Independent auditor's report

To the Board of Directors of Allianz Risk Transfer (Bermuda) Limited

Our opinion

In our opinion, the condensed financial statements of Allianz Risk Transfer (Bermuda) Limited (the Company) are prepared, in all material respects, in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the 'Legislation').

What we have audited

The Company's condensed financial statements comprise:

- the condensed balance sheet as at December 31, 2020;
- the condensed statement of income for the year then ended;
- the condensed statement of capital and surplus as at December 31, 2020; and
- the notes to the condensed financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the condensed financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the condensed financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Emphasis of matter – basis of accounting

Without modifying our opinion, we note that the condensed financial statements have been prepared in accordance with the financial reporting provisions of the Legislation. The accounting policies used and the disclosures made are not intended to, and do not, comply with all of the requirements of accounting principles generally accepted in the United States of America.

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Responsibilities of management for the condensed financial statements

Management is responsible for the preparation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation, and for such internal control as management determines is necessary to enable the preparation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the condensed financial statements

Our objectives are to obtain reasonable assurance about whether the condensed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Hamilton, Bermuda

May 24, 2021

CONDENSED BALANCE SHEET

Allianz Risk Transfer (Bermuda) Limited

As at **December 31, 2020**

United States Dollars

LINE No.		2020	Restated 2019
1.	CASH AND CASH EQUIVALENTS	186,408,556	200,267,678
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	41,287,890	49,769,841
(b)	Total Bonds and Debentures	41,287,890	49,769,841
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	-	-
(e)	Other quoted investments	-	-
(f)	Total quoted investments	41,287,890	49,769,841
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	36,461,066	39,719,430
(b)	Total Bonds and Debentures	36,461,066	39,719,430
(c)	Equities		
	i. Common stocks	799,905	1,526,656
	ii. Preferred stocks	-	-
	iii . Mutual funds	-	-
(d)	Total equities	799,905	1,526,656
(e)	Other unquoted investments	-	-
(f)	Total unquoted investments	37,260,971	41,246,086
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services	-	-
(b)	Unregulated non-financial operating entities	-	-
(c)	Unregulated financial operating entities	-	-
(d)	Regulated non-insurance financial operating entities	-	-
(e)	Regulated insurance financial operating entities	-	-
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	1,166,984	1,446,118
(h)	Total investments in and advances to affiliates	1,166,984	1,446,118
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens	-	-
(b)	Other than first liens	-	-
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS	-	-
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)	-	-
(b)	Other properties (less encumbrances)	-	-
(c)	Total real estate	-	-
8.	COLLATERAL LOANS	-	-
9.	INVESTMENT INCOME DUE AND ACCRUED	163,589	307,582
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	271,994,743	209,333,692
(b)	Deferred - not yet due	88,004,181	36,238,725
(c)	Receivables from retrocessional contracts	-	-
(d)	Total accounts and premiums receivable	359,998,924	245,572,417
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	-	-
(b)	Domestic affiliates	-	-
(c)	Pools & associations	-	-
(d)	All other insurers	-	-
(e)	Total reinsurance balance receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS	-	-

CONDENSED BALANCE SHEET

Allianz Risk Transfer (Bermuda) Limited

As at **December 31, 2020**

United States Dollars

LINE No.		2020	Restated 2019
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	24,885,390	16,511,029
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	other	-	-
(d)	Segregated accounts companies - general business	-	-
(e)	Deposit assets	-	-
(f)	Deferred acquisition costs	25,710,075	26,407,125
(g)	Net receivables for investments sold	-	-
(h)	Other Assets	771,510	2,339,905
(i)	Income Tax Receivable and Deferred Tax Asset	2,486,030	5,763,010
(j)	Collateral assets	34,162,008	21,960,000
(k)	Total sundry assets	88,015,013	72,981,069
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	714,301,927	611,590,791
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	295,307,192	281,634,127
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	202,190	1,543,009
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other insurers	280,907,087	268,422,113
(c)	Total ceded unearned premium reserve	281,109,277	269,965,122
(d)	Net unearned premium reserve	14,197,915	11,669,005
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	1,222,542,174	679,620,322
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	223,141,635	142,942,909
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other reinsurers	900,927,912	464,851,235
(c)	Total reinsurance recoverable balance	1,124,069,547	607,794,144
(d)	Net loss and loss expense provisions	98,472,627	71,826,178
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	-	-
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	112,670,542	83,495,183
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	283,698,658	233,699,886
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	-
30.	LOANS AND NOTES PAYABLE	-	-
31.	(a) INCOME TAXES PAYABLE	-	-
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	1,466,314	2,561,284
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	7,879,410	11,329,783
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	42,718,738	50,278,215
35.	DIVIDENDS PAYABLE	-	-

CONDENSED BALANCE SHEET

Allianz Risk Transfer (Bermuda) Limited

As at **December 31, 2020**

United States Dollars

LINE No.		2020	Restated 2019
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	15,557,392	19,518,919
(b)	Segregated accounts companies	-	-
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	-	-
(e)	Deferred commissions	34,961,901	34,698,180
(f)	Collateral liability	90,226,905	79,275,379
(g)	Other sundry liabilities	1,040,625	3,090,625
(h)	Total sundry liabilities	141,786,823	136,583,103
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	477,549,943	434,452,271
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	590,220,485	517,947,454
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	124,081,442	93,643,337
41.	TOTAL	714,301,927	611,590,791

CONDENSED STATEMENT OF INCOME

Allianz Risk Transfer (Bermuda) Limited
As at **December 31, 2020**
United States Dollars

LINE No.		2020	2019
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	22,138,409	34,326,958
	(b) Assumed gross premiums written	990,207,997	726,353,345
	(c) Total gross premiums written	1,012,346,406	760,680,303
2.	REINSURANCE PREMIUMS CEDED	943,932,067	689,434,243
3.	NET PREMIUMS WRITTEN	68,414,339	71,246,060
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(2,528,910)	(1,290,321)
5.	NET PREMIUMS EARNED	65,885,429	69,955,739
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	65,885,429	69,955,739
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	INCURRED	64,450,024	66,338,177
9.	COMMISSIONS AND BROKERAGE	(37,219,944)	(25,421,853)
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	27,230,080	40,916,324
11.	**NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS**	38,655,349	29,039,415
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	1,395,570	1,495,580
	(b) Personnel cost	6,442,495	5,367,076
	(c) Other	7,960,057	6,265,076
	(d) Total combined operating expenses	15,798,122	13,127,732
31.	COMBINED INVESTMENT INCOME - NET	13,589,748	1,117,121
32.	COMBINED OTHER INCOME (DEDUCTIONS)	(155,375)	(274,871)
33.	COMBINED INCOME BEFORE TAXES	36,291,600	16,753,933
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	5,190,148	5,615,793
	(b) Deferred	2,466,648	(1,351,689)
	(c) Total	7,656,796	4,264,104
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	28,634,804	12,489,829
36.	COMBINED REALIZED GAINS (LOSSES)	(31,128)	(268,992)
37.	COMBINED INTEREST CHARGES	-	-
38.	NET INCOME	28,603,676	12,220,837

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Allianz Risk Transfer (Bermuda) Limited

As at **December 31, 2020**

United States Dollars

LINE No.		2020	2019
1.	**CAPITAL:**		
(a)	Capital Stock		
	(i) Common Shares	120,000	120,000
	authorized 120,000 shares of par value $ 1.000 each issued and fully paid 120,000 shares		
	(ii) (A) Preferred shares:		
	authorized shares of par value each issued and fully paid shares		
	aggregate liquidation value for — 2020 / 2019		
	(B) Preferred shares issued by a subsidiary:		
	authorized shares of par value each issued and fully paid shares		
	aggregate liquidation value for — 2020 / 2019		
	(iii) Treasury Shares		
	repurchased shares of par value each issued		
(b)	Contributed surplus	49,880,000	49,880,000
(c)	Any other fixed capital		
	(i) Hybrid capital instruments	-	-
	(ii) Guarantees and others	-	-
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	50,000,000	50,000,000
2.	**SURPLUS:**		
(a)	Surplus - Beginning of Year	43,643,337	40,935,513
(b)	Add: Income for the year	28,603,676	12,220,837
(c)	Less: Dividends paid and payable	-	(10,000,000)
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	1,836,920	616,439
(e)	Add (Deduct) change in any other surplus	(2,491)	(129,452)
(f)	Surplus - End of Year	74,081,442	43,643,337
3.	**MINORITY INTEREST**		
4.	**TOTAL CAPITAL AND SURPLUS**	124,081,442	93,643,337

Part I - General Notes to the Financial Statements

1. **Business and organization**

Allianz Risk Transfer (Bermuda) Limited ("the Company") is a wholly owned subsidiary of Allianz Global Risks US Insurance Company ("AGR"), and was incorporated in Bermuda on September 20, 1999. The Company is licensed under the Insurance Act 1978 of Bermuda and related regulations to write all classes of property and casualty business.

Prior to 2019, the Company was a wholly owned subsidiary of Allianz Risk Transfer, Inc. ("ART NY") who was incorporated in the State of New York on April 7, 1998. In 2019, the Company became a wholly owned subsidiary of AGR, an insurance company based in Chicago, Illinois, USA. AGR is indirectly owned by Allianz SE, a stock company based in Germany.

2. **Business underwritten**

The Company specializes in providing customized insurance, reinsurance and non-traditional risk management and financial solutions to corporate clients worldwide.

A significant portion of the Company's business is based on generation of underwriting fees, whereby business is assumed from related parties and ceded to third parties who are looking to access the Company's underwriting platform.

The reinsurance coverage provided for the Company's own account, relates primarily to the Company's participation in various excess of loss property catastrophe reinsurance contracts. The Company also participates in various quota share and excess of loss reinsurance contracts including, but not necessarily limited to, the following lines of business: property, liability, credit & surety and miscellaneous financial loss. Catastrophe reinsurance provides cover for liabilities arising from unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, fires, industrial explosions, freezes, floods and other man-made or natural disasters. The Company manages its exposures of catastrophic events and other risks by purchasing retrocessional cover for these risks and by obtaining collateral for a significant portion of these exposures.

3. **Accounting Standards**

The condensed general purpose financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to the Condensed General Purpose Financial Statements (the "Legislation"). The condensed general purpose financial statements are based upon accounting principles generally accepted in the United States of America ("US GAAP") but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from US GAAP. The more significant variances are as follows:

- A statement of cash flows is not included;

- A statement of comprehensive income is not included;

The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under US GAAP, and

Part I - General Notes to the Financial Statements (continued)

3. Accounting Standards (continued)

- The notes included in the condensed general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under US GAAP.

4. **Significant accounting policies**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates reflected in the Company's financial statements include, but are not limited to, net loss and loss expense provisions, estimates of profit commission and the fair value of derivatives and unquoted investments.

Certain amounts in the comparative periods presented in these financial statements have been revised to conform to the current year presentation.

The following are the significant accounting policies adopted by the Company:

(a) Premiums earned

Premiums written, assumed and ceded are recorded on the accruals basis and are included in income on a pro-rated basis in proportion to the amount of protection provided over the term of the underlying agreements, with the unearned portion deferred in the balance sheet, net of prepaid reinsurance premiums. Profit commission expenses are recorded on the accruals basis and are included in income on a pro-rated basis over the period in which the related premiums are earned. Profit commissions are based on the best estimate of ultimate premiums and losses under the agreements.

(b) Underwriting fees

Underwriting fees are accrued to the balance sheet date and are recognized on a pro-rated basis over the contract period.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and collateral deposits with banks as well as money market funds with no restrictions on redemption.

(d) Loss and loss expense provisions

Losses and loss expenses paid are recorded when advised by the ceding insurance companies. Outstanding loss estimates comprise the amount of reported losses and loss expenses received from cedants plus a provision for losses incurred but not yet reported ("IBNR").

Part I - General Notes to the Financial Statements (continued)

4. Significant accounting policies (continued)

(d) Loss and loss expense provisions (continued)

IBNR reserves are estimated by management using various actuarial methods, output from various catastrophe loss models, industry loss experience, underwriters' experience, general market trends and management's judgement.

Given the inherent nature of the Company's insured exposures (see Note 2) considerable uncertainty underlies the assumptions and associated estimates of outstanding losses and loss expenses. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in income in the period in which they are determined. Due to the inherent uncertainty in estimating the liability for losses and loss expenses, there can be no assurance that the ultimate liability will not be settled for significantly greater or lesser amounts than that recorded.

Based on the current assumptions used management believes, based on the recommendations of the qualified actuary, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate cost of losses incurred to the balance sheet date but the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. It is at least reasonably possible that management will revise this estimate significantly in the near term. Any subsequent differences arising are recorded in the period in which they are determined.

(e) Fair Value Measurements

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Basis of Fair Value Measurement

Accounting Standards Codification ("ASC") 820 establishes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The three levels of the fair value hierarchy are described further below:

Part I - General Notes to the Financial Statements (continued)

4. Significant accounting policies (continued)

(e) Fair Value Measurements (continued)

Level 1 — Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities, that the Company has the ability to access at the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These measurements include circumstances where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

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 in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

(f) Investments

The Company classifies its investments as available for sale or held for trading. Investments classified as available for sale are carried at fair value with unrealized gains or losses, net of related tax effects, included in the condensed balance sheets as a separate component of capital and surplus. Investments classified as held for trading are carried at fair value with unrealized gains or losses included in the condensed statement of income.

The fair value of fixed income securities is based upon quoted market values where available, "evaluated bid" prices provided by third party pricing services ("pricing services") where quoted market values are not available, or by reference to broker or underwriter bid indications where pricing services do not provide coverage for a particular security.

The carrying value of investments in unquoted equity instruments is established using the net asset value per unit, and which approximates fair value.

Part I - General Notes to the Financial Statements (continued)

4. Significant accounting policies (continued)

(f) Investments (continued)

Realized gains and losses on sales of investments are determined on the basis of specific identification and are included in the condensed statement of income. Investment income, net of investment expenses, is accrued to the balance sheet date and includes amortization of premiums or discount on investments purchased at amounts different from their par value.

Investments with unrealized losses considered to be other than temporary are written down to fair value, creating a new cost basis for the investment. The impairment is recorded within realized losses in the statement of income.

(g) Derivative financial instruments

As part of the Company's underwriting strategy, the Company enters into derivative contracts. The Company designates its substantive derivative contracts in accordance with ASC 815 which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. This standard requires that an entity recognize derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value, with changes in the fair value recorded in earnings. The fair values of derivatives are estimated by management. The estimation of fair value is complex and requires management to exercise significant judgment. The fair values of derivatives are recorded as assets or liabilities as appropriate and changes in fair values are recorded in current earnings.

As at December 31, 2020 and 2019, the Company does not have transactions which qualify as fair value hedges.

Estimation of the fair values of the Company's derivative contracts requires management to make estimates in respect of such factors as energy prices and weather data, mortality rates, longevity rates and other future events. As such, the fair values estimated by management may differ significantly from the ultimate settlement value of these transactions. Adjustments to the fair value of these derivatives are reflected in income in the period in which they are made.

(h) Pension plans

The Company operates a defined contribution retirement plan for Bermudian employees. The plan is funded currently with employer contributions of 10% of an employee's salary and bonus (all contributions made up to the legal limits). The Company's contributions to the plan in 2020 were $163,000 (2019 - $109,000).

The Company operates a separate defined contribution retirement plan for International employees. The plan is funded currently with employer contributions of 10% of an employee's salary. The Company's contributions to the plan in 2020 were $173,000 (2019 - $113,000).

Part I - General Notes to the Financial Statements (continued)

4. Significant accounting policies (continued)

(i) Federal income taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences related to temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes, measured by applying currently enacted tax rates. The effect on deferred tax assets and deferred tax liabilities of a change in tax rates is recognized in the period that includes the enactment date. The Company recognizes deferred tax assets if it is more likely than not that a benefit will be realized.

(j) Foreign exchange

Transactions denominated in currencies other than United States Dollars are translated to United States Dollars at the prior month end exchange rate. Financial assets and liabilities held in foreign currency are translated to United States Dollars at the rate prevailing at the balance sheet date. Foreign exchange gains or losses relating to these transactions are included in the statement of income.

5. See Part I, Note 4.

6. See Part I, Note 4.

7. N/A

8. **Commitments and contingencies**

In 2016, the Company renewed its lease for its Hamilton, Bermuda premises for a five year term that expires on September 15, 2021. The Company recorded total rent expenses of $0.2 million during the year (2019 - $0.2 million). The total minimum future lease payments required under this lease are as follows:

2021	$167,344

Part I - General Notes to the Financial Statements (continued)

8. Commitments and contingencies (continued)

In December 2019, Allianz Risk Transfer AG provided a parental guarantee of the Company's obligations up to a maximum guaranteed amount of approximately EUR 700,000,000. ART AG charged a fee of EUR 1,542,815 for the guarantee which is recorded in combined operating expenses. Effective January 1, 2020, the parental guarantee has been replaced with a parental guarantee provided by AGR up to a maximum guaranteed amount of approximately $700,000,000. AGR charged a fee of USD 491,232.

9. – 12. N/A

13. **Fair Value Measurements**

The following table sets forth the fair value of the Company's quoted and unquoted investments as of December 31, 2020 by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Quoted bonds and debentures				
US Government Bonds	$ 1,304,768	$ -	$ -	$ 1,304,768
Bond Mutual Funds	-	39,983,122	-	39,983,122
Unquoted bonds and debentures				
Total Return Bond Fund	-	12,639,375	-	12,639,375
Catastrophe bonds	-	-	13,836,507	13,836,507
Corporate bonds	-	-	9,985,184	9,985,184
Unquoted equities				
Common stocks	-	-	799,905	799,905
	$ 1,304,768	$ 52,622,497	$ 24,621,596	$ 78,548,861

The Company uses consensus pricing as a valuation technique for its Level 3 investments, with lack of observable market data noted as an unobservable input.

Part I - General Notes to the Financial Statements (continued)

13. Fair Value Measurements (continued)

The following table sets forth the fair value of the Company's quoted and unquoted investments as of December 31, 2019 by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Quoted bonds and debentures				
US Government Bonds	$ 2,022,699	$ -	$ -	$ 2,022,699
Bond Mutual Funds	-	47,747,142	-	47,747,142
Unquoted bonds and debentures				
Total Return Bond Fund	-	11,543,242	-	11,543,242
Catastrophe bonds	-	-	18,176,753	18,176,753
Corporate bonds	-	-	9,999,435	9,999,435
Unquoted equities				
Common stocks	-	-	1,526,656	1,526,656
	$ 2,022,699	$ 59,290,384	$ 29,702,844	$ 91,015,927

14. The contractual maturity profile of the Company's fixed maturity and short-term investments is as follows:

Due within one year	$ 587,651
Due after one year through five years	63,358,140
Due after five years through ten years	717,481
Due after ten years	13,085,684
Total	$ 77,748,956

Part I - General Notes to the Financial Statements (continued)

15. See Note 8.

Amounts receivable (payable) and fees incurred/ (charged) in the year to/from affiliates are as follows:

	Amounts receivable (payable)		Fees incurred/ (charged) in year ended	
	2020	2019	2020	2019
ART NY	$ -	$ (198,491)	$ (218,220)	$ 2,251,497
ART AG	671	(30,692)	1,440,197	2,485,749
Allianz Global Corp & Specialty SE	(1,466,314)	(600,427)	4,100,190	2,087,300
Fireman's Fund Insurance Co.	-	(931,658)	105,668	931,658
Allianz Global Risk US Insurance Co.	54,448	(787,345)	3,319,829	1,347,164
ART AG (Bermuda Branch)	1,113,326	1,433,375	(1,072,326)	(1,561,000)
	$ (297,869)	$ (1,115,166)	$ 7,675,338	$ 7,542,368

During 2020, the Company assumed from affiliates and retroceded to affiliates certain reinsurance transactions. The amounts related to this for the year are as follows:

Gross premium written assumed from affiliates	$ 918,003,671
Reinsurance premium ceded to affiliates	$ 4,727,453

16. The Board of Directors have assessed and evaluated all subsequent events arising from the balance sheet date up until May 24, 2021 the date the financial statements were available to be issued, and have assessed that no additional disclosure is required.

17. None.

PART II - Notes to the Statement of Capital and Surplus

1 (a). Common stock, authorized, issued and fully paid – 120,000 shares of par value $1 each.

1 (b). Contributed surplus represents amounts contributed by AGR in cash in addition to their subscription to issued share capital.

2 (c). In 2020, the Company declared and paid $nil in dividends (2019: $10.0 million).

Part III - Notes to the Balance Sheet

1. As at December 31, 2020, cash and cash equivalents of approximately $97.6 million (2019 - $119.6 million) is held by one U.S. financial institution. The Company's management evaluates the financial strength and stability of the U.S. financial institution on a periodic basis.

Included in cash and cash equivalents are the following amounts which are encumbered:

At December 31, 2020 $0.3 million (2019 - $0.3 million) of margin collateral is posted under a Participation Agreement of a Loan Syndications and Trading Association contract.

The Company maintains collateral balances at a number of financial institutions supporting transactions written using International Security Dealers Association derivative contracts. The balances for the years ending December 31, 2020 and 2019 are as shown in the following table:

			Collateral asset balance	
	Jurisdiction	Rating(S&P)	2020	2019
Financial institution 1	USA	A-	$ 5,850,000	$ -
Financial institution 2	USA	A	40,413,120	28,354,896
Financial institution 3	UK	A	4,446,006	10,687,385
Financial institution 4	Australia	A+	-	614,163
			$50,709,126	$39,656,444

2. See Part I Note 4 for the method of valuation for quoted investments.

3. See Part I Note 4 for the method of valuation for unquoted investments. Unquoted equity securities of $0.8 million (2019 - $1.5 million) comprise an equity participation in an unquoted limited liability company focused on investing in energy and infrastructure opportunities on a global basis.

Unquoted bonds and debentures comprise investments in catastrophe bonds of $13.8 million (2019 - $18.2 million), a total return bond fund of $12.6 million (2019 - $11.5 million) and a corporate bond of $10.0 million (2019 - $10.0 million).

Included in investments, are quoted bonds and debentures of $41.3 million (2019 - $49.8 million) classified as held for trading.

4. Advances to affiliates of $1.2 million (2019 - $1.4 million) include fees billed to related parties for general advice and consulting assistance in analyzing and structuring deals. Outstanding balances are interest-free and carry no fixed repayment terms.

5. – 8. N/A

9. Investment income due and accrued of $0.2 million at December 31, 2020 (2019 - $0.3 million) represents accrued interest on bonds and debentures.

PART III - Notes to the Balance Sheet (continued)

10. Accounts and premiums receivable of $360.0 million at December 31, 2020 (2019 - $245.6 million) comprises (i) premiums receivable from third parties $12.9 million (2019: $36.3 million), (ii) premiums receivable from affiliates $259.1 million (2019: $173.1 million) and (iii) amounts deferred – not yet due $88.0 million (2019: $36.2 million).

11. N/A

12. N/A

13. Sundry assets include:

a) Derivative assets of $24.9 million at December 31, 2020 (2019 - $16.5 million). See Part I Note 3 for the description of the policies surrounding the use of derivatives. The balance sheet position represents:

i) a derivative with a financial institution with a nominal amount of $37.5 million (2019 - $37.5 million) and fair value of $2.4 million (2019 - $2.0 million). The maturity date of the instrument is December 2030; the contract includes an early termination provision at 2021.

ii) a derivative with an affiliate representing hedging of the Company's long-term compensation plan exposure with fair value of $2.4 million (2019 - $3.1 million).

iii) derivatives with corporate customers written using International Security Dealers Association derivative contracts with a gross nominal amount of $1,384.0 million (2019 - $284.9 million), net nominal amount of $138.4 million (2019 - $28.5 million), and a net fair value of $20.1 million (2019 - $11.4 million). The following derivatives by issuer have a nominal exposure greater that 5% of the total aggregate exposure:

	Gross Nominal Value	Net Nominal Value	Gross Fair Market Value	Net Fair Market Value
Corporate Customer 1	$ 207,080,000	$ 20,708,000	$ 22,500,125	$ 2,250,013
Corporate Customer 2	150,250,000	15,025,000	15,722,857	1,572,286
Corporate Customer 3	124,715,075	12,471,508	36,331,799	3,633,180
Corporate Customer 4	100,863,030	10,086,303	13,666,095	1,366,610
Corporate Customer 5	78,448,668	7,844,867	8,957,328	895,733
Corporate Customer 6	77,355,000	7,735,500	7,977,086	797,709

The fair value of $20.1 million comprises the gross value of $182.6 million offset by $162.5 million which is contractually due to a corporate customer under the provisions of the derivative contracts.

PART III - Notes to the Balance Sheet (continued)

f) Deferred acquisition costs (“DAC”) represent the deferral of ceding commissions on quota share and treaty retrocession contracts. The 2019 comparatives have been restated to include deferred acquisition costs of $26.4 million previously included on Line 36(e).

h) Other assets include premium rebate reserve receivables of $0.7 million (2019 - $2.2 million) on certain structured reinsurance contracts.

i) Income taxes receivable are $1.4 million (2019 - $1.8 million) and net deferred tax assets are $1.1 million (2019 - $4 million). The net deferred tax assets represent the expected future income tax deduction for certain balance sheet amounts that have been deferred for tax (i.e. DAC) and unrealized amounts in the statement of income. Management have assessed the net deferred tax asset and believe that it is more likely than not realizable as at December 31, 2020.

j) Collateral balances include $34.2 million (2019 - $22 million) maintained with corporate customers supporting transactions written using International Security Dealers Association derivative contracts and reinsurance contracts.

14. N/A

15. N/A

16. See Part I, Note 4.

17. (a) For certain insured events there is considerable uncertainty underlying the assumptions and associated estimates of outstanding losses and loss adjustment expense provisions and these estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. The uncertainty surrounding reserves for insured exposures arises from items such as, but not limited to, policy coverage issues, multiple events affecting one geographic area and the impact on claims adjusting by ceding companies. This can cause significant delays to the timing of notification of changes to loss estimates reported by ceding companies.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. Consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Outstanding losses recoverable from reinsurers of $1,081 million (2019 - $464.9 million) are secured by funds held in trusts for which the Company is a beneficiary.

PART III - Notes to the Balance Sheet (continued)

17. (a) (continued)

The table below represents the movements in the loss and loss expense provisions for the current year and previous year:

	2020	2019
Gross loss and loss expense provisions a) beginning of year	$679,620,322	$350,867,263
Less: Reinsurance recoverable beginning of year	607,794,144	306,999,260
Net loss and loss expense provisions b) beginning of year	71,826,178	43,868,003
Net losses incurred and net loss expenses incurred related to:		
Current year	43,214,260	56,292,658
Prior years	21,235,764	10,045,519
Total net incurred losses and loss expense	64,450,024	66,338,177
Net losses and loss expenses paid or payable related to:		
Current year	5,629,449	25,689,407
Prior years	32,233,668	12,656,100
Total losses and loss expenses paid or payable	37,863,117	38,345,507
Foreign exchange and other	59,542	(34,495)
Net loss and loss expense provisions - end of year	98,472,627	71,826,178
Add: Reinsurance recoverable at end of year	1,124,069,547	607,794,144
Gross loss and loss expense provisions at end of year	**$1,222,542,174**	**$679,620,322**

The development in prior year incurred losses relates to the property line of business with additional premiums having been accrued as a result of this.

The total loss and loss expense provision represents unsecured policyholder obligations.

PART III - Notes to the Balance Sheet (continued)

20 – 27. N/A

28. Insurance and reinsurance balances payable of $283.7 million (2019 - $233.7 million) represent reinsurance balances due to third parties of $274.9 million (2019 - $230.7 million) and due to affiliates of $8.8 million (2019 - $3.0 million).

29. N/A

30. N/A

31. (a) *Bermuda*
Under current Bermuda law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

United States
In 1999 the Company made an election under Section 953(d) of the Internal Revenue Code to be taxed as a U.S. domestic insurance company for federal tax purposes and to be included in a consolidated tax return for AGR. Under the dual consolidation loss rules of the 953(d) election, tax loss benefits generated by the Company will only be available to offset income of the Company.

31. *(b)* N/A

32. Advances due to affiliates of $1.5 million (2019 - $2.6 million) include fees billed by related parties for general advice and consulting assistance in analyzing and structuring deals. Outstanding balances are interest-free and carry no fixed repayment terms.

33. Included in accounts payable and accrued liabilities are $0.7 million (2019 - $6.7 million) for unallocated suspense payables, $2.9 million (2019 – $3.5 million) for restricted stock unit grants and other employee provisions and $4.3 million (2019 - $1.1 million) for other sundry liabilities.

34. Funds held under reinsurance contracts of $42.7 million (2019 - $50.3 million) represent amounts due to an affiliate.

35. N/A

PART III - Notes to the Balance Sheet (continued)

36. Sundry liabilities include:

a) Derivative liabilities of $15.6 million at December 31, 2020 (2019 – $19.5 million). See Part I Note 3 for the description of the policies surrounding the use of derivatives. The balance sheet position represents:

i) A derivative with a financial institution with a nominal amount of $110 million (2019 - $110 million) and fair value of $5.8 million (2019 - $6.1 million). The maturity date of the instrument is April 2044.

ii) Derivatives with financial institutions written using International Security Dealers Association derivative contracts with a gross nominal amount of $747.3 million (2019 - $256.4 million), net nominal amount of $74.7 million (2019 - $25.6 million), and a net fair value of $7.3 million (2019 - $10.3 million). The following derivatives by issuer have a nominal exposure greater that 5% of the total aggregate exposure:

	Gross Nominal Value	Net Nominal Value	Gross Fair Market Value	Net Fair Market Value
Corporate Customer 1	$ 160,968,150	$ 16,096,815	$ 12,290,963	$ 1,229,096
Corporate Customer 2	114,275,000	11,427,500	3,272,216	327,222
Corporate Customer 3	113,715,000	11,371,500	9,694,612	969,461
Corporate Customer 4	103,621,000	10,362,100	9,136,069	913,607
Corporate Customer 5	83,816,205	8,381,621	128,741	12,874
Corporate Customer 6	78,380,021	7,838,002	3,503,038	350,304
Corporate Customer 7	48,475,000	4,847,500	8,166,861	816,686

The fair value of $7.3 million comprises the gross value of $54.6 million offset by $47.3 million which is contractually due from a corporate customer under the provisions of the derivative contracts.

iii) A derivative with a financial institution written using International Security Dealers Association derivative contracts with a nominal amount of GBP 80 million (2019: GBP 80 million) and a fair value of $2.4 million (2019 - $3.1 million).

e) Deferred commissions represent the deferral of ceding commissions on quota share and treaty retrocession contracts.

f) Included in collateral deposits amounts received from a third parties supporting margin requirements for derivative contracts in the amount of $81.8 million (2019 - $76 million).

g) Other sundry liabilities of $1.1 million (2019 - $3.1 million) represent the premium rebate reserve established on certain structured reinsurance contracts.

37. N/A

Part IV - Notes to the Statement of Income

6. N/A

15. N/A

32. Other deductions of $0.2 million (2019 - $0.3 million) represent the net impact of unrealized foreign exchange gains and losses on balance sheet items held in currencies other than US Dollars.

36. Realized losses of $0.1 million (2019 - $0.3 million) represent realized losses on unquoted equity investments.