions and reasonable and supportable forecasts. Under former FASB guidance, credit lossess on these assets generally required a company to recognize credit losses when it was a probable that a loss had been incurred. Credit losses for securities accounted for on an available for sale (“AFS”) basis are to be measured in a manner similar to GAAP as applied under former guidance and cannot exceed the amount by which the fair value is less than the amortized cost, although the new guidance removes the length of time a security has been in an unrealized loss position as a possible indication of a credit impairment. Credit losses for all financial assets are to be recorded through an allowance for credit losses. Subsequent reversals in credit loss estimates are permitted and are to be recognized in earnings. This guidance also requires new disclosures about the significant estimates and judgments used in estimating credit losses, as well as the credit quality of financial assets. This guidance was effective in the first quarter of 2020 for public companies, with early adoption permitted. TransRe adopted this guidance in the first quarter of 2020. The adoption of this guidance resulting in a cumulative effective of new accounting pronouncements which reduced stockholder’s equity by $1.5 million as of January 1, 2020.

In January 2017, the FASB issued guidance that simplifies the subsequent measurement of goodwill. Under this guidance, if an initial qualitative assessment indicates that the fair value of an operating subsidiary may be less than its carrying amount, an impairment charge is recognized for the amount by which the carrying amount of the operating subsidiary exceeds its estimated fair value. Any resulting impairment loss recognized cannot exceed the total amount of goodwill associated with the operating subsidiary. This guidance is effective in the first quarter of 2020 for public companies, with early adoption permitted. TransRe adopted this guidance in the first quarter of 2020 and the implementation did not have a material impact on its results of operations and financial condition. See Note 14 for further information on TransRe’s goodwill.

In August 2017, the FASB issued guidance that simplifies the requirements to achieve hedge accounting, better reflects the economic results of hedging in the financial statements and improves the alignment between hedge accounting and a company’s risk management activities. This guidance is effective in the first quarter of 2019 for public entities, with early adoption permitted. TransRe adopted this guidance in the first quarter of 2019 and the implementation did not have a material impact on its results of operations and financial condition.

In August 2018, the FASB issued guidance that changes the financial statement disclosure requirements for measuring fair value. With respect to financial instruments classified as “Level 3” in the fair value disclosure hierarchy, the guidance requires certain additional disclosures for public companies related to amounts included in other comprehensive income and significant unobservable inputs used in the valuation, while removing disclosure requirements related to an entity’s overall valuation processes. The guidance also removes certain disclosure requirements related to transfers between financial instruments classified as “Level 1” and “Level 2” and provides clarification on certain other existing disclosure requirements. This guidance was effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted with respect to any eliminated or modified disclosures. TransRe adopted this guidance in the first quarter of 2020 and the implementation did not have a material impact on its results of operations and financial condition. See Note 2 for further information on the fair value of TransRe’s financial instruments.

In March 2020, the FASB issued guidance to expedite and simplify the accounting associated with the anticipated migration away from the widely-used London Inter-bank Offered Rate and other similar rates as benchmark interest rates after 2021. Under pre-existing GAAP, such modifications made to: (i) loans and certain other contracts would require re-assessments of the accounting for those contracts, such as whether they were extinguished and remeasured from an accounting perspective; and (ii) derivative contracts may cause a change in accounting, such as a possible dedesignation of hedge accounting. This new guidance largely eliminates these requirements as a result of this migration to one or more new benchmark rates and is generally applicable for contract modifications made prior to December 31, 2022. TransRe adopted this guidance in March 2020 and the implementation did not have an impact on its results of operations and financial condition.

2. Fair Value of Financial Instruments

The following table presents the carrying value and estimated fair value of TransRe's consolidated financial instruments as of December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
Assets				
Investments (excluding equity method investments)[1]	$ 13,229.0	$ 13,229.0	$ 12,034.8	$ 12,034.8
Liabilities				
Senior notes[2]	$ 388.8	$ 557.4	$ 389.8	$ 521.9

(1) This table includes debt and equity securities, as well as partnership and non-marketable equity investments, if any, carried at fair value that are included in other invested assets. This table excludes investments accounted for using the equity method and commercial mortgage loans that are carried at unpaid principal balance. The fair value of short-term investments approximates amortized cost. The fair value of all other categories of investments is discussed in Note 1(c).

(2) See Note 6 for additional information on the Senior Notes.

The following tables present TransRe's financial instruments measured at fair value and the level of the fair value hierarchy of inputs used as of December 31, 2020 and 2019:

	Level 1	Level 2	Level 3	Total
		(in millions)		
As of December 31, 2020				
Equity securities:				
Common stock	$ 1,372.4	$ -	$ -	$ 1,372.4
Preferred stock	-	3.0	1.3	4.3
Total equity securities	1,372.4	3.0	1.3	1,376.7
Debt securities:				
U.S. Government obligations	-	1,288.6	-	1,288.6
Municipal bonds	-	1,615.5	-	1,615.5
Foreign government obligations	-	879.6	-	879.6
U.S. corporate bonds	-	2,096.6	498.0	2,594.6
Foreign corporate bonds	-	1,106.6	151.3	1,257.9
Mortgage and asset-backed securities:				
RMBS[(1)]	-	1,997.6	2.5	2,000.1
CMBS	-	594.8	3.9	598.7
Other asset-backed securities[(2)]	-	714.0	596.3	1,310.3
Total debt securities	-	10,293.3	1,252.0	11,545.3
Short-term investments	-	307.0	-	307.0
Other invested assets	-	-	-	-
Total	$ 1,372.4	$ 10,603.3	$ 1,253.3	$ 13,229.0
Senior Notes	$ -	$ 557.4	$ -	$ 557.4

	Level 1	Level 2	Level 3	Total
		(in millions)		
As of December 31, 2019				
Equity securities:				
Common stock	$ 1,533.6	$ -	$ -	$ 1,533.6
Preferred stock	-	2.1	2.0	4.1
Total equity securities	1,533.6	2.1	2.0	1,537.7
Debt securities:				
U.S. Government obligations	-	1,098.7	-	1,098.7
Municipal bonds	-	1,466.5	-	1,466.5
Foreign government obligations	-	690.6	-	690.6
U.S. corporate bonds	-	1,862.8	497.0	2,359.8
Foreign corporate bonds	-	1,151.1	141.8	1,292.9
Mortgage and asset-backed securities:				
RMBS(1)	-	1,379.9	1.9	1,381.8
CMBS	-	571.1	3.8	574.9
Other asset-backed securities(2)	-	802.7	548.5	1,351.2
Total debt securities	-	9,023.4	1,193.0	10,216.4
Short-term investments	-	280.7	-	280.7
Other invested assets	-	-	-	-
Total	$ 1,533.6	$ 9,306.2	$ 1,195.0	$ 12,034.8
Senior Notes	$ -	$ 521.9	$ -	$ 521.9

(1) Primarily includes government agency pass-through securities guaranteed by a government agency or government sponsored enterprise, among other types of RMBS.
(2) Includes $578.2 million and $532.8 million of collateralized loan obligations as of December 31, 2020 and 2019, respectively.

In 2020, there were transfers of $16.6 million of securities out of Level 3 that were principally due to an increase in observable inputs related to the valuation of such assets. Of the $16.6 million of transfers, $10.3 million related to other asset-backed securities and $6.3 million related to foreign corporate bonds.

In 2019, there were transfers of $22.2 million of securities out of Level 3 that were principally due to an increase in observable inputs related to the valuation of such assets. Of the $22.2 million of transfers, $16.5 million related to other asset-backed securities, $1.8 million related to U.S. corporate bonds, $1.6 million related to foreign corporate bonds, $2.1 million related to preferred stock and $0.2 million related to CMBS.

In 2019, there were transfers of $19.5 million of securities into Level 3 that were principally due to a decrease in observable inputs related to the valuations of such securities. Of the $19.5 million of transfers, $14.7 million related to foreign corporate bonds, $3.9 million related to other asset-backed securities and $0.9 million related to U.S. corporate bonds.

The following tables present reconciliations of the changes during 2020 and 2019 in Level 3 assets measured at fair value:

	Equity Securities		Debt Securities						
					Mortgage and asset-backed				
Year Ended December 31, 2020	Common Stock	Preferred Stock	U.S. Corporate Bonds	Foreign Corporate Bonds	RMBS	CMBS	Other Asset-backed Securities	Other Invested Assets[1]	Total
				($ in millions)					
Balance as of January 1, 2020	$ -	$ 2.0	$ 497.0	$ 141.8	$ 1.9	$ 3.8	$ 548.5	$ -	$ 1,195.0
Net realized/unrealized gains (losses) included in:									
Net earnings[2]	-	-	(3.8)	-	-	-	(6.3)	-	(10.1)
Other comprehensive income	-	(0.7)	16.6	5.7	0.1	0.1	3.2	-	25.0
Purchases	-	-	29.3	20.6	0.9	-	160.0	-	210.8
Sales	-	-	(2.0)	(0.8)	-	-	(41.7)	-	(44.5)
Issuances	-	-	-	-	-	-	-	-	-
Settlements	-	-	(39.1)	(9.7)	(0.4)	-	(57.1)	-	(106.3)
Transfers into Level 3	-	-	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	(6.3)	-	-	(10.3)	-	(16.6)
Balance as of December 31, 2020	$ -	$ 1.3	$ 498.0	$ 151.3	$ 2.5	$ 3.9	$ 596.3	$ -	$ 1,253.3

	Equity Securities		Debt Securities						
					Mortgage and asset-backed				
Year Ended December 31, 2019	Common Stock	Preferred Stock	U.S. Corporate Bonds	Foreign Corporate Bonds	RMBS	CMBS	Other Asset-backed Securities	Other Invested Assets[1]	Total
				($ in millions)					
Balance as of January 1, 2019	$ -	$ 5.0	$ 376.9	$ 109.4	$ -	$ -	$ 892.3	$ -	$ 1,383.6
Net realized/unrealized gains (losses) included in:									
Net earnings[2]	-	(1.2)	(6.5)	(5.9)	-	-	(1.0)	(0.1)	(14.7)
Other comprehensive income	-	-	34.6	6.5	0.1	-	11.7	-	52.9
Purchases	-	0.3	123.9	33.9	1.8	4.0	69.7	0.1	233.7
Sales	-	-	-	(5.6)	-	-	(332.3)	-	(337.9)
Issuances	-	-	-	-	-	-	-	-	-
Settlements	-	-	(31.0)	(9.6)	-	-	(79.3)	-	(119.9)
Transfers into Level 3	-	-	0.9	14.7	-	-	3.9	-	19.5
Transfers out of Level 3	-	(2.1)	(1.8)	(1.6)	-	(0.2)	(16.5)	-	(22.2)
Balance as of December 31, 2019	$ -	$ 2.0	$ 497.0	$ 141.8	$ 1.9	$ 3.8	$ 548.5	$ -	$ 1,195.0

(1) Includes partnership and/or non-marketable equity investments accounted for at fair value.
(2) There were no credit losses recorded in net earnings related to Level 3 instruments still held as of December 31, 2020 and 2019.

Net unrealized losses related to Level 3 assets as of December 31, 2020 and 2019 were not material.

See Note 1(c) for TransRe's accounting policy on fair value.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Alleghany Corporation)
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

3. Investments

(a) Unrealized Gains and Losses

The following tables present the amortized cost or cost and the fair value of AFS securities as of December 31, 2020 and 2019:

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
			($ in millions)		
As of December 31, 2020					
Debt securities:					
U.S. Government obligations	$ 1,247.7	$ 42.4	$ (1.5)	$ -	$ 1,288.6
Municipal bonds	1,511.3	104.7	(0.5)	-	1,615.5
Foreign government obligations	846.6	33.5	(0.5)	-	879.6
U.S. corporate bonds	2,404.2	194.7	(2.7)	(1.6)	2,594.6
Foreign corporate bonds	1,207.1	51.5	(0.6)	(0.1)	1,257.9
Mortgage and asset-backed securities:					
RMBS	1,942.4	57.9	(0.2)	-	2,000.1
CMBS	570.4	32.5	(4.2)	-	598.7
Other asset-backed securities (1)	1,298.5	25.3	(13.5)	-	1,310.3
Total debt securities	11,028.2	542.5	(23.7)	(1.7)	11,545.3
Short-term investments	307.1	-	-	-	307.1
Total	$ 11,335.3	$ 542.5	$ (23.7)	$ (1.7)	$ 11,852.4

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		($ in millions)		
As of December 31, 2019				
Debt securities:				
U.S. Government obligations	$ 1,082.6	$ 18.7	$ (2.6)	$ 1,098.7
Municipal bonds	1,391.2	75.9	(0.6)	1,466.5
Foreign government obligations	675.9	16.3	(1.6)	690.6
U.S. corporate bonds	2,260.2	101.1	(1.5)	2,359.8
Foreign corporate bonds	1,265.9	29.7	(2.7)	1,292.9
Mortgage and asset-backed securities:				
RMBS	1,342.1	40.5	(0.8)	1,381.8
CMBS	559.3	16.6	(1.0)	574.9
Other asset-backed securities (1)	1,350.7	12.6	(12.1)	1,351.2
Total debt securities	9,927.9	311.4	(22.9)	10,216.4
Short-term investments	280.7	-	-	280.7
Total	$ 10,208.6	$ 311.4	$ (22.9)	$ 10,497.1

(1) Includes $578.2 million and $532.8 million of collateralized loan obligations as of December 31, 2020 and 2019, respectively.

(b) Contractual Maturity

The following table presents the amortized cost and estimated fair value of debt securities by contractual maturity as of December 31, 2020. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(in millions)	
Short-term investments due in one year or less	$ 307.1	$ 307.1
Mortgage and asset-backed securities[1]	$ 3,811.3	$ 3,909.1
Debt securities with maturity dates:		
One year or less	541.6	546.3
Over one through five years	3,024.1	3,147.5
Over five through ten years	2,172.2	2,321.7
Over ten years	1,479.0	1,620.7
Total debt securities	$ 11,028.2	$ 11,545.3

(1) Mortgage and asset-backed securities by their nature do not generally have single maturity dates.

(c) Net Investment Income

The following table presents net investment income for 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in millions)	
Interest income	$ 308.6	$ 343.9
Dividend income	14.3	18.5
Investment expenses	(20.9)	(22.5)
Equity results of Pillar Investments[1]	21.1	15.2
Other investment income	7.1	16.8
Total	$ 330.2	$ 371.9

(1) See Note 3(i) for discussion of the Pillar Investments, as defined therein.

As of December 31, 2020, non-income producing invested assets were insignificant.

(d) Change in the Fair Value of Equity Securities

The proceeds from sales of equity securities were $758.5 million and $921.7 million in 2020 and 2019, respectively.

The following table presents increases in the fair value of equity securities for 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in millions)	
Change in the fair value of equity securities sold during the period	$ 91.3	$ 152.4
Change in the fair value of equity securities held at the end of the period	(35.9)	233.7
Change in the fair value of equity securities	$ 55.4	$ 386.1

(e) Realized Gains and Losses

The proceeds from sales of debt securities were $3.0 billion and $3.3 billion for 2020 and 2019, respectively.

Net realized capital gains in 2020 and 2019 primarily reflect sales of debt securities and net foreign currency transaction gains (losses).

The following table presents the components of net realized capital gains (losses) for 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in millions)	
Gross realized capital gains	$ 71.6	$ 41.5
Gross realized capital losses	(25.8)	(12.8)
Net foreign currency transaction gains (losses)	(11.1)	10.3
Other	0.2	2.3
Net realized capital gains (losses)	$ 34.9	$ 41.3

Gross realized loss amounts exclude change in allowance for credit losses, as discussed below.

(f) Credit quality for AFS securities and other than temporary impairments

TransRe holds its debt securities as AFS and, as such, these securities are recorded at fair value. TransRe continually monitors the difference between amortized cost and the estimated fair value of its debt investments. The analysis of a security's decline in value is performed in its functional currency.

Beginning January 1, 2020, credit losses for AFS securities are recorded through an allowance for credit losses. Changes in the allowance for credit losses are recorded for (or as a reversal of) credit losses on AFS securities. Any portion of a decline in fair value related to a debt security that is believed to arise from factors other than credit is recorded as a component of other comprehensive income rather than charged against earnings. See Note 1(o) for additional information about the adoption of new accounting guidance related to credit losses.

Prior to January 1, 2020, if the decline was deemed temporary, TransRe recorded the decline as an unrealized loss in stockholder's equity. If the decline was deemed to be other than temporary, TransRe wrote its amortized cost-basis down to the fair value of the security and recorded an OTTI loss on its statement of earnings. In addition, any portion of such decline related to a debt security that was believed to arise from factors other than credit was recorded as a component of other comprehensive income rather than charged against earnings.

Debt securities in an unrealized loss position are evaluated for credit losses if they meet any of the following criteria: (i) they are trading at a discount of at least 20 percent to amortized cost and have a credit rating below investment grade or are not rated; (ii) there has been a negative credit or news event with respect to the issuer that could indicate the existence of a credit loss; or (iii) TransRe intends to sell, or it is more likely than not that TransRe will sell, the debt security before recovery of its amortized cost basis.

If TransRe intends to sell, or it is more likely than not that TransRe will sell, a debt security before recovery of its amortized cost basis, the total amount of the unrealized loss position is recognized as a credit loss in earnings. To the extent that a debt security that is in an unrealized loss position is not impaired based on the preceding, TransRe will consider a debt security to be impaired when it believes it to be probable that TransRe will not be able to collect the entire amortized cost basis. For debt securities in an unrealized loss position as of the end of each quarter, TransRe develops a best estimate of the present value of expected cash flows. If the results of the cash flow analysis indicate that TransRe will not recover the full amount of its amortized cost basis in the debt security, TransRe records a credit loss in earnings equal to the difference between the present value of expected cash flows and the amortized cost basis of the debt security. If applicable, the difference between the total unrealized loss position on the debt security and the total loss recognized in earnings is the non-credit related portion, which is recorded as a component of other comprehensive income.

In developing the cash flow analyses for debt securities, TransRe considers various factors for the different categories of debt securities. For municipal bonds, TransRe takes into account the taxing power of the issuer, source of revenue, credit risk and enhancements and pre-refunding. For mortgage and asset-backed securities, TransRe discounts its best estimate of future cash flows at an effective rate equal to the original effective yield of the security or, in the case of floating rate securities, at the current coupon. TransRe's models include assumptions about prepayment speeds, default and delinquency rates, underlying collateral (if any), credit ratings, credit enhancements and other observable market data. For corporate bonds, TransRe reviews business prospects, credit ratings and available information from asset managers and rating agencies for individual securities.

Change in allowance for credit losses on AFS securities in 2020 reflect $7.1 million of unrealized losses on debt securities, primarily related to the energy sector and lower-quality corporate bonds in other sectors due to a significant decline in their fair value relative to their amortized costs in the spring of 2020, net of a subsequent reduction of the allowance for credit losses on AFS securities in the remainder of 2020, arising from the improved bond market conditions and bond sales.

OTTI losses in 2019 reflect $19.1 million of unrealized losses on debt securities that were deemed to be other than temporary and, as such, were required to be charged against earnings. The determination that unrealized losses on these debt securities were other than temporary was primarily due to deterioration of creditworthiness of the issuer and significant declines in fair value.The following table presents a rollforward of TransRe's allowance for credit losses on AFS securities for 2020.

	Year Ended December 31, 2020
Allowance for Credit Losses	(in millions)
Beginning as of January 1, 2020	$ -
Beginning balance - cumulative effect of an accounting change	
Provision for credit losses	(7.1)
Charge-offs	5.4
Recoveries	-
Balance as of December 31, 2020	$ (1.7)

The gross unrealized investment losses for debt securities as of December 31, 2020 were deemed to be temporary, based on, among other factors: (i) the relative magnitude to which the fair value of these investments had been below cost were not indicative of a credit loss; (ii) the absence of compelling evidence that would cause TransRe to call into question the financial condition or near-term business prospects of the issuer of the security; and (iii) TransRe's ability and intent to hold the security for a period of time sufficient to allow for any anticipated recovery.

TransRe's methodology for assessing credit losses contains inherent risks and uncertainties which could include, but are not limited to, incorrect assumptions about financial condition, liquidity or future prospects, inadequacy of any underlying collateral and unfavorable changes in economic conditions or social trends, interest rates or credit ratings.

TransRe's consolidated investment portfolio consists mainly of highly rated and liquid debt and equity securities listed on national securities exchanges. The overall credit quality of the debt securities portfolio is measured using the lowest rating of three large, reputable rating agencies. In this regard, the overall weighted-average credit quality rating of TransRe's debt securities portfolio as of December 31, 2020 and 2019, was AA-. Although a portion of TransRe's debt securities, which consist predominantly of municipal bonds, is insured by third-party financial guaranty insurance companies, the impact of such insurance was not significant to the debt securities' credit quality rating as of December 31, 2020 and 2019.

The following table presents the ratings of TransRe's debt securities as of December 31, 2020:

	Ratings as of December 31, 2020					
	AAA / Aaa	AA / Aa	A	BBB / Baa	Below BBB / Baa or Not Rated[(1)]	Total
	($ in millions)					
U.S. Government obligations	$ 5.9	$ 1,282.7	$ -	$ -	$ -	$ 1,288.6
Municipal bonds	133.4	1,078.1	321.0	75.6	7.4	1,615.5
Foreign government obligations	385.8	405.1	87.5	1.2	-	879.6
U.S. corporate bonds	3.3	108.7	1,070.9	1,159.7	252.0	2,594.6
Foreign corporate bonds	235.3	103.2	550.0	348.4	21.0	1,257.9
Mortgage and asset-backed securities:						
RMBS	2.5	1,997.6	-	-	-	2,000.1
CMBS	178.1	281.8	136.7	2.1	-	598.7
Other asset-backed securities	570.1	350.5	162.7	215.8	11.2	1,310.3
Total debt securities	$ 1,514.4	$ 5,607.7	$ 2,328.8	$ 1,802.8	$ 291.6	$ 11,545.3
Percentage of debt securities	13.1 %	48.6 %	20.2 %	15.6 %	2.5 %	100.0 %

(1) Consists of $105.2 million of securities rated BB / Ba, $127.8 million of securities rated B, $17.1 million of securities rated CCC, $0.3 million of securities rated CC, $0.6 million of securities rated below CC and $40.6 million of not rated securities.

(g) Aging of Gross Unrealized Losses

The following tables present gross unrealized losses and related fair values for TransRe’s AFS securities for which an allowance for credit losses has not been recorded, grouped by duration of time in a continuous unrealized loss position, as of December 31, 2020 and 2019:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	($ in millions)					
As of December 31, 2020						
Debt securities:						
U.S. Government obligations	$ 255.9	$ (1.5)	$ -	$ -	$ 255.9	$ (1.5)
Municipal bonds	25.2	(0.5)	-	-	25.2	(0.5)
Foreign government obligations	132.8	(0.5)	-	-	132.8	(0.5)
U.S. corporate bonds	138.4	(2.7)	1.6	-	140.0	(2.7)
Foreign corporate bonds	35.6	(0.2)	14.6	(0.4)	50.2	(0.6)
Mortgage and asset-backed securities:						
RMBS	97.5	(0.2)	-	-	97.5	(0.2)
CMBS	60.6	(4.2)	3.8	-	64.4	(4.2)
Other asset-backed securities	289.6	(6.0)	343.6	(7.5)	633.2	(13.5)
Total debt securities	$ 1,035.6	$ (15.8)	$ 363.6	$ (7.9)	$ 1,399.2	$ (23.7)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	($ in millions)					
As of December 31, 2019						
Debt securities:						
U.S. Government obligations	$ 112.0	$ (1.9)	$ 93.7	$ (0.7)	$ 205.7	$ (2.6)
Municipal bonds	27.2	(0.6)	3.5	-	30.7	(0.6)
Foreign government obligations	198.5	(1.2)	33.8	(0.4)	232.3	(1.6)
U.S. corporate bonds	76.9	(1.0)	18.9	(0.5)	95.8	(1.5)
Foreign corporate bonds	202.9	(2.1)	64.6	(0.6)	267.5	(2.7)
Mortgage and asset-backed securities:						
RMBS	48.7	(0.3)	47.6	(0.5)	96.3	(0.8)
CMBS	84.7	(1.0)	1.2	-	85.9	(1.0)
Other asset-backed securities	222.6	(1.6)	447.6	(10.5)	670.2	(12.1)
Total debt securities	$ 973.5	$ (9.7)	$ 710.9	$ (13.2)	$ 1,684.4	$ (22.9)

As of December 31, 2020, TransRe held a total of 455 debt securities that were in an unrealized loss position, of which 103 were in an unrealized loss position continuously for 12 months or more. The unrealized losses associated with these debt securities consisted of losses as disclosed in the tables above.

As of December 31, 2020, the vast majority of TransRe's debt securities were rated investment grade, with approximately 2.5 percent of debt securities having issuer credit ratings that were below investment grade or not rated, compared with 3.7 percent as of December 31, 2019.

(h) Statutory Deposits

Investments with fair value of approximately $2.3 billion and $2.3 billion as of December 31, 2020 and 2019, respectively, the substantial majority of which were debt securities and equity securities, were deposited with governmental authorities as required by law.

(i) Investments in Certain Other Invested Assets

In December 2012, TransRe obtained an ownership interest in Pillar Capital Holdings Limited ("Pillar Holdings"), a Bermuda-based insurance asset manager focused on collateralized reinsurance and catastrophe insurance-linked securities. Additionally, TransRe invested in limited partnership funds managed by Pillar Holdings (the "Pillar Funds"). The objective of the Pillar Funds is to create portfolios with attractive risk-reward characteristics and low correlation with other asset classes, using the extensive reinsurance and capital market experience of the principals of Pillar Holdings. TransRe has concluded that both Pillar Holdings and the Pillar Funds (collectively, the "Pillar Investments") represent variable interest entities and that TransRe is not the primary beneficiary, as it does not have the ability to direct the activities that most significantly impact each entity's economic performance. Therefore, the Pillar Investments are not consolidated and are accounted for under the equity method of accounting. TransRe's potential maximum loss in the Pillar Investments is limited to its cumulative net investment. As of December 31, 2020 and 2019,TransRe's carrying value in the Pillar Investments, as determined under the equity method of accounting, was $171.5 million and $203.9 million, respectively, which is net of returns of capital received from the Pillar Investments.

In 2014, TransRe acquired a 24.9 percent equity interest in CapSpecialty, Inc. ("CapSpecialty"), a subsidiary of Alleghany, for consideration totaling $73.8 million, consisting of cash and TransRe's ownership interest in Professional Risk Management Services, Inc. ("PRMS"). In 2019, TransRe dividended its 24.9 percent equity interest in CapSpecialty (with a fair value of $101.0 million) to Alleghany. TransRe's investment in CapSpecialty was accounted for as an equity-method investment and was included in other invested assets on the Consolidated Balance Sheets.

(j) Investments in Commercial Mortgage Loans

As of December 31, 2020 and 2019, the carrying value of TransRe's commercial mortgage loan portfolio was $469.2 million and $480.3 million, respectively, representing the unpaid principal balance on the loans, less allowance for credit losses. The estimated fair value of the commercial mortgage loan portfolio approximated carrying value of as December 31, 2020 and 2019. The commercial mortgage loan portfolio consists primarily of first mortgages on commercial properties in major metropolitan areas in the U.S. The loans earn interest at fixed- and floating-rates, and mature in two to ten years from loan origination. As of December 31, 2020, the vast majority of loans in TransRe's portfolio were originated in the 2016 through 2019 years.

The principal amounts of the loans were no more than approximately two-thirds of the property's appraised value at the time the loans were made and the estimated fair value of underlying collateral was approximately double that of the commercial mortgage loan portfolio carrying value as of December 31, 2020. Fair value estimates of underlying collateral are updated on a rolling basis at least annually, with a portion of the portfolio updated each quarter. As of December 31, 2020, there was no loan in default or in arrears.

The following table presents a rollforward of Alleghany's allowance for credit losses on commercial mortgage loans for 2020:

	Year Ended December 31, 2020
Allowance for Credit Losses	(in millions)
Beginning as of January 1, 2020	$ -
Beginning balance - cumulative effect of an accounting change	(0.4)
Provision for credit losses	(0.7)
Charge-offs	-
Recoveries	-
Balance as of December 31, 2020	$ (1.1)

4. Reinsurance Ceded

(a) Overview

TransRe reinsures portions of the risks it underwrites in order to reduce the effect of individual or aggregate exposure to losses, manage capacity, protect capital resources, reduce volatility in specific lines of business, improve risk-adjusted portfolio returns, and enable TransRe to increase gross premium writings and risk capacity without requiring additional capital. TransRe purchases reinsurance from highly-rated third party reinsurers. If the assuming reinsurers are unable or unwilling to meet the obligations assumed under the applicable reinsurance agreements, TransRe would remain liable for such reinsurance portion not paid by these reinsurers. As such, funds, trust agreements and letters of credit are held to collateralize a portion of TransRe's reinsurance recoverables and TransRe reinsures portions of the risks it underwrites or assumes with multiple reinsurance programs.

TransRe enters into various retrocession arrangements, including property catastrophe retrocession contracts, to manage the effects of individual or aggregate exposure to losses, reduce volatility in specific lines of business, improve risk-adjusted portfolio returns, strengthen its market position and enhance capital efficiency. These include excess-of-loss and quota share treaties in both traditional rated and collateralized form as well as catastrophe bonds. TransRe's retrocession protections generally have a one-year term and renewal dates occur throughout the year, with the majority renewing at January 1. The catastrophe bonds, however, have a four-year term, with maturities in 2022 and 2023.

(b) Reinsurance Recoverables

Amounts recoverable from reinsurers are recognized in a manner consistent with the claims liabilities associated with the reinsurance placement and presented on the balance sheet as reinsurance recoverables, and are recorded after an allowance for credit losses. Such balances as of December 31, 2020 and 2019 are presented in the table below:

	As of December 31, 2020	As of December 31, 2019
	(in millions)	
Reinsurance recoverables on paid losses	$ 37.4	$ 39.3
Ceded outstanding loss and LAE	830.7	907.5
Reinsurance recoverables, before allowance for credit losses	868.1	946.8
Allowance for credit losses	(2.3)	-
Total reinsurance recoverables	$ 865.8	$ 946.8

The following table presents information regarding concentration of TransRe's reinsurance recoverables and the ratings profile of its reinsurers as of December 31, 2020:

Reinsurer(1)	Rating(2)	Amount (dollars in millions)	Percentage
Kane SAC, Ltd Rondout Segregated-Account(3)	Not rated	$ 124.5	14.4 %
Syndicates at Lloyd's of London	A (Excellent)	90.5	10.4
Third Point Reinsurance Ltd Group	A- (Excellent)	79.1	9.1
Kane SAC, Ltd Bowery Segregated-Account(3)	Not rated	62.1	7.2
Kane SAC, Ltd Latigo Segregated-Account(3)	Not rated	42.9	4.9
All other reinsurers		469.0	54.0
Total reinsurance recoverables, before allowance for credit losses (4)		868.1	100.0 %
Allowance for credit losses		(2.3)	
Total		$ 865.8	
Secured reinsurance recoverables(3)		$ 528.8	60.9 %

(1) Reinsurance recoverables reflect amounts due from one or more reinsurance subsidiaries of the listed company.
(2) Represents the A.M. Best Company, Inc. financial strength rating for the applicable reinsurance subsidiary or subsidiaries from which the reinsurance recoverable is due.
(3) Represents reinsurance recoverables secured by funds held, trust agreements or letters of credit.
(4) Approximately 55 percent of TransRe's reinsurance recoverables balance as of December 31, 2020 were due from reinsurers having an A.M. Best Company, Inc. financial strength rating of A- (Excellent) or higher, with a majority of the other reinsurance recoverables being secured by funds held, trust agreements or letters of credit.

The following table presents a rollforward of TransRe's allowance for credit losses on reinsurance recoverables for 2020:

	Year Ended December 31, 2020
Allowance for Credit Losses	(in millions)
Beginning as of January 1, 2020	$ -
Beginning balance - cumulative effect of an accounting change	(1.2)
Provision for credit losses	(1.1)
Charge-offs	-
Recoveries	-
Balance as of December 31, 2020	$ (2.3)

Reinsured loss and LAE ceded included in TransRe's consolidated statements of earnings were $160.1 million and $353.2 million for 2020 and 2019, respectively.

(c) Premiums Written and Earned

The following table presents property and casualty premiums written and earned for 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in millions)	
Gross premiums written	$ 5,237.3	$ 4,945.7
Ceded premiums written	(392.3)	(450.7)
Net premiums written	$ 4,845.0	$ 4,495.0
Gross premiums earned	$ 5,041.7	$ 4,800.4
Ceded premiums earned	(397.0)	(473.4)
Net premiums earned	$ 4,644.7	$ 4,327.0

5. Liability for Loss and LAE

(a) Liability Rollforward

The following table presents the activity in the liability for loss and LAE in 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2018
	(in millions)	
Reserves as of January 1,	$ 9,323.8	$ 9,442.2
Less: reinsurance recoverables[1]	907.5	963.7
Net reserves as of January 1,	8,416.3	8,478.5
Other	(4.2)	(2.1)
Incurred loss, net of reinsurance, related to:		
Current year	3,593.8	3,156.9
Prior years	(206.9)	(195.8)
Total incurred loss and LAE, net of reinsurance	3,386.9	2,961.1
Paid loss, net of reinsurance, related to:[2]		
Current year	772.4	762.1
Prior years	2,134.2	2,251.1
Total paid loss and LAE, net of reinsurance	2,906.6	3,013.2
Foreign exchange effect	90.9	(8.0)
Reserves, net of reinsurance recoverables, as of December 31	8,983.3	8,416.3
Reinsurance recoverables as of December 31[1]	830.7	907.5
Reserves, gross of reinsurance recoverables, as of December 31	$ 9,814.0	$ 9,323.8

(1) Reinsurance recoverables in this table include only ceded loss and LAE reserves.
(2) Included paid loss and LAE, net of reinsurance, related to commutations

Gross loss and LAE reserves as of December 31, 2020 increased from December 31, 2019, primarily reflecting the impact of growing net premiums earned and catastrophe losses incurred in 2020, partially offset by payments on catastrophe losses incurred primarily in 2017, 2018 and 2019 and favorable prior accident year loss reserve development. The 2020 catastrophe losses, net of reinsurance, include $391.8 million related to the COVID-19 global pandemic (the “Pandemic”), $63.6 million related to Hurricane Laura, $22.7 million related to Hurricane Sally and $19.1 million related to earthquakes in Puerto Rico.

Gross loss and LAE reserves as of December 31, 2019 decreased from December 31, 2018, primarily reflecting payments on catastrophe losses incurred in 2017 and 2018 and favorable prior accident year loss reserve development, partially offset by the impact of growing net premiums earned and catastrophe losses incurred in 2019. The 2019 catastrophe losses, net of reinsurance, primarily include $168.2 million related to Typhoon Hagibis, $87.4 million related to Typhoon Faxai, $22.3 million related to civil unrest in Chile and $13.6 million related to Hurricane Dorian.

(b) Liability Development

The following table presents the (favorable) unfavorable prior accident year loss reserve development for 2020 and 2019:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in millions)	
Property:		
Catastrophe events	$ (43.3) (1)	$ (6.8) (2)
Non- catastrophe	(33.6) (3)	(39.4) (4)
Total property	(76.9)	(46.2)
Casualty & other:		
The Malpractice Treaties(5)	-	(1.4)
Catastrophe events	(5.9)	(4.4)
Other	(124.1) (6)	(143.8) (7)
Total casualty & other	(130.0)	(149.6)
Total incurred related to prior years	$ (206.9)	$ (195.8)

(1) Primarily reflects favorable prior accident year loss reserve development related to Typhoon Hagibis in the 2019 accident year and wildfires in California in the 2017 and 2018 accident years, partially offset by unfavorable prior accident year loss reserve development related to Hurricane Irma in the 2017 accident year and Typhoon Faxai in the 2019 accident year.

(2) Primarily reflects favorable prior accident year loss reserve development related to wildfires in California in the 2018 accident year, partially offset by unfavorable prior accident year loss reserve development related to Typhoon Jebi in the 2018 accident year and Hurricane Irma in 2017 accident year.

(3) Primarily reflects favorable prior accident year loss reserve development in the 2017 accident year.

(4) Primarily reflects favorable prior accident year loss reserve development in the 2016 and 2017 accident years, partially offset by unfavorable prior accident year loss reserve development in the 2018 accident year.

(5) Represents certain medical malpractice treaties pursuant to which the increased underwriting profits created by the favorable prior accident year loss reserve development are largely retained by the cedants. As a result, the favorable prior accident year loss reserve development is largely offset by an increase in profit commission expense incurred when such favorable prior accident year loss reserve development occurs.

(6) Primarily reflects favorable prior accident year loss reserve development in the longer-tailed lines of business in the 2014 and earlier accident years and in the shorter-tailed lines of business in the 2017 accident year, partially offset by unfavorable prior accident year loss reserve development in the longer-tailed lines of business in the 2016 to 2018 accident years.

(7) Primarily reflects favorable prior accident year loss reserve development in the longer-tailed casualty lines of business in the 2014 and prior accident years and, to a lesser extent, shorter-tailed lines of business in the 2014 and prior accident years, partially offset by unfavorable prior accident year loss reserve development in the marine and aviation lines of business in the 2018 accident year.

(c) Information on Incurred and Paid Loss and LAE Development

The following is information about incurred and paid loss and LAE development, net of reinsurance. The information for 2011 through 2019 is unaudited and is provided as supplementary information. Information is also included for the portion of unpaid loss and LAE, net of reinsurance recoverables, that relate to IBNR. Reported insurance claim information is generally not received from the cedants, and such information is therefore impracticable to disclose.

Property

	Incurred Loss and LAE, Net of Reinsurance										As of December 31, 2020
	Year Ended December 31,										
Accident Year	2011 (unaudited)	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020	IBNR
	($ in millions)										
2011	$ 1,351.2	$ 1,342.3	$ 1,269.4	$ 1,240.7	$ 1,235.2	$ 1,217.1	$ 1,210.9	$ 1,209.6	$ 1,207.7	$ 1,206.4	$ -
2012		697.2	579.1	530.3	495.6	478.1	469.4	462.5	460.3	454.9	-
2013			501.2	470.6	444.6	422.1	406.8	403.6	398.1	394.7	0.7
2014				496.4	464.8	451.3	435.2	429.8	425.1	419.7	2.9
2015					368.8	332.0	320.6	306.3	301.9	297.9	4.2
2016						684.1	647.2	596.7	587.9	577.8	11.1
2017							1,174.6	1,179.5	1,148.3	1,127.7	31.9
2018								1,152.7	1,169.4	1,147.8	85.2
2019									988.7	981.5	132.9
2020										1,207.5	648.7
Total Incurred Loss and LAE for the 2011 through 2020 accident years										$ 7,815.9	

	Paid Loss and LAE, Net of Reinsurance									
	Year Ended December 31,									
Accident Year	2011 (unaudited)	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020
	($ in millions)									
2011	$ 407.8	$ 796.4	$ 1,014.3	$ 1,129.2	$ 1,171.0	$ 1,187.2	$ 1,195.0	$ 1,199.7	$ 1,195.3	$ 1,197.0
2012		90.3	268.9	377.8	416.7	438.0	448.0	451.2	460.1	461.1
2013			113.1	277.4	361.0	389.8	396.7	399.7	401.4	403.0
2014				109.4	297.6	360.0	382.9	394.0	397.3	398.4
2015					96.0	217.7	278.3	303.1	307.6	308.8
2016						210.5	429.8	504.8	535.1	552.2
2017							324.5	818.5	977.9	1,023.0
2018								309.5	811.8	944.2
2019									265.1	645.5
2020										301.1
Cumulative Paid Loss and LAE for the 2011 through 2020 accident years										$ 6,234.3

Total incurred loss and LAE for the 2011 through 2020 accident years	$ 7,815.9
Cumulative paid loss and LAE for the 2011 through 2020 accident years	6,234.3
Unpaid loss and LAE, net of reinsurance recoverables, for accident years prior to 2011	24.4
Unpaid loss and LAE, net of reinsurance recoverables, as of December 31, 2020	$ 1,606.0

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Alleghany Corporation)
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Casualty & Other – Longer-Tailed Lines of Business(1)

	Incurred Loss and LAE, Net of Reinsurance										As of December 31, 2020
	Year Ended December 31,										
Accident Year	2011 (unaudited)	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020	IBNR
	($ in millions)										
2011	$ 996.0	$ 1,009.6	$ 994.6	$ 974.6	$ 959.1	$ 949.9	$ 942.6	$ 925.5	$ 920.6	$ 904.4	$ 94.1
2012		877.5	877.5	875.9	860.8	833.1	829.8	832.4	826.4	819.7	94.4
2013			798.6	802.2	799.2	777.5	776.7	783.0	767.4	740.5	132.1
2014				801.8	791.1	794.3	793.9	790.3	784.8	771.7	160.3
2015					794.8	799.0	797.0	793.7	799.1	799.6	170.5
2016						776.7	776.8	787.4	807.8	842.2	181.1
2017							764.4	765.7	783.4	800.1	263.3
2018								727.3	741.6	752.5	393.1
2019									759.7	761.6	564.3
2020										978.1	867.0
Total Incurred Loss and LAE for the 2011 through 2020 accident years										$ 8,170.4	

	Paid Loss and LAE, Net of Reinsurance									
	Year Ended December 31,									
Accident Year	2011 (unaudited)	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020
	($ in millions)									
2011	$ 29.6	$ 89.4	$ 206.4	$ 373.4	$ 501.8	$ 595.1	$ 663.0	$ 709.1	$ 748.2	$ 763.7
2012		46.9	106.8	201.1	316.6	435.7	521.3	587.0	624.4	648.7
2013			22.2	85.1	176.6	296.4	378.0	452.7	494.6	528.5
2014				29.8	107.5	229.6	342.9	444.7	522.7	580.6
2015					32.2	100.4	205.0	325.8	455.8	536.5
2016						34.8	121.8	242.9	370.0	491.1
2017							34.0	110.6	221.8	347.5
2018								33.0	104.6	206.7
2019									29.0	99.7
2020										47.2
Cumulative Paid Loss and LAE for the 2011 through 2020 accident years										$ 4,250.2

Total incurred loss and LAE for the 2011 through 2020 accident years	$ 8,170.4
Cumulative paid loss and LAE for the 2011 through 2020 accident years	4,250.2
Unpaid loss and LAE, net of reinsurance recoverables, for accident years prior to 2011	840.0
Unpaid loss and LAE, net of reinsurance recoverables, as of December 31, 2020	$ 4,760.2

(1) Represents the following reinsurance lines of business: directors' and officers' liability; errors and omissions liability; general liability; and medical malpractice.

TRANSATLANTIC HOLDINGS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Alleghany Corporation)
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Casualty & Other – Shorter-Tailed Lines of Business(1)

	Incurred Loss and LAE, Net of Reinsurance										As of December 31, 2020
	Year Ended December 31,										
Accident Year	2011 (unaudited)	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020	IBNR
	($ in millions)										
2011	$ 1,031.2	$ 1,023.6	$ 1,007.6	$ 992.8	$ 973.0	$ 963.7	$ 959.8	$ 976.0	$ 972.9	$ 966.4	$ 10.5
2012		1,022.3	1,059.9	1,056.8	1,005.5	983.9	958.9	948.4	941.4	933.9	12.4
2013			850.8	868.8	838.4	823.4	804.1	790.3	780.7	769.6	18.7
2014				850.4	833.0	808.8	784.3	772.4	755.0	752.5	30.9
2015					763.4	768.6	784.0	798.4	776.7	776.2	30.7
2016						1,118.0	1,124.4	1,111.6	1,100.3	1,092.6	41.9
2017							1,095.9	1,046.3	1,026.9	994.5	81.1
2018								1,255.4	1,266.1	1,270.7	148.9
2019									1,408.6	1,411.8	280.8
2020										1,408.2	799.3
Total Incurred Loss and LAE for the 2011 through 2020 accident years										$ 10,376.4	

	Paid Loss and LAE, Net of Reinsurance									
	Year Ended December 31,									
Accident Year	2011 (unaudited)	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020
	($ in millions)									
2011	$ 376.5	$ 606.4	$ 752.7	$ 820.9	$ 858.8	$ 880.2	$ 894.5	$ 906.1	$ 915.1	$ 918.1
2012		354.8	614.5	740.0	792.7	828.3	846.5	860.2	871.4	876.1
2013			265.4	523.5	613.3	663.0	685.5	704.9	717.5	723.9
2014				251.2	421.1	523.3	572.9	604.6	627.8	636.8
2015					218.5	409.1	518.7	577.7	629.1	653.2
2016						367.2	685.6	828.7	921.3	973.8
2017							342.8	639.1	793.5	867.6
2018								397.9	774.4	952.2
2019									462.0	881.3
2020										418.0
Cumulative Paid Loss and LAE for the 2011 through 2020 accident years										$ 7,901.0

Total incurred loss and LAE for the 2011 through 2020 accident years	$ 10,376.4
Cumulative paid loss and LAE for the 2011 through 2020 accident years	7,901.0
Unpaid loss and LAE, net of reinsurance recoverables, for accident years prior to 2011	141.7
Unpaid loss and LAE, net of reinsurance recoverables, as of December 31, 2020	$ 2,617.1

(1) Primarily represents the following reinsurance lines of business: ocean marine and aviation; auto liability; accident and health; mortgage reinsurance; surety; and credit.

Loss and LAE Reserve Summary and Reconciliation to Consolidated Balance Sheet

	Unpaid loss and LAE as of December 31, 2020		
	Gross Loss and LAE Reserves[1]	Reinsurance Recoverables on Unpaid Losses	Net Loss and LAE Reserves
		(in millions)	
Property	$ 2,086.0	$ (480.0)	$ 1,606.0
Casualty & other - longer-tailed lines of business	4,863.7	(103.5)	4,760.2
Casualty & other - shorter-tailed lines of business	2,864.3	(247.2)	2,617.1
Total	$ 9,814.0	$ (830.7)	$ 8,983.3

(1) Includes unallocated LAE, which aggregate to 0.9 percent of gross loss and LAE reserves as of December 31, 2020. Net loss and LAE Reserves by component are shown in the preceding tables, and consolidated gross loss and LAE reserves is presented in the Consolidated Balance Sheets.

(d) Supplementary Information on Historical Loss and LAE Duration (Unaudited)

The following table presents supplemental information about average historical loss and LAE duration, net of reinsurance, as of December 31, 2020.

	Average Annual Percentage Payout of Loss and LAE Incurred, Net of Reinsurance As of December 31, 2020									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Property	28.5%	40.3%	17.1%	6.9%	2.8%	1.1%	0.5%	0.9%	(0.1%)	0.1%
Casualty & other - longer-tailed lines of business	4.1%	8.9%	13.4%	15.6%	13.9%	10.2%	7.2%	4.7%	3.6%	1.7%
Casualty & other - shorter-tailed lines of business	33.5%	27.8%	13.8%	7.0%	4.4%	2.6%	1.4%	1.1%	0.7%	0.3%

6. Senior Notes

On November 23, 2009, TransRe completed a public offering of $350.0 million aggregate principal amount of its 8.00% senior notes due on November 30, 2039 (the “2039 Senior Notes”). The 2039 Senior Notes are unsecured and unsubordinated general obligations of TransRe. Interest on the 2039 Senior Notes is payable semi-annually. The terms of the 2039 Notes permit redemption prior to their maturity. The indentures under which the 2039 Senior Notes were issued contain covenants that impose conditions on TransRe’s ability to create liens on, or engage in sales of, the capital stock of certain of its subsidiaries, including TRC, TRESA or Fair American Insurance and Reinsurance Company.

7. Income Taxes

Alleghany files a consolidated federal income tax return with its subsidiaries, including TransRe. The method of allocation among companies is subject to written agreement, approved by TransRe's Board of Directors, whereby allocation is made primarily on a separate return basis with current credit for net losses. However, TransRe's allocation of current tax benefit related to tax attribute utilization is limited to the lesser of TransRe's utilization or the Alleghany consolidated group's utilization.

The following table presents income tax expense (benefit) for 2020 and 2019:

	Federal	State	Foreign	Total
		(in millions)		
Year ended December 31, 2020				
Current	$ 6.6	$ 0.9	$ 56.0	$ 63.5
Deferred	(21.4)	0.1	-	(21.3)
	$ (14.8)	$ 1.0	$ 56.0	$ 42.2
Year ended December 31, 2019				
Current	$ (22.1)	$ 1.1	$ 66.2	$ 45.2
Deferred	91.3	-	-	91.3
	$ 69.2	$ 1.1	$ 66.2	$ 136.5

The following table presents the difference between the federal income tax rate and the effective tax rate:

	Year Ended December 31, 2020	2019
Federal income tax rate	21.0 %	21.0 %
Tax-exempt interest and income subject to dividends-received deduction	(3.9)	(1.2)
Foreign taxes and tax credits	5.0	0.2
Other, net	1.2	0.2
Effective tax rate	23.3 %	20.2 %

The Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law on March 27, 2020. Among other provisions, the CARES Act delayed certain employer payroll tax remittance deadlines and created or expanded certain income tax credits and loss carryback provisions. The impact of the CARES Act to TransRe is currently not material.

The increase in the effective tax rate in 2020 from 2019 primarily reflects limitations to the amount of foreign tax credits that TransRe was able to utilize to offset foreign taxes, partially offset by tax exempt income representing a larger proportion of pre-tax income in 2020.

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

	As of December 31, 2020	As of December 31, 2019
	(in millions)	
Deferred tax assets:		
Loss and LAE reserves	$ 94.8	$ 93.0
Minimum tax credit carry forward	-	9.7
Unearned premiums	77.2	68.4
Compensation accruals	24.1	28.0
Net unrealized foreign currency translation	26.3	32.1
Foreign tax credit carryforward	83.0	49.2
Other	44.4	53.2
Gross deferred tax assets	349.8	333.6
Deferred tax liabilities:		
Deferred acquisition costs	100.2	89.0
Net unrealized gains on investments	108.9	60.6
Purchase accounting adjustments	7.1	7.0
Mark to market of equity securities	101.9	109.4
Other	25.6	28.4
Gross deferred tax liabilities	343.7	294.4
Net deferred tax assets	$ 6.1	$ 39.2

A valuation allowance is provided against deferred tax assets when, in the opinion of management, it is more likely than not that a portion of the deferred tax asset will not be realized. TransRe recognized no valuation allowances on TransRe's deferred tax assets as of December 31, 2020 or 2019.

Alleghany's income tax returns are currently under examination by the Internal Revenue Service for the 2015, 2016 and 2017 tax year. The following table presents the tax years of tax returns that remain subject to examination by major tax jurisdiction as of December 31, 2020:

Major Tax Jurisdiction	Open Tax Years
Australia	2015 - 2020
Canada	2016 - 2020
France	2017 - 2020
Germany	2019 - 2020
Hong Kong	2014 - 2020
Japan	2020
Luxembourg	2019 - 2020
Singapore	2016 - 2020
Switzerland	2018 - 2020
U.K.	2014 - 2020

TransRe believes that, as of December 31, 2020, it had no material uncertain tax positions. Interest and penalties relating to unrecognized tax expenses (benefits) are recognized in income tax expense, when applicable. There was no material liability for interest or penalties accrued as of December 31, 2020 or 2019.

8. Stockholders' Equity

(a) Accumulated Other Comprehensive Income (Loss)

The following table presents a reconciliation of the changes during 2020 and 2019 in accumulated other comprehensive income (loss):

	Unrealized Appreciation of Investments	Unrealized Currency Translation Adjustment	Retirement Plans	Total
		(in millions)		
Balance as of January 1, 2020	$ 227.9	$ (120.7)	$ (13.7)	$ 93.5
Other comprehensive income (loss), net of tax:				
Other comprehensive income (loss) before reclassifications	212.4	21.7	7.3	241.4
Reclassifications from accumulated other comprehensive income	(30.6)	-	(4.4)	(35.0)
Total	181.8	21.7	2.9	206.4
Balance as of December 31, 2020	$ 409.7	$ (99.0)	$ (10.8)	$ 299.9

	Unrealized Appreciation of Investments	Unrealized Currency Translation Adjustment	Retirement Plans	Total
		(in millions)		
Balance as of January 1, 2019	$ (55.4)	$ (123.3)	$ (8.7)	$ (187.4)
Other comprehensive income (loss), net of tax:				
Other comprehensive income (loss) before reclassifications	290.8	2.6	(5.0)	288.4
Reclassifications from accumulated other comprehensive income	(7.5)	-	-	(7.5)
Total	283.3	2.6	(5.0)	280.9
Balance as of December 31, 2019	$ 227.9	$ (120.7)	$ (13.7)	$ 93.5

The following table presents reclassifications out of accumulated other comprehensive income (loss) during 2020 and 2019:

Accumulated Other Comprehensive Income Component	Line in Consolidated Statement of Earnings	Years Ended December 31, 2020	Years Ended December 31, 2019
		(in millions)	
Unrealized appreciation of investments:	Net realized capital gains	$ (45.9)	$ (28.7)
	Change in allowance for credit losses on AFS	7.1	19.1
	Income taxes	8.2	2.1
Retirement plans:	Other operating expenses	(5.6)	-
	Income taxes	1.2	-
Total reclassifications:	Net earnings	$ (35.0)	$ (7.5)

(b) Regulations and Dividend Restrictions

TransRe's operating units are subject to various regulatory restrictions that limit the maximum amount of dividends available to be paid by them without prior approval of insurance regulatory authorities.

TRC paid dividends of $245.0 million and $321.0 million to TransRe in 2020 and 2019, respectively. TRC could pay additional dividends to TransRe without regulatory approval based on its adjusted statutory net investment income. As of December 31, 2020, a maximum of $72.8 million was available for dividends by TRC without prior approval of the New York State Department of Financial Services.

In January 2021 TRC declared and in February 2021 paid a $72.5 million dividend to TransRe.

TransRe's operations are also regulated in various foreign jurisdictions with respect to currency, amount and type of security deposits, amount and type of reserves and amount and type of local investment. Regulations governing constitution of technical reserves and remittance balances in some countries may hinder remittance of profits and repatriation of assets. International operations and assets held abroad may also be adversely affected by political and other developments in foreign countries, including possible tax changes, nationalization and changes in regulatory policy, as well as by consequences of hostilities and unrest. The risks of such occurrences and their overall effect upon TransRe vary from country to country and cannot easily be predicted.

The combined statutory net income of TransRe's reinsurance and insurance subsidiaries was $95.9 million and $361.5 million for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the combined statutory capital and surplus of TransRe's reinsurance and insurance subsidiaries was $4.8 billion and $4.9 billion, respectively. As of December 31, 2020, the amount of statutory capital and surplus necessary to satisfy regulatory requirements was not significant in relation to the actual statutory capital and surplus in the U.S.

9. Commitments and Contingencies

(a) Legal Proceedings

TransRe is a party to pending litigation and claims in connection with the ordinary course of its businesses. TransRe makes provisions for estimated losses to be incurred in such litigation and claims, including legal costs. In the opinion of management, such provisions are adequate and management does not believe that any pending litigation will have a material adverse effect on TransRe's consolidated results of operations, financial position or cash flows.

(b) Leases

TransRe leases certain facilities, furniture and equipment under long-term lease agreements. In addition, certain office space and equipment are leased under non-cancelable operating leases that expire at various dates through 2031.

Lease expense was $15.9 million and $ 18.2 million in 2020 and 2019, respectively. The following table presents the Company's consolidated lease liabilities and right-of-use lease assets related to operating leases as of December 31, 2020:

Maturity of lease payments, by year		As of December 31, 2020
		(in millions)
1 year or less	$	19.6
More than 1 year to 2 years		13.5
More than 2 years to 3 years		12.6
More than 3 years to 4 years		12.5
More than 4 years to 5 years		11.6
More than 5 years		40.1
Total lease payments	$	109.9
Less: interest		(29.6)
Lease liabilities	$	80.3
Right-of-use lease assets	$	65.4
Prepaid lease assets, net of allowances and incentives		14.9
	$	80.3

(c) Asbestos-Related Illness and Environmental Impairment Exposure

Loss and LAE include amounts for risks related to asbestos-related illness and environmental impairment. The following table presents such gross and net reserves as of December 31, 2020 and 2019:

	As of December 31,			
	2020		2019	
	(in millions)			
Gross	$	108.4	$	113.0
Net		103.6		108.3

The reserves carried for such claims, including the IBNR portion, are based upon known facts and current law at the respective balance sheet dates. However, significant uncertainty exists in determining the amount of ultimate liability for asbestos-related illness and environmental impairment losses. This uncertainty is due to, among other reasons, inconsistent and changing court resolutions and judicial interpretations with respect to underlying policy intent and coverage and uncertainties as to the allocation of responsibility for resultant damages, among other reasons. Further, possible future changes in statutes, laws, regulations, theories of liability and other factors could have a material effect on these liabilities and, accordingly, future earnings.

(d) The Pandemic

The Pandemic has significantly disrupted many aspects of society as well as financial markets, and has caused widespread global economic dislocation. TransRe cannot reasonably estimate the duration or severity of the Pandemic, or the extent to which the related disruption may adversely impact its results of operations, financial position and cash flows, or those of its subsidiaries. Adverse impacts from the Pandemic in future periods may include realized and unrealized losses in TransRe's investment portfolio and receivables, increased underwriting losses, and impairment losses on certain subsidiary goodwill and intangible assets.

10. Foreign Operations & Gross Premium Written Concentration

(a) Foreign operations

A significant portion of the premiums earned by TransRe's operations are generated by offices located in Canada, Europe, Asia, Australia, Africa and those serving Latin America and the Caribbean. Although the majority of the premiums earned by these offices typically relate to the regions where they are located, a significant portion may be derived from other regions of the world, including the U.S. In addition, although a significant portion of the assets and liabilities of these foreign offices generally relate to the countries where ceding companies and reinsurers are located, most investments are located in the country of domicile of these offices.

Information associated with TransRe's foreign operations is as follows:

- Foreign gross premiums written for 2020 and 2019 were each $1.7 billion.
- Foreign net premiums earned for 2020 and 2019 were $1.6 billion and $1.5 billion, respectively. The foreign country in which TransRe generates the largest amount of premium revenues is the U.K. Net premiums earned by operations in the U.K. for 2020 and 2019 were $699.6 million and $615.6 million, respectively.
- Foreign earnings (losses) before income taxes for 2020 and 2019 were $219.0 million and ($187.4) million, respectively.

(b) Concentration

Significant portions of TransRe's gross premiums written are produced by a limited number of brokers. Gross premiums written produced by TransRe's three largest brokers were approximately 27 percent, 19 percent and 14 percent in 2020 and 26 percent, 17 percent and 20 percent in 2019.

A large whole account quota share treaty accounted for approximately 13 percent in 2020 and 14 percent in 2019 of gross premiums written.

11. Book Value Unit Plan and Mid-Term Incentive Plan

TransRe has a Book Value Unit Plan and a Mid-Term Incentive Plan (collectively, the "TransRe Plans") for the purpose of providing incentives to key employees of TransRe. Under the TransRe Plans, book value units ("BVUs") and mid-term incentive plan ("MTIP") awards are issued. BVUs and MTIP awards may only be settled in cash. The fair value of each BVU is calculated as stockholder's equity of TransRe, adjusted for certain capital transactions, divided by the adjusted number of BVUs outstanding. BVUs have vesting dates of up to approximately the fourth anniversary of the date of grant. The fair value of MTIP awards is calculated based on underwriting results compared to specified targets or based on overall results as determined by TransRe's board of directors. MTIP awards have vesting dates of approximately the second or third anniversary of the date of grant. The BVUs and MTIP awards contain certain restrictions, related to, among other things, forfeiture in the event of termination of employment and transferability. In 2020 and 2019, TransRe recorded $44.3 million and $48.7 million, respectively, in compensation expense and a deferred tax benefit of $9.3 million and $10.2 million, respectively, related to the TransRe Plans.

12. Employee Retirement Benefit Plans

TransRe had an unfunded, noncontributory defined benefit plan and has a funded noncontributory defined benefit plan for certain of its employees in the U.S. Benefits under TransRe's defined benefit plans were frozen as of December 31, 2009, and the unfunded, noncontributory defined benefit plan was terminated in December 2019 as described further below. As of December 31, 2020 and 2019, the projected benefit obligation was $72.2 million and $79.0 million, respectively, and the related fair value of plan assets was $63.7 million and $56.9 million, respectively. TransRe also has an unfunded retiree health plan for certain of its employees. All of these employee benefit plans are not material to TransRe's results of operations, financial condition or cash flows for the years ended December 31, 2020 and 2019.

TransRe has defined contribution benefit plans for certain of its employees. Expenses related to these plans totaled $10.1 million and $13.0 million in 2020 and 2019, respectively.

In December 2019, the Alleghany Board of Directors authorized the termination of various executive retirement plans including the unfunded, noncontributory defined benefit plan at TransRe, effective December 24, 2019. Due in part to this authorization for termination of the plan, other comprehensive losses attributable to retirement plans, before tax, were $6.1 million in 2019. In December 2020, approximately $15 million of total payments were made to participants of the unfunded, noncontributory defined benefit plan and $5.6 million of related other comprehensive losses were reversed out of accumulated other comprehensive income and reclassified to the Consolidated Statement of Earnings as expenses in other operating expenses. All of the forgoing amounts are presented before income taxes.

13. Related Party Transactions

(a) Reinsurance Transactions

In the normal course of business, TransRe assumes reinsurance from other subsidiaries of Alleghany. In 2020 and 2019, $28.3 million and $20.8 million, respectively, of gross premiums written were attributable to reinsurance purchased by other subsidiaries of Alleghany.

In the normal course of business, PRMS acts as a managing general agent for another one of TransRe's subsidiaries. Prior to 2014, PRMS was a subsidiary of TransRe. In 2014, TransRe's ownership interest in PRMS was transferred to CapSpecialty, a subsidiary of Alleghany, for an equity interest in CapSpecialty (see Note 3(i)). Effective October 1, 2019, TransRe bought PRMS from CapSpecialty for $0.4 million.

(b) Investment Management Services

A subsidiary of Alleghany provides investment management services for TransRe's equities portfolio. In each of 2020 and 2019, $4.9 million of investment expenses related to such investment management services.

(c) Investment in CapSpecialty

See Note 3(i) for information on TransRe's investment in CapSpecialty.

(d) Dividends to Alleghany

In 2020 and 2019, TransRe declared and paid dividends of $210.0 million and $301.0 million, respectively, to Alleghany. Of the $301.0 million in 2019, $101.0 million was paid by transferring TransRe's ownership interest in CapSpecialty to Alleghany (See Note 3(i)).

TransRe declared a $70.0 million dividend to Alleghany on January 2021 and paid it on February 2021.

14. Goodwill and intangible assets

The following table presents the amount of goodwill and intangible assets, net of accumulated amortization expense, reported on TransRe's consolidated balance sheets as of December 31, 2020 and 2019:

	As of December 31,					
	2020			2019		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	(in millions)					
Goodwill	$ 8.8	$ -	$ 8.8	$ 8.8	$ -	$ 8.8
Intangible assets:						
Value of business in-force	291.4	291.4	-	291.4	291.4	-
Loss and LAE reserves	(98.8)	(88.6)	(10.2)	(98.8)	(85.7)	(13.1)
State and foreign insurance licenses	19.0	-	19.0	19.0	-	19.0
Trade name	50.0	-	50.0	50.0	-	50.0
Renewal rights	53.0	35.2	17.8	53.0	30.7	22.3
Leases	(25.8)	(23.7)	(2.1)	(25.8)	(21.6)	(4.2)
Internally-developed software	10.0	10.0	-	10.0	10.0	-
Other	5.1	1.2	3.9	5.1	0.9	4.2
Total intangible assets	$ 303.9	$ 225.5	$ 78.4	$ 303.9	$ 225.7	$ 78.2

The economic useful lives of intangible assets are as follows: value of business-in-force — one year; loss and LAE reserves — 15 years; state and foreign insurance licenses — indefinite; trade names — indefinite; renewal rights —3 to 14 years; leases — 10 years; and internally developed software — 2.5 years.

The following table presents estimated net amortization income (expense) of intangible assets for year 2021 to 2025:

Year	Amortization
	(in millions)
2021	(0.1)
2022	1.5
2023	1.5
2024	1.5
2025	1.6

15. Subsequent Events

TransRe have evaluated subsequent events for recognition in the financial statements through February 23, 2021, the date its financial statements were available for issuance. Subsequent events affecting the realization of assets or the settlement of estimated liabilities occurring after this date have not been recognized in the financial statements.

Events having a material effect on the realization of assets or the settlement of liabilities occurring after December 31, 2020, but before the issuance of the accompanying financial statements, have been disclosed in the appropriate footnote.