CATALINA HOLDINGS (BERMUDA) LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

CATALINA HOLDINGS (BERMUDA) LTD.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Catalina Holdings (Bermuda) Ltd.

We have audited the accompanying consolidated financial statements of Catalina Holdings (Bermuda) Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statement of operations, comprehensive income, changes in shareholders' equity and cashflows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catalina Holdings (Bermuda) Ltd. and its subsidiaries as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more. Deloitte Ltd. is an affiliate of DCB Holding Ltd., a member firm of Deloitte Touche Tohmatsu Limited.

Other Matter

The financial statements of Catalina Holdings (Bermuda) Ltd. and its subsidiaries (the "Company") for the year ended December 31, 2019, were audited by another auditor, who expressed an unmodified opinion on those statements on May 1, 2020.

Management has omitted disclosure of short-duration contracts that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Deloitte Ltd.

April 29, 2021

CATALINA HOLDINGS (BERMUDA) LTD.
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019
(Expressed in thousands of U.S. dollars, except share and per share amounts)

	2020	2019
Assets		
Investments, trading, at fair value	$ 1,967,317	$ 2,417,983
Investments, available-for-sale, at fair value (cost: $1,645,797 2019: $704,524)	1,782,088	704,524
Cash and cash equivalents	318,017	210,525
Restricted cash and cash equivalents	284,111	169,795
Accrued investment income	23,738	23,225
Other investments	221,320	434,631
Outstanding losses and loss expenses recoverable	1,465,568	1,414,002
Deferred reinsurance premiums	10,830	774
Funds held by cedants and claims administrators	96,647	86,994
Insurance and reinsurance balances receivable	228,217	142,466
Other assets	341,253	61,527
Intangible assets	12,750	12,750
Total assets	$ 6,751,856	$ 5,679,196
Liabilities		
Outstanding losses and loss expenses	$ 4,132,783	$ 3,610,537
Unearned premiums	55,263	2,190
Insurance and reinsurance balances payable	59,065	93,440
Accounts payable, accrued expenses and other liabilities	68,322	68,178
Long term subordinated debt	407,271	303,987
Loans payable	667,599	569,971
Total liabilities	5,390,303	4,648,303
Shareholders' equity		
Ordinary shares *($1 par value; 50,000 shares authorized; 14,753 issued and outstanding)*	14,753	14,673
Preference shares	527,923	209,732
Additional paid-in capital	613,938	616,315
Retained earnings	38,596	159,492
Accumulated other comprehensive income	160,019	27,098
Total Catalina Holdings (Bermuda) Ltd. shareholders' equity	1,355,229	1,027,310
Non-controlling interest	6,324	3,583
Total shareholders' equity	1,361,553	1,030,893
Total liabilities and shareholders' equity	$ 6,751,856	$ 5,679,196

The accompanying notes are an integral part of these consolidated financial statements

CATALINA HOLDINGS (BERMUDA) LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2020 and 2019
(Expressed in thousands of U.S. dollars, except share and per share amounts)

	2020	2019
Revenues		
Net premiums earned	$ 143,329	$ 9,876
Net losses and loss expenses	(101,290)	(3,338)
Commissions	(42,177)	(1,517)
Net run-off (loss) income	(138)	5,021
Net investment income	107,352	82,822
Net (losses) gains on investments	(31,339)	58,693
Rental income	22,867	10,954
Net foreign exchange losses	(58,402)	(23,564)
Gain on sale of real estate and subsidiary	45,995	3,465
General and administrative expenses	(100,910)	(71,414)
Change in subordinated debt fair value	(1,154)	(4,081)
Interest expense	(55,631)	(47,713)
(Loss) income before income taxes	(71,360)	14,183
Income tax (expense) credit	(10,482)	442
Net (loss) income	$ (81,842)	$ 14,625
Net loss attributable to non-controlling interest	(1,423)	(26)
Net (loss) income attributable to Catalina Holdings (Bermuda) Ltd.	$ (83,265)	$ 14,599

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2020 and 2019
(Expressed in thousands of U.S. dollars, except share and per share amounts)

	2020	2019
Net (loss) income attributable to Catalina Holdings (Bermuda) Ltd.	$ (83,265)	$ 14,599
Other comprehensive income (loss), before and net of tax:		
Foreign currency translation adjustments	67,062	13,756
Unrealized gains on available for sale securities	65,859	13,114
Decrease in fair value of interest rate swap	-	(1,225)
Other comprehensive income, before and net of tax	132,921	25,645
Comprehensive income	$ 49,656	$ 40,244

The accompanying notes are an integral part of these consolidated financial statements

CATALINA HOLDINGS (BERMUDA) LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2020 and 2019
(Expressed in thousands of U.S. dollars except for share and per share amounts)

	2020	2019
Share capital - "A" Ordinary shares of par value $1.00 each		
Balance at beginning of year	$ 13,488	$ 13,488
Balance at end of year	13,488	13,488
Share capital - "B" Ordinary shares of par value $1.00 each		
Balance at beginning of year	490	495
Repurchased during the year	(35)	(5)
Issued during the year	30	-
Balance at end of year	485	490
Share capital - "C" Ordinary shares of par value $1.00 each		
Balance at beginning of year	695	-
Issued during year	85	695
Balance at end of year	780	695
Preference share capital - Preference shares of par value $1.00 each		
Balance at beginning of year	209,732	-
Issued during year	284,000	203,176
Change in accrued dividends during year	34,191	6,556
Balance at end of year	527,923	209,732
Additional paid-in capital		
Balance at beginning of year	616,315	616,623
Repurchase of "B" Ordinary shares	(2,377)	(308)
Balance at end of year	613,938	616,315
Retained earnings		
Balance at beginning of year	159,492	151,969
Preference share dividends and subscription value increase	(34,191)	(6,556)
Dividends on "B" Ordinary shares	(1,548)	-
Impact of deconsolidation of subsidiaries	(1,777)	-
Issued Ordinary shares as stock-based compensation	(115)	(520)
Net (loss) income attributable to Catalina Holdings (Bermuda) Ltd.	(83,265)	14,599
Balance at end of year	38,596	159,492
Accumulated other comprehensive income		
Balance at beginning of year	27,098	1,453
Other Comprehensive income	132,921	25,645
Balance at end of year	160,019	27,098
Non-controlling interest		
Balance at beginning of year	3,583	1,757
Change of non-controlling interest in subsidiaries	1,318	1,800
Net income attributable to non-controlling interest	1,423	26
Balance at end of year	6,324	3,583
Total shareholders' equity	$ 1,361,553	$ 1,030,893

The accompanying notes are an integral part of these consolidated financial statements

CATALINA HOLDINGS (BERMUDA) LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019
(Expressed in thousands of U.S. dollars, except share and per share amounts)

	2020	2019
Cash flows (used in) provided by operating activities		
Net (loss) income	$ (81,842)	$ 14,625
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities		
Net gains on sale of real estate	(45,995)	(3,465)
Non-cash interest on shareholder loan	-	3,175
Depreciation of property and equipment	1,482	2,614
Amortization of net discounts on investments	(3,786)	1,563
Net losses (gains) on investments	31,339	(58,693)
Premiums received through loss portfolio transfer	-	777,401
Change in subordinated debt fair value	1,154	4,081
Other non cash items	688	175
Changes in assets and liabilities:		
Accrued investment income	4,966	(5,632)
Funds held by cedants and claims administrators	13,984	(11,733)
Outstanding losses and loss expenses recoverable	128,603	(154,458)
Insurance and reinsurance balances receivable	94,173	(110,463)
Deferred reinsurance premiums	12,673	1,426
Other assets (Note 8)	29,527	(36,048)
Outstanding losses and loss expenses	(433,062)	(78,463)
Unearned premiums	(89,552)	(3,176)
Insurance and reinsurance balances payable	30,833	20,598
Accounts payable, accrued expenses and other liabilities	(25,612)	17,549
Net cash (used in) provided by operating activities	(330,427)	381,076
Cash flows provided by (used in) investing activities		
Payment for acquisitions, net of cash acquired	(364,290)	-
Purchases of investments	(2,083,490)	(3,607,433)
Proceeds from sale or maturity of investments	2,632,415	3,051,873
Investment in real estate	(143,037)	(178,957)
Proceeds from sale of real estate and intangibles	3,222	14,080
Net cash provided by (used in) investing activities	44,820	(720,437)
Cash flows provided by financing activities		
Repurchase of "B" ordinary shares	(2,412)	(313)
Proceeds from issuance of preference shares	284,000	200,000
"B" Ordinary shares dividend	(1,548)	-
Proceeds from issuance of long term subordinated debt	95,800	23,877
Proceeds from issuance of loans payable	458,120	82,092
Repayment of loans	(273,977)	(9,761)
Net cash provided by financing activities	559,983	295,895
Effect of exchange rate changes	(52,568)	(47,583)
Increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	221,808	(91,049)
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of year	380,320	471,369
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of year	$ 602,128	$ 380,320
Supplemental information:		
Interest paid	$ 43,729	$ 43,907
Income taxes paid	7,153	(889)
Reconciliation to consolidated balance sheet:		
Cash and cash equivalents	$ 318,017	$ 210,525
Restricted cash and cash equivalents	284,111	169,795
Cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 602,128	$ 380,320

The accompanying notes are an integral part of these consolidated financial statements

1. Description of business

Catalina Holdings (Bermuda) Ltd. ("Catalina" or the "Company"), incorporated on June 25, 2007, is a holding company organized under the laws of Bermuda. Catalina, through its subsidiaries located in Bermuda, the United States, the United Kingdom, Ireland and Switzerland, acquires and manages non-life insurance and reinsurance companies and portfolios of insurance and reinsurance business in run-off. Since October 2008, Catalina has completed the acquisition of insurance and reinsurance companies and portfolios of insurance and reinsurance business. The acquisitions are:

• Quanta Capital Holdings Ltd. ("Quanta")	October 2008
• Alea Holdings UK Limited	October 2009
• Western General Insurance Ltd. ("WestGen")	July 2010
• Glacier Reinsurance AG ("Glacier Re")	April 2011
• Residential Loss Control Holdings, LLC	October 2011
• HSBC Reinsurance Limited and HSBC Insurance (Ireland) Limited	October 2012
• KX Reinsurance Company Ltd.	April 2013
• American Safety Reinsurance Ltd. ("Catalina Safety")	October 2013
• Alea Group Holdings (Bermuda) Ltd. ("AGHBL")	March 2014
• SPARTA Insurance Holdings, Inc.	September 2014
• Danielson Indemnity Company	November 2014
• PXRE Reinsurance Company ("PXRE")	May 2015
• Papiro AG	October 2015
• Allianz Suisse Ruckversicherungs-Gesselschaft AG	December 2015
• AGF Insurance Limited ("AGF")	October 2016
• Hartford Financial Products International Limited ("HFPI")	May 2017
• Downlands Liability Management Limited ("DLM")	May 2017
• Globale Reinsurance Company Ltd. ("Globale Re")	May 2017
• Asia Capital Reinsurance Group Pte Ltd. ("ACR")	March 2020

The portfolio transfers are:

• Contractors wrap-up policies from Renaissance Reinsurance Ltd.	November 2012
• Marine insurance liabilities from the Delta Lloyd Group	June 2014
• Residential construction liabilities from NationsBuilders Insurance Company	February 2015
• UK and EU insurance liabilities from Quinn Insurance Limited ("QIL")	June 2015
• US insurance liabilities from Samsung Fire and Marine Insurance Co., Ltd. (US Branch) ("SFMI")	December 2017
• German medical malpractice liabilities from Zurich Insurance Plc ("Zurich")	March 2018
• US construction defect and general liabilities from Arch Reinsurance Ltd.	April 2018
• Construction insurance liabilities from the Delta Lloyd Group	September 2018
• UK employers liability liabilities from Zurich	June 2019

Catalina has renamed many of the entities acquired and simplified the group structure by merging and amalgamating entities where possible. As at December 31, 2020, Catalina had thirteen regulated entities of which the most significant are Catalina General Insurance Ltd. ("CatGen"), Catalina Worthing Insurance Limited ("CWIL" formerly HFPI), SPARTA Insurance Company ("SPARTA"), AGF, Catalina London Limited ("Catalina London"), Glacier Re, ACR and Catalina Insurance Ireland dac ("CII").

In October 2017, Apollo Global Management LLC (together with its consolidated subsidiaries) signed a definitive agreement to acquire a majority shareholding in the Company. Regulatory approval for this transaction was received in October 2018 and the transaction closed on October 10, 2018.

1. Description of business (continued)

On December 17, 2018, the Company through its wholly owned subsidiaries CatGen and Catalina London signed a definitive agreement with Zurich under which the majority of Zurich's UK employers liability policies for 2006 and prior underwriting years were to be reinsured by CatGen. The transaction comprises of two stages. Initially a reinsurance of relevant policies from Zurich to CatGen followed by an Irish Section 13 insurance business transfer of liabilities to Catalina London. The Regulatory approval for the first stage of the transaction was obtained from the Bermuda Monetary Authority on April 18, 2019 and the transaction closed on June 25, 2019.

On December 5, 2019, the Company signed a definitive agreement to acquire Asia Capital Reinsurance Group Pte Ltd., a Singapore-headquartered reinsurance business, from ACR Capital Holdings Pte. Founded in 2006, ACR has offices across Asia, including Singapore, Japan, South Korea, Malaysia, and Hong Kong. The acquisition is Catalina's first acquisition in Asia. As part of the transition, ACR ceased writing business with immediate effect and all existing policies will be serviced until expiry. On February 11, 2020, this deal received regulatory approval from the Companies Commission of Malaysia and on March 13, 2020, it received regulatory approval from the Monetary Authority of Singapore. This transaction closed on March 31, 2020 and is disclosed under Note 3.

2. Significant accounting policies

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities reported at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. While management believes the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, the actual results could ultimately be materially different from the amounts currently provided for in the consolidated financial statements. The Company's principal estimates relate to the development or determination of the following:

- valuation of outstanding losses and loss expenses;
- valuation of investments and determination of hierarchical inputs used to measure fair value of investments;
- valuation of long term subordinated debt;
- provisions for litigation and other contingent liabilities;
- provision for non-collectible reinsurance balances recoverable; and
- recoverability of insurance and reinsurance balances receivable

The Company's consolidated financial statements include the financial statements of the Company and all of its subsidiaries in which it owns, directly or indirectly through subsidiaries, over fifty percent of the voting rights or is in a position to govern the financial and operating policies of the entity. All significant balances and transactions among related companies have been eliminated on consolidation. The results of subsidiaries acquired are included from the dates of their acquisition by the Company.

2. Significant accounting policies (continued)

Premiums

The Company's insurance and reinsurance subsidiaries wrote insurance policies and reinsurance contracts prior to entering into run-off. With the exception of retroactive reinsurance agreements, these subsidiaries no longer write new policies or contracts but premiums continue to be earned over the terms of the associated insurance policies and reinsurance contracts in proportion to the amount of insurance protection provided. The term of the insurance or reinsurance coverage provided may be cancelled by the insured or ceding company resulting in a return of written premium.

Profit commission accruals are recorded as commission expenses and are adjusted at the end of each year based on the experience of the underlying contracts. Such adjustments related to profit commissions may be significant.

Ceded reinsurance or retrocessional coverage is used to limit the Company's individual and aggregate exposures to risks of losses arising from contracts of insurance or reinsurance. Reinsurance premiums ceded to reinsurers are recorded and earned in a manner consistent with that of the original contracts or policies written and the terms of the reinsurance agreements.

Premiums written and ceded relating to the unexpired periods of coverage or policy terms are recorded on the consolidated balance sheet as unearned premiums and deferred reinsurance premiums, respectively. Unearned premiums and deferred reinsurance premiums are recorded at fair value at the date that they were acquired. The fair value of the unearned premium reserve is based on the estimated timing of loss reserve settlements discounted at a risk-free rate.

Assumed premiums on life insurance contracts are recognized as revenue when payable by the policyholder on underlying reinsurance policies. Premiums collected by intermediaries but not yet received are assessed based on estimates from underwriting or past experience and are included as pipeline premiums in premium revenue.

Retroactive reinsurance

Retroactive reinsurance policies provide indemnification for outstanding losses and loss expenses with respect to past loss events. We use the balance sheet accounting approach for assumed loss portfolio transfers, whereby at the inception of the contract there are no premiums or losses recorded in earnings.

Consideration received in excess of estimated liabilities assumed with respect to retroactive reinsurance contracts is recognized as deferred gain at inception of such contracts. Deferred gain is subsequently amortized using the interest method over the expected claims settlement period. Changes to the estimated timing or amount of loss payments produce changes in periodic amortization. Changes in such estimates are applied retrospectively and are included within net income in the year in which such changes are made. Deferred gain is reported within outstanding losses and loss expenses in the consolidated balance sheets and deferred gain amortization is recognized within net losses and loss expenses in the consolidated statements of operations.

A deferred charge is recognized at the inception of such contracts where the estimated liabilities assumed exceed the consideration received. Deferred charges are subsequently amortized using the interest method over the expected claims settlement period. Changes to the estimated timing or amount of the loss payments produce changes in periodic amortization. Changes in such estimates are applied retrospectively and are included within net income in the year in which such changes are made. Deferred charges are reported within outstanding losses and loss expenses in the consolidated balance sheets and deferred charge amortization is recognized within net losses and loss expense in the consolidated statements of operations.

Deferred charges are assessed at each year end for impairment. If the asset is impaired, it is written down in the year in which the determination is made.

2. Significant accounting policies (continued)

Outstanding losses and loss expenses

The Company establishes reserves for outstanding losses and loss expenses for estimates of future amounts to be paid in settlement of its ultimate liabilities for claims arising under its contracts of insurance and reinsurance that have occurred at or before the consolidated balance sheet date. The estimation of ultimate loss and loss expense liabilities is a significant judgment made by management and is inherently subject to significant uncertainties.

The Company's loss reserves fall into two categories; case reserves for reported losses and loss expenses ("case reserves") and reserves for losses and loss expenses incurred but not reported ("IBNR reserves"). Case reserves are based initially on claim reports received from insureds, brokers or ceding companies, and may be supplemented by the Company's claims professionals with estimates of additional ultimate settlement costs. IBNR reserves are estimated by management using generally accepted statistical and actuarial techniques and are reviewed by independent actuaries. In applying these techniques, management uses estimates as to ultimate loss emergence, severity, frequency, settlement periods and settlement costs. In making these estimates, the Company relies on the most recent information available, including industry information, and its own historical loss and loss expense experience.

On periodic payment order claims ("PPO") and annuities, due to the long delay from when the claim was settled and when the final payment will be made, the outstanding claims are discounted to take account of investment income expected to be earned to the final payment date. The Company discounts its PPO claims at a real discount rate of 0% assuming a long-term care index inflation rate of 3% (2019: 3%) per annum, offset by expected investment returns of 3% (2019: 3%), and annuities at a real discount rate of 0.3% assuming a long-term care index inflation rate of 2.2% per annum, offset by expected investment returns of 2.5%, For known PPO claims and annuities, cash flows were projected in accordance with the claimants' life expectancy adjusted for specific information on any impairments the claimant may have that may impact their life expectancy. Annual cash flows are increased in line with an assumed inflation rate of 3% (2019: 3%) per annum for PPOs, and 2.2% per annum for annuities (2019: 3%). These cash flows are then discounted to the valuation date at an assumed discount rate of 3% (2019: 3%) per annum for PPOs and 2.5% for annuities (2019: 2.5%). The Company has discounted the cash flows as management is of the opinion that estimating undiscounted reserves for PPO claims and annuities is neither reliable nor representative of the underlying value of the losses. The unreliability stems from the significant uncertainty involved in estimating an absolute level of indexation. Management believes that discounting cash flows using a real yield assumption based on the relationship of investment returns relative to inflation indices is more reliable in the long term.

A significant amount of the Company's loss and loss expense reserves are related to casualty lines of business. This is due to the Company typically acquiring companies, or reinsuring portfolios, that have been in runoff for many years and therefore have significant exposure to casualty lines of business due to the long-tail nature of that business. The Company has exposure to Asbestos and Environmental ("A&E") from US Asbestos, US Pollution and UK Employers' Liability ("EL") Asbestos. In 2019 the Company reinsured a large UK EL portfolio from Zurich with significant exposure to asbestos. During 2020, with the acquisition of Asia Capital Re. Ltd., the Company's exposure to A&E decreased as a percentage of the Company's net reserves as at December 31, 2020. A&E makes up 41.0% (of which US A&E is 9.1%) of the Company's net reserves as at December 31, 2020 (2019: 54.6%, of which 12.4% US A&E).

For US Pollution in the CWIL portfolio, reserve estimates are based upon a ground-up exposure evaluation of individual assessments of the ultimate liabilities from the most significant insureds. The individual assessments involve the analysis of the costs of investigation and clean-up costs based upon attorney, cedant and consultant estimates. These costs are then spread over the applicable years of coverage after allowing for the impact of policy language, state and federal court decisions and legislation. The costs are then applied to the insured's policy limits and deductibles that CWIL participated in.

2. Significant accounting policies (continued)

Management believes the Company's reserving techniques represent a reasonable basis for estimating ultimate claim costs and that the outstanding losses and loss expenses are sufficient to cover claims from losses occurring up to the consolidated balance sheet date; however, ultimate losses and loss expenses may be subject to significant volatility as a result of significant uncertainties. These uncertainties are driven by many variables that are difficult to quantify. These uncertainties include, for example, the period of time between the occurrence of an insured loss and actual settlement, fluctuations in inflation, prevailing economic, social and judicial trends, legislative changes, internal and third party claims handling procedures and the lack of complete historical data on which to base loss expectations. Accordingly, ultimate liabilities may differ materially from the amounts recorded in the consolidated financial statements.

For the Company's exposure to US A&E from other acquired portfolios, the methodologies are based on Industry benchmarks (Survival Ratio and IBNR to Case Ratio). For UK EL Asbestos, the Company's reserve estimate relies on a Frequency / Severity methodology. The Company's pattern of future reported asbestos claim counts (particularly mesothelioma) are modelled using the publicly available "2020 AWP model", which was developed by the Institute and Faculty of Actuaries ("IFoA") UK Asbestos Working Party ("AWP"). Further the Company has adopted the model updates released in 2019, including additional allowance for claimants over age 90 and claims beyond 2050. The Company makes adjustments to the standard assumptions that management considers are appropriate. Principal amongst these are assumptions about the end date of insureds' culpable exposure to asbestos and the assumption that the future claim propensity by age band will be flat. These adjustments may have a significant impact on the results. The future severity estimates come from analyzing previous payments made by type of asbestos claim and then applying a severity trend. Asbestos claims, particularly mesothelioma claims, have significant risk due to the long manifestation period typically in excess of 40 years. The most significant causes of uncertainty that may affect A&E claims are the emergence of future claims reporting, the development of future average claim settlements and the potential for future medical or judicial developments that may result in significant changes in the expected settlement of these claims.

The Company regularly reviews and adjusts its reserve estimates and reserving methodologies taking into account current information. Outstanding losses and loss expenses are adjusted as claim experience develops and new information becomes available. Any adjustments to previously established reserves may significantly impact net income and will be recorded in the period in which they are determined.

Reinsurance recoverable

Reinsurance recoverables are recorded at fair value at the date that the subsidiary owning the assets is acquired. The fair value of the recoverable from reinsurers is based on the estimated timing of reserve settlements discounted at a risk adjusted rate determined by management.

The Company estimates outstanding loss and loss expenses recoverable using methodologies and assumptions consistent with those used in estimating reserves for losses and loss expenses. The estimation of outstanding loss and loss expenses recoverable is a significant judgment made by management and is inherently subject to significant uncertainties. The Company establishes allowances for amounts recoverable that are considered potentially uncollectible from its reinsurers. The valuation of this allowance for uncollectible reinsurance recoverable includes a review of the credit ratings of the reinsurance recoverables by reinsurer, an analysis of default probabilities as well as identifying whether or not coverage issues exist. These factors require management judgment and the impact of any adjustments to those factors is reflected in net income in the year that the adjustment is determined. The Company is subject to credit risk with respect to the reinsurance ceded because the ceding of risk does not relieve the Company from its original obligations to its insureds.

2. Significant accounting policies (continued)

Commutations

As the Company actively runs off its insurance and reinsurance subsidiaries, it seeks to mitigate its exposures through early settlement of its obligations to policyholders or ceding companies by entering into commutations or other arrangements.

These negotiated commutation agreements eliminate the risk of adverse claim experience as they provide for full and final settlement of all current and future policy obligations with respect to the transaction to which they relate. Gains and losses on commutations are recorded as either a decrease or an increase in incurred claims in the consolidated statements of operations.

The Company also enters into commutations with its reinsurers, assuming the reinsurers' share of the obligations when the economic benefits are in excess of the additional exposures assumed.

Acquisitions

The Company accounts for acquisitions using the acquisition method of accounting, which requires that the acquirer recognize and measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. The fair values of each of the acquired reinsurance assets and liabilities are derived from probability-weighted ranges of the associated projected cash flows, based on actuarially prepared information and management's run-off strategy.

The key assumptions used in the fair valuation of acquired companies are the projected timing and amount of claims payments, the related projected timing and amount of reinsurance collections, a risk-free discount rate, which is applied to determine the present value of the future cash flows, the estimated unallocated loss adjustment expenses to be incurred over the life of the run-off, the impact of any accelerated run-off strategy, and an appropriate risk margin.

The difference between the original carrying value of assets acquired and liabilities assumed at the date of acquisition and their fair value is recorded as an intangible asset or liability, which we refer to as the fair value adjustment. The fair value adjustment is amortized over the estimated payout period of outstanding losses and loss expenses acquired. To the extent the actual payout experience after the acquisition is materially faster or slower than anticipated at the time of the acquisition, or there is an adjustment to the estimated ultimate loss reserves, then the amortization of the fair value adjustment is adjusted to reflect such changes.

Any excess between the fair value of net assets acquired and the purchase price is recorded as a gain on bargain purchase in the consolidated statements of operations.

Life contracts

Life contracts comprise of traditional life savings business assumed through coinsurance and modified coinsurance reinsurance contracts. They have all been in run-off for several years although many have recurring premiums. Liabilities for life reinsurance contracts are booked at the amounts reported by the ceding companies. The Company estimates the policy benefits for the life and annuity contracts using standard actuarial techniques and cash flow models. Policy benefits are reviewed annually and the Company performs a liability adequacy test based on cash flow projections. Since estimating the policy benefits depends on cash flow projection, the Company makes assumptions based on experience and industry mortality tables, longevity, morbidity rates, lapse rates, expenses and investment experience including provision for adverse deviation. The assumptions used are determined at the acquisition of the company that wrote the contract and locked in throughout the life of the contract unless a premium deficiency develops. The assumptions are reviewed annually and unlocked if it results in material adverse development. The estimates are established based on information provided by the ceding companies, contract specific historical experience and industry experience.

2. Significant accounting policies (continued)

The policy benefits are maintained at a level that, when taken together with future premium payments and investment income, are expected to be sufficient to cover policyholder obligations as they fall due. Provision is made where current best estimates of future contractual cash flows arising from the contracts are expected to exceed the policy obligations, net of premiums receivable. Investment income from the assets supporting the liabilities is taken into account when calculating such provision. The assessment of whether an additional provision needs to be booked is based on information available after offsetting the surpluses and deficits arising on contracts within the life portfolio. Any deficiency is charged to the statement of operations by establishing a provision for losses arising from the liability adequacy test for the unexpired risk portion. The amount of the provision depends on the risk adjusted returns available on assets designated to support life contract liabilities.

Structured settlements

Included within outstanding losses and loss expenses and outstanding losses and loss expenses recoverable in the consolidated balance sheets are amounts related to structured settlements. The Company, through its subsidiary CatGen's Canadian branch, has assumed ownership of certain structured settlements and has purchased annuities from life insurance companies to provide fixed and recurring payments to the claimants. CatGen remains responsible to the claimants in the case of non-performance by the life insurance companies. The assets and liabilities related to the structured settlement contracts are booked at the amounts reported by the life insurance companies as management believes this to be the best available estimate of the obligations under these contracts.

Cash and cash equivalents

Cash equivalents include highly liquid instruments such as liquidity funds, money market funds and other time deposits with commercial banks and financial institutions, which have original maturities of less than three months. See Note 11(a) in relation to concentrations of credit risk. Restricted cash and cash equivalents are separately reported in the consolidated balance sheets at December 31, 2020 and 2019.

Pension plans

One of the Company's subsidiaries sponsors a defined benefit pension plan. These pension plans provide post-retirement, death and disability benefits for the Company's employees and are administered by third party life insurance companies.

The assets of these pension plans are held separately from the Company by a third party administrator.

The Company's Swiss pension plans are defined benefit plans according to authoritative guidance for employers' accounting for defined benefit pensions and other post-retirement plans. Accordingly, the Company recognizes the funded status of such benefit plans as a net asset or liability on the Consolidated Balance Sheets and recognizes as a component of accumulated other comprehensive income, net of income taxes, the gains or losses and prior service costs or credits that arise during the period but are not recognized as a component of net pension plan expenses.

The costs of the pension plans are recognized over the expected service lives of employees covered by the pension plans.

Other subsidiaries sponsor defined contribution pension plans. Contributions to this plan are expensed as incurred.

For further information, please refer to Note 17.

Investments and net investments income

The Company holds trading portfolios of fixed maturities, equities and other private investments which are recorded at fair value.

2. Significant accounting policies (continued)

The Company also holds available-for-sale portfolios. As at December 31, 2020, the available-for-sale portfolio consists of fixed maturities. These securities are recorded at fair value, adjusted for any impairment in fixed maturities, deemed “other than temporary”. Effective January 1, 2020, the Company designates all fixed maturity securities purchased as available-for-sale.

Subsequent changes to the fair value of trading securities are recorded within net gains (losses) on investments in the consolidated statements of operations. Subsequent changes in the fair value of fixed income securities held as available for sale are included as a component of accumulated other comprehensive income.

Purchases and sales of investments are recorded on a trade date basis. Realized and unrealized gains and losses on sales of investments are determined on a first-in, first-out basis and are shown within net gains (losses) on investments in the consolidated statements of operations. Net investment income is recognized when earned, includes interest and dividend income, together with amortization of market premiums and discounts using the effective yield method, and is presented net of investment management fees.

Fair Value Measurements

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. An asset or a liability’s categorization within the fair value hierarchy is based on the lowest level of input that is significant to its valuation. The hierarchy is broken down into three levels as follows:

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

- Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market based inputs.

The Company used the following valuation techniques and assumptions in estimating the fair value of financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

Fixed maturities

At each valuation date, the Company uses a market approach technique to estimate the fair value of the fixed maturities portfolios, where possible. This market approach includes, but is not limited to, prices obtained from third party pricing services and broker-dealers for identical or comparable securities.

When quoted market prices are unavailable, the pricing service prepares estimates of fair value measurements with its proprietary pricing applications, using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and expected cash flows, including prepayment speeds.

2. Significant accounting policies (continued)

The following describes the significant inputs generally used to determine the fair value of fixed maturities by asset class:

- Corporate securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2. Private debt securities have been classified in Level 3 as the inputs used to determine their fair values are not considered to be observable. Where inputs are not observable, the Company uses an internal model and inputs include quotations from third party investment specialists, public comparisons and price-to-book ratios.

- Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. The significant inputs used to determine the fair values of these securities includes the spread above the risk-free yield curve, reported trades, benchmark yields, broker-dealer quotes, expected cash flows including prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2. Some asset-backed securities have been classified in Level 3 as the inputs used to determine the fair values of these securities are not considered to be observable. Where inputs are not observable, the Company uses an internal model and inputs include quotations from third party investment specialists, public comparisons and price-to-book ratios.

- Mortgage-backed securities include both agency and non-agency originated securities. The significant inputs used to determine the fair values of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, broker-dealer quotes, expected cash flows including prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

- U.S. government and agency securities consist of securities issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. The significant inputs include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

- Non-U.S. government securities consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

- Municipal securities consist primarily of bonds issued by U.S.-domiciled state and municipal entities. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

Derivatives

The Company's derivative instruments are recorded at fair value within other assets or other liabilities (if a negative amount) in the consolidated balance sheets. Changes in the fair value of derivatives are recognized in the consolidated statements of operations, apart from changes in fair value of derivatives designated as cash flow hedging instruments which are reflected in the consolidated statements of comprehensive income.

2. Significant accounting policies (continued)

Derivative financial instruments derive their value from the underlying instrument and are subject to the same risks as that underlying instrument, including liquidity, credit, and market risk. Derivative financial instrument transactions which are not designated as hedging instruments are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in the consolidated statements of operations during the year. Derivative financial instrument transactions which are designated as hedging instruments are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in the consolidated statements of comprehensive income during the year. Open futures contracts are valued using the settlement value on the relevant exchange and open foreign exchange contracts are valued using exchange rates quoted by a third-party pricing service and are classified as Level 2.

Derivative financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets only to the extent there is a legally enforceable right-of-offset and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Derivative financial assets and liabilities are derecognized when the Company has transferred substantially all of the risks and rewards of ownership or the liability is discharged, cancelled, or expired.

Equity securities

Equity securities include exchange traded funds, mutual funds, common stocks and preferred stocks. Exchange traded debt and equity funds, common stocks and preferred stocks are classified within Level 1 as the fair values are based on quoted market prices in active markets. Certain convertible bond and multi-asset funds with daily liquidity and redemption values based on the Net Asset Value ("NAV") of the fund are classified within Level 2. The policy for all equity securities classified within Level 3 has been described under other private investments below.

Other Private Investments

Other private investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, hedge funds, private equity, private equity funds, private debt, corporate debt, debt funds, commercial real estate funds, common trust funds, and venture capital funds. The underlying investments of such funds, whether invested in stock or other securities, are carried at their estimated fair value, however they are generally not currently traded in a public market and typically are subject to restrictions on resale. Such fair values are estimated by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

The fair values of hedge funds, limited partnerships, private equity, private equity funds, debt funds and certain commercial real estate funds have been estimated using the NAV of the funds reported by the entities responsible for administering the funds, where possible. In the absence of such information the assets are valued based on management's review and judgement of such assets. As a result of the inherent uncertainty of valuation, the estimated fair value may differ materially from the value that would have been used had a ready market existed for these investments. The actual value at which these securities could be sold or settled with a willing buyer or seller may differ from the Company's estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

The Company adopted ASU 2015-07, "Disclosures for Investments in Certain Entities that Calculate NAV or its Equivalent" for investments in investment funds where fair value is measured using NAV as a practical expedient, by removing the presentation of these investments from the fair value hierarchy.

Other private investments such as private debt, corporate debt and certain commercial real estate funds are reported at the lower of NAV or fair value. The carrying value of these investments approximate their fair values given the short duration and low credit risk.

2. Significant accounting policies (continued)

Investments pending settlement include receivables and payables from unsettled trades due from/to counterparties. Receivables and payables from unsettled trades are carried at fair value based on quoted prices in active markets for identical assets or derived based on inputs that are observable. Receivables from unsettled trades are included in other assets, and payables from unsettled trades are included in accounts payable, accrued expenses and other liabilities, in the consolidated balance sheets.

Investments classified as available-for-sale are reviewed monthly to identify if there are indications that a valuation below cost is believed to be other than temporarily impaired ("OTTI"). In order to establish indicators for review, information specific to each security is analyzed from market sources with input from management and specialists. The process performed using the securities data includes, but is not limited to, distressed market process, near or actual default, bankruptcy filings, ratings changes and agency outlooks for the security issuer. Results are summarized on a watchlist and reviewed each month. The results of the review are agreed on and any actions or mitigation strategies are to be undertaken which can include, but is not limited to, increased monitoring, selling of the asset or marking down the asset to a revised fair value.

Recognition of these impairment actions are included within the consolidated statement of operations. In the case of material market volatility or other significant events, the watchlist may be updated on a more frequent basis than monthly. Upon adoption of the current expected credit losses methodology in future periods, only the credit component of impairment will be recognized in earnings, while the non-credit aspect will be included within other comprehensive income.

Other assets and liabilities

The fair value of investment purchases and sales pending settlement, funds held by cedants and claim administrators, insurance and reinsurance balances receivable, insurance and reinsurance balances payable, loans payable, accounts payable, accrued expenses and other liabilities approximate their carrying value due to the immediate or short-term maturity of these financial instruments.

Long term subordinated debt

Subordinated debt acquired by the Company is classified as Level 3 as similar debt trades infrequently and has few observable inputs in terms of valuation benchmarks. The fair value of the long-term subordinated debt reflects the risk of non-performance by the Company, which is captured by incorporating the Company's credit spread derived from the relevant yields to determine an appropriate discount rate, which is applied to the nominal value of the debt at each measurement date. The discount rate is adjusted by an additional factor, which reflects the implicit value, determined using management's judgement, of the value of the Company's options for early repayment of the debt. Interest expense in connection with these notes is included within interest expense in the consolidated statements of operations.

Long term subordinated debt instruments issued by the Company are carried at amortized cost. Debt issuance costs are presented as a direct deduction from the related liability in the consolidated balance sheets. Amortization of debt issuance costs is included in interest expense in the consolidated statements of operations.

Other Investments

Mortgage loans

The Company invests in mortgage loans, which are primarily mezzanine loans, and has one senior loan as of December 31, 2020. Mortgage loans are classified within other private investments on the consolidated balance sheets and carried at amortized cost. The loans are subject to impairment testing. If it is determined impairment is necessary, the amount between carrying value and fair value is recorded within the consolidated statement of operations.

2. Significant accounting policies (continued)

Investments in real estate

The Company invests in commercial real estate to generate returns via rental income and capital appreciation through its wholly-owned subsidiaries, Catalina Oxenwood Investments Ltd. (“COIL”), Catalina Oxenwood European Investments Ltd. (“COEIL”), Catalina ORE Ltd. (“CORE”), Catalina Oxenwood Real Estate II Ltd. (“CORE II”), Propco (Swansea) Ltd. (“Swansea”), Propco (Newport) Ltd. (“Newport”), and Propco (Telford) Ltd. (“Telford”). These subsidiaries are consolidated by the Company

COIL was set up as an intermediate holding company for CHBL and its subsidiaries to invest in real estate in the UK via OXW Catalina UK Limited (“Oxenwood UK”), incorporated in Guernsey. COIL owned 98.5% of Oxenwood UK.

COEIL was set up as an intermediate holding company for CHBL and its subsidiaries to invest in real estate in Europe via Oxenwood Catalina III Limited (“Oxenwood III”) a company incorporated in Guernsey. COEIL owns 98.5% of Oxenwood III and Oxenwood III is therefore consolidated by the Company.

CORE was set up as an intermediate holding company for CHBL and its subsidiaries to invest in commercial real estate via Oxenwood Capital LP, Oxenwood Real Estate LLP and Oxenwood Real Estate Capital LP. CORE owned 30.7% of each of these three entities. On July 19, 2019, CORE sold its investment in Oxenwood Real Estate LLP to CORE II.

CORE II was set up as an intermediate holding company for CHBL and its subsidiaries to invest in commercial real estate via OXW Capital LP, Oxenwood Real Estate LLP and OXW Partners LP. CORE II owns 67% of each of these three entities and is accounted for under the equity method and presented under the “investment in affiliate” caption in the balance sheet.

The Company owns 100% of the shares of Swansea, Newport and Telford. These companies each own a building which generates returns through rental income and capital appreciation.

The Company recognizes the non-controlling interest of 0.5% in Oxenwood III and Oxenwood UK, 7.5% in CORE, 0.783% in COIL, 1% in COEIL and 0.7% in CORE II as a proportionate share of the net assets of those entities in its consolidated balance sheets. The proportionate share of income attributable to the non-controlling interest is reflected in the Company’s consolidated statements of operations.

The income from operating leases is recognized as rental income as per the terms of the leases.

The real estate assets acquired are recorded at cost less accumulated depreciation for the depreciable assets. The cost includes all acquisition costs directly identifiable with the purchase of the real estate. The Company splits the acquisition cost of each real estate asset between land and buildings based on management’s judgement. The buildings are comprised primarily of warehouses used to store goods. These buildings are depreciated over an estimated useful life of 40 years on a straight-line basis.

The Company will assess its real estate for impairment when circumstances indicate the carrying value of the property may not be recoverable. The review will be based on the estimate of future undiscounted cash flows, excluding interest charge expected to result from their use and eventual disposal.

Property and equipment

Property and equipment, which consists of furniture, equipment, and leasehold improvements, are stated at cost less accumulated depreciation. Depreciation is computed using an accelerated method over the estimated useful lives of the related assets, ranging from three to seven years. Property and equipment are included in the other assets line item in the consolidated balance sheets.

2. Significant accounting policies (continued)

Intangible assets

Intangible assets with indefinite useful lives are not amortized but are tested annually for impairment by a comparison to their estimated realizable value. If the carrying amounts of intangible assets are greater than their fair values established during impairment testing, the carrying value is written-down to the fair value with a corresponding impairment loss recognized in the consolidated statements of operations.

Foreign currency translation

The U.S. dollar is the functional currency of the Company and most of its subsidiaries. All foreign currency asset and liability amounts are translated into U.S. dollars at end-of-year exchange rates. Foreign currency income and expenses are translated at average exchange rates in effect during the year. Exchange gains and losses arising from the translation of foreign currency-denominated monetary assets and liabilities are included in the consolidated statements of operations. Available-for-sale securities are recorded at fair value with resulting gains and losses, including the portion attributable to movements in exchange rates, included in the change in net unrealized gains on available-for-sale investments, net of taxes within other comprehensive income. The effects of the currency translation adjustments for entities whose functional currency is not the U.S. dollar are included within foreign currency translation adjustments in the consolidated statements of comprehensive income.

Income taxes

Income taxes have been recognized in accordance with FASB ASC Topic 740, *Income Taxes*, on those operations that are subject to income taxes. Deferred tax assets and liabilities result from net operating loss carryforwards and temporary differences between the carrying amounts of existing assets and liabilities recorded in the consolidated financial statements and their respective tax bases. A valuation allowance for a portion or all of deferred tax assets is recorded as a reduction to deferred tax assets if it is more likely than not that such portion or all of such deferred tax assets will not be realized.

Legal expenses

In the event of a dispute in the ordinary course of business, the Company expenses legal costs on an accrual basis. In the event of a specific litigation, when it is reasonably probable that the legal costs are going to be incurred, the Company accrues legal costs in line with the estimated incurred expenses.

Share-based compensation

The Company has issued Class C ordinary shares and options on Class B ordinary shares as share-based compensation. The Company accounts for its stock plans in accordance with the ASC Topic 718 “Compensation – Stock Compensation”. Accordingly, the Company recognizes the compensation expense for stock grants based on the fair value of the award on the date of the grant over the requisite service period. Compensation expense is recognized once the occurrence of performance or service obligations associated with the stock grants are met.

New accounting standards adopted

ASU 2018-13, Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, which amends the fair value measurement disclosure framework in Subtopic 820. This ASU is effective for years beginning after December 15, 2019, however the amendment allows for early adoption and a retrospective transition is required. This ASU did not have a material impact on the Company’s consolidated financial statements.

2. Significant accounting policies (continued)

ASU 2017-12 and ASU 2018-16, Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, and ASU 2018-16 in October 2018, which amends the hedge accounting recognition and presentation requirements in ASC 815 Derivatives and Hedging. The guidance enables entities to better portray the economics of risk management activities in the financial statements and enhance the transparency and understandability of hedge results. The guidance also reduces the complexity of the application of hedge accounting. The standard update is effective for annual periods beginning after December 15, 2019. This ASU did not have a material impact on the Company's consolidated financial statements.

ASU 2017-11, Earnings Per Share, Distinguishing Liabilities from Equity, Derivatives and Hedging

In November 2017, the FASB issued ASU 2017-11, which amends the accounting for certain financial instruments with down round features. The amendments in the Update change the classification of certain equity-linked financial instruments (or embedded features) with down round features. The amendments also clarify existing disclosure requirements for equity-classified instruments. For freestanding equity-classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260, Earnings Per Share, to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. The accounting for down round features is effective for annual periods beginning after December 15, 2019. This ASU did not have an impact on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, which amends the hedge accounting recognition and presentation requirements in ASC 815 Derivatives and Hedging. The guidance enables entities to better portray the economics of risk management activities in the financial statements and enhance the transparency and understandability of hedge results. The guidance also reduces the complexity of the application of hedge accounting. The standard update is effective for annual periods beginning after December 15, 2019. This ASU did not have an impact on the Company's consolidated financial statements.

ASU 2017-08, Premium Amortisation on Purchased Callable Debt Securities

In March 2017, the FASB issued ASU 2017-08, which shortens the amortization period for certain purchased callable debt securities held at a premium as the new guidance requires that the premium on callable debt securities be amortized through the earliest call date rather than through the maturity date. The standard update is effective for annual periods beginning after December 15, 2019 This ASU did not have a material impact on the Company's consolidated financial statements.

Recently issued accounting standards not yet adopted

ASU 2019-12, Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, which amends the scope of Topic 740 via simplification to the accounting for income taxes. The standard is effective for annual periods beginning after December 15, 2021. The Company does not expect the ASU to have a material impact on the consolidated financial statements and disclosures.

ASU 2019-08, Stock Compensation and Revenue from Contracts with Customers

In December 2019, the FASB issued ASU 2019-08, which amends the scope of Topic 718 via clarification to the accounting for share-based payments issued as consideration payable to a customer in accordance with ASC 606. Under the ASU, entities apply the guidance in ASC 718 to measure share-based payments issued to a customer that are not in exchange for a distinct good or service (i.e., share-based sales incentives). The standard is effective for annual periods beginning after December 15, 2020. The Company does not expect the ASU to have a material impact on the consolidated financial statements and disclosures.

2. Significant accounting policies (continued)

ASU 2018-12, and ASU 2019-09, Financial Services - Insurance

In August 2018, the FASB issued ASU 2018-12, which amends the scope of Topic 944 via improvements to the accounting for long-duration contracts. The standard update is effective for annual periods beginning after December 15, 2023. The Group does not expect the ASU to have a material impact on the consolidated financial statements and disclosures.

ASU 2018-17, Targeted Improvements to Related Party Guidance for Variable Interest Entities

In October 2018, the FASB issued ASU 2010-17, which amends Topic 810 via improvements to variable interest entity guidance to private companies under common control. The standard update is effective for annual periods beginning after December 15, 2020. The ASU may have an impact on the Company's disclosures but not on the consolidated statement of operations, consolidated balance sheets or cash flows.

ASU 2018-14 Retirement Benefits – Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, compensation benefits. The amendments in this Update remove disclosures that no longer are considered cost-beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. It is effective for annual periods beginning after December 15, 2020. The Company does not expect the ASU to have a material impact on the consolidated financial statements and disclosures.

ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, and ASU 2019-11, Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, in November 2018 the FASB issued ASU 2018-19, in April 2019 the FASB issued ASU 2019-04, in May 2019 the FASB issued ASU 2019-05, in October 2019 the FASB issued ASU 2019-10, and in November 2019 the FASB issued 2019-11. These standards require loans, receivables and available-for-sale debt securities to record credit losses through an allowance for credit losses account. The update introduces a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new credit loss model, the Group will be required to recognize an allowance for its expected credit losses on certain financial assets including trade receivables, debt instruments not measured at fair value, and reinsurance receivables. Available-for-sale debt securities will record credit losses through an allowance for credit losses, which will be limited to the amount by which fair value is below amortised cost. The standard update is effective for annual periods beginning after December 15, 2022. The Company does not expect the ASU to have a material impact on the consolidated financial statements and disclosures.

ASU 2016-02, ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20, and ASU 2019-01 Leases

In February 2016, the FASB issued ASU 2016-02, in January 2018 the FASB issued ASU 2018-01, in December 2018 the FASB issued ASU 2018-20, and in July 2018 the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, ASU 2018-11, Leases, and in March 2019 the FASB issued ASU 2019-01. ASU 2016-02 requires lessees to recognize operating leases on balance sheet through a lease asset and a related financial liability. It is effective for annual periods beginning after December 15, 2020. The Company expects a lease asset and related liability to be presented on the consolidated balance sheets; however, the consolidated statements of operations and cash flows will remain unchanged.

3. Acquisitions and Disposals

The Company accounts for acquisitions using the acquisition method of accounting, which requires that the acquirer recognize and measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values.

Asia Capital Reinsurance Group Pte Ltd. ("ACR")

On December 5, 2019, the Company signed a definitive agreement to acquire Asia Capital Reinsurance Group Pte Ltd., a Singapore-headquartered reinsurance business, from ACR Capital Holdings Pte. Founded in 2006, ACR has offices across Asia, including Singapore, Japan, South Korea, Malaysia, and Hong Kong. This transaction closed on March 31, 2020.

ACR is licensed as a general and life reinsurer under the Singapore Insurance Act. ACR manages predominantly short-tail property business.

The purchase price of $589.9 million and acquisition costs of $1.5 million were financed from drawdowns on the Revolving Credit Facility and Term Loan, along with the issuance of preference shares. The net assets acquired at fair value amounted to $589.9 million, inclusive of fair value adjustments of $73.4 million related to loss reserves. The fair value adjustments include discounting of reserves using the risk-free rate and a risk margin based on the cost of capital and risk loading for uncertainty related to pandemic and catastrophe exposures.

The following summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of the acquisition:

Assets	
Investments, at fair value	$ 1,031,105
Investment in property	7,445
Cash and cash equivalents	226,006
Outstanding losses and loss expenses recoverable	179,041
Insurance and reinsurance balances receivable	269,528
Funds held by Cedants and third party service providers	23,636
Deferred reinsurance premiums	23,397
Other assets	18,039
Total assets	$ 1,778,197
Liabilities	
Outstanding losses and loss expenses	$ 1,019,695
Unearned premiums	152,040
Accounts payable and other liabilities	16,562
Total liabilities	1,188,297
Net assets acquired at fair value	$ 589,900

Danielson National Insurance Company of California

Danielson National Insurance Company of California, a subsidiary of the Company, was sold for $3.7 million effective January 1, 2020. This generated a gain on sale of $0.6 million which has been included within general and admin expenses on the consolidated statements of operations.

4. Significant new business

Zurich Insurance Plc

On December 17, 2018, the Company through its wholly owned subsidiaries CatGen and Catalina London signed a definitive agreement with Zurich under which the majority of Zurich's UK employers liability policies for 2006 and prior underwriting years were to be reinsured by CatGen. The transaction comprises of two stages. Initially a reinsurance of relevant policies from Zurich to CatGen followed by an Irish Section 13 insurance business transfer of liabilities to Catalina London. The Regulatory approval for the first stage of the transaction was obtained from the BMA on April 18, 2019 and the transaction closed on June 25, 2019.

As of June 25, 2019, CatGen assumed net liabilities of GBP 1,224 million ($1,591 million) for a total consideration of GBP 1,270 million ($1,650 million). As part of the transaction CatGen entered into a retrocession Quota-share agreement with Elbow Re Ltd. ("Elbow Re"), a Bermuda based reinsurer to retrocede 50% of its net liabilities with a limit of GBP 927 ($1,205 million) for a premium of GBP 603 million ($783 million).

5. Investments

a) Trading Securities

The fair value of securities classified as Trading Securities as of December 31, 2020 and 2019 are as follows:

	2020	2019
Fixed maturities:		
Corporate	$ 491,557	$ 787,552
Asset-backed securities	247,630	444,850
Mortgage-backed securities	61,234	189,323
U.S. government and agency	22,309	151,710
Non-U.S. government	108,231	215,699
Municipals	7,720	13,324
Total fixed maturities	938,681	1,802,458
Equities:		
Preferred and common stocks	10,990	69,638
Total equities	10,990	69,638
Other private investments:		
Hedge funds	41,816	26,162
Private equity	162,359	184,476
Corporate debt	-	43,172
Debt funds	583,830	271,113
Commercial real estate funds	229,641	20,964
Total other investments	1,017,646	545,887
Total investments	$ 1,967,317	$ 2,417,983

5. Investments (continued)

Contractual maturities of the Company's fixed maturities as of December 31, 2020 are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

		2020
Fixed maturities:		
Due in one year or less	$	60,975
Due after one year through five years		308,970
Due after five years through 10 years		202,761
Due after 10 years		57,111
Total		629,817
Mortgage and asset backed securities		308,864
Total fixed maturities	$	938,681

b) Available-For-Sale Securities

The amortized cost, gross unrealized gains and losses, and the estimated fair value of securities classified as available-for-sale securities as of December 31, 2020 and 2019 are as follows:

At December 31, 2020		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value
Fixed maturities:								
Corporate	$	957,479	$	97,172	$	(954)	$	1,053,697
Asset-backed securities		216,655		13,163		(3,032)		226,786
Mortgage-backed securities		40,515		1,260		(1,304)		40,471
U.S. government and agency		100,307		68		(1,433)		98,942
Non-U.S. government		328,568		33,803		(2,562)		359,809
Municipals		2,273		110		-		2,383
Total fixed maturities		1,645,797		145,576		(9,285)		1,782,088
Total investments	$	1,645,797	$	145,576	$	(9,285)	$	1,782,088

At December 31, 2019		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value
Fixed maturities:								
Corporate	$	380,807	$	21,352	$	(972)	$	401,187
Asset-backed securities		109,467		1,839		(572)		110,734
Non-U.S. government		193,347		1,726		(2,470)		192,603
Total fixed maturities		683,621		24,917		(4,014)		704,524
Total investments	$	683,621	$	24,917	$	(4,014)	$	704,524

Proceeds from the sale of investments in available-for-sale securities during the year ended December 31, 2020 were $1,518.1 million (2019: $650.7 million).

5. Investments (continued)

A summary of the Company's available-for-sale securities as of December 31, 2020, by contractual maturity, is shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Fixed maturities:	Amortized Cost	Fair Value
Due in one year or less	$ 104,510	$ 109,069
Due after one year through five years	337,051	360,042
Due after five years through 10 years	351,286	391,077
Due after 10 years	595,780	654,643
Total	1,388,627	1,514,831
Mortgage and asset backed securities	257,170	267,257
Total fixed maturities	$ 1,645,797	$ 1,782,088

There were $0.5 million in OTTI charges related to the Company's fixed maturity securities for the year ended December 31, 2020 (2019: $Nil).

The table below summarizes the aggregate unrealized losses of the Company's available-for-sale securities by length of time the security has continuously been in an unrealized loss position as of December 31, 2020 and 2019.

At December 31, 2020	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
Corporate	$ 763,886	$ (717)	$ 289,811	$ (237)	$ 1,053,697	$ (954)
Asset-backed securities	120,641	(2,618)	106,145	(414)	226,786	(3,032)
Mortgage-backed securities	39,892	(1,304)	579	-	40,471	(1,304)
U.S. government and agency	98,942	(1,433)	-	-	98,942	(1,433)
Non-U.S. government	286,046	(2,562)	73,763	-	359,809	(2,562)
Municipals	2,383	-	-	-	2,383	-
Total fixed maturities	1,311,790	(8,634)	470,298	(651)	$ 1,782,088	(9,285)
Total investments	$ 1,311,790	$ (8,634)	$ 470,298	$ (651)	$ 1,782,088	$ (9,285)

At December 31, 2019	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
Corporate	$ 401,187	$ (972)	$ -	$ -	$ 401,187	$ (972)
Asset-backed securities	110,734	(572)	-	-	110,734	(572)
Non-U.S. government	192,603	(2,470)	-	-	192,603	(2,470)
Total fixed maturities	704,524	(4,014)	-	-	704,524	(4,014)
Total investments	$ 704,524	$ (4,014)	$ -	$ -	$ 704,524	$ (4,014)

There were 192 securities (2019: 247) as at December 31, 2020 that account for the gross unrealized losses, $0.5 million (2019: $Nil) is deemed by the Company to be OTTI. 93% of unrealized loss positions are less than 12 months. As at December 31, 2020, the Company has determined that the unrealized losses on fixed maturity securities were primarily due to market interest rate movements since their date of purchase.

5. Investments (continued)

c) Net Investment Income

The components of net investment income for the years ended December 31, 2020 and 2019 was derived from the following sources:

	2020	2019
Fixed maturities, including mortgage and asset-backed securities	$ 83,060	$ 74,813
Equities	14,804	10,336
Other investments	14,908	1,478
Cash and cash equivalents	1,378	2,237
Gross investment income	114,150	88,864
Investment expenses	(6,798)	(6,042)
Net investment income	$ 107,352	$ 82,822

d) Net (Losses) Gains

Net (losses) gains on investments within the consolidated statements of operations for the years ended December 31, 2020 and 2019 consisted of the following:

	2020	2019
Net realized (losses) gains on sales of investments	$ (35,234)	$ 13,099
Net change in fair market value of fixed income investments, trading	4,775	49,957
Net change in fair market value of derivative instruments, trading	(880)	(4,363)
Net (losses) gains on investments	$ (31,339)	$ 58,693

6. Fair Value Measurements

At December 31, 2020 and 2019, the Company's financial instruments measured at fair value were categorized between Levels 1, 2 and 3 with the exception of alternative investments that use NAV as a practical expedient for measuring fair value. Alternative investments measured at NAV have been disclosed as a separate line item:

At December 31, 2020	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets					
Fixed maturities:					
Corporate	$ -	$ 1,545,254	$ -	$ -	$ 1,545,254
Asset-backed securities	-	467,565	6,851	-	474,416
Mortgage-backed securities	-	101,705	-	-	101,705
U.S. government and agency	-	121,251	-	-	121,251
Non U.S. government	-	468,040	-	-	468,040
Municipals	-	10,103	-	-	10,103
Total fixed maturities	-	2,713,918	6,851	-	2,720,769
Equity securities:					
Preferred and common stocks	8,795	2,195	-	-	10,990
Total equity securities	8,795	2,195	-	-	10,990
Other private investments:					
Hedge funds	-	-	-	41,816	41,816
Private equity	-	-	9,306	153,052	162,358
Debt funds	-	8,965	-	574,866	583,831
Commercial real estate debt funds	-	-	-	229,641	229,641
Total other investments	-	8,965	9,306	999,375	1,017,646
Total assets	$ 8,795	$ 2,725,078	$ 16,157	$ 999,375	$ 3,749,405
Liabilities					
Long term subordinated debt	$ -	$ -	$ 111,320		$ 111,320
Total liabilites	$ -	$ -	$ 111,320		$ 111,320

At December 31, 2019	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets					
Fixed maturities:					
Corporate	$ -	$ 1,180,069	$ 8,670	$ -	$ 1,188,739
Asset-backed securities	-	555,584	-	-	555,584
Mortgage-backed securities	-	189,323	-	-	189,323
U.S. government and agency	-	151,710	-	-	151,710
Non U.S. government	-	408,302	-	-	408,302
Municipals	-	13,324	-	-	13,324
Total fixed maturities	-	2,498,312	8,670	-	2,506,982
Equity securities:					
Preferred and common stocks	69,638	-	-	-	69,638
Total equity securities	69,638	-	-	-	69,638
Other private investments:					
Hedge funds	-	-	-	26,162	26,162
Private equity	-	-	4,704	179,772	184,476
Corporate debt	-	-	43,172	-	43,172
Debt funds	-	-	-	271,113	271,113
Commercial real estate debt funds	-	-	12,581	8,383	20,964
Total other investments	-	-	60,457	485,430	545,887
Total assets	$ 69,638	$ 2,498,312	$ 69,127	$ 485,430	$ 3,122,507
Liabilities					
Long term subordinated debt	$ -	$ -	$ 110,166		$ 110,166
Total liabilites	$ -	$ -	$ 110,166		$ 110,166

6. Fair Value Measurements (continued)

The following table presents a reconciliation of the beginning and ending balances for all financial instruments measured at fair value on a recurring basis using Level 3 inputs for the years ended December 31, 2020 and 2019:

	Other private investments	Long term subordinated debt
Balance at beginning of year, January 1, 2019	$ 177,269	$ (180,792)
Purchases	105,502	-
Sales	(79,108)	-
Transfers	-	74,078
Net gains (losses)	1,034	(4,207)
Foreign exchange gains	1,657	755
Balance at end of year, December 31, 2019	$ 206,354	$ (110,166)
Purchases	6,196	-
Sales	(41,440)	-
Transfers	(94,887)	-
Net (losses) (*)	(60,824)	(1,154)
Foreign exchange gains	758	-
Balance at end of year, December 31, 2020	$ 16,157	$ (111,320)
(*) Level 3 losses included in earnings attributable to the change in unrealized gains and losses relating to financial instruments held at the reporting date	$ (60,824)	$ (1,154)

Net losses on long term subordinated debt are included within change in subordinated debt fair value in the consolidated statements of operations.

The following table presents additional information with respect to investments that are measured at fair value using NAV as a practical expedient.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	$ 41,817	$ -	See below	See below
Private equity (*)	153,052	35,258	See below	See below
Debt funds	574,865	-	See below	See below
Commercial real estate debt fu	229,641	9,983	See below	See below
	$ 999,375	$ 45,241		

(*) On the basis of its analysis of the nature, characteristics, and risks of the investments, the reporting entity has determined that presenting them as single class is appropriate.

Hedge funds – This relates largely to two investments. One is an open-ended fund incorporated in Ireland. The fund strategy is to establish synthetic credit exposure through sales of liquid, standardized exchange traded index contracts with daily observable prices via an internationally regulated clearing house. The program is expected to substantially narrow bid/offer costs and allow more efficient portfolio management, particularly in times of credit stress. The other is a fund whose strategy is to hold derivatives as hedge positions in order to protect the Catalina investment portfolio from negative market shocks in either equities or credit markets. The funds' NAV is calculated daily and both funds can be redeemed on a daily basis with a redemption notice period of one day.

6. Fair Value Measurements (continued)

Private equity – The Company's investments in private equity include investments in private equities and private equity funds. Private equity funds investments include funds involved in buyout strategies in the US, Canada, and Europe, and a fund that focuses on small capital and growth opportunities in high-yield products in the global food supply chain. These funds provide NAV on a quarterly basis. Private equities investments include equity interests in entities involved in the acquisition, development and production of unconventional oil and gas reserves located in the Permian basin in west Texas, US. The Company generally has no right to redeem its interest in these private equities in advance of dissolution. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the respective private equities. It is estimated that the majority of the underlying assets of the private equities would liquidate over four to twelve years from inception. Quarterly valuations are provided by the sponsor.

Debt funds – This includes a fund that principally invests in a diversified portfolio of leveraged loans, collateralized debt obligations, high-yield bonds, commercial mortgage-backed securities, consumer and commercial asset-backed securities, credit default swaps, bank debt, options, and synthetic securities and indices. This also includes an Alternative Investment Fund Managers Directive compliant Irish Collective Asset-management Vehicle that acquires individual loans and securities. The majority of these funds can be redeemed on a quarterly basis with 65 days of notice period prior to redemption. Other debt funds have a lock-up period of eight to ten years. Quarterly valuations are provided by the sponsor.

Commercial real estate debt funds – This includes funds that originate mezzanine debt secured on commercial real estate to earn interest income and fees. The fund records its real estate debt at fair value. Prices are determined using observable prevailing market conditions, performance and other similar transactions in the marketplace. This also includes a fund that provides mezzanine financing in Ireland for single-asset and portfolio acquisitions, as well as for restructuring existing loan portfolios. This fund provides net asset valuation on a quarterly basis. The Company generally has no right to redeem its interest in these private equities in advance of dissolution. It is estimated that the majority of the underlying assets in these funds would liquidate over eight years from inception of the applicable fund.

7. Derivative instruments

There are no interest rate futures or interest rate swaps as at December 31, 2020 or 2019.

The following table provides the total (losses) recorded in the consolidated statements of operations for the year ended December 31, 2019:

	Loss	Statement of operations location
Year ending December 31, 2019		
Interest rate futures	$ (15,493)	Net losses on investment
Total	$ (15,493)	

On August 24, 2015, the Company entered into a $125 million interest rate swap with ING Bank N.V. to exchange floating rate interest paid on the Revolving Credit Facility for fixed interest rate of 1.38%. The Company utilized this derivative instrument to manage the interest rate exposure associated with the Revolving Credit Facility. This was designated as a hedging instrument for financial reporting purposes. This interest rate swap matured on September 12, 2019, and the change in fair value was included in accumulated other comprehensive income.

The Company enters into foreign exchange forward contracts to mitigate the foreign exchange rate risk of fluctuation in the U.S. Dollar against certain foreign currencies. These derivatives have not been designated as hedging instruments. The fair value of the derivative instruments as at December 31, 2020 of $(9.5) million (2019: ($7.6) million) is included in accounts payable, accrued expenses and other liabilities in the consolidated balance sheet. The loss on derivative instruments of $9.6 million for the year ended December 31, 2020 (2019: loss of $15.5 million) is included in net foreign exchange gains (losses) in the consolidated statements of operations.

7. Derivative instruments (continued)

The foreign exchange forward contracts as at December 31, 2020 and 2019 are as follows:

Foreign Exchange Forward Contracts		Contract Amount		Settlement Amount	Fair Value as at December 31, 2020	
Euro	EUR	140,262	USD	163,479	$	(8,158)
Euro	EUR	132,509	GBP	120,340		2,600
U.S. dollar	USD	104,111	GBP	79,152		4,150
U.S. dollar	USD	24,316	EUR	20,453		684
U.S. dollar	USD	21,337	TWD	600,000		42
U.S. dollar	USD	6,764	THB	214,000		387
U.S. dollar	USD	6,227	PHP	304,000		59
U.S. dollar	USD	62,912	JPY	6,500,000		259
U.S. dollar	USD	2,161	AUD	3,000		153
U.S. dollar	USD	13,000	SGD	17,742		428
Canadian dollar	CAD	9,455	USD	7,372		(64)
Swedish krona	SEK	34,000	GBP	2,996		(40)
British pound	GBP	149,154	USD	197,194		(6,797)
British pound	GBP	14,388	EUR	15,940		(181)
British pound	GBP	2,986	SEK	34,000		54
Malaysian Ringgit	MYR	340,000	USD	82,973		(1,513)
Korean Won	WON	26,300,000	USD	22,765		(1,524)
Chinese Yuan	CNH	28,000	USD	4,211		(54)
Total					**$**	**(9,515)**

Foreign Exchange Forward Contracts		Contract Amount		Settlement Amount	Fair Value as at December 31, 2019	
Euro	EUR	69,314	USD	76,809	$	(1,240)
Euro	EUR	142,681	GBP	125,785		6,649
U.S. dollar	USD	61,994	GBP	48,489		2,317
U.S. dollar	USD	38,909	EUR	35,040		538
Canadian dollar	CAD	9,275	USD	7,051		(96)
Swedish krona	SEK	33,819	USD	3,155		(72)
British pound	GBP	33,360	USD	43,783		(488)
British pound	GBP	3,060	EUR	3,566		(47)
Total					**$**	**7,561**

During the year, the Company entered into a rolling forward exchange contract to hedge the pound against the US dollar. This has been designated as a hedging instrument for financial reporting purposes. The fair value of this forward exchange contract as at December 31, 2020 was $(9.4) million (2019: ($5.0) million) and is included within accounts payable, accrued expenses and other liabilities in the consolidated balance sheet. The realized and unrealized foreign exchange losses on the hedging instrument of $5.2 million for the year ended December 31, 2020 (2019: $5.0 million) are included within other comprehensive income in the consolidated statement of operations.

Foreign Exchange Forward Contracts		Contract Amount		Settlement Amount	Fair Value as at December 31, 2020	
British pound	GBP	141,056	USD	183,572	$	(9,351)

Foreign Exchange Forward Contracts		Contract Amount		Settlement Amount	Fair Value as at December 31, 2019	
British pound	GBP	156,238	USD	202,256	$	(5,016)

8. Other investments

a) *Investment in Real Estate*

The Company acquires properties through its subsidiaries, Swansea, Newport, and Telford, Oxenwood UK and Oxenwood III, and their subsidiaries. These are all Guernsey incorporated companies. They are used to generate returns via rental income and capital appreciation.

During 2020, the Company acquired seven properties in the United Kingdom. The details of the acquired properties are as follows:

Property Name	Date Acquired	Location	Acquiring Company	Cost	Acquisition Expenses
Southall	January 30, 2020	Southall, UK	OXW Catalina UK Limited	$ 22,355	$ 1,444
Manchester	January 17, 2020	Manchester,UK	OXW Catalina UK Limited	19,979	1,302
Eastleigh North	January 17, 2020	Eastleigh, UK	OXW Catalina UK Limited	7,427	518
Eastleigh South	January 17, 2020	Eastleigh, UK	OXW Catalina UK Limited	8,057	603
Basildon	December 10, 2020	Basildon, UK	OXW Catalina UK Limited	46,625	3,852
Newport	March 24, 2020	Newport, UK	Propco (Newport) Limited	20,108	1,062
Telford	April 15, 2020	Telford, UK	Propco (Telford) Limited	16,876	1,054

During 2019, the Company acquired eight properties in the United Kingdom, one in Dublin and one in Poland. The details of the acquired properties are as follows:

Property Name	Date Acquired	Location	Acquiring Company	Cost	Acquisition Expenses
Irlam	March 26, 2019	Manchester,UK	OXW Catalina UK Limited	$ 20,087	$ 1,420
Leicester	March 26, 2019	Leicester,UK	OXW Catalina UK Limited	11,734	788
Coventry (Penso)	April 18, 2019	Coventry,UK	OXW Catalina UK Limited	12,596	1,578
Weybridge	July 8, 2019	Weybridge,UK	OXW Catalina UK Limited	21,745	2,144
Trafford Park	December 9, 2019	Manchester,UK	OXW Catalina UK Limited	9,281	850
Barking	December 4, 2019	Barking,UK	OXW Catalina UK Limited	14,253	1,170
Redhill	December 20, 2019	Redhill,UK	OXW Catalina UK Limited	22,872	1,701
DHL Warsaw North	October 10, 2019	Warsaw, Poland	Oxenwood Catalina III Limited	14,546	659
Dublin	January 11, 2019	Dublin, Ireland	Oxenwood Catalina III Limited	29,370	2,368
DVLA Building	March 4, 2019	Swansea, UK	Propco (Swansea) Limited	10,926	719

During June 2019, a property in Warrington, UK was sold for a consideration of £11.0 million ($14.1 million), net of selling costs. The carrying value of this property as at the date of sale was £8.3 million ($11.0 million). The gain on sale of £2.7 million ($3.5 million) is included in gain on sale of real estate in the consolidated statement of operations.

As discussed in Note 10 the acquisitions of the properties were partially funded by term loans. The loans are secured by a first ranking legal charge over the properties.

In December 2020, the portfolio of Oxenwood properties were disposed in a sale to Athora. The net proceeds of the sale were £141.8 million ($193.4 million) for the properties within Oxenwood UK and €47.6 million ($59.0 million) for the properties within Oxenwood III. The gain on the sale of properties within Oxenwood UK was £21.4 million ($27.4 million), and the gain on sale of properties within Oxenwood III was €16.3 million ($18.7 million). The gain on sale has been recorded within gain on real estate in the consolidated statement of operations. There is a joint venture between one Oxenwood subsidiary and other third parties for a property within the portfolio which has been retained and was excluded from the above sale. The gain on sale has been recorded within gain on real estate in the consolidated statement of operations. Operating cash flows have been adjusted for non-cash activities related to this sale of properties.

8. Other investments (continued)

The cost of each property is split between land and buildings. The cost of the buildings is depreciated over a period of 40 years on a straight-line basis. Income from these real estate investments is recognized as per the terms of the lease agreements.

	2020	2019
Land, at cost	$ 30,767	$ 141,303
Buildings, at cost	80,692	151,151
Accumulated depreciation	(1,368)	(3,521)
Buildings, net of accumulated depreciation	79,324	147,630
Total	$ 110,091	$ 288,933

The total estimated market value of the real estate properties as at December 31, 2020 is $107.9 million (2019: $299.3 million).

b) Investments in Affiliate

Included within the Other Investments balance is investments in affiliate balance of $11.2 million as at December 31, 2020 (2019: $8.5 million) which primarily relate to minority shareholdings in property companies.

c) Mortgage Loans

Mortgage Loans held at amortized cost are included within Other Investments. The value of these loans as at December 31, 2020 is $100.0 million (2019: $137.2 million).

7. Intangible assets

On the acquisition of AGHBL, the Company acquired U.S. insurance licenses to operate in all 50 states plus a Washington D.C. admitted insurance license for Alea North America Insurance Company ("ANAIC"). These licenses were valued at $6.4 million as of the date of acquisition.

Through the acquisition of SPARTA, AHUSCO acquired licenses to operate in various states. The Company determined the value of the SPARTA licenses at $6.4 million as of the date of acquisition.

No impairment expense has been recognized on the intangible assets.

9. Outstanding losses and loss expenses

Outstanding losses and loss expenses as of December 31, 2020 and 2019 are as follows:

Gross reserves

	2020	2019
Case reserves	$ 1,763,325	$ 1,300,295
Incurred but not reported	2,129,516	2,080,074
Structured settlements	288,590	271,621
Life reserves	10,606	21,426
Unamortized fair value adjustment	(93,340)	(102,477)
Deferred gain	34,086	39,598
	$ 4,132,783	$ 3,610,537

Outstanding losses and loss expenses recoverable as of December 31, 2020 and 2019 are as follows:

Recoverables

	2020	2019
Case reserves	$ 419,100	$ 344,096
Incurred but not reported	800,360	846,264
Structured settlements	288,590	271,621
Unamortized fair value adjustment	(42,482)	(47,979)
	$ 1,465,568	$ 1,414,002

The fair value adjustments represent the unamortized difference between the carrying value of reserves of acquired companies at the date of acquisition and the fair value of the reserves. The fair value of the outstanding losses and loss expenses was based on the estimated timing of reserve settlements discounted at a risk free rate and a risk margin determined by management. The fair value of the outstanding losses and loss expenses recoverable was based on the estimated timing of reserve settlements discounted at a risk-adjusted rate determined by management reflecting credit risk and duration. The fair value adjustments are amortized over the estimated payout period using the constant yield method.

The deferred gain in 2020 relates primarily to the loss portfolio transfer of Employers Liability business assumed by CatGen from Zurich, and the marine loss portfolio transfer assumed by Glacier Re from the Delta Lloyd Group. These gains are offset by charges related to the loss portfolio transfer assumed by CatGen from Arch, the loss portfolio transfer assumed by CII from Zurich and the loss portfolio transfer assumed by ANAIC from SFMI.

The deferred gain in 2019 relates primarily to the loss portfolio transfer of Employers Liability business assumed by CatGen from Zurich, the loss portfolio transfer assumed by CII from Zurich and the marine loss portfolio transfer assumed by Glacier Re from the Delta Lloyd Group in 2014. These gains are offset by charges related to the loss portfolio transfer assumed by CatGen from Arch and the loss portfolio transfer assumed by ANAIC from SFMI.

CatGen, through its Canadian branch, has assumed ownership of certain structured settlements and has purchased annuities from life insurance companies to provide fixed and recurring payments to the claimants. The gross liability for the structured settlements is fully recoverable from the life insurance companies resulting in no net liability to the Company. These annuities are fully funded and were purchased from Canadian life insurance companies with a Standard and Poor's Financial Strength Rating of A+ and higher. In the event of the life insurance companies being unable to meet their obligations under the structured settlements to the Company, 85% of the total exposure is recoverable from the Canada Life and Health Insurance Compensation Corporation, under Canadian Federal regulation, leaving a net credit risk exposure of approximately $43.3 million.

9. Outstanding losses and loss expenses (continued)

The following table represents the activity in outstanding losses and loss expenses for the years ended December 31, 2020 and 2019:

	2020	2019
Gross outstanding losses and loss expenses, beginning of year	$ 3,610,537	$ 2,132,184
Less reinsurance recoverable, beginning of year	(1,414,002)	(478,447)
Net losses and loss expenses, beginning of year	2,196,535	1,653,737
Net losses and loss expenses assumed during the year	811,090	848,975
Net incurred losses related to:		
Current year	63,486	3,151
Prior years	37,804	188
	101,290	3,339
Net paid losses related to:		
Current year	(252,761)	(309)
Prior years	(280,451)	(344,454)
	(533,212)	(344,763)
Foreign exchange losses	91,512	35,247
Net losses and loss expenses, end of year	2,667,215	2,196,535
Reinsurance recoverable, end of year	1,465,568	1,414,002
Gross outstanding losses and loss expenses, end of year	$ 4,132,783	$ 3,610,537

During the year ended December 31, 2020, the Company experienced current year losses of $63.5 million related to ACR. This relates predominantly to short-tail property business.

During the year ended December 31, 2020, the Company experienced net unfavorable loss development of $37.8 million related to prior year net incurred losses. There was adverse development of $6.5 million on the Arch LPT. There was a $27.5 million loss on the German medical malpractice LPT assumed from Zurich, largely due to the release of a deferred loss. There was also a $9.7 million loss on the portfolio acquired from Hartford Financial Products International Limited. This was offset by $8.6 million of favourable development due within our Zurich employers' liability portfolio.

During the year ended December 31, 2019, the Company experienced net unfavorable loss development of $0.2 million related to prior year net incurred losses. There was a $16.9 million loss on the Arch LPT, due to a release of the deferred loss of $9.0 million and adverse development of $7.9 million. This was offset by movements in several other portfolios of contracts. Firstly, there was a $5.7 million release of the deferred gain in the Zurich employers' liability portfolio, along with a $5.0 million release of deferred income and favourable development on the residential construction liabilities, acquired through the loss portfolio transfer from NationsBuilders Insurance Company. There was also $4.6 million of positive development and the release of deferred income on the Delta Lloyd Marine portfolio, along with $2.1 million of reserve releases within Glacier Re.

Management believes that the assumptions used represent a realistic and appropriate basis for estimating the outstanding losses and loss expenses as of December 31, 2020 and 2019. However, these assumptions are subject to change and the Company regularly reviews and adjusts its reserve estimates and reserving methodologies taking into account all currently known information and updated assumptions related to unknown information.

9. Outstanding losses and loss expenses (continued)

Short Duration Contract Disclosures

The Company has disaggregated its claims information presented in the tables below by run-off book of business acquired through either acquisitions or loss portfolio transfers. The Company's legacy book of business consists mainly of portfolios that were in run-off before 2013 and do not have incurred losses for accident years 2013 through to 2020. The lines of business presented in the tables below are Arch LPT, SPARTA, Samsung LPT, Catalina Safety, Delta Lloyd Marine LPT and Delta Lloyd Construction LPT.

The following information about incurred and paid claims developments as of December 31, 2020, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

a) The following table shows the incurred and paid claims development relating to Arch LPT as of December 31, 2020:

Arch LPT

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

	For the year ended December 31,		December 31, 2020	
Accident Year	2019	2020	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
2014	$ 194,345	$ 198,677	$ 4,223	14,265
2015	151,448	149,231	4,653	8,477
2016	56,811	59,971	5,823	2,906
2017	18,143	20,377	4,741	981
2018	4,658	5,990	1,982	249
2019	9	761	752	3
2020	-	-	-	-
Total		$ 435,007	$ 22,174	

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the year ended December 31,	
Accident Year	2019	2020
2014	$ 174,061	$ 184,796
2015	126,604	137,161
2016	42,953	48,627
2017	12,379	14,824
2018	1,891	2,643
2019	9	10
2020		-
Total		$ 388,061
Net losses and loss expenses, before 2014 accident year		$ 56,387
Net reserve for losses and loss expenses		$ 103,333

9. Outstanding losses and loss expenses (continued)

b) The following table shows the incurred and paid claims development relating to SPARTA as of December 31, 2020:

SPARTA

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

Accident Year	For the year ended December 31, 2019	For the year ended December 31, 2020	December 31, 2020 Total IBNR Reserve, net of reinsurance	December 31, 2020 Cumulative Claim Count
2014	$ 86,072	$ 84,572	$ 962	5,075
2015	2,163	2,058	1	91
2016	440	424	4	-
2017	41	48	3	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
Total		$ 87,102	$ 970	

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year	For the year ended December 31, 2019	For the year ended December 31, 2020
2014	$ 79,727	$ 80,966
2015	1,975	2,037
2016	327	377
2017	23	31
2018	-	-
2019	-	-
2020	-	-
Total		$ 83,411
Net losses and loss expenses, before 2014 accident year		$ 40,822
Net reserve for losses and loss expenses		$ 44,513

c) The following table shows the incurred and paid claims development relating to Samsung LPT as of December 31, 2020:

Samsung LPT

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

Accident Year	For the year ended December 31, 2019	For the year ended December 31, 2020	December 31, 2020 Total IBNR Reserve, net of reinsurance	December 31, 2020 Cumulative Claim Count
2014	$ 25,564	$ 24,989	$ 4,800	2,133
2015	23,761	24,933	3,505	3,381
2016	23,990	26,759	3,848	2,797
2017	17,857	15,408	3,746	2,025
2018	700	591	388	828
2019	-	-	-	-
2020	-	-		
Total		$ 92,680	$ 16,287	

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year	For the year ended December 31, 2019	For the year ended December 31, 2020
2014	$ 12,561	$ 14,977
2015	14,061	16,470
2016	11,561	18,249
2017	4,452	7,033
2018	196	202
2019	-	-
2020	-	-
Total		$ 56,931
Net losses and loss expenses, before 2014 accident year		$ 9,947
Net reserve for losses and loss expenses		$ 45,696

9. Outstanding losses and loss expenses (continued)

d) The following table shows the incurred and paid claims development relating to Catalina Safety as of December 31, 2020. The Catalina Safety book of business was amalgamated into CatGen in 2015.

Catalina Safety

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

	For the year ended December 31,		December 31, 2020	
Accident Year	2019	2020	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
2014	$ 5,731	$ 5,511	$ 546	232
2015	1,829	1,733	150	35
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-			
2020	-	-	-	-
Total		$ 7,244	$ 696	

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the year ended December 31,	
Accident Year	2019	2020
2014	$ 3,955	$ 4,359
2015	1,223	1,223
2016	-	-
2017	-	-
2018	-	-
2019		-
Total		$ 5,582
Net losses and loss expenses, before 2014 accident year		$ 23,551
Net reserve for losses and loss expenses		$ 25,213

e) The following table shows the incurred and paid claims development relating to Delta Lloyd Marine LPT as of December 31, 2020.

Delta Lloyd Marine LPT

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

	For the year ended December 31,		December 31, 2020
Accident Year	2019	2020	Total IBNR Reserve, net of reinsurance
2014	$ 5,289	$ 5,389	$ 10
2015	475	481	-
2016	1,243	1,292	10
2017	92	62	-
2018	88	92	-
2019	29	41	-
2020		29	
Total		$ 7,386	$ 20

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the year ended December 31,	
Accident Year	2019	2020
2014	$ 4,795	$ 5,098
2015	460	474
2016	489	532
2017	53	59
2018	70	85
2019	12	41
2020		-
Total		$ 6,289
Net losses and loss expenses, before 2014 accident year		$ 126,446
Net reserve for losses and loss expenses		$ 127,543

9. Outstanding losses and loss expenses (continued)

f) The following table shows the incurred and paid claims development relating to Delta Lloyd Construction LPT as of December 31, 2020.

Delta Lloyd Construction LPT

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

	For the year ended December 31,		December 31, 2020
Accident Year	2019	2020	Total IBNR Reserve, net of reinsurance
2014	$ 28,424	$ 29,708	$ 283
2015	25,524	23,871	1,796
2016	16,732	18,135	1,409
2017	14,003	15,092	1,621
2018	6,833	6,841	742
2019	1,890	1,391	1,186
2020		488	970
Total		$ 95,526	$ 8,007

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the year ended December 31,	
Accident Year	2019	2020
2014	$ 26,168	$ 28,515
2015	19,500	22,408
2016	10,514	13,811
2017	6,536	9,679
2018	1,481	3,895
2019	14	619
2020	-	177
Total		$ 79,104
Net losses and loss expenses, before 2014 accident year		$ 10,527
Net reserve for losses and loss expenses		$ 26,949

Individual claim counts related to the Delta Lloyd Marine LPT and Delta Lloyd Construction LPT are impractical to obtain, and the losses arising from these books of business have been treated as a single claim as the underlying individual claim count information is generally not reported to us by the cedant.

g) The following table shows the incurred and paid claims development relating to ACR as of December 31, 2020.

ACR

Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance

	For the year ended December 31,		December 31, 2020	
Accident Year	2019	2020	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
2014	$ 239,767	$ 255,225	$ 1,470	12,495
2015	100,945	235,452	9,733	10,741
2016	209,143	205,462	4,705	7,826
2017	370,540	373,425	15,870	10,802
2018	359,197	360,440	21,415	10,689
2019	205,250	295,280	104,313	9,908
2020		1,288	1,824	69
Total		$ 1,726,572	$ 159,330	

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the year ended December 31,	
Accident Year	2019	2020
2014	$ 214,604	$ 240,577
2015	76,788	211,369
2016	166,453	182,273
2017	215,630	276,930
2018	173,903	277,463
2019	6,438	152,659
2020		904
Total		$ 1,342,175
Net losses and loss expenses, before 2014 accident year		$ 657,636
Net reserve for losses and loss expenses		$ 1,042,033

9. Outstanding losses and loss expenses (continued)

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated balance sheet is as follows:

		December 31, 202
Net losses and loss expenses		
Arch LPT	$	103,333
SPARTA		44,513
Samsung LPT		45,696
Catalina Safety		25,213
Delta Lloyd Construction LPT		26,949
Delta Lloyd Marine LPT		127,543
ACR		1,042,033
Total net outstanding losses and loss expenses	$	1,415,280
Loss reserves recoverable		
SPARTA	$	19,035
Samsung LPT		23,669
Delta Lloyd Construction LPT		3,978
Delta Lloyd Marine LPT		79
ACR		141,470
Total loss reserves recoverable	$	188,231
Unallocated loss adjustment expenses		66,035
Deferred gain		34,086
Outstanding losses and loss expenses - other books		2,429,151
Total gross outstanding losses and loss expenses	$	4,132,783

10. Debt Obligations

Our debt obligations as of December 31, 2020 and 2019 were as follows.

Facility	Issuing Entity		December 31, 2020		December 31, 20
Real Estate Investment Term Loan Facilities	Oxenwood/Propco	$	16,848	$	80,465
Revolving Credit Facility due 2021	CHBL		-		482,918
Revolving Credit Facility due 2025	CHBL		450,751		-
Term Loan Facility due 2022	CHBL		200,000		-
Mezzanine loans due to minority interest	Oxenwood		403		710
Subordinated Notes due 2027	CII		28,731		25,778
Subordinated Notes due 2027	CatGen		45,500		45,500
Subordinated Notes due 2028	CatGen		25,000		25,000
Subordinated Notes due 2030	CHBL		26,014		22,755
Subordinated Notes due 2031	CHBL		45,799		-
Subordinated Notes due 2031	CHBL		50,000		-
Subordinated Notes due 2035	CHBL		74,504		74,078
Subordinated Notes due 2035	Glacier		12,642		12,473
Trust Preferred Shares due 2035	AHUSCO		98,678		97,693
Total debt obligations		$	1,074,870	$	867,370

We utilize proceeds from our debt obligations for acquisitions, new business, purchase real estate investments and general corporate purposes.

a) Real Estate Investment Term Loan Facilities

In 2019, the Company's Oxenwood subsidiaries entered into Term Loan Facility Agreements with National Westminster Bank plc ("NatWest") and Wurttemberg ("LBBW"), in order to partially fund the purchase of real estate investments. During 2020, as part of the sale of the Oxenwood properties, both of these Term Loan Facility Agreements were assigned to the purchaser.

In 2020, the Company's Newport and Swansea subsidiaries entered into a Term Loan Facility Agreement with Allied Irish Bank ("AIB"), in order to fund their purchase of real estate investments. These term loans mature in 2024 and 2025 and are secured by a first ranking legal charge over the properties.

10. Debt Obligations (continued)

Each of the Real Estate Investment Term Loan Facility Agreements has financial covenants in relation to net rental income interest cover and loan to value. During 2019 and 2020, each of the Oxenwood and Propco subsidiaries was in compliance with all covenants under their respective Term Loan Facility Agreements.

For the year ended December 31, 2020, interest expense on these loans was $2.5 million (2019: $1.7 million) and is included within interest expense in the consolidated statements of operations.

b) CHBL Revolving Credit Facilities and Term Loan

On February 28, 2020, Catalina entered into a five year $650 million Revolving Credit Facility and two year $200 million Term syndicated Loan Agreement with NatWest and other banks. The revolving credit facility matures in February 2025 and the term loan is due in March 2022. The agreement was mostly amended on November 26, 2020. The loans under the facility bear interest at a rate based on the Company's senior gearing. Recently, in connection with entering this agreement, we terminated and fully repaid our previous $550.0 million revolving credit facility agreement originally entered into on August 12, 2014 and most recently amended on April 18, 2017.

The entire facility is available to be utilized by Catalina for permitted investments, with $13.4 million is available to be utilized by CHUK. $150 million is available for use by Catalina for general corporate purposes. The agreement provides a right, subject to satisfying certain conditions, to increase the size of the revolving credit facility to $750 million. The total outstanding loans under the revolving credit facility as of December 31, 2020 were $450.8 million (2019: $482.9 million) comprised of loans of $63.5 million, £260.0 million ($355.5 million), and €26.0 million ($31.8 million). As at December 31, 2020, $199.2 million of unutilized capacity was available under the facility. Subsequent to December 31, 2020, the company drew down $51.6 million and repaid €26.0 ($31.6) million, bringing the unutilized capacity under this facility to $430.8 million.

Catalina's Revolving Credit Facility and Term Loan Agreement has financial covenants in relation to maximum gearing ratios and minimum aggregate group regulatory capital. During the years 2020 and 2019, Catalina was in compliance with all covenants under the agreement.

For the year ended December 31, 2020, interest expense on these loans was $29.1 million (2019: $12.9 million) and is included within interest expense in the consolidated statements of operations.

c) CII Subordinated Notes due 2027

On December 14, 2016, CII issued €23.8 million ($28.7 million) principal amount of floating rate unsecured subordinated notes due January 5, 2027. Effective December 23, 2019 the terms and conditions of the notes were amended to allow the Group to recognize the notes as Tier 2 Capital. The notes bear interest based on EURIBOR plus a margin of 7.95%, with interest payable quarterly. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of CII.

Interest expense on the notes for the year ended December 31, 2020 was $2.1 million (2019: $2.0 million) and is included within interest expense in the consolidated statement of operations.

d) CatGen Subordinated Notes due 2027 and 2028

On May 5, 2017, CatGen issued $45.5 million principal amount of floating rate unsecured subordinated notes due on May 5, 2027. The notes bear interest based on LIBOR (or agreed replacement benchmark) plus a margin of 7.55%, with interest payable quarterly. The notes may be redeemed in whole but not in part by CatGen prior to maturity on any interest payment date on or after June 30, 2022, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of CatGen.

10. Debt Obligations (continued)

On March 16, 2018, CatGen issued $25.0 million principal amount of floating rate unsecured subordinated notes. The notes bear interest based on LIBOR (or agreed replacement benchmark) plus a margin of 7.10%, with interest payable each quarter. The notes may be redeemed in whole but not in part by CatGen prior to maturity on any payment interest date on or after March 16, 2023, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of of CatGen.

Interest expense on CatGen's 2027 and 2028 notes for the year ended December 31, 2020 was $6.0 million (2019: $7.0 million) and is included within interest expense in the consolidated statements of operations.

e) CHBL Subordinated Notes due 2030, 2031, 2035

On December 5, 2019 the Company issued €21.3 million principal amount of floating rate unsecured subordinated notes due January 5, 2030. The notes bear interest based on EURIBOR (or agreed replacement benchmark) plus a margin of 6.2%, with interest payable quarterly. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of the Company.

On December 12, 2019, CHBL entered into an exchange and purchase arrangement whereby CHBL issued $54.0 million and € 26.0 million principal amount of floating rate unsecured subordinated notes due in 2035 and purchased the same principal amounts of notes originally issued by Glacier Re. The CHBL notes bear interest based on LIBOR or EURIBOR (or agreed replacement benchmarks) plus a margin between 4% and 4.7%, with interest payable quarterly. The notes may be redeemed, in whole or in part, by CHBL prior to maturity on any interest payment date on or after December 12, 2024, subject to certain conditions. The notes constitute direct, unconditional, unsecured and subordinated obligations of the Company. In 2019 these notes were exchanged at fair value and subsequently carried at amortized cost.

On December 16, 2020, the Company issued €37.5 million principal amount of floating rate unsecured subordinated notes due January 5, 2031. The notes bear interest based on EURIBOR (or agreed replacement benchmark) plus a margin of 6.825%, with interest payable quarterly. The notes may be redeemed in whole, but not in part, by CHBL prior to maturity on any interest payment date on or after December 16, 2020, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of the Company.

On December 29, 2020, the Company issued $50.0 million principal amount of floating rate unsecured subordinated notes due February 28, 2031. Interest on the notes is based on LIBOR (or agreed replacement benchmark) plus a margin of 6.75%, with interest payable quarterly. The notes may be redeemed in whole, but not in part, by CHBL prior to maturity on any interest payment date on or after February 28, 2020, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of the Company. Subsequent to December 31, 2020, the Company issued a further $25.0 million principal amount of these notes under the same terms.

Interest expense in connection with CHBL's notes was $10.4 million for the year ended December 31, 2020 (2019: $4.6 million) and is included within interest expense in the consolidated statements of operations.

f) Glacier Re Subordinated Notes due 2035

Prior to the acquisition by Catalina, Glacier Re issued a total of $68.0 million and €26.0 million principal amount of floating rate unsecured subordinated notes due in 2035. The notes include options for Glacier Re for partial or full early repayment, respectively, and to defer interest for up to 20 consecutive quarters but not beyond the maturity date of the respective notes. The notes rank pari passu without any preference among themselves and do not contain any covenants concerning financial ratios or specified levels of net worth or liquidity. On December 12, 2019, CHBL entered into an exchange and purchase arrangement with holders of the notes whereby CHBL purchased $54.0 million and €26.0 million principal amount of the notes. The remaining notes totaling $14.0 million held by Glacier Re are due in 2035. The remaining notes bear interest based on LIBOR plus a margin of 3.70%.

10. Debt Obligations (continued)

Interest expense in connection with the GlacierRe notes was $0.7 million for the year ended December 31, 2020 (2019: $0.3 million) and is included within interest expense in the consolidated statements of operations.

g) AHUSCO TruPS due 2035

Prior to acquisition by Catalina, AHUSCO issued a total of $120 million of TruPS. The TruPS were issued by three Delaware trusts established by AHUSCO and provide for a preferred dividend at a rate of 3-month LIBOR plus a margin of 2.85%. These securities allow for the postponement of preferred dividends under certain circumstances for up to five years. The TruPS carry no financial covenants or cross default covenants, have fixed maturities in 2034 and 2035 and are currently callable. The holders of the TruPS may not put the securities prior to their maturity dates.
Interest expense on the TruPS for the year ended December 31, 2020 was $4.4 million (2019: $6.4 million) and is included within interest expense in the consolidated statement of operations.

Total interest expense in connection with the Company's debt facilities and long-term subordinated debt was $55.6 million for the year ended December 31, 2020 (2019: $44.2 million) and is included within interest expense in the consolidated statements of operations.

On May 23, 2019, shareholder loans in the amount of $70.0 million were issued. These loans carried an interest rate of 8%. On December 16, 2019, the outstanding loans of $73.2 million were converted to A1P and A2P shares. The interest of $3.2 million was included within interest expense in the Consolidated Statements of Operations.

As at December 31, 2020 and 2019, the Company was in compliance with all covenants under the facilities.

11. Concentrations, commitments and contingencies

a) Concentrations of credit risk

As of December 31, 2020 and 2019, substantially all of the Company's cash and cash equivalents, and investments were held by twenty-one custodians. Management monitors the credit ratings of these custodians and believes them to be of high credit quality. The Company's investment portfolio is primarily managed by external investment advisors in accordance with the Company's investment guidelines. The Company limits its exposure to any single issuer to 5% or less of the total portfolio's market value at the time of purchase, with the exception of government and agency securities of G-7 countries. Additionally, the 5% limit does not include funds comprised of investments, provided that no single underlying investment in the fund can exceed the relevant limitation set by the Board, or as expressly approved by the Board prior to investment. As of December 31, 2020, the largest single issuer, not including the above, accounted for 1.4% (2019: 2.2%) of the aggregate fair value of the Company's invested assets. As of December 31, 2020, the Company's fixed maturity investments had a weighted average Standard & Poor's credit rating of BBB+.

At December 31, 2020, the Company had a provision for uncollectible premiums receivable of $6.4 million (2019: $6.5 million).

Reinsurance assets due from reinsurers include outstanding losses and loss expenses recoverable and deferred reinsurance premiums. The Company is subject to credit risk with respect to reinsurance ceded because the ceding of risk does not relieve the Company from its primary obligations to its policyholders. The concentration of credit risk relating to the structured settlements is explained in Note 9. Failure of the Company's reinsurers to honor their obligations could result in credit losses. As of December 31, 2020, the Company has recorded a provision for credit losses relating to outstanding losses and loss expenses recoverable of $30.2 million (2019: $32.6 million) including $23.5 million (2019: $23.2 million) recorded in CWIL. During the year ended December 31, 2020, outstanding loss and loss expenses recoverable of $2.3 million were written off (2019: $2.4 million).

11. Concentrations, commitments and contingencies (continued)

Elbow Re Ltd., an unrated domestic affiliated reinsurer, accounts for 49.2% of the outstanding losses and loss expenses recoverable balance as of December 31, 2020. This recoverable is fully collateralized. For more information, refer to Note 15 – Related Parties. Excluding this unrated reinsurer, three other reinsurers each accounted for more than 23% of the outstanding losses and loss expenses recoverable balance as of December 31, 2020. These reinsurers were rated A or above by S&P as at December 31, 2020. The Company's reinsurers had an average credit rating of AA-as of December 31, 2020.

b) Restricted assets

The Company is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations. These requirements are generally promulgated by the regulations of the individual locations within which the Company operates. These funds on deposit are available to settle insurance and reinsurance liabilities.

The Company's bankers have also issued letters of credit ("LOC") under the Company's credit agreements (for which cash and cash equivalents and investments are pledged as security) and in favor of certain ceding companies to collateralize, the Company's obligations under contracts of insurance and reinsurance (see Note 14).

The Company also utilizes trust funds where the trust funds are set up for the benefit of the ceding companies, and generally take the place of LOC requirements.

The fair values of these restricted assets by category at December 31, 2020 and 2019 are as follows:

	2020		2019	
	Cash and cash equivalents	Investments	Cash and cash equivalents	Investments
Deposits with U.S. insurance regulatory authorities	$ 9,595	$ 61,006	$ 2,778	$ 69,340
LOC pledged assets	134,453	120,360	94,424	45,449
Trust funds	140,064	2,104,175	72,593	2,149,724
Total	$ 284,112	$ 2,285,541	$ 169,795	$ 2,264,513

c) Fund commitments

As of December 31, 2020, the Company has unfunded capital commitments for fund investments of $45.2 million (2019: $69.9 million).

d) Lease commitments

The Company leases office space, and furniture and equipment under operating lease agreements. Rent expenses are being recognized on a straight-line basis over the respective lease terms. Future annual minimum payments under non-cancelable operating leases are as follows:

Year ending December 31,	
2021	$ 4,155
2022	2,196
2023	1,773
2024	1,227
2025	923
Later years	2,224
Total	$ 12,498

Total rent expense under operating leases for the year ended December 31, 2020 was approximately $4.4 million (2019: $2.0 million).

11. Concentrations, commitments and contingencies (continued)

e) Contingent liabilities

The Company and/or its subsidiaries, from time to time, are a party to litigation and/or arbitration that arises in the normal course of its business operations. The Company and/or its subsidiaries are also subject to other potential litigation, disputes and regulatory or governmental inquiries. As of December 31, 2020, the Company was not a party to any litigation or arbitration which is expected by management to have a material adverse effect on the Company's results of operations or financial condition and liquidity.

f) Guarantees

As at December 31, 2020, the Company had issued parental guarantees supporting its subsidiaries' insurance obligations of $1,665.6 million (2019: $834.1 million).

12. Taxation

Under current Bermuda law, the Company and its Bermuda subsidiaries are not required to pay any taxes in Bermuda on income including realized capital gains. The Company has received an undertaking from the Minister of Finance of Bermuda that, in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until March 2035.

The Company has operating subsidiaries in the United States, United Kingdom, Switzerland, Malaysia, Singapore and Ireland and is subject to the relevant taxes in those jurisdictions. The Company is not subject to taxation other than as stated above. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Company to become subject to additional taxation.

During 2020, tax payments of $8.3 million (2019: $0.9 million taxes refunded) were made, $8.6 million of which were paid in Switzerland. Offsetting this were tax refunds received in Ireland of $0.3 million.

Deferred income taxes reflect net operating loss carryforwards and the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for income tax purposes. The significant components of the net deferred tax assets and liabilities as of December 31, 2020 and 2019 are as follows:

	2020	2019
Deferred tax assets:		
Outstanding losses and loss expenses	$ 2,280	$ 3,049
Unearned premiums	22	55
Net operating loss carry forwards	80,369	56,713
Other	6,786	7,502
Total deferred tax assets	93,047	67,319
Valuation allowance	(62,704)	(50,536)
Total deferred tax assets net of valuation allowance	30,343	16,783

	2020	2019
Deferred tax liabilities:		
Investments	(3,011)	(3,953)
Goodwill	(1,339)	(1,339)
Outstanding losses and loss expenses	(945)	(2,163)
Subordinated debt	(160)	(1,248)
Underwriting results subject to timing differences for taxation	(3,318)	(3,704)
Other	(6,505)	(4,648)
Total deferred tax liabilities	(15,278)	(17,055)
Net deferred tax asset (liability)	$ 15,065	$ (272)

The deferred tax asset and liability balances presented above represent the gross deferred tax asset and liability balances across each tax jurisdiction. The deferred tax asset balance of $15.1 million is included within other assets, and includes netting of certain deferred tax assets and liabilities within a tax jurisdiction to the extent such netting is consistent with the regulations of the tax authorities in that jurisdiction.

12. Taxation (continued)

As of December 31, 2020, the Company has a deferred tax asset of $80.4 million (2019: $56.7 million) generated by net operating loss carry forwards ("NOL") of approximately $348.6 million (2019: $306.6 million), of which $51.2 million (2019: $47.7 million) relates to NOL in the United States ("U.S. NOL"), $22.4 million relates to NOL in Ireland, and $275.0 million (2019: $261.5 million) relates to NOL in the United Kingdom ("UK NOL"). The deferred tax asset in the United States reflects the impact of the Tax Cuts and Jobs Act of 2017.

In relation to the U.S. NOL, Irish NOL and UK NOL, the Company believes that it is more likely than not that the deferred tax asset will not be recognized. Accordingly, where there are no deferred tax liabilities against which the NOL could be offset, the Company has recognised a full valuation allowance against these net deferred tax assets as of December 31, 2020 and 2019.

Income tax expenses for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Current income tax expense	$ 11,009	$ 545
Deferred income tax (credit)	(527)	(987)
Total income tax expense (credit)	$ 10,482	$ (442)

The effective tax rate of (14.7%) (2019: (3.1)%) differs from the rate of 0% under Bermuda law primarily due to the geographical distribution of the Company's pre-tax net income between our taxable and non-taxable jurisdictions.

13. Shareholders' equity

As at January 1, 2019, the total authorised share capital of the Company was $1,348,055,250 divided and, as applicable, issued as follows:

Class of Share	Authorised Share Capital	No. of Shares Issued
Class A1 ordinary shares ("Class A1 Shares")	$14,000,000	12,696,015
Class A2 ordinary shares ("Class A2 Shares")	$900,000	791,549
Class A1P Shares	$1,251,660,125	-
Class A2P Shares	$80,000,000	-
Class B Shares	$495,125	495,125
Class C Shares	$1,000,000	-

Under the Bye-laws, Class A1 Shares, Class A2 Shares, Class AP1 Shares and Class AP2 Shares are collectively referred to as "Class A Shares". Class A Shares and Class B Shares each have voting rights as determined and calculated under the Bye-laws. Class C Shares do not have any voting rights except in connection with a merger or amalgamation involving the Company.

On May 23, 2019, the Company issued (i) 122,370,648 Class A1P Shares to the holders of Class A1 Shares on a pro-rata basis; and (ii) 7,629,353 Class A2P Shares to the holder of Class A2 Shares, in each case at par.

On August 21, 2019, the Company repurchased 4,525 Class B Shares from one of the members of executive management.

On December 16, 2019, the Company issued 68,881,395 Class A1P Shares to the holders of Class A1 Shares on a pro rata basis; and (ii) 4,294,496 Class A2P Shares to the holder of Class A2 Shares. The issuance of the shares was in satisfaction of the repayment of principal and interest owed by the Company to each of the holders of Class A1 Shares and Class A2 Shares under a loan agreement dated May 23, 2019 as at December 16, 2019 on a one share per $1 of indebtedness basis.

13. Shareholders' equity (continued)

On December 31, 2019, the Company issued 695,000 Class C Shares to certain members of the executive management team as a long-term incentive, in consideration for performance and for retention purposes. The estimated value of the shares of $0.17 million has been included within General and Administrative expenses in the Consolidated Statement of Operations.

As at December 31, 2019, the total authorised share capital remained $1,348,055,250 divided and, where applicable, issued as follows:

Class of Ordinary Share	Authorised Share Capital	No. of Shares Issued
Class A1 Shares	$14,000,000	12,696,015
Class A2 Shares	$900,000	791,549
Class A1P Shares	$1,251,660,125	191,252,043
Class A2P Shares	$80,000,000	11,923,849
Class B Shares	$495,125	490,600
Class C Shares	$1,000,000	695,000

The Board has the ability to declare dividends to be paid to the shareholders in proportion to the number of shares held by them, subject to the Bye-laws and the securityholders' deed between the Company and the shareholders of the Company. During the year ended December 31, 2019, no dividends were paid on any of the Shares.

On March 27, 2020, the Company issued 267,332,801 A1P and 16,667,199 A2P shares for a total consideration of $284.0 million to partially fund the acquisition of ACR (See Note 18 for further detail).

On March 31, 2020, dividends of $1.5 million were paid to the holders of the Class "B" shares.

On 1 July 2020, the Company increased its authorised share capital by $100,000 to $1,348,155,250 by the creation of 100,000 Class B Shares, with a par value of $1.00 each.

On 2 July 2020, 30,000 Class B Shares were issued to a member of the executive management team, from whom 30,000 Class C shares were repurchased. In addition, on the same date, 35,000 Class B Shares were repurchased by the Company.

As at December 31, 2020, the Company's total authorised share capital is $1,348,155,250 divided and, where applicable, issued as follows:

Class of Ordinary Share	Authorised Share Capital	No. of Shares Issued
Class A1 Shares	$14,000,000	12,696,015
Class A2 Shares	$900,000	791,549
Class A1P Shares	$1,251,660,125	458,584,844
Class A2P Shares	$80,000,000	28,591,047
Class B Shares	$595,125	485,600
Class C Shares	$1,000,000	780,000

In February 2021, the Company entered into an agreement which allowed a former members of management to sell their shares back to the Company over a multi-year period. The total number of shares subject to repurchase was 242,500 Class B shares. In March, 2021, the Company agreed to repurchase 104,250 Class B shares from these members of management. The repurchases were completed by April 2021.

14. Credit agreements

During the year, the Company's subsidiaries were party to the below letter of credit facility agreements.

Entity	Counterparty	LoC Outstanding
CatGen	Comerica	$27.1 million (2019: $33.4 million)
CatGen	Citibank N.A.	$2.7 million ($2.9 million)
AHUSCO	Citibank N.A.	$8.0 million (2019: $8.1 million)
CHUK	Citibank Europe plc.	$71.1 million ($2019: 68.7 million)
CHUK	Citibank Europe plc.	$10.1 million (2019: $11 million)
Glacier	UBS AG.	$1.8 million ($2.0 million)
ACR	Citibank N.A.	$9.1 million
ACR	Barclays Bank plc.	$85.0 million

As at December 31, 2020 and 2019, the Company was in compliance with all covenants under the facilities.

15. Related party transactions

Funds affiliated with Apollo Global Management LLC ("Apollo") became majority shareholders of the Company in October 2018. The Company has investments in Apollo Credit Allocation Fund II Class A, Apollo Credit Allocation Fund III, Apollo Accord 3, Apollo AP Highlands fund, and Apollo Offshore Credit Fund Limited Class S-1, which are managed by an affiliate of Apollo. The total fair value of the Company's investments in these funds as of December 31, 2020 is $292.4 million or 7.6% of investments at fair value (2019: $297.0 million or 9.1%).

On December 14, 2018, CatGen and Catalina London entered into a retrocession agreement with Elbow Re (formerly known as Acra Re Ltd.). Elbow Re is an affiliated company as it is owned by funds affiliated with Apollo. Elbow Re reinsured 50% of the liabilities assumed by CatGen under the reinsurance and transfer deed. As at December 31, 2020, the total reserves ceded to Elbow Re are $901.6 million (2019: $786.0 million) and total insurance receivable from Elbow Re is $35.2 million (2019: $36.4 million).

Certain members of management co-invested with the Company in investments in real estate. The management ownership of these investments is less than 1% of the cost of the investment properties.

16. Statutory financial information and dividend restrictions

The Company's insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions in which they operate, which are Bermuda, the United States, the United Kingdom, Singapore, Malaysia, Switzerland and Ireland. The regulations in these jurisdictions include restrictions that limit the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities. Typically, these restrictions relate to minimum levels of solvency, capital and liquidity as defined by the relevant insurance laws and regulations.

At December 31, 2020 and 2019, the Company met the minimum levels of solvency and liquidity in all jurisdictions in which the Company operates.

a) Bermuda

CatGen is registered under the Insurance Act of 1978 of Bermuda (the "Insurance Act"), and licensed as a Class 3B general business insurer, and Class C long-term insurer. CatGen was reclassed from Class 3A to 3B general business insurer, after gaining approval from the BMA on June 25, 2019. Class 3B is more reflective of CatGen's size and scale of operations. The Insurance Act grants the BMA powers to supervise insurance companies.

16. Statutory financial information and dividend restrictions (continued)

The Insurance Act requires CatGen to hold minimum statutory capital and surplus (Enhanced Capital Requirement or "ECR") at least equal to the greater of a minimum solvency margin or the Bermuda Solvency & Capital Requirement ("BSCR"). The BSCR is calculated using the standard risk-based capital model developed by the BMA. The BSCR model follows a standard formula framework and capital attributed to each risk is calculated by applying capital factors to the assets and liabilities. The BMA sets a Target Capital equivalent to 120% of the ECR. CatGen's licenses preclude it from effecting any new contracts without the permission of the BMA.

On March 24, 2016, Bermuda's enhanced commercial insurance regime was approved as being fully equivalent to regulatory standards applied under Solvency II by the European Parliament. Solvency II sets out new capital adequacy and risk management requirements for insurers across the European Union with the aim of further enhancing policyholder protection while instilling greater risk awareness. The equivalence was granted retroactive from January 1, 2016.

The BMA also acts as the Group Supervisor of Catalina. The Company, on an annual basis, is required to file the Group audited GAAP financial statements, the Group Capital and Solvency Return and the Group Solvency Self-Assessment with the BMA.

b) United Kingdom

The insurance subsidiaries based in the U.K. are regulated by the U.K. Prudential Regulatory Authority (the "PRA"). Since January 1, 2016, the UK companies have been required to comply with the Solvency II Framework Directive adopted by the PRA. The Solvency Capital Requirement for the U.K. subsidiaries are assessed using the Solvency II standard formula model.

In 2019, pursuant to Section 166 of the Financial Services and Markets Act 2000, as amended, the PRA initiated a Skilled Person's Report on Governance, Risk and Investment management effectiveness at the Catalina companies in the UK. Catalina fully cooperated with this review and the final report was issued on March 20, 2020. Catalina has been committed to implementing the findings during 2020.

c) Ireland

CII is regulated by the CBI. CII is a Solvency II Undertaking authorized under the European Union (Insurance and Reinsurance) Regulations 2015 to carry on insurance business. Under the Solvency II regime, CII is subject to minimum capital requirements and solvency capital requirements.

CII uses the standard formula to determine these in the context of the measurement of assets, liabilities and capital to satisfy the requirements set out in Pillar I of the regulations.

d) Switzerland

Glacier Re is subject to the regulatory reporting requirements of the Swiss Financial Market Authority. The Swiss insurance regulation regime has been approved by the European Commission to be fully equivalent to the regulatory standards applied under Solvency II.

Annually, Glacier Re calculates Risk Bearing Capital and Target Capital pursuant to the Swiss Solvency Test rules and regulations. Risk Bearing Capital is defined as the difference between the market consistent value of assets less the best estimate value of liabilities. The long-term subordinated debt is considered to be supplementary capital and is therefore included in the Risk Bearing Capital. Glacier Re has excess capital as at December 31, 2020.

e) United States

The Company's U.S. subsidiaries required statutory capital and surplus is determined using various criteria, including risk based capital tests. If a company falls below certain levels of risk based capital, and dependent upon the degree to which the company falls below, the commissioner of insurance with jurisdiction over the company is authorized to take certain regulatory actions to protect policyholders and creditors.

16. Statutory financial information and dividend restrictions (continued)

The Company is subject to a 30% withholding tax on certain dividends received from its U.S. subsidiaries.

As at December 31, 2020 and 2019, there are statutory restrictions on the payment of dividends from retained earnings or the return of capital from some of the Company's subsidiaries. Most of the Company's regulated reinsurance and insurance subsidiaries require regulatory approval before paying a dividend from retained earnings or returning capital.

f) Singapore and Malaysia

Asia Capital Re is subject to the regulatory reporting requirements of the Monetary Authority of Singapore and Financial Services Authority of Malaysia.

The Monetary Authority of Singapore and Financial Services Authority of Malaysia specify the minimum required capital that must be maintained at all times throughout the year. This minimum required capital is determined to be the risk based capital, based on the Authority's Risk Based Capital Framework. This Framework is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on factors deemed higher for those items with greater underlying risk. ACR has complied with the minimum required capital requirement during the year.

17. Pension plans

The Company, through its subsidiary Glacier Re, is party to a defined benefit pension plan. As at December 31, 2020, the gross liabilities of this plan are $19.6 million and this is supported by gross assets of $14.0 million. The service costs of this plan was $0.4 million for the year and actuarial adverse development for the plan was $1.4 million.

The Company also maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation. During 2020, the Company's total pension expenses were $1.8 million (2019: $1.6 million) for the above retirement benefits.

18. Comparative information

Certain balances in the 2019 consolidated financial statements have been reclassified to conform to 2020 consolidated financial statement presentation. The impact of these reclassifications are not qualitatively material for the users of the financial statements.

19. Subsequent events

In preparing the consolidated financial statements, the Company has evaluated subsequent events through April 29, 2021, which is the date that these financial statements were issued, and concluded that in addition to those items disclosed in Notes 10 and 13, the following matters require disclosure.

In February 2021, the Company entered into an agreement which allowed a former members of management to sell their shares back to the Company over a multi-year period. The total number of shares subject to repurchase was 242,500 Class B shares. In March, 2021, the Company agreed to repurchase 104,250 Class B shares from these members of management. The repurchases were completed by April 2021.

In April 2021, the Company signed two retroactive reinsurance agreements, which are subject to regulatory approval. The agreements have net liabilities assumed totaling $631.0 million in aggregate. These liabilities relate to U.S. and international property and casualty business.