National General Re Ltd.

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

National General Re Ltd.

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Ernst & Young LLP
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Report of Independent Auditors

The Board of Directors
National General Re Ltd.

We have audited the accompanying consolidated financial statements of National General Re Ltd. (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income and comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred and paid claims development prior to the most recent year and the average annual percentage payout of incurred claims disclosed in Footnote 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

April 23, 2021

NATIONAL GENERAL RE LTD.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Shares and Per Share Data)

	December 31, 2020	December 31, 2019
ASSETS		
Investments:		
Debt securities, available-for-sale, at fair value (amortized cost of $1,013,098 and $996,503) (allowance for expected credit losses $0 - 2020)	$ 1,078,408	$ 1,016,371
Short-term investments	54,299	5,559
Equity securities and Other investments (related parties - $222,368 and $229,476)	286,331	310,324
Total investments	1,419,038	1,332,254
Cash, cash equivalents and restricted cash	21,773	11,659
Deferred acquisition costs	269,758	246,135
Premiums and other receivables (related parties - $1,306,214 and $1,178,334) (allowance for expected credit losses $0 - 2020)	1,311,146	1,183,732
Accrued interest receivable (related parties - $2,730 and $2,391)	19,076	19,722
Property and equipment, net	20,423	20,278
Prepaid and other assets	11,381	11,860
Total assets	$ 3,072,595	$ 2,825,640
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unpaid loss and loss adjustment expense reserves - related parties	$ 720,924	$ 635,306
Reinsurance payable - related parties	238,977	243,956
Unearned premiums - related parties	830,023	757,337
Accounts payable and accrued expenses (related parties - $424,529 and $382,959)	427,217	393,490
Other liabilities	58,884	34,893
Total liabilities	$ 2,276,025	$ 2,064,982
Commitments and contingencies (Note 11)		
Shareholders' Equity:		
Common stock, $1 par value, 120,000 shares authorized, issued and outstanding - 2020; 120,000 shares authorized, issued and outstanding - 2019	$ 120	$ 120
Additional paid-in capital	390,690	460,690
Accumulated other comprehensive income	35,467	15,728
Retained earnings	370,099	283,926
Total National General Re Ltd. stockholders' equity	$ 796,376	$ 760,464
Noncontrolling interest	$ 194	$ 194
Total shareholders' equity	$ 796,570	$ 760,658
Total liabilities and shareholders' equity	$ 3,072,595	$ 2,825,640

See accompanying notes to consolidated financial statements

NATIONAL GENERAL RE LTD.
CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
(In Thousands)

	Year Ended December 31,	
	2020	**2019**
Revenues:		
Net earned premium	$ 1,793,938	$ 1,713,853
Ceding commission income	—	8,859
Net gain on sale	—	12,509
Net gain on investments	3,982	891
Net investment income	33,083	34,868
Service and fee income	1,679	2,245
Total revenues	1,832,682	1,773,225
Expenses:		
Loss and loss adjustment expense	1,025,137	1,053,826
Commission and other acquisition expenses	583,030	538,153
General and administrative expenses	3,172	46,425
Total expenses	1,611,339	1,638,404
Income before income taxes	221,343	134,821
Income tax expense	(45,148)	(28,087)
Net income	$ 176,195	$ 106,734
Other comprehensive income		
Foreign currency translation adjustment, net of tax benefit / (expense) of $95 and $(3,866)	(357)	14,542
Unrealized gain on investments, net of tax expense of $5,342 and $6,381	20,096	24,003
Total other comprehensive income	19,739	38,545
Comprehensive income	$ 195,934	$ 145,279

See accompanying notes to consolidated financial statements

NATIONAL GENERAL RE LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In Thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total
Balance January 1, 2019	$ 120	$ 460,690	$ (22,817)	$ 177,192	$ 194	$ 615,379
Net income	—	—	—	106,734	—	106,734
Foreign currency translation, net of tax expense of $(3,866)	—	—	14,542	—	—	14,542
Net change in unrealized gains, net of tax expense of $(6,381)	—	—	24,003	—	—	24,003
Balance December 31, 2019	120	460,690	15,728	283,926	194	760,658
Cumulative-effect adjustment of change in accounting principles, net of tax	—	—	—	(22)	—	(22)
Net income	—	—	—	176,195	—	176,195
Foreign currency translation, net of tax expense of $(3,866)	—	—	(357)	—	—	(357)
Net change in unrealized gains, net of tax expense of $(5,342)	—	—	20,096	—	—	20,096
Distribution of investments to affiliates	—	(70,000)	—	—	—	(70,000)
Dividends to parent company	—	—	—	(90,000)	—	(90,000)
Balance December 31, 2020	$ 120	$ 390,690	$ 35,467	$ 370,099	$ 194	$ 796,570

See accompanying notes to consolidated financial statements

NATIONAL GENERAL RE LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Thousands)

	Year Ended December 31, 2020	2019
Cash flows from operating activities:		
Net income	$ 176,195	$ 106,734
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in earnings of other investments	3,233	(3,568)
Net loss on investments	(4,029)	(17,326)
Depreciation and amortization	5,142	3,178
Accruals for interest earned but not received	(1,650)	—
Other, net	(22)	498
Changes in assets and liabilities:		
Accrued investment income	(4,933)	(5,477)
Premiums and other receivables	(127,414)	(116,855)
Deferred acquisition costs	(23,623)	(25,030)
Reinsurance recoverable	—	(19,330)
Prepaid expenses and other assets	(4,768)	29,237
Unpaid loss and loss adjustment expense reserves	85,618	36,266
Unearned premiums and other revenue	72,686	76,150
Reinsurance payable	(4,980)	60,070
Accounts payable and accrued expenses	33,727	45,430
Other liabilities	25,748	34,545
Net cash provided by operating activities	230,930	204,522
Cash flows from investing activities:		
Purchases of:		
Debt securities, available-for-sale	(280,971)	(731,702)
Short-term investments	(312,738)	(554,177)
Property and equipment	(819)	(2,160)
Other investments	(1,000)	(9,955)
Proceeds from:		
Sale of debt securities, available-for-sale	144,676	207,887
Maturity of debt securities, available-for-sale	119,728	76,916
Sale of short-term investments	77,696	228,293
Maturity of short-term investments	186,367	438,745
Sale and return of other investments	5,722	12,289
Sale of premises and equipment	8	448
Sale of other assets	1,000	—
Sale of business, net of cash and cash equivalents sold	—	92,290
Net cash used in investing activities	$ (60,331)	$ (241,126)

See accompanying notes to consolidated financial statements

NATIONAL GENERAL RE LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Thousands)

	Year Ended December 31,	
	2020	2019
Cash flows from financing activities:		
Dividends paid to parent company	$ (90,000)	$ —
Distribution to affiliate	(70,000)	—
Net cash used in financing activities	(160,000)	—
Effect of exchange rate changes on cash and cash equivalents	(485)	(258)
Net increase (decrease) in cash, cash equivalents and restricted cash	10,114	(36,862)
Cash, cash equivalents, and restricted cash at the beginning of year	11,659	48,521
Cash, cash equivalents, and restricted cash at the end of year	$ 21,773	$ 11,659
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 59	$ 720

See accompanying notes to consolidated financial statements

(In Thousands, Except Shares and Per Share Data)

1. Organization and Acquisition

National General Re Ltd. (the "Company") was incorporated under the laws of Bermuda on November 14, 2011, is registered as a Class 3A insurer under the Bermuda Assurance Act, 1978 and related regulations as amended and commenced operations in 2012. The Company is a wholly-owned subsidiary of National General Holdings Corp ("NGHC"). The Company was founded as a Bermuda reinsurance company organized to provide reinsurance business solutions to its parent and affiliated companies. The Company provides reinsurance coverage to NGHC's subsidiaries.

As of December 31, 2020 we had eight subsidiaries.

Entity Name	Jurisdiction of Incorporation or Formation
Allied Producers Reinsurance Company, Ltd.	Bermuda
American Capital Acquisition Investments S.A	Luxembourg
Integon Properties S.A. de C.V	Mexico
National General Holdings Bermuda, Ltd.	Bermuda
National General Holdings Luxembourg S.a.r.l.	Luxembourg
National General Insurance, Ltd.	Bermuda
National General Insurance Management Ltd.	Bermuda
NG Holdings, LLC	Delaware

Effective January 4, 2021, NGHC was acquired by The Allstate Corporation ("Allstate"), pursuant to the Agreement and Plan of Merger ("Merger"), dated as of July 7, 2020, by and among NGHC, Allstate and Bluebird Acquisition Corp., an indirect wholly owned subsidiary of Allstate. See Note 15, "Subsequent Events" for additional information.

In March 2020, the outbreak of COVID-19 caused by a novel strain of the coronavirus was recognized as a pandemic by the World Health Organization. The pandemic outbreak has caused an economic downturn on a global scale. As of December 31, 2020, the Company did not experience a material adverse impact due to COVID-19.

2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates and Assumptions

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's principal estimates include unpaid losses and loss adjustment expense reserves; deferred acquisition costs; reinsurance recoverable, including the provision for uncollectible amounts; fair value of investments and income taxes. In developing the estimates and assumptions, management uses all available evidence. Because of uncertainties associated with estimating the amounts, timing and likelihood of possible outcomes, actual results could differ from estimates.

Other Significant Accounting Policies

Premiums and Other Receivables

The Company recognizes earned premium on a pro rata basis over the terms of the policies, generally periods of six or twelve months. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of the policies. Net premiums receivable represent affiliated premiums earned and not yet collected, received quarterly in arrears.

Premiums and other receivables are with affiliated entities under common control and are exempt from allowance for credit loss evaluation.

Cash and Cash Equivalents

The Company's cash and cash equivalents include cash on hand, money market instruments and other debt instruments with a maturity of 90 days or less when purchased. Certain securities with original maturities of 90 days or less that are held as a portion of fixed maturity portfolios are classified as short-term investments.

Short-term Investments

Short-term investments include commercial paper, U.S.Treasury bills and money market funds with maturities between 91 days and less than one year at the date of acquisition.

Deferred Acquisition Costs

Deferred acquisition costs represent incremental direct costs related to the successful acquisition of new or renewal insurance contracts. The balances of such costs are capitalized as an asset and amortized over the expected lives of the underlying insurance contracts.

Loss and Loss Adjustment Expense

Loss and Loss Adjustment Expense ("LAE") represent the estimated ultimate net costs of all reported and unreported losses incurred through the period end. The reserves for unpaid losses and LAE represent the accumulation of estimates for both reported losses and those incurred but not reported and not yet paid relating to assumed reinsurance agreements. Estimates for salvage and subrogation recoverables are recognized at the time losses are incurred and netted against the provision for losses. Loss and LAE are based on estimates, and the ultimate liability may vary from such estimates. These estimates are regularly reviewed and adjustments are included in the period in which adjustments are determined.

Goodwill and Intangible Assets

A purchase price paid that is in excess of net assets i.e., goodwill, arising from a business combination is recorded as an asset and is not amortized. Intangible assets with an indefinite useful life are not amortized. Goodwill and intangible assets are tested for impairment on an annual basis or more frequently if changes in circumstances indicate that the carrying amount may not be recoverable. If the goodwill or intangible asset is impaired, it is written down to its fair value with a corresponding expense reflected in general and administrative expenses in the consolidated statements of income.

Intangible assets that have finite lives, including but not limited to, agent and customer relationships and trademarks, are amortized over the estimated useful life of the asset. For intangible assets with finite lives, impairment is recognized if the carrying amount is not recoverable and exceeds the fair value of the intangible asset. Generally intangible assets with finite lives are only tested for impairment if there are indicators of impairment ("triggers") identified. Triggers include, but are not limited to, a significant adverse change in the extent, manner or length of time in which the intangible asset is being used or a significant adverse change in legal factors or in the business climate that could affect the value of the other intangible asset.

Due to the sale of Euro Accident Health and Care Insurance AB ("EAH"), goodwill and intangible assets are now nil. The amortization expense for the year ended December 31, 2020 and 2019, was $0 and $1,476, respectively.

Investments

The Company has classified its debt securities as available for sale measured at fair value with unrealized gains and losses reported as a separate component of comprehensive income. Equity investments (except those accounted for under the equity method, and those that result in consolidation of the investee and certain other investments) are measured at fair value with all gains and losses reported in net income. The Company may sell its available-for-sale and equity securities in response to changes in interest rates, risk/reward characteristics, liquidity needs or other factors. Available-for-sale and equity securities are reported at their estimated fair values based on quoted market prices or recognized pricing services.

Purchases and sales of investments are recorded on a trade date basis. Realized gains and losses are determined based on the specific identification method. Net investment income is recognized when earned and includes interest and dividend income together with amortization of market premiums and discounts using the effective yield method and is net of investment management fees and other expenses. For mortgage-backed securities and any other holdings for which there is a prepayment risk, prepayment assumptions are evaluated and revised as necessary. Any adjustments required due to the change in effective yields and maturities are recognized on a retrospective basis through yield adjustments.

As of December 31, 2020, and 2019, the Company had the following major types of investments:

(i) Debt securities are classified as available-for-sale and are carried at fair value. Unrealized gains or losses on available-for-sale debt securities are reported as a component of accumulated other comprehensive income.
(ii) Mortgage and structured securities are carried at fair value. The Company recognizes income using the retrospective adjustment method based on prepayments and the estimated economic lives of the securities. The effective yield reflects actual payments to date plus anticipated future payments. These investments are recorded as debt securities, available-for-sale in the consolidated balance sheets.
(iii) Short-term investments are carried at amortized cost, which approximates fair value, and includes investments with maturities between 91 days and less than one year at the date of acquisition. Income from short-term investments is reported within net investment income.
(iv) Other investments consisted of equity method investments, in which the company has the power to influence the operating or financial decisions but does not require consolidation; common stock carried at fair value (equity securities); notes receivable; long-term certificates of deposits; and other instruments carried at fair value and at cost or amortized cost. Income from other investments is reported within net investment income. Gains or losses on equity securities are reported within net gain (loss) on investments.

Beginning on January 1, 2020, credit losses on available-for-sale debt securities are recognized through an allowance account. The Company reports accrued investment income separately from debt securities in the consolidated balance sheets, and has elected not to measure an allowance for credit losses. Accrued investment income is written off by reversing interest income through net investment income at the time the issuer of the bond defaults or is expected to default on payments. Uncollectible debt securities are written off to net gain (loss) on investments when the Company determines that no additional payments of principal or interest will be received.

Fair Value of Financial Instruments

The Company's estimates of fair value for financial assets and financial liabilities are based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. Additionally, valuation of debt securities investments is more subjective when markets are less liquid due to lack of market-based inputs, which may increase the potential that the estimated fair value of an investment is not reflective of the price at which an actual transaction could occur. Fair values of other financial instruments which are short-term in nature approximate their carrying values.

Equity Method Investments

The Company uses the equity method of accounting for investments in which its ownership interest enables the Company to influence operating or financial decisions of the investee, but the Company's interest does not require consolidation. In applying the equity method, the Company records its investment at cost, and subsequently increases or decreases the carrying amount of the investment by its proportionate share of the net earnings or losses and other comprehensive income of the investee. Any dividends or distributions received are recorded as a decrease in the carrying value of the investment. The Company's proportionate share of net income is reported in net investment income.

Income Taxes

The Company and NGHC file consolidated income tax returns. The Company accounts for income taxes using the asset and liability method. Deferred income tax assets and liabilities are recorded as temporary differences between the carrying values of assets and liabilities for financial reporting purposes and tax purposes. Deferred tax assets and liabilities are recognized in the financial statements or tax returns, based upon enacted tax laws and rates. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not.

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. The deferred tax asset and liability primarily consists of book versus tax differences for earned premiums, loss and LAE reserve discounting, deferred acquisition costs, earned but unbilled premiums, and unrealized holding gains and losses on debt securities. Changes in deferred income tax assets and liabilities that are associated with components of other comprehensive income, primarily unrealized investment gains and losses, are recorded directly to other comprehensive income. Otherwise, changes in deferred income tax assets and liabilities are included as a component of income tax expense. In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that the Company will generate future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, tax planning strategies and projected future taxable income in making this assessment. If necessary, the Company establishes a valuation allowance to reduce the deferred tax assets to the amounts more likely than not to be realized.

The Company recognizes tax benefits for tax positions that are more likely than not to be sustained upon examination by taxing authorities. The Company's policy is to prospectively classify accrued interest and penalties related to any unrecognized tax benefits in its income tax provision.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to operations as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings and improvements	30 years
Leasehold improvements	Remaining lease term
Hardware & Software	3 to 5 years
Other equipment	3 to 20 years

The Company capitalizes costs of computer software developed or obtained for internal use that is specifically identifiable, has determinable lives and relates to future use.

Variable Interest Entities

A variable interest entity ("VIE") is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains and losses of the entity. The Company's consolidation principles require the inclusion of VIEs in which the Company is deemed the primary beneficiary. The primary beneficiary is the entity that has both (1) the power to direct the activities of the VIE that most significantly affect that entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE.

Noncontrolling Interest

Non-redeemable noncontrolling interest is the portion of equity (net assets) not attributable, directly or indirectly, to a parent.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk are primarily cash and cash equivalents, investments and premiums and other receivables. Investments are diversified through many industries and geographic regions through the use of an investment manager who employs different investment strategies. The Company limits the amount of credit exposure with any one financial institution and believes that no significant concentration of credit risk exists with respect to cash and investments. As the premiums and other receivable balance is due from an affiliated entity there is no significant credit risk.

Service and Fee Income

Service and fee income primarily consists of rental income from real estate with 75% of the rental income with an affiliated entity. Rental income is reported on a straight line basis.

Foreign Currency Remeasurement and Translation

Financial statement accounts in currencies other than an operation's functional currency are remeasured into the functional currency and the resulting foreign exchange gains and losses are reflected in Net gains (losses) on investments. Functional currency assets and liabilities expressed in foreign currencies are translated into U.S. dollars using period end exchange rates. The related translation adjustments are recorded as a separate component of Accumulated Other Comprehensive Income ("AOCI"), net of any related taxes. Income statement amounts expressed in functional currencies are translated using average exchange rates.

(In Thousands, Except Shares and Per Share Data)

Accounting Standards

Recent Accounting Standards, Adopted

Standard	Description	Date of Adoption	Effect on the Company
ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.	This standard changed the impairment model to a new forward-looking expected loss model for most financial assets and certain other instruments. The standard requires immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, which generally results in earlier recognition of allowances for credit losses on loans and other financial instruments. Many of the loss estimation techniques applied prior the adoption of the standard are still permitted, although the inputs to those techniques changed to reflect the full amount of expected credit losses. The Company continues to use judgement to determine which loss estimation method is appropriate for its circumstances. The standard became effective for interim and annual reporting periods beginning after December 15, 2019 and requires using a modified retrospective approach, recognizing a cumulative-effect adjustment as of the beginning of the first reporting period in which the standard is effective.	January 1, 2020	The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Standards, Not Yet Adopted

Standard	Description	Effective Date	Effect on the Company
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	This standard simplifies the accounting for income taxes by eliminating some exceptions to the general approach in Accounting Standards Codification ("ASC") 740, Income Taxes. It also clarifies certain aspects of the existing guidance to promote more consistent application, among other things.	January 1, 2021	The Company is currently evaluating the impact this guidance will have on its consolidated financial condition, results of operations, cash flows and disclosures.

(In Thousands, Except Shares and Per Share Data)

3. Investments

(a) Debt Securities, Available-For-Sale

The following tables summarize the unrealized positions for available-for-sale debt securities, disaggregated by major security type.

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
States and political subdivision bonds	$ 80,049	$ 6,045	$ —	$ 86,094
Foreign government	1,765	119	—	1,884
Corporate bonds	620,920	44,223	(46)	665,097
Residential mortgage-backed securities	209,704	8,459	(32)	218,131
Commercial mortgage-backed securities	81,722	6,400	(5)	88,117
Asset-backed securities	3,577	168	(55)	3,690
Structured securities	15,361	128	(94)	15,395
Total	$ 1,013,098	$ 65,542	$ (232)	$ 1,078,408

December 31, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 5,998	$ —	$ —	$ 5,998
Federal agencies	2,549	5	—	2,554
States and political subdivision bonds	79,548	329	(193)	79,684
Foreign government	1,762	40	—	1,802
Corporate bonds	545,500	15,678	(507)	560,671
Residential mortgage-backed securities	253,310	3,149	(680)	255,779
Commercial mortgage-backed securities	71,229	2,251	(44)	73,436
Asset-backed securities	14,809	86	(15)	14,880
Structured securities	21,798	7	(238)	21,567
Total	$ 996,503	$ 21,545	$ (1,677)	$ 1,016,371

The amortized cost and fair value of available-for-sale debt securities held as of December 31, 2020, by contractual maturity, are shown in the table below. Actual maturities may differ from contractual maturities because some borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

December 31, 2020	Amortized Cost	Fair Value
Due in one year or less	$ 7,443	$ 7,561
Due after one year through five years	316,344	336,594
Due after five years through ten years	339,262	367,094
Due after ten years	55,046	57,221
Mortgage-backed securities	295,003	309,938
Total	$ 1,013,098	$ 1,078,408

(In Thousands, Except Shares and Per Share Data)

(b) Gross Unrealized Losses

The tables below summarize the gross unrealized losses on debt securities classified as available-for-sale, by length of time the security has continuously been in an unrealized loss position.

	Less Than 12 Months		12 Months or More		Total	
December 31, 2020	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Asset backed-securities	$ 1,293	$ (55)	$ —	$ —	$ 1,293	$ (55)
Corporate bonds	7,966	(46)	—	—	7,966	(46)
Residential mortgage-backed securities	7,753	(32)	—	—	7,753	(32)
Commercial mortgage-backed securities	10,046	(5)	—	—	10,046	(5)
Structured securities	394	(1)	3,132	(93)	3,526	(94)
Total	$ 27,452	$ (139)	$ 3,132	$ (93)	$ 30,584	$ (232)

	Less Than 12 Months		12 Months or More		Total	
December 31, 2019	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
States and political subdivision bonds	$ 32,979	$ (193)	$ —	$ —	$ 32,979	$ (193)
Asset-backed securities	3,317	(15)	—	—	3,317	(15)
Corporate bonds	170,029	(507)	—	—	170,029	(507)
Residential mortgage-backed securities	60,227	(680)	—	—	60,227	(680)
Commercial mortgage-backed securities	10,474	(44)	—	—	10,474	(44)
Structured securities	8,986	(16)	5,507	(222)	14,493	(238)
Total	$ 286,012	$ (1,455)	$ 5,507	$ (222)	$ 291,519	$ (1,677)

The Company's debt securities portfolio is sensitive to interest rate fluctuations, which impact the fair value of individual securities. There were 29 and 320 individual security lots at December 31, 2020, and 2019, respectively, that accounted for the gross unrealized loss. As of December 31, 2020, and 2019, the unrealized losses of those securities in unrealized loss positions for a period of twelve or more consecutive months were not greater than or equal to 25% of their amortized cost. The Company did not have a credit allowance as of December 31, 2020. Some of the factors considered in assessing credit loss of fixed maturities due to credit-related factors include: (1) the magnitude of the unrealized loss in relation to the amortized cost; (2) the credit rating of the issuing entity and market or issuer events that could impact the issuer's ability to repay the debt security; (3) the likelihood of the recoverability of principal and interest; and (4) whether it is more likely than not that the Company will be required to sell the investment prior to an anticipated recovery in value.

The Company considers different factors to determine the amount of projected future cash flows and discounting methods for corporate bonds and residential and commercial mortgage-backed or structured securities. For corporate bond securities, the split between the credit and non-credit losses is driven by assumptions regarding the amount and timing of projected future cash flows. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the security at the date of acquisition. For residential and commercial mortgage-backed and structured securities, cash flow estimates, including prepayment assumptions, are based on data from third-party data sources or internal estimates. In addition to prepayment assumptions, cash flow estimates vary based on assumptions regarding the underlying collateral including default rates, recoveries and changes in value. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the debt security prior to impairment at the balance sheet date. The discounted cash flows become the new amortized cost basis of the debt security if an impairment is recognized.

(In Thousands, Except Shares and Per Share Data)

(c) Net Investment Income

The components of net investment income consisted of the following:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Cash and short-term investments	$ 63	$ 842
Debt securities, available-for-sale	27,457	23,856
Equity securities and Other, net (related parties - $2,503 and $2,582)	6,633	11,179
Investment income	34,153	35,877
Investment expenses	(1,070)	(1,009)
Net investment income	$ 33,083	$ 34,868

(d) Net Gain on Investments

The table below indicates realized gains and losses on investments. Purchases and sales of investments are recorded on a trade date basis. Realized gains and losses are determined based on the specific identification method.

	Year Ended December 31, 2020	Year Ended December 31, 2019
Debt securities, available-for-sale:		
Gross gains	$ 6,603	$ 6,323
Gross losses	(324)	(180)
Net realized gain on debt securities, available-for-sale	6,279	6,143
Equity securities	(2,256)	—
Other, net [(1)]	(41)	7,257
Net realized gain on investments	$ 3,982	$ 13,400

[(1)] Includes gains and losses on other investments, and foreign currency.

(e) Credit Quality of Investments

The table below summarizes the credit quality of debt securities, as rated by Standard & Poor's ("S&P"). If a security is not rated by S&P, an S&P equivalent is determined based on ratings from similar rating agencies. Securities that are not rated are included in the "BB+ and lower" category.

	December 31, 2020			December 31, 2019		
	Amortized Cost	Fair Value	Percentage	Amortized Cost	Fair Value	Percentage
U.S. Treasury	$ —	$ —	— %	$ 5,998	$ 5,998	0.6 %
AAA	83,769	90,063	8.4 %	85,469	87,607	8.6 %
AA, AA+, AA-	320,942	337,081	31.3 %	353,636	356,369	35.1 %
A, A+, A-	334,541	355,359	33.0 %	285,817	293,049	28.8 %
BBB, BBB+, BBB-	273,695	295,745	27.3 %	260,128	267,881	26.4 %
BB+ and lower	151	160	— %	5,455	5,466	0.5 %
Total	$ 1,013,098	$ 1,078,408	100.0 %	$ 996,503	$ 1,016,370	100.0 %

(In Thousands, Except Shares and Per Share Data)

(f) Restricted Investments

The Company utilizes trust accounts to collateralize business with its reinsurance counterparties. These assets are held primarily in the form of cash or certain high grade securities.

Restricted investments are as follows:

	December 31,	
	2020	2019
Restricted investments to trusts in certain reinsurance transactions	$ 922,557	$ 711,357
Total	$ 922,557	$ 711,357

(g) Other Investments

The table below summarizes the composition of other investments:

	December 31,	
	2020	2019
Equity method investments (related parties - $91,583 and $100,247)	$ 118,645	$ 125,518
Note receivable - related party. See Note 10	130,784	129,229
Subordinated surplus loan. See Note 10	25,406	39,737
Investments, at fair value	5,702	9,046
Investments, at cost or amortized cost	5,794	6,794
Total	$ 286,331	$ 310,324

Equity method investments represent limited liability companies and limited partnership investments in real estate. Investments at fair value include publicly traded equity securities and the Company's right to receive the excess servicing spread related to servicing rights, for which the Company has elected the fair value option with changes in fair value recorded in net investment income. Investments at cost or amortized cost, represent limited partnerships, loans and trusts. The Company believes its exposure to risks associated with these investments is generally limited to the investment carrying amounts.

Equity Method Investments - Related Parties

The significant shareholder of the Ultimate Parent Company has an ownership interest in AmTrust Financial Services, Inc. ("AmTrust") and ACP Re Holdings LLC. ("ACP Re").

Limited Liability Companies and Limited Partnerships

The Company holds a variable interest in the following entities but is not the primary beneficiary of such VIE's. The Company accounts for these entities using the equity method of accounting. The Company believes its exposure to risk associated with these investments is generally limited to the investment carrying amounts.

LSC Entity

The Company has a 50% ownership interest in an entity (the "LSC Entity") initially formed to acquire life settlement contracts, with AmTrust owning the remaining 50%. The LSC Entity used the contributed capital to pay premiums and purchase policies. A life settlement contract is a contract between the owner of a life insurance policy and a third party who obtains the ownership and beneficiary rights of the underlying life insurance policy. The LSC Entity has a 30% non-controlling equity interest in the limited partnership managed by a third party. As of December 31, 2020, the LSC Entity directly held one life settlement contract. The life settlement contract is accounted for using the fair value method.

The Company's equity interest in the LSC Entity as of December 31, 2020, and 2019, was $44,847 and $49,477, respectively. For the years ended December 31, 2020, and 2019, the Company recorded equity in (losses) earnings from the LSC Entity of $(5,630) and $3,395, respectively, made contributions of $1,000 and $258, respectively, and received distributions of $0 and $2,500, respectively.

North Dearborn Building Company, L.P.

The Company holds an investment in North Dearborn Building Company, L.P. ("North Dearborn"), a limited partnership that owns an office building in Chicago, Illinois. AmTrust is also a limited partner in North Dearborn, and the general partner is NA Advisors GP LLC ("NA Advisors"), a related party, owned by Karfunkel family members which is managed by an unrelated third party. The Company and AmTrust each hold a 45% limited partnership interest in North Dearborn, while NA Advisors holds a 10% general partnership interest and a 10% profit interest, which NA Advisors pays to the unrelated third-party manager. North Dearborn appointed NA Advisors as the general manager to oversee the day-to-day operations of the office building.

The Company's equity interest in North Dearborn as of December 31, 2020, and 2019, was $5,744 and $5,317, respectively. For the years ended December 31, 2020, and 2019, the Company recorded equity in earnings (losses) from North Dearborn of $967 and $(357), respectively, and received distributions of $540 in both periods.

4455 LBJ Freeway, LLC

The Company holds an investment in 4455 LBJ Freeway, LLC, a limited liability company that owns an office building in Dallas, Texas, with AmTrust. AmTrust has been appointed managing member of 4455 LBJ Freeway, LLC. The Company and AmTrust each have a 50% ownership interest in 4455 LBJ Freeway, LLC.

The Company's equity interest in 4455 LBJ Freeway, LLC as of December 31, 2020, and 2019, was $1,677 and $1,074, respectively. For the years ended December 31, 2020, and 2019, the Company recorded equity in earnings from 4455 LBJ Freeway, LLC of $603, and $281, respectively.

Illinois Center Building, L.P.

The Company holds an investment in Illinois Center Building, L.P. ("Illinois Center"), a limited partnership that owns an office building in Chicago, Illinois. AmTrust and ACP Re are also limited partners in Illinois Center and the general partner is NA Advisors. The Company and AmTrust each hold a 37.5% limited partnership interest in Illinois Center, while ACP Re holds a 15.0% limited partnership interest. NA Advisors holds a 10.0% general partnership interest and a 10.0% profit interest, which NA Advisors pays to the unrelated third-party manager. Illinois Center appointed NA Advisors as the general manager to oversee the day-to-day operations of the office building.

The Company's equity interest in Illinois Center as of December 31, 2020, and 2019, was $39,316 and $44,379, respectively. For the years ended December 31, 2020, and 2019, the Company recorded equity in losses from Illinois Center of $(3,188) and $(2,321), made contributions of $0 and $1,125, and received distributions of $(1,875) and $0, respectively.

4. Fair Value of Financial Instruments

The Company carries certain financial instruments at fair value. Assets and liabilities recorded at fair value in the Consolidated Balance Sheets are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of valuation inputs:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities as of the measurement date. Additionally, the entity must have the ability to access the active market and the quoted prices cannot be adjusted by the entity.

Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

The following describes the valuation techniques used by the Company to determine the fair value measurements on a recurring basis of financial instruments held as of December 31, 2020, and 2019. The Company utilizes a pricing service ("pricing service") to estimate fair value measurements for all its debt and equity securities.

Level 1 measurements:

- *U.S. Treasury and federal agencies.* The fair values of U.S. government securities are based on quoted market prices in active markets. The Company believes the market for U.S. government securities is an actively traded market given the high level of daily trading volume.
- *Short-term investments.* Comprised of money market funds that are traded in active markets and fair values are based on quoted market prices.
- *Other Investments, at fair value.* Common and preferred equity securities. The pricing service utilizes market quotations for equity securities that have quoted market prices in active markets and their respective quoted prices are provided at fair value.

Level 2 measurements:

- *States and political subdivision bonds, and foreign government.* The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active.
- *Corporate bonds.* Comprised of bonds issued by corporations, public and privately placed. The fair values of short-term corporate bonds are priced using the spread above the London Interbank Offering Rate ("LIBOR") yield curve, and the fair value of long-term corporate bonds are priced using the spread above the risk-free yield curve. The spreads are sourced from broker dealers, trade prices and the new issue market. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active.
- *Residential and commercial mortgage-backed securities, asset-backed securities and structured securities.* The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, prepayment speeds, collateral performance and credit spreads.

Level 3 measurements:

- *States and political subdivision bonds.* The Company holds municipal bonds that finance economic development, infrastructure and environmental projects which do not have an active market. These bonds are valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable.

(In Thousands, Except Shares and Per Share Data)

- *Corporate bonds.* The Company holds certain structured notes and term loans that do not have an active market. These bonds are valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable.
- *Other investments, at fair value.* Comprised of the Company's right to receive the Excess Servicing Spread ("ESS") related to servicing rights. The Company uses a discounted cash flow method to estimate the fair value of the ESS. The key inputs used in the estimation of ESS include prepayment speed and discount rate. Changes in the fair value of the ESS are recorded in net investment income. From time to time, the Company also holds certain equity securities that are issued by privately-held entities or direct equity investments that do not have an active market. The Company estimates the fair value of these securities primarily based on inputs such as third-party broker quotes, issuers' book value, market multiples, and other inputs.

Assets measured at fair value on a recurring basis are as follows:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Debt securities, available-for-sale:				
States and political subdivision bonds	$ —	$ 86,095	$ —	$ 86,095
Foreign government	—	1,884	—	1,884
Corporate bonds	—	662,772	2,324	665,096
Residential mortgage-backed securities	—	218,132	—	218,132
Commercial mortgage-backed securities	—	88,117	—	88,117
Asset-backed securities	—	3,690	—	3,690
Structured securities	—	15,395	—	15,395
Total debt securities, available-for-sale	—	1,076,085	2,324	1,078,409
Short-term investments	54,299	—	—	54,299
Other investments	2,676	—	3,026	5,702
Total	$ 56,975	$ 1,076,085	$ 5,350	$ 1,138,410

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Debt securities, available-for-sale:				
U.S. Treasury	$ 5,998	$ —	$ —	$ 5,998
Federal agencies	2,554	—	—	2,554
States and political subdivision bonds	—	79,684	—	79,684
Foreign government	—	1,802	—	1,802
Corporate bonds	—	558,447	2,224	560,671
Residential mortgage-backed securities	—	255,779	—	255,779
Commercial mortgage-backed securities	—	73,436	—	73,436
Asset-backed securities	—	14,880	—	14,880
Structured securities	—	21,567	—	21,567
Total debt securities, available-for-sale	8,552	1,005,595	2,224	1,016,371
Short-term investments	5,059	500	—	5,559
Other investments	4,563	—	4,483	9,046
Total	$ 18,174	$ 1,006,095	$ 6,707	$ 1,030,976

(In Thousands, Except Shares and Per Share Data)

For the years ended December 31, 2020, and 2019, there were no transfers between Level 2 and Level 3.

The following tables provide a reconciliation of recurring fair value measurements of the Level 3 financial assets:

	Corporate bonds	Other investments	Total
Balance as of January 1, 2020	$ 2,224	$ 4,483	$ 6,707
Total gains (losses) for the period:			
Included in net income	—	(532)	(532)
Included in other comprehensive income	100	—	100
Sales	—	(925)	(925)
Balance as of December 31, 2020	$ 2,324	$ 3,026	$ 5,350
Change in unrealized gains (losses) for the period included in net income for assets held at the end of the reporting period	$ —	$ (532)	$ (532)
Change in unrealized gains (losses) for the period included in other comprehensive income for assets held at the end of the reporting period	$ 100	$ —	$ 100

	Corporate bonds	Other investments	Total
Balance as of January 1, 2019	$ 2,065	$ 7,593	$ 9,658
Total gains (losses) for the period:			
Included in net income	—	(1,852)	(1,852)
Included in other comprehensive income	159	—	159
Sales	—	(1,258)	(1,258)
Balance as of December 31, 2019	$ 2,224	$ 4,483	$ 6,707
Change in unrealized gains (losses) for the period included in net income for assets held at the end of the reporting period	$ —	$ (1,852)	$ (1,852)
Change in unrealized gains (losses) for the period included in other comprehensive income for assets held at the end of the reporting period	$ 159	$ —	$ 159

At December 31, 2020, and 2019, the carrying values of the Company’s cash and cash equivalents, premiums and other receivables, accounts payable and accrued expenses approximate the fair value given their short-term nature and were classified as Level 1.

5. Deferred Acquisition Costs

The following table reflects the activity of policy acquisition costs deferred and amortized:

(In Thousands of Dollars, Except Shares and Per Share Data)

	Year ended December 31	
	2020	2019
Balance, beginning of the year	$ 246,135	$ 224,045
Additions	606,653	560,243
Disposition	—	(2,940)
Amortization	(583,030)	(535,213)
Change in DAC	23,623	22,090
Balance, end of the year	$ 269,758	$ 246,135

6. Property and Equipment

The composition of property and equipment consisted of the following:

	December 31,					
	2020			2019		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
Land	$ 2,692	$ —	$ 2,692	$ 2,695	$ —	$ 2,695
Building	9,191	(529)	8,662	8,099	(266)	7,833
Aircraft	10,500	(1,629)	8,871	10,500	(1,204)	9,296
Leasehold improvements	—	—	—	358	—	358
Software	—	—	—	100	(15)	85
Hardware	93	(33)	60	—	—	—
Furniture and equipment	8	—	8	—	—	—
Operating lease right-of-use assets	248	(118)	130	11	—	11
Total	$ 22,732	$ (2,309)	$ 20,423	$ 21,763	$ (1,485)	$ 20,278

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2020, and 2019, was $701 and $1,702, respectively included under general and administration expenses.

7. Unpaid Losses and Loss Adjustment Expense Reserves

The unpaid losses and Loss Adjustment Expense (“LAE”) reserves are an estimate of the Company’s liability from incurred claims at the end of the reporting period. The unpaid losses and LAE reserves are the result of an ongoing analysis of recent loss development trends and emerging historical experience. Original estimates are increased or decreased as additional information becomes known regarding individual claims. In setting its reserves, the Company reviews its loss data to estimate expected loss development. Management believes that its use of standard actuarial methodology applied to its analyses of its historical experience provides a reasonable estimate of future losses. However, actual future losses may differ from the Company’s estimate, and may be affected by future events beyond the control of management, including inflation, which may favorably or unfavorably impact the ultimate settlement of the Company’s losses and LAE, as well as changes in the law and judicial interpretations.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. In addition to inflation, the average severity of claims is affected by a number of factors that may vary by types and features of policies written. Future average severities are projected from historical trends, adjusted for implemented changes in underwriting standards and policy provisions, as well as general economic trends. These estimated trends are monitored and revised as necessary based on actual development.

(In Thousands, Except Shares and Per Share Data)

The following tables present a reconciliation of beginning and ending balances for unpaid losses and LAE:

	Year Ended December 31,				
	2020		2019		
	Property and Casualty	Total	Property and Casualty	Accident and Health	Total
Gross balance at beginning of the year	$ 635,306	$ 635,306	$ 603,213	$ 110,047	$ 713,260
Reinsurance recoverable at beginning of the year	—	—	—	(16,994)	(16,994)
Incurred losses and LAE related to:					
Current year	1,011,258	1,011,258	1,009,363	53,520	1,062,883
Prior year	13,879	13,879	(3,864)	(5,193)	(9,057)
Total incurred	1,025,137	1,025,137	1,005,499	48,327	1,053,826
Paid losses and LAE related to:					
Current year	(574,049)	(574,049)	(633,741)	(34,827)	(668,568)
Prior year	(365,470)	(365,470)	(339,665)	(18,663)	(358,328)
Total paid	(939,519)	(939,519)	(973,406)	(53,490)	(1,026,896)
Reinsurance recoverable at end of the year	—	—	—	—	—
Disposed net loss and LAE reserves	—	—	—	(81,821)	(81,821)
Effect of foreign exchange rates	—	—	—	(6,069)	(6,069)
Gross balance at end of the year	$ 720,924	$ 720,924	$ 635,306	$ —	$ 635,306

Prior year loss development

2020. Loss and LAE for the year ended December 31, 2020, included $13,879 of unfavorable loss development on prior accident year loss and LAE reserves, driven by greater than expected emergence in the small business auto segment, and offset by favorable development in private passenger auto.

2019. Loss and LAE for the year ended December 31, 2019, included $9,057 of favorable loss development on prior accident year loss and LAE reserves, primarily caused by $3,864 of favorable loss development in the U.S. P&C segment, predominantly with respect to Homeowners and Auto Physical Damage business. In addition, the European group life was sold on December 2, 2019 thus no reserves as of December 31, 2019.

Short-duration contracts

The following is information by reserving subgroups about incurred and paid claims development as of December 31, 2020, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities ("IBNR") plus expected development on reported claims included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended prior to December 31, 2020, is presented as unaudited supplementary information.

(In Thousands, Except Shares and Per Share Data)

Property and Casualty

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	Year Ended December 31,										December 31, 2020	
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total of IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(unaudited)											
2015					$ 76,945	$ 77,548	$ 78,169	$ 75,972	$ 77,742	$ 78,660	$ 2,036	30,939
2016						635,380	633,828	638,109	650,123	653,614	7,031	233,205
2017							997,510	960,377	959,753	971,949	15,557	382,506
2018								954,654	937,630	945,915	32,302	377,080
2019									1,009,598	998,588	39,597	431,593
2020										1,011,258	310,858	352,961
Total (A)										$4,659,984		

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	Year Ended December 31,									
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(unaudited)									
2015					$ 41,681	$ 58,639	$ 62,411	$ 63,944	$ 69,187	$ 74,505
2016						366,342	526,173	566,975	601,623	635,580
2017							630,786	851,299	880,883	914,133
2018								543,681	813,871	864,231
2019									633,976	876,560
2020										574,050
Total (B)										$3,939,059
Unpaid loss and allocated loss adjustment expense reserves before 2011, net of reinsurance (C)										$ —
Unpaid loss and allocated loss adjustment expense reserves, net of reinsurance (A) - (B) + (C)										$ 720,925

Average Annual Percentage Payout of Accident Year Incurred Claims by Age, Net of Reinsurance

Years	1	2	3	4	5	6	7	8	9	10
	(unaudited)									
Property and Casualty	61.6 %	23.9 %	6.8 %	4.0 %	2.4 %	1.1 %	0.2 %	— %	— %	— %

Methodology for Estimating Incurred-But-Not-Reported Reserves

Loss and LAE reserves represent management's estimate of the ultimate liability for claims that have been reported and claims that have been incurred but not yet reported as of the balance sheet date. Because the establishment of loss and LAE reserves is a process involving estimates and judgment, currently estimated reserves may change. The Company reflects changes to the reserves in the results of operations for the period during which the estimates are changed.

Incurred-but-not-reported reserve estimates are generally calculated by first projecting the ultimate cost of all claims that have occurred and then subtracting reported losses and loss expenses. Reported losses include cumulative paid losses and loss expenses plus case reserves. Therefore, the IBNR also includes provision for expected development on reported claims.

The Company’s internal actuarial analysis of the historical data provides the factors the Company uses in its actuarial analysis in estimating its loss and LAE reserves. These factors are implicit measures over time of claims reported, average case incurred amounts, case development, severity and payment patterns. However, these factors cannot be directly used as they do not take into consideration changes in business mix, claims management, regulatory issues, medical trends, and other subjective factors. In accordance with Actuarial Standards of Practice, the Company generally uses multiple traditional methods in determining the estimates of the ultimate unpaid claim liabilities. Each of these methods require actuarial judgment and assumptions. The techniques can include, but are not limited to:

- Paid Development Method - uses historical, cumulative paid losses by accident year and develops those actual losses to estimated ultimate losses based upon the assumption that each accident year will develop to estimated ultimate cost in a manner that is analogous to prior years.
- Paid Generalized Cape Cod Method - combines the Paid Development Method with the expected loss method, where the expected loss ratios are estimated from exposure and claims experience weighted across multiple accident periods. The selected expected loss ratio for a given accident year is derived by giving some weight to all of the accident years in the experience history rather than treating each accident year independently.
- Paid Bornhuetter-Ferguson Method - a combination of the Paid Development Method and the Expected Loss Method, the Paid Bornhuetter-Ferguson Method estimates ultimate losses by adding actual paid losses and projected future unpaid losses. The amounts produced are then added to cumulative paid losses to produce the final estimates of ultimate incurred losses.
- Incurred Development Method - uses historical, cumulative incurred losses by accident year and develops those actual losses to estimated ultimate losses based upon the assumption that each accident year will develop to estimated ultimate cost in a manner that is analogous to prior years.
- Incurred Generalized Cape Cod Method - combines the Incurred Development Method with the expected loss method, where the expected loss ratios are estimated from exposure and claims experience weighted across multiple accident periods. The selected expected loss ratio for a given accident year is derived by giving some weight to all of the accident years in the experience history rather than treating each accident year independently.
- Incurred Bornhuetter - Ferguson Method - a combination of the Incurred Development Method and the Expected Loss Method, the Incurred Bornhuetter-Ferguson Method estimates ultimate losses by adding actual incurred losses and projected future unreported losses. The amounts produced are then added to cumulative incurred losses to produce an estimate of ultimate incurred losses.
- Expected Loss Method - utilizes an expected ultimate loss ratio based on historical experience adjusted for trends multiplied by earned premium to project ultimate losses.

For each method, losses are projected to the ultimate amount to be paid. The Company then analyzes the results and may emphasize or deemphasize some or all of the outcomes to reflect actuarial judgment regarding their reasonableness in relation to supplementary information and operational and industry changes. These outcomes are then aggregated to produce a single selected point estimate that is the basis for the internal actuary’s point estimate for loss reserves.

Methodology for Determining Cumulative Number of Reported Claims

When the Company is notified of an incident of potential liability that may lead to demand for payment(s), a claim file is created. Methods used to summarize claim counts have not changed significantly over the time periods reported in the tables above. The methodology of counting claims for each of the Company’s segments may be summarized as follows:

The Company's P&C claims are counted by claim number assigned to each claimant per insured event. However, if an insured event occurs and demand for payment is made with respect to more than one coverage (e.g., an automobile claim arising from the same incident demanding separate payment for liability and physical damage), there would be one claim counted for each coverage for which a demand for payment was made. Claims closed without payment are included in the cumulative number of reported P&C claims.

(In Thousands, Except Shares and Per Share Data)

8. Reinsurance

The Company's insurance subsidiaries utilize quota share reinsurance programs to limit its exposure. Reinsurance agreements transfer portions of the underlying risk of the business the Company writes. Reinsurance does not discharge or diminish the Company's obligation to pay claims covered by the insurance policies it issues; however, it does permit the Company to recover certain incurred losses from its reinsurers.

The following is the effect of reinsurance on premiums and loss and loss adjustment expense:

	Year Ended December 31,			
	2020		2019	
Premium:	Written	Earned	Written	Earned
Direct	$ —	$ —	$ 139,337	$ 91,370
Assumed	1,866,624	1,793,938	1,700,621	1,622,483
Total Gross Premium	1,866,624	1,793,938	1,839,958	1,713,853
Ceded	—	—	(50,168)	—
Net Premium	$ 1,866,624	$ 1,793,938	$ 1,789,790	$ 1,713,853

	Year Ended December 31,			
	2020		2019	
	Assumed	Direct	Assumed	Direct
Loss and loss adjustment expense	$ 1,025,137	$ —	$ 1,005,501	$ 74,998
Ceded	—	—	—	(26,673)
Net Loss and loss adjustment expense	$ 1,025,137	$ —	$ 1,005,501	$ 48,325

9. Income Taxes

The Company provides for income tax expense or benefit based upon pre-tax income or loss reported in the consolidated financial statements and the provisions of currently enacted tax laws. The Company is incorporated under the laws of Bermuda and is subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company is not subject to any income or capital gains taxes in Bermuda. In the event that such taxes are imposed, the Company would be exempted from any such taxes until March 2035 under the Tax Assurance Certificates issued to such entities pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966 as amended. The Company made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity. As a result, the Company’s operations will be subject to U.S. federal incomes taxes generally at a rate of 21%.

The components of the income tax benefit are as follows:

	Year Ended December 31,	
	2020	2019
Current - U.S.	$ 44,472	$ 27,655
Current - foreign	58	287
Deferred - U.S.	618	145
Income tax expense	$ 45,148	$ 28,087

The Tax Cuts and Jobs Act ("TCJA") included provisions for Global Intangible Low-Taxed Income (“GILTI”), which imposes a minimum tax on global intangible low-tax income, defined as the excess income of foreign subsidiaries over a 10% rate of routine return on tangible business assets, and for Base Erosion and Anti-Abuse tax (“BEAT”) which imposes tax on certain base eroding payments to affiliated foreign companies.

(In Thousands, Except Shares and Per Share Data)

Consistent with accounting guidance, the Company will treat both GITLI and BEAT as an in period tax charge when incurred in future periods for which no deferred taxes need be provided. The Company analyzed the impact of both GILTI and BEAT on its operations for the period and determined that for the years ended December 31, 2020 the Company was subject to GILTI but was not subject to the BEAT.

Deferred income taxes are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The tax effects of temporary differences that give rise to the net deferred tax asset or liability are presented below based upon the 2020, enacted rate of 21%.

	December 31,	
	2020	2019
Deferred tax assets:		
Suspended Subpart F losses	$ 36,142	$ 36,771
Loss reserve discount	5,042	3,925
Investments	7,496	—
Partnerships	2,882	2,223
Unearned premiums and other revenue	35,738	31,808
Net operating loss carryforwards	58,554	51,599
Accrued expenses	6	1
Gross deferred tax assets	145,860	126,327
Less: Valuation allowance	(72,212)	(65,257)
Total deferred tax assets	73,648	61,070
Deferred tax liabilities:		
Deferred acquisition costs	(54,370)	(51,688)
Depreciation	(1,482)	(62)
Investments	(17,706)	(3,370)
Gross deferred tax liabilities	(73,558)	(55,120)
Net deferred tax assets	$ 90	$ 5,950

The Company has $72,212 and $65,257 deferred tax asset valuation allowances at December 31, 2020 and 2019, respectively. In assessing the reliability of gross deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Management believes that it is more likely than not that the results of future operations will not generate sufficient taxable income to realize all of the deferred tax assets related to the Net Operating Losses ("NOLs") from foreign operations within a reasonable time period. As such, the Company recorded a valuation allowance of $72,212 against these NOLs and certain qualified deficits relating to the Company's foreign operations. As of December 31, 2020 the Company has foreign NOLs carryforwards, generated in Luxembourg of $58,554, some of which are subject to expiration and will expire on various dates between 2034 and 2036.

(In Thousands, Except Shares and Per Share Data)

The Company's income tax expense differs from the statutory U.S. federal amount computed by applying the federal income tax rate of 21% for the year ended December 31, 2020 and 2019. The reasons for such differences are as follows:

	Year Ended December 31,			
	2020		2019	
	Amount	Tax Rate	Amount	Tax Rate
Income before taxes	$ 221,343		$ 134,821	
Tax rate	21.0 %		21.0 %	
Computed "expected" tax expense	46,482	21.0 %	28,312	21.0 %
Tax effects resulting from:				
Tax-exempt interest	(21)	— %	(23)	— %
Prior year return-to-provision	1,038	0.5 %	(1,523)	(1.1)%
Effect of foreign operations	24	— %	(1,122)	(0.8)%
Change in valuation allowance	6,954	3.1 %	11,541	8.6 %
Benefits of operating loss carry forwards	(6,954)	(3.1)%	(11,541)	(8.6)%
Foreign tax expense	58	— %	287	0.2 %
Foreign tax credits	(45)	— %	(283)	(0.2)%
Other	(2,388)	(1.1)%	2,439	1.8 %
Total income tax expense reported	$ 45,148	20.4 %	$ 28,087	20.9 %

Unrecognized tax benefits

The Company recognizes tax positions in the consolidated financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements.

The following table presents a reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits:

	Year ended December 31
	2020
Gross unrecognized tax benefits, beginning of year	$ —
Increases in tax positions for prior years	560
Decreases in tax positions for prior years	—
Increases in tax positions for current year	—
Settlements	—
Gross unrecognized tax benefits, end of year	$ 560

No unrecognized tax benefits or related interest and penalties were recorded prior to 2020. At December 31, 2020 our unrecognized tax benefits, excluding interest and penalties were $560. Interest and penalties related to unrecognized tax benefits are recorded in the income tax expense. At December 31, 2020 the Company accrued an expense of $38 (net of federal benefit) and $0, respectively for payment of interest and penalties. The Company does not anticipate any significant changes to the total unrecognized tax liabilities in the next 12 months.

(In Thousands, Except Shares and Per Share Data)

The Company's Federal income tax return is consolidated with NGHC and its subsidiaries. The method of allocation among the Companies is within the guidelines of the Internal Revenue Code and is subject to a written agreement whereby the allocation is made primarily on a separate return basis with current credit for any net operating losses, capital losses, foreign tax credit, or other items utilized in the consolidated tax return. As of December 31, 2020 the Company maintains an intercompany tax payable balance of $42,676.

All tax liabilities are payable to the Internal Revenue Service ("IRS"). The Company is currently under audit by the IRS, as part of its parent's consolidated return, for the years ended after December 31, 2017.

10. Related Party Transactions

Reinsurance

Effective October 1, 2015, the Company assumes 50% of the net premiums of the NGHC personal lines business, pursuant to a quota share reinsurance agreement.

Assumed activity and balances related to this reinsurance treaty are as follows:

	Year Ended December 31,	
	2020	2019
Premiums earned	$ 1,793,938	$ 1,622,483
Commission expenses	583,030	527,307
Losses and Loss adjustment expense	1,025,137	1,005,733
Premium receivable	$ 1,306,214	$ 1,178,334
Commission and losses payable	424,529	382,959
Losses and loss expense reserves	704,388	635,306

Services Agreement

In 2016, National General Insurance Management Limited (the "Manager") entered into a services agreement with ACP Re, Ltd. whereby the Manager provides accounting and administrative services and investment services, in connection with the operations of the Company. Effective January 1, 2020, this agreement was amended. Under the amended terms of the services agreement, the Company shall pay the Manager $20 per year as compensation for accounting and administrative services. The Company incurred charges of $10 and $120, respectively, related to these services for the years ended December 31, 2020, and 2019. The amount payable for these services as of December 31, 2020 and 2019 was $0 and $10, respectively. Effective June 30, 2020 this agreement was terminated.

Credit Agreement

The Company is party to a credit agreement (the "ACP Re Credit Agreement") by and among AmTrust, as administrative agent, ACP Re Holdings, LLC, a Delaware limited liability company owned by a related party trust, the Michael Karfunkel Family 2005 Trust (the "Trust"), as borrower, and AmTrust and the Company, as lenders of $250,000 ($125,000 each lender). The amounts borrowed are secured by equity interests, cash and, other investments held by ACP Re Holdings, LLC in an amount equal to 115% of the value of the then outstanding loan balance. The maturity date of the loan is September 20, 2036. The interest rate on the outstanding principal balance is a fixed annual rate of 3.7%, provided that up to 1.2% thereof may be paid in kind. The Trust is required to cause ACP Re Holdings, LLC to maintain assets having a value greater than 115% of the value of the then outstanding loan balance, and if there is a shortfall, the Trust will make a contribution to ACP Re Holdings, LLC of assets having a market value of at least the shortfall (the "Maintenance Covenant"). Commencing on September 20, 2026, and for each year thereafter, of the then outstanding principal balance of the loan (inclusive of any amounts previously paid in kind) is due and payable. A change of control of greater than 50% and an uncured breach of the Maintenance Covenant are included as events of default.

As of December 31, 2020 and 2019, the Company had a receivable related to the ACP Re Credit Agreement of $130,784 and $129,229, respectively. The Company recorded interest income of $4,825 and $4,767 for the years ended December 31, 2020 and 2019, respectively, under the ACP Re Credit Agreement. Management determined no impairment reserve was needed for the carrying value of the loan at December 31, 2020 and 2019, based on the collateral levels maintained. Subsequent to year end this loan was repaid. See Note 15, "Subsequent Events" for additional information.

Surplus Notes

New Jersey Skylands Insurance Association ("NJSIA") is a New Jersey reciprocal managed by an affiliate of NG Re.

NG Re owns a $31,300 surplus note ("$31,300 Note") with NJSIA. The $31,300 Note bears interest at prime plus 1% divided by 1 minus the corporate income tax rate of 21%. If the calculated interest rate exceeds 12%, the interest rate would be prime plus 5%. Any principle repayments, as well as interest payments, require prior written approval of the Commissioner of the New Jersey Department of Banking and Insurance ("NJDOBI"). As of December 31, 2020, no principle payments have been made on the $31,300 Note.

In April 2018, NJSIA issued a $12,000 subordinated surplus note ("$12,000 Note") to NG Re. The $12,000 Note bears interest at prime plus 1% divided by 1 minus the corporate income tax rate of 21%. If the calculated interest rate exceeds 12%, the interest rate would be prime plus 5%. Any principle repayments, as well as interest payments, require prior written approval of the Commissioner of the NJDOBI. As of December 31, 2020, no principle payments have been made on the $12,000 Note.

In February 2019, NJSIA issued a $6,000 subordinated surplus note ("$6,000 Note") to NG Re. The $6,000 Note bears interest at prime plus 1% divided by 1 minus the corporate income tax rate of 21%. If the calculated interest rate exceeds 12%, the interest rate would be prime plus 5%. Any principle repayments, as well as interest payments, require prior written approval of the Commissioner of the NJDOBI. As of December 31, 2020, no principle payments have been made on the $6,000 Note.

The Company recorded accrued interest of $9,782 and $10,561 for the years ended December 31, 2020, and 2019, respectively related to the three notes.

Company Aircraft

In 2017, the Company acquired an aircraft for use by Company Management and affiliates of the Company.

In 2017, the Company engaged a third party to act as trustee and formed NG Re Trust ("Trust") to hold and register the aircraft on the Company's behalf with the Company maintaining the rights to the beneficial interest of the trust. The Company contributed the aircraft to the Trust and the Company remains the sole beneficiary. The Trust is limited to holding title and registration to the aircraft to ensure eligibility with the Federal Aviation Administration ("FAA"). The Company may direct usage of the aircraft at any time via written instruction. Following the formation of the Trust, an aircraft operating agreement was entered into between the trustee and the Company, allowing the Company possession of the aircraft to use and operate. The operating agreement was designed to remain in force for as long as the Trust exists. The Company retains the ability to direct the aircraft usage based on the operating agreement. Also, the operating cost of the aircraft, fees, and other costs are the responsibility of the Company to fund.

The Company determined that the Trust qualifies as a VIE and the Company is the primary beneficiary as it has the power to direct their activities that most significantly impact their economic performance and will absorb more than an insignificant amount of expected losses or residual returns of the Trust. Based on the determination the Company consolidates the Trust.

(In Thousands, Except Shares and Per Share Data)

Concurrent with the above the Company is party to an aircraft lease agreement with National General Management Corp. ("NGMC"). The agreement provides for payment to the Company for usage of the company-owned aircraft and cover actual expenses incurred. During the years ended December 31, 2020, and 2019, NGMC paid $425 and $425, respectively, for their use of the company-owned aircraft under this agreement. subsequent to year end, a purchase agreement was entered into. See Note 15, "Subsequent Events" for additional information.

11. Commitments and Contingencies

There are no commitments and contingencies identified during the year.

12. Shareholders' Equity

Capital

For the years ended December 31, 2020, and 2019, the Company paid a dividend of $90,000 and $0, and paid a distribution of capital of $70,000 and $0, respectively.

Accumulated Other Comprehensive Income (Loss)

The following table sets forth the changes in the components of accumulated other comprehensive income (loss):

	Year Ended December 31,	
	2020	2019
Foreign currency translation adjustment	$ (412)	$ 39
Tax benefit	87	(7)
Foreign currency translation adjustment, net of tax	(325)	32
Net unrealized gain on debt securities, available-for-sale	45,307	19,869
Tax expense	(9,514)	(4,173)
Net unrealized gain on debt securities, available-for-sale, net of tax	35,793	15,696
Accumulated other comprehensive income	$ 35,468	$ 15,728

13. Statutory Capital and Surplus

In 2015, the Bermuda Monetary Authority implemented the Economic Balance Sheet ("EBS") framework which will now be used as the basis to determine the Insurer's Enhanced Capital Requirement ("ECR"). The Authority also revised the basis in which Statutory Financial Statements ("SFS") for commercial insurers are prepared. Before the changes, commercial insurers were required to prepare SFS under Section 15 of the Act as prescribed under the Insurance Accounts Regulations 1980 (the "Accounts Regulations") as well as additional GAAP financial statements under Section 17 of the Act. Under the new changes financial statements prepared under Section 17A will act as the basis on which SFS will now be prepared subject to application of certain prudential filters. These financial statements will in turn, form the starting basis for the preparation of the EBS. The SFS will have statements both on a consolidated and unconsolidated basis. The unconsolidated information will form the basis for assessing the Insurer's liquidity position, Minimum Solvency Margin ("MSM"), and class of registration while the consolidated information will form the starting point for the EBS. The EBS, will be the basis to calculate the Insurer's ECR.

(In Thousands, Except Shares and Per Share Data)

Under the Act, the Company will be required to file a statutory income statement and statutory statement of capital and surplus on an unconsolidated basis ("unconsolidated SFS") reflecting the entity's unconsolidated financial position for the years ended December 31, 2020, and 2019. The information contained in the unconsolidated SFS will be used as one of the basis for computation of the MSM with the other consideration being 25% of ECR which is computed from the EBS.

The statutory capital and surplus of the Company for the years ended December 31, 2020, and 2019, was $796,560 and $759,236, respectively, and the amount required to be maintained under Bermuda law, the minimum solvency margin, was $269,219 and $255,393 at December 31, 2020, and 2019, respectively. The Company was also required to maintain a minimum liquidity ratio. All requirements were met by the Company throughout the period. In addition, the Company is subject to statutory and regulatory restrictions under the Act.

The Company is registered as a Class 3A insurer under the Act and, therefore, must maintain capital at a level equal to its enhanced capital requirement ("ECR"). The Company is currently completing the 2020 Bermuda Solvency Capital Requirement ("BSCR"), SFS and EBS and believes that it meets the target level of required capital as of December 31, 2020. The Company was in compliance for the year ended December 31, 2019.

The statutory basis financial statements differ from financial statements prepared in accordance with U.S. GAAP with the principal difference relating to non-admitted assets under the Insurance Account Rules 2016 ("Rules") as well as unrealized gain (loss) on subsidiaries which for the years ended December 31, 2020 and December 31, 2019 has bee nil. Non-admitted assets under the Rules are identified as prepaids, deferred expenses and goodwill. The following tables present and reconcile statutory net income of the Company as a standalone entity for the years ended December 31, 2020, and 2019, and the statutory capital and surplus as per statutory basis financial returns as of December 31, 2020, and 2019, to U.S. GAAP net income and equity:

	Year Ended December 31,	
	2020	2019
Statutory net income	$ 176,195	$ 106,734
Unrealized gain (loss) on subsidiaries	—	—
U.S. GAAP net income	$ 176,195	$ 106,734
Statutory surplus and capital	$ 796,560	$ 759,236
Non - admitted assets	10	1,422
U.S. GAAP shareholders' equity	$ 796,570	$ 760,658

14. Business Disposition

On December 2, 2019, the Company sold EAH for $139,021 and resulted in a $12,509 gain included in net (gain) loss on investments.

The following table summarizes the carrying amounts transferred to the buyer in the connection of the sale:

(In Thousands, Except Shares and Per Share Data)

Assets:		
Debt securities, available-for-sale, at fair value	$	145,485
Cash and cash equivalents		46,731
Accrued interest receivable		970
Premiums and other receivables, net		29,015
Deferred acquisition costs		2,940
Property and equipment, net		2,456
Prepaid reinsurance premiums		4,151
Reinsurance recoverable		36,819
Prepaid and other assets		858
Total assets	$	269,425
Liabilities:		
Unpaid loss and loss adjustment expense reserves	$	114,220
Reinsurance payable		50,748
Unearned premiums and other revenue		26,020
Accounts payable and accrued expenses		3,622
Other liabilities		119
Total liabilities	$	194,729
Net assets sold	$	74,696
Reconciliation of the gain on sale:		
Cash received	$	139,021
Net assets sold		(74,696)
Realized AOCI		(21,126)
Other expenses		(3,592)
Goodwill and intangible assets disposition	$	(27,098)
Gain on sale	$	12,509

15. Subsequent Events

The Company has evaluated subsequent events through April 23, 2021, the date on which the Consolidated Financial Statements were available to be issued.

Effective January 4, 2021 the Company was acquired by Allstate pursuant to the Agreement and Plan of Merger ('Merger"), dared as of July 7, 2020, by and among the Company, Allstate, and Bluebird Acquisition Corp., an indirect wholly owned subsidiary of Allstate. As a result of the Merger, the Company became a wholly owned indirect subsidiary of Allstate.

Effective January 1, 2021, Amendment No.2 (the "Amendment") modifies and amends the Amended and Restated National General Reinsurance Intercompany Quota Share. The Quota Share participation of losses incurred has decreased from 50% to 40%.

Effective March 17, 2021, the ACP Re Credit Agreement was repaid in full in an amount of $132,610.

Effective March 19, 2021, an Aircraft Purchase Agreement ("Aircraft agreement") was entered into for the sale of the Aircraft to the purchaser subject to terms and conditions identified in the Aircraft agreement. The purchase price to be paid by the purchaser is $8,900. A deposit of $250 has been deposited with an Escrow Agent and shall be applied toward the purchase price at closing.