AUDITED FINANCIAL STATEMENTS

Renaissance Reinsurance Ltd. and Subsidiaries

December 31, 2018 and 2017

Building a better
working world

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Report of Independent Auditors

TO THE BOARD OF DIRECTORS OF
RENAISSANCE REINSURANCE LTD. AND SUBSIDIARIES

We have audited the accompanying consolidated financial statements of Renaissance Reinsurance Ltd. and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in shareholder's equity, and cash flow for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Renaissance Reinsurance Ltd. and subsidiaries at December 31, 2018 and 2017, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

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 on pages 31 through 42 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 Ltd.

Hamilton, Bermuda
April 26, 2019

RENAISSANCE REINSURANCE LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2018 AND 2017
(in thousands of United States Dollars)

	2018	2017
Assets		
Fixed maturity investments trading, at fair value - amortized cost $3,023,574 at December 31, 2018 (2017 - $2,628,220) (Notes 3 and 4)	$ 3,006,961	$ 2,610,442
Short term investments, at fair value (Notes 3 and 4)	262,057	259,186
Other investments, at fair value (Notes 3 and 4)	27,487	38,315
Investment in RIHL, under equity method (Note 3)	187,067	396,223
Investment in RIHL II, under equity method (Note 3)	101,537	102,055
Investment in ROIHL II, under equity method (Note 3)	277,165	382,789
Investment in ROIHL III, under equity method (Note 3)	68,029	63,730
Investment in Top Layer Re, under equity method (Note 3)	46,562	50,211
Total investments	3,976,865	3,902,951
Cash and cash equivalents	215,227	280,667
Premiums receivable (Note 8)	1,141,854	939,736
Prepaid reinsurance premiums (Notes 5 and 8)	549,158	459,185
Reinsurance recoverable (Notes 5, 6 and 8)	1,565,224	1,081,270
Accrued investment income	15,620	11,301
Deferred acquisition costs	393,298	339,570
Receivable for investments sold	77,277	2,037
Other assets (Note 11)	11,072	7,961
Total assets	$ 7,945,595	$ 7,024,678
Liabilities and Shareholder's Equity		
Liabilities		
Reserve for claims and claim expenses (Notes 6 and 8)	$ 3,704,049	$ 3,230,472
Unearned premiums (Note 8)	1,349,621	1,126,181
Reinsurance balances payable (Note 8)	644,790	599,958
Dividends payable to parent (Notes 7 and 8)	—	22,817
Return of capital payable to parent (Notes 7 and 8)	31,660	—
Due to affiliates, net (Notes 3 and 8)	98,596	36,101
Payable for investments purchased	96,136	—
Accounts payable and accrued liabilities	16,439	8,441
Other liabilities (Note 11)	4,304	708
Total liabilities	5,945,595	5,024,678
Shareholder's Equity		
Common shares: $1.00 par value – 200,000,000 shares authorized; 141,301,000 shares issued and outstanding at December 31, 2018 and 2017 (Note 7)	141,301	141,301
Additional paid-in capital (Note 7)	1,979,744	2,252,086
Accumulated other comprehensive (loss) income	(733)	306
Retained deficit	(120,312)	(393,693)
Total shareholder's equity	2,000,000	2,000,000
Total liabilities and shareholder's equity	$ 7,945,595	$ 7,024,678

On behalf of the Board:

Director

Director

See accompanying notes to the consolidated financial statements

RENAISSANCE REINSURANCE LTD. AND SUSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(in thousands of United States Dollars)

	2018	2017
Revenues		
Gross premiums written (Notes 5 and 8)	$ 2,032,235	$ 1,823,108
Net premiums written (Note 5)	$ 1,186,002	$ 1,139,320
Increase in net unearned premiums	(133,467)	(35,541)
Net premiums earned (Notes 5 and 8)	1,052,535	1,103,779
Net investment income (Note 3)	68,569	49,162
Net foreign exchange (losses) gains	(11,037)	8,316
Equity in earnings of RIHL (Note 3)	2,965	19,586
Equity in (losses) earnings of RIHL II (Note 3)	(518)	3,181
Equity in (losses) earnings of ROIHL II (Note 3)	(28,485)	92,853
Equity in earnings of ROIHL III (Note 3)	304	17,812
Equity in earnings of Top Layer Re (Note 3)	8,852	9,851
Other income (Notes 6 and 8)	8,651	5,769
Net realized and unrealized losses on investments (Note 3)	(18,186)	(2,334)
Total revenues	1,083,650	1,307,975
Expenses		
Net claims and claim expenses incurred (Notes 5, 6 and 8)	476,902	1,123,516
Acquisition expenses	244,496	279,454
Operational expenses (Notes 8 and 12)	87,367	80,110
Corporate expenses	1,262	2,421
Total expenses	810,027	1,485,501
Income (loss) before taxes	273,623	(177,526)
Income tax expense (Note 9)	(242)	(71)
Net income (loss)	$ 273,381	$ (177,597)

See accompanying notes to the consolidated financial statements

RENAISSANCE REINSURANCE LTD. AND SUSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(in thousands of United States Dollars)

	2018	2017
Common shares	$ 141,301	$ 141,301
Additional paid-in capital		
Balance – January 1	2,252,086	1,879,053
Contribution of capital (Note 7)	—	500,000
Return of capital (Note 7)	(272,342)	(126,967)
Balance – December 31	1,979,744	2,252,086
Accumulated other comprehensive (loss) income		
Balance – January 1	306	1,125
Change in net unrealized gains on investments (Note 3)	(1,039)	(819)
Balance – December 31	(733)	306
Retained deficit		
Balance – January 1	(393,693)	(21,479)
Net income (loss)	273,381	(177,597)
Dividends declared (Note 7)	—	(194,617)
Balance – December 31	(120,312)	(393,693)
Total shareholder's equity	$ 2,000,000	$ 2,000,000

See accompanying notes to the consolidated financial statements

RENAISSANCE REINSURANCE LTD. AND SUSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(in thousands of United States Dollars)

	2018	2017
Cash flows provided by operating activities		
Net income (loss)	$ 273,381	$ (177,597)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Amortization and accretion	(1,920)	(2,280)
Equity in undistributed earnings of RIHL	(2,965)	(19,586)
Equity in undistributed (losses) earnings of RIHL II	518	(3,181)
Equity in undistributed (losses) earnings of ROIHL II	28,485	(92,853)
Equity in undistributed earnings of ROIHL III	(304)	(17,812)
Equity in undistributed earnings of Top Layer Re	(4,816)	(9,851)
Net unrealized losses included in net investment income	(330)	(724)
Net realized and unrealized losses on investments	18,186	2,334
Change in:		
Premiums receivable	(202,118)	(184,975)
Prepaid reinsurance premiums	(89,973)	(86,663)
Reinsurance recoverable	(483,954)	(885,059)
Accrued investment income	(4,319)	(2,182)
Deferred acquisition costs	(53,728)	(55,444)
Reserve for claims and claim expenses	473,577	1,449,490
Unearned premiums	223,440	122,204
Reinsurance balances payable	44,832	134,056
Due to affiliates, net	62,495	(2,796)
Other, net	13,202	(19,848)
Net cash provided by operating activities	293,689	147,233
Cash flows used in investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	4,435,089	2,884,035
Purchases of fixed maturity investments trading	(4,868,897)	(3,524,301)
Net sales of short term investments	34,124	73,583
Proceeds from redemptions of investment in RIHL	349,500	395,000
Purchases of investment in RIHL	(385,000)	(325,974)
Proceeds from redemptions of investment in RIHL II	—	165,000
Purchases of investment in RIHL II	—	(40,000)
Proceeds from redemptions of investment in ROIHL II	116,100	30,000
Purchases of investment in ROIHL II	(40,000)	—
Proceeds from redemptions of investment in ROIHL III	—	14,100
Purchases of investment in ROIHL III	(3,995)	—
Return of investment from investment in Top Layer Re	8,465	20,000
Net sales of other investments	11,364	4,504
Net cash used in investing activities	(343,250)	(304,053)
Cash flows (used in) provided by financing activities		
Capital contribution	—	300,000
Return of capital	(15,879)	(29,397)
Dividends paid	—	(71,800)
Net cash (used in) provided by financing activities	(15,879)	198,803
Net (decrease) increase in cash and cash equivalents	(65,440)	41,983
Cash and cash equivalents, beginning of period	280,667	238,684
Cash and cash equivalents, end of period	$ 215,227	$ 280,667

See accompanying notes to the consolidated financial statements

NOTE 1. ORGANIZATION

Renaissance Reinsurance Ltd. ("Renaissance Reinsurance") was incorporated under the laws of Bermuda in 1993. Renaissance Reinsurance provides property, casualty and specialty reinsurance solutions to customers. As discussed further below, Renaissance Reinsurance is a wholly-owned subsidiary of RenRe Insurance Holdings Ltd. ("RenRe Insurance"), whose ultimate parent is RenaissanceRe Holdings Ltd. ("RenaissanceRe").

The consolidated financial statements of Renaissance Reinsurance include the financial position and results of operations of its wholly-owned subsidiaries, Renaissance Reinsurance of Europe Unlimited Company, including its U.K. branch (collectively referred to as "Renaissance Europe"), RenaissanceRe Corporate Capital (UK) Limited ("RenaissanceRe CCL"), and its branches based in the Republic of Singapore (the "Singapore Branch") and Switzerland (the "Switzerland Branch") (collectively referred to as the "Company"). Renaissance Europe was incorporated in October 1998 under the laws of Ireland to provide certain property catastrophe reinsurance coverage in Europe. RenaissanceRe CCL, a wholly owned subsidiary of the Company, was incorporated in March 2009 and is the sole corporate member for RenaissanceRe's Lloyd's syndicate, RenaissanceRe Syndicate 1458 ("Syndicate 1458"). Syndicate 1458 offers a range of property, casualty and specialty insurance and reinsurance products. The Singapore Branch has a license to carry on insurance business as a general reinsurer under the regulation of the Monetary Authority of Singapore pursuant to Singapore's Insurance Act. The Switzerland Branch is considered a branch office of a foreign reinsurer, and is not regulated by the Swiss Financial Market Supervisory Authority.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States ("GAAP") and include the accounts of Renaissance Reinsurance and its wholly-owned subsidiaries, which are collectively referred to herein as the "Company". All significant intercompany accounts and transactions have been eliminated from these statements.

Certain comparative information has been reclassified to conform to the current presentation.

Use of Estimates in Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The major estimates reflected in the Company's consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses, reinsurance recoverables, including allowances for reinsurance recoverables deemed uncollectible, estimates of written and earned premiums, fair value, including the fair value of investments, financial instruments and derivatives and impairment charges.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Premiums and Related Expenses

Premiums are recognized as income, net of any applicable retrocessional coverage purchased, over the terms of the related contracts and policies. Premiums written are based on contract and policy terms and include estimates based on information received from both insureds and ceding companies. Subsequent differences arising on such estimates are recorded in the period in which they are determined. Unearned premiums represent the portion of premiums written that relate to the unexpired terms of contracts and policies in force. Amounts are computed by pro rata methods based on statistical data or reports received from ceding companies. Reinstatement premiums are estimated after the occurrence of a significant loss and are recorded in accordance with the contract terms based upon paid losses and case reserves. Reinstatement premiums are earned when written.

Acquisition costs are incurred when a contract or policy is issued and only the costs directly related to the successful acquisition of new and renewal contracts or policies are deferred and amortized over the same period in which the related premiums are earned. Acquisition costs are shown net of commissions and profit commission earned on ceded reinsurance, and consist principally of commissions, brokerage and premium tax expenses incurred at the time a contract or policy is issued. Deferred policy acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated claims and claim expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

Claims and Claim Expenses

The reserve for claims and claim expenses includes estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported ("IBNR"). The reserve is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management's estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled. Also, during the past few years, the Company has increased its casualty and specialty reinsurance business, but does not have the benefit of a significant amount of its own historical experience in certain of these lines of business. Accordingly, the reserving for incurred losses in this line of business could be subject to greater variability.

Ultimate losses may vary materially from the amounts provided in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the consolidated statements of operations in the period in which they become known and are accounted for as changes in estimates.

Reinsurance

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. For multi-year retrospectively rated contracts, the Company accrues amounts (either assets or liabilities) that are due to or from assuming companies based on estimated contract experience. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the period in which they are determined. Reinsurance recoverables on dual trigger reinsurance contracts require the Company to estimate its ultimate losses applicable to these contracts as well as estimate the ultimate amount of insured industry losses that will be reported by the applicable statistical reporting agency, as per the contract terms. Amounts recoverable from reinsurers are recorded net of a valuation allowance for estimated uncollectible recoveries.

Assumed and ceded reinsurance contracts that lack a significant transfer of risk are treated as deposits.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Certain assumed and ceded reinsurance contracts that do not meet all of the criteria to be accounted for as reinsurance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic *Financial Services - Insurance* have been accounted for at fair value under the fair value option in accordance with FASB ASC Topic *Financial Instruments.*

Investments, Cash and Cash Equivalents

Fixed Maturity Investments

Investments in fixed maturities are classified as trading or available for sale and are reported at fair value. Investment transactions are recorded on the trade date with balances pending settlement reflected in the consolidated balance sheet as a receivable for investments sold or a payable for investments purchased. Net investment income includes interest and dividend income together with amortization of market premiums and discounts and is net of investment management and custody fees. The amortization of premium and accretion of discount for fixed maturity securities is computed using the effective yield method. For mortgage-backed securities and other holdings for which there is prepayment risk, prepayment assumptions are evaluated quarterly and revised as necessary. Any adjustments required due to the change in effective yield and maturities are recognized on a prospective basis through yield adjustments. Fair values of investments are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications and/or internal pricing valuation techniques. The net unrealized appreciation or depreciation on fixed maturity investments trading is included in net realized and unrealized losses on investments in the consolidated statements of operations. Realized gains or losses on the sale of investments are determined on the basis of the first in first out cost method.

Short Term Investments

Short term investments, which are managed as part of the Company's investment portfolio and have a maturity of one year or less when purchased, are carried at fair value. The net unrealized appreciation or depreciation on these short term investments is included in net realized and unrealized losses on investments in the consolidated statements of operations.

Equity Investments, Classified as Trading

Equity investments are accounted for at fair value in accordance with FASB ASC Topic *Financial Instruments.* Fair values are primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. Net investment income includes dividend income and the net realized and unrealized appreciation or depreciation on equity investments is included in net realized and unrealized losses on investments in the consolidated statements of operations.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Other Investments

The Company accounts for its other investments at fair value in accordance with FASB ASC Topic *Financial Instruments*, with interest, dividend income, income distributions and realized and unrealized gains and losses included in net investment income. The fair value of certain of the Company's fund investments, which includes a senior secured bank loan fund, is recorded on its consolidated balance sheet in other investments, and is generally established on the basis of the net valuation criteria established by the managers of such investments, if applicable. The net valuation criteria established by the managers of such investments is established in accordance with the governing documents of such investments. Certain of the Company's fund managers, fund administrators, or both, are unable to provide final fund valuations as of the Company's current reporting date. The typical reporting lag experienced by the Company to receive a final net asset value report is one month for senior secured bank loan funds. In certain cases, management's judgment may also be required to estimate fair value. Actual final valuations may differ, perhaps materially so, from the Company's estimates and these differences are recorded in the Company's consolidated statements of operations in the period they are reported to the Company as a change in estimate. The Company's other investments also include investments in catastrophe bonds which are recorded at fair value and the fair value is based on broker or underwriter bid indications.

Renaissance Investment Holdings Ltd. ("RIHL")

The Company's investments include an interest in the mandatorily redeemable preferred shares of RIHL, a related party and wholly-owned subsidiary of RenaissanceRe. RIHL was formed to enhance administrative efficiency and take advantage of the increased benefits and reduced costs ordinarily associated with the management of large investment portfolios of different subsidiaries in the same group. Through RIHL, the Company invests in a diversified portfolio of highly liquid fixed income securities and certain derivative products, both of which are recorded at fair value. The Company may redeem its interest in RIHL at the current net asset value no more frequently than bi-monthly. Third party service providers perform custodial functions in respect of RIHL, including valuation of the investment assets held through RIHL. Currently, external investment managers manage the assets held through RIHL, pursuant to written investment guidelines.

Renaissance Investment Holdings II Ltd. ("RIHL II")

The Company's investments include an interest in the mandatorily redeemable preferred shares of RIHL II, a related party and wholly-owned subsidiary of RenaissanceRe. RIHL II was formed to enhance administrative efficiency and take advantage of the increased benefits and reduced costs ordinarily associated with the management of large investment portfolios of different subsidiaries in the same group. Through RIHL II, the Company invests in a diversified portfolio of fixed income securities and certain derivative products, both of which are recorded at fair value. The Company may redeem its interest in RIHL II at the current net asset value no more frequently than bi-monthly. Third party service providers perform custodial functions in respect of RIHL II, including valuation of the investment assets held through RIHL II. Currently, external investment managers manage the assets held through RIHL II, pursuant to written investment guidelines.

Renaissance Other Investments Holdings II Ltd. ("ROIHL II")

The Company's investments include an interest in the mandatorily redeemable preferred shares of ROIHL II, a related party and wholly-owned subsidiary of RenaissanceRe. ROIHL II was established to hold RenaissanceRe Ventures Ltd., a Bermuda domiciled company, which invests in certain strategic initiatives, including, but not limited to: equity investments classified as equity investments trading; private equity investments classified as other investments; investments in which the investor has significant influence over the operating and financial policies of the investee classified as investments in other ventures, under equity method; and certain other strategic investments.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Renaissance Other Investments Holdings III Ltd. ("ROIHL III")

The Company's investments include an interest in the mandatorily redeemable preferred shares of ROIHL III, a related party and wholly-owned subsidiary of RenaissanceRe. ROIHL III was established to hold Renaissance Investment Management Company Limited, a Bermuda domiciled investment management company, which invests in private equity, bank loan and hedge fund investments.

RIHL, RIHL II, ROIHL II and ROIHL III, at their sole discretion may require any shareholder to surrender some, or all of such shareholder's shares for redemption upon prior written notice in accordance with the normal redemption notice period. In addition, RIHL, RIHL II, ROIHL II and ROIHL III shall redeem all outstanding shares by a date, no later than December 31, 2038.

The Company's ownership in RIHL, RIHL II, ROIHL II and ROIHL III are recorded using the equity method of accounting. The Company's share of RIHL, RIHL II, ROIHL II and ROIHL III's net income (loss) is included in the consolidated statements of operations. Any decline in the value of the Company's share of RIHL, RIHL II, ROIHL II or ROIHL III considered by management to be other-than-temporary is charged to earnings in the period in which it is determined.

Investment in Top Layer Reinsurance Ltd. ("Top Layer Re")

The Company has significant influence over the operating and financial policies of Top Layer Re and its 50.0% ownership is accounted for under the equity method of accounting. Under this method, the Company's proportionate share of income from Top Layer Re is included in equity in earnings of Top Layer Re in the Company's consolidated statements of operations. Any decline in value of the Company's investment in Top Layer Re considered by management to be other-than-temporary is charged to income in the period in which it is determined.

Cash and Cash Equivalents

Cash equivalents include money market instruments with a maturity of ninety days or less when purchased.

<u>Derivatives</u>

The Company enters into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts in order to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and speculation. The Company accounts for its derivatives in accordance with FASB ASC Topic *Derivatives and Hedging*, which requires all derivatives to be recorded at fair value on the Company's consolidated balance sheet as either assets or liabilities, depending on their rights or obligations, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting. The fair value of the Company's derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, the use of industry or internal valuation models.

<u>Fair Value</u>

The Company accounts for certain of its assets and liabilities at fair value in accordance with FASB ASC Topic *Fair Value Measurements and Disclosures*. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Foreign Exchange

The Company's functional currency is the United States ("U.S.") dollar. Revenues and expenses denominated in foreign currencies are revalued at the prevailing exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date, which may result in the recognition of exchange gains or losses which are included in the determination of net income.

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also provides guidance on accounting for certain contract costs and had also required new disclosures. ASU 2014-09 was to be effective for non-public business entities for fiscal years beginning after December 15, 2017, and interim periods beginning after December 15, 2018, however in July 2015, the FASB decided to defer by one year the effective dates of ASU 2014-09, and as a result, ASU 2014-09 will be effective for non-public business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted only as of a fiscal year beginning after December 15, 2016, and interim periods within fiscal years beginning one year after the fiscal year in which an entity first applies the guidance in ASU 2014-09. ASU 2014-09 notably excludes the accounting for insurance contracts, leases, financial instruments and guarantees. The Company has early adopted ASU 2014-09 and it did not have a material impact on the Company's consolidated statements of operations and financial position.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, simplifies the impairment assessment of equity investments without readily determinable values by requiring a qualitative assessment to identify impairment, eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost, requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the organization has elected to measure the liabilities in accordance with the fair value option, requires the separate presentation of financial assets and financial liabilities by measurement category and for form of financial asset on the consolidated balance sheet or the accompanying notes to the financial statements and clarifies that the reporting organization should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the organization's other deferred tax assets. ASU 2016-01 is effective for public business entities in annual and interim periods beginning after December 15, 2017. For all other entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2018. All entities that are not public business entities may adopt the amendments in ASU 2016-01 earlier as of the fiscal years beginning after December 15, 2017. The adoption of ASU 2016-01 did not have a material impact on the Company's consolidated statements of operations and financial position.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 clarifies the classification of receipts and payments in the statement of cash flows. ASU 2016-15 provides guidance related to (1) settlement and payment of zero coupon debt instruments, (2) contingent consideration, (3) proceeds from settlement of insurance claims, (4) proceeds from settlement of corporate and bank owned life insurance policies, (5) distributions from equity method investees, (6) cash receipts from beneficial interests obtained by a transferor, and (7) general guidelines for cash receipts and payments that have more than one aspect of classification. ASU 2016-15 is effective for public business entities for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. For all other entities, ASU 2016-15 is effective for fiscal years beginning after December 15, 2018. The Company has early adopted ASU 2016-15 and the adoption resulted in the reclassification of $20.0 million of cash inflows from cash flows provided by operating activities, to cash flows used in investing activities for 2017. This amount related to a return of investment associated with the Company's investment in Top Layer Re, recorded under the equity method of accounting.

Recently Issued Accounting Pronouncements Not Yet Adopted

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 modifies the recognition of credit losses by replacing the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is applicable to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables, and other financial assets that have the contractual right to receive cash. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Company's invested assets are measured at fair value through net income, and therefore those invested assets would not be impacted by the adoption of ASU 2016-13. The Company has other financial assets, such as reinsurance recoverables, that could be impacted by the adoption of ASU 2016-13. ASU 2016-13 is effective for public business entities that are SEC filers for annual and interim periods beginning after December 15, 2019. For all other public business entities, ASU 2016-13 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. For all other entities ASU 2016-13 is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The ASU 2018-13 modifies the disclosure requirements of fair value measurements as part of the disclosure framework project with the objective to improve the effectiveness of disclosures in the notes to the financial statements. ASU 2018-13 allows for removal of the amount and reasons for transfer between Level 1 and Level 2 of the fair value hierarchy; the policy for transfers between levels; and the valuation processes for Level 3 fair value measurements. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS

Fixed Maturity Investments Trading

The following table summarizes the fair value of fixed maturity investments trading:

At December 31,	2018	2017
U.S. treasuries	$ 1,844,362	$ 1,784,393
Agencies	78,036	28,045
Municipal	760	—
Non-U.S. government	177,630	174,872
Non-U.S. government-backed corporate	124,932	108,547
Corporate	518,056	406,622
Agency mortgage-backed	259,789	101,999
Commercial mortgage-backed	3,396	5,964
Total fixed maturity investments trading	$ 3,006,961	$ 2,610,442

Contractual maturities of fixed maturity investments trading are described in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2018	Amortized Cost	Fair Value
Due in less than one year	$ 269,690	$ 267,408
Due after one through five years	2,349,218	2,335,621
Due after five through ten years	137,050	138,140
Due after ten years	1,855	2,607
Mortgage-backed	265,761	263,185
Total	$ 3,023,574	$ 3,006,961

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

Pledged Investments

At December 31, 2018, $3.1 billion (2017 - $2.7 billion) of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to RenaissanceRe's standby letter of credit facilities. Of this amount, $1.5 billion (2017 - $1.3 billion) is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities and primarily relates to the Company's multi-beneficiary reinsurance trust ("MBRT") and multi-beneficiary reduced collateral reinsurance trust ("RCT"). See "Note 10. Statutory Requirements" for additional information regarding the Company's MBRT and RCT.

Net Investment Income

The components of net investment income are as follows:

Year ended December 31,	2018	2017
Fixed maturity investments	$ 64,348	$ 48,426
Short term investments	4,780	2,959
Other investments	1,104	1,432
Cash and cash equivalents	2,468	1,112
	72,700	53,929
Investment expenses	(4,131)	(4,767)
Net investment income	$ 68,569	$ 49,162

Net Realized and Unrealized Losses on Investments

Net realized and unrealized losses on investments are as follows:

Year ended December 31,	2018	2017
Gross realized gains	$ 2,155	$ 22,645
Gross realized losses	(26,695)	(9,239)
Net realized (losses) gains on fixed maturity investments	(24,540)	13,406
Net unrealized gains (losses) on fixed maturity investments trading	8,534	(14,652)
Net realized and unrealized losses on investments-related derivatives	(2,180)	(1,088)
Net realized and unrealized losses on investments	$ (18,186)	$ (2,334)

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

Other Investments

The table below shows the fair value of the Company's portfolio of other investments:

At December 31,	2018	2017
Catastrophe bonds	$ 19,677	$ 24,715
Senior secured bank loan fund	7,810	13,600
Total	$ 27,487	$ 38,315

Interest income, income distributions and net realized and unrealized gains on other investments are included in net investment income and totaled $1.1 million (2017 - $1.4 million) of which $0.3 million was related to net unrealized gains (2017 - $0.7 million).

The Company has committed capital to a senior secured bank loan fund of $25.0 million of which $23.5 million has been contributed at December 31, 2018. The Company's remaining commitments to this fund at December 31, 2018 totaled $1.5 million. In the future, the Company may enter into additional commitments in respect of investment opportunities.

RIHL

At December 31, 2018, the Company owned 13.0% of RIHL's mandatorily redeemable preferred shares (2017 - 28.4%). The dollar weighted average rating of the securities held through RIHL is BBB. The table below shows the Company's share of RIHL's net assets:

At December 31,	2018	2017
Fixed maturity investments trading	$ 172,177	$ 378,812
Short term investments	14,631	15,062
Equity investments trading	31	225
Accrued investment income	1,340	2,670
Net unsettled trades	(1,179)	(860)
Other assets	67	314
Investment in RIHL, under equity method	$ 187,067	$ 396,223

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

The following table summarizes the fair value of fixed maturity investments trading included in the Company's share of RIHL:

At December 31,	2018	2017
U.S. treasuries	$ 7,287	$ 22,495
Agencies	831	1,472
Municipal	324	576
Non-U.S. government	302	102
Non-U.S. government-backed corporate	—	954
Corporate	104,525	220,042
Agency mortgage-backed	20,448	36,582
Non-agency mortgage-backed	24,273	72,932
Commercial mortgage-backed	9,139	15,226
Asset-backed	5,048	8,431
Total	$ 172,177	$ 378,812

Contractual maturities of fixed maturity investments trading included in the Company's share of RIHL's net assets are described in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2018	Amortized Cost	Fair Value
Due in less than one year	$ 2,045	$ 2,003
Due after one through five years	55,419	54,326
Due after five through ten years	55,190	52,767
Due after ten years	4,372	4,173
Mortgage-backed	54,329	53,860
Asset-backed	5,201	5,048
Total	$ 176,556	$ 172,177

The Company's equity in earnings on its investment in RIHL is as follows:

Year ended December 31,	2018	2017
Net investment income	$ 14,274	$ 16,282
Net realized (losses) gains on fixed maturity investments trading	(2,626)	4,495
Net unrealized losses on fixed maturity investments trading	(7,967)	(1,087)
Net realized and unrealized losses on equity investments trading	(127)	(64)
Net realized and unrealized losses on derivatives	(647)	(41)
Net foreign exchange gains	58	1
Equity in earnings of RIHL	$ 2,965	$ 19,586

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

RIHL II

At December 31, 2018 the Company owned 40.5% of RIHL II's mandatorily redeemable preferred shares (2017 - 49.6%). The dollar weighted average rating of the securities held through RIHL II is AA. The table below shows the Company's share of RIHL II's net assets:

At December 31,	2018	2017
Fixed maturity investments trading	$ 101,047	$ 105,279
Short term investments	5,709	3,113
Cash and cash equivalents	99	78
Accrued investment income	664	608
Net unsettled trades	(5,837)	(7,166)
Other (liabilities) assets	(145)	143
Investment in RIHL II, under equity method	$ 101,537	$ 102,055

The following table summarizes the fair value of fixed maturity investments trading included in the Company's share of RIHL II:

At December 31,	2018	2017
U.S. treasuries	$ 8,106	$ 21,639
Municipal	871	1,170
Non-U.S. government	592	344
Non-U.S. government-backed corporate	737	1,093
Corporate	42,927	33,174
Agency mortgage-backed	30,531	32,894
Non-agency mortgage-backed	1,434	602
Commercial mortgage-backed	9,657	6,233
Asset-backed	6,192	8,130
Total	$ 101,047	$ 105,279

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

Contractual maturities of fixed maturity investments trading included in the Company's share of RIHL II's net assets are described in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2018	Amortized Cost	Fair Value
Due in less than one year	$ 359	$ 360
Due after one through five years	21,077	20,857
Due after five through ten years	22,530	22,080
Due after ten years	10,124	9,936
Mortgage-backed	41,838	41,622
Asset-backed	6,244	6,192
Total	$ 102,172	$ 101,047

The Company's equity in earnings on its investment in RIHL II is as follows:

Year ended December 31,	2018	2017
Net investment income	$ 3,182	$ 1,879
Net realized losses on fixed maturity investments trading	(1,598)	(152)
Net unrealized (losses) gains on fixed maturity investments trading	(1,819)	1,425
Net realized and unrealized losses on derivatives	(308)	(11)
Net foreign exchange gains	25	40
Equity in (losses) earnings of RIHL II	$ (518)	$ 3,181

ROIHL II

At December 31, 2018, the Company owned 100.0% (2017 - 100.0%) of ROIHL II's mandatorily redeemable preferred shares.

The table below shows the Company's share of ROIHL II's net assets:

At December 31,	2018	2017
Short term investments	$ 10,854	$ 60,332
Equity investments trading	177,809	223,569
Other investments	64,332	17,980
Investments in other ventures	20,695	22,349
Cash and cash equivalents	3,786	26,866
Other (liabilities) assets, net (1)	(311)	31,693
Total	$ 277,165	$ 382,789

(1) Included in other (liabilities) assets, net at December 31, 2018 are notes receivable of $0.2 million from certain strategic relationships (2017 - $2.5 million). Also included in other (liabilities) assets, net at December 31, 2018 is $Nil due from Renaissance Reinsurance associated with a redemption of ROIHL II's mandatorily redeemable preferred shares (2017 - $31.0 million). A corresponding amount was recorded in due to affiliates, net on the Company's consolidated balance sheet at December 31, 2017.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

The following table summarizes the fair value of equity investments trading included in the Company's share of ROIHL II:

At December 31,	2018	2017
Financials	$ 177,809	$ 223,569

The following table summarizes the fair value of other investments included in the Company's share of ROIHL II:

At December 31,	2018	2017
Private equity investments	$ 64,332	$ 17,980

The following table summarizes the investments in other ventures, under equity method, included in the Company's share of ROIHL II:

At December 31,	2018	2017
Tower Hill Companies	$ 18,775	$ 21,311
Other	1,920	1,038
Total	$ 20,695	$ 22,349

The Company and subsidiaries of the Company's ultimate parent have entered into various equity investments in Tower Hill Holdings Inc. ("Tower Hill") and certain of its subsidiaries (collectively, the "Tower Hill Companies"), which are accounted for under the equity method of accounting. The Tower Hill Companies primarily include insurance holding companies, and a number of insurance companies which write residential property insurance in Florida.

The Company's equity in (losses) earnings on its investment in ROIHL II is as follows:

Year ended December 31,	2018	2017
Net investment income	$ 591	$ 7,170
Equity in losses of other ventures	(692)	(7,310)
Other income	209	299
Net realized and unrealized (losses) gains on investments	(28,196)	93,670
Operating expenses	(397)	(976)
Equity in (losses) earnings of ROIHL II	$ (28,485)	$ 92,853

Included in accumulated other comprehensive income at December 31, 2018 is losses of $0.7 million related to the Company's investment in ROIHL II (2017 - income of $0.3 million).

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

ROIHL III

At December 31, 2018, the Company owned 33.3% of ROIHL III's mandatorily redeemable preferred shares (2017 - 33.3%). The table below shows the Company's share of ROIHL III's net assets:

At December 31,	2018	2017
Short term investments	$ 2,845	$ 2,944
Equity investments	—	87
Other investments	65,162	60,450
Cash and cash equivalents	13	236
Receivable for investments sold	12	16
Other liabilities	(3)	(3)
Total	$ 68,029	$ 63,730

The following table summarizes the fair value of other investments included in the Company's share of ROIHL III:

At December 31,	2018	2017
Private equity investments	$ 59,200	$ 58,953
Hedge funds	3,740	174
Senior secured bank loan fund	2,222	1,323
Total	$ 65,162	$ 60,450

The Company's equity in earnings on its investment in ROIHL III is as follows:

Year ended December 31,	2018	2017
Net investment income	$ 751	$ 17,728
Net realized and unrealized losses on investments	(441)	(231)
Net foreign exchange (losses) gains	(6)	315
Equity in earnings of ROIHL III	$ 304	$ 17,812

Top Layer Re

At December 31, 2018, the Company owned 50.0% of Top Layer Re (2017 - 50.0%). The Company's earnings from Top Layer Re totaled $8.9 million for the year ended December 31, 2018 (2017 - $9.9 million) and are included in equity in earnings of Top Layer Re on the Company's consolidated statements of operations. During 2018 the Company received distributions from Top Layer Re of $12.5 million (2017 - $20.0 million) and the Company's interest in the undistributed losses of Top Layer Re totaled $4.8 million at December 31, 2018 (2017 - $9.9 million).

NOTE 4. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's consolidated financial statements. Fair value is defined under accounting guidance currently applicable to the Company to be the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations.

FASB ASC Topic *Fair Value Measurements and Disclosures* prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

- Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access. The fair value is determined by multiplying the quoted price by the quantity held by the Company;

- Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices; and

- Level 3 inputs are based all or in part on significant unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

In order to determine if a market is active or inactive for a security, the Company considers a number of factors, including, but not limited to, the spread between what a seller is asking for a security and what a buyer is bidding for the same security, the volume of trading activity for the security in question, the price of the security compared to its par value (for fixed maturity investments), and other factors that may be indicative of market activity.

There have been no material changes in the Company's valuation techniques, nor have there been any transfers between Level 1 and Level 2, or transfers into or out of Level 3, respectively, during the period represented by these consolidated financial statements.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Below is a summary of the assets and liabilities that are measured at fair value on a recurring basis and also represents the carrying amount on the Company's consolidated balance sheets:

At December 31, 2018	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 1,844,362	$ 1,844,362	$ —	$ —
Agencies	78,036	—	78,036	—
Municipal	760	—	760	—
Non-U.S. government	177,630	—	177,630	—
Non-U.S. government-backed corporate	124,932	—	124,932	—
Corporate	518,056	—	518,056	—
Agency mortgage-backed	259,789	—	259,789	—
Commercial mortgage-backed	3,396	—	3,396	—
Total fixed maturity investments	3,006,961	1,844,362	1,162,599	—
Short term investments	262,057	—	262,057	—
Other investments				
Catastrophe bonds	19,677	—	19,677	—
Senior secured bank loan fund (1)	7,810	—	—	—
Total other investments	27,487	—	19,677	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(8,565)	—	—	(8,565)
Derivatives (3)	8,947	223	8,724	—
Total other assets and (liabilities)	382	223	8,724	(8,565)
	$ 3,296,887	$ 1,844,585	$ 1,453,057	$ (8,565)

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

(2) Included in assumed and ceded (re)insurance contracts at December 31, 2018 are $4.4 million and $13.0 million of other assets and other liabilities, respectively.

(3) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company, included in other assets and liabilities on its consolidated balance sheets.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

At December 31, 2017	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 1,784,393	$ 1,784,393	$ —	$ —
Agencies	28,045	—	28,045	—
Non-U.S. government	174,872	—	174,872	—
Non-U.S. government-backed corporate	108,547	—	108,547	—
Corporate	406,622	—	406,622	—
Agency mortgage-backed	101,999	—	101,999	—
Commercial mortgage-backed	5,964	—	5,964	—
Total fixed maturity investments	2,610,442	1,784,393	826,049	—
Short term investments	259,186	—	259,186	—
Other investments				
Catastrophe bonds	24,715	—	24,715	—
Senior secured bank loan fund (1)	13,600	—	—	—
Total other investments	38,315	—	24,715	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(2,953)	—	—	(2,953)
Derivatives (3)	2,357	(47)	2,404	—
Total other assets and (liabilities)	(596)	(47)	2,404	(2,953)
	$ 2,907,347	$ 1,784,346	$ 1,112,354	$ (2,953)

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

(2) Included in assumed and ceded (re)insurance contracts at December 31, 2017 are $1.7 million and $4.7 million of other assets and other liabilities, respectively.

(3) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company, included in other assets and liabilities on its consolidated balance sheets.

Level 1 and Level 2 Assets and Liabilities Measured at Fair Value

Fixed Maturity Investments

Fixed maturity investments included in Level 1 consist of the Company's investments in U.S. treasuries. Fixed maturity investments included in Level 2 are agencies, non-U.S. government, non-U.S. government-backed corporate, corporate, agency mortgage-backed, non-agency mortgage-backed, commercial mortgage-backed and asset-backed.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

The Company's fixed maturity investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing; however, models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third party data. Securities which are priced by an index provider are generally included in the index.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets.

The Company considers these broker quotations to be Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

U.S. treasuries

Level 1 - At December 31, 2018, the Company's U.S. treasuries fixed maturity investments had a weighted average yield to maturity of 2.5% and a weighted average credit quality of AA, (2017 - 1.9% and AA, respectively). When pricing these securities, the vendor services utilize daily data from many real time market sources, including active broker dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

Agencies

Level 2 - At December 31, 2018, the Company's agency fixed maturity investments had a weighted average yield to maturity of 2.9% and a weighted average credit quality of AA (2017 - 2.0% and AA, respectively). The issuers of the Company's agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Municipal

Level 2 - At December 31, 2018, the Company's municipal fixed maturity investments had a weighted average yield to maturity of 11.7% and a weighted average credit quality of not-rated. At December 31, 2017, the Company did not have an allocation to municipal fixed maturity investments. The Company's municipal fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information regarding the security from third-party sources such as trustees, paying agents or issuers. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread over widely accepted market benchmarks.

Non-U.S. government

Level 2 - At December 31, 2018, the Company's non-U.S. government fixed maturity investments had a weighted average yield to maturity of 2.5% and a weighted average credit quality of AAA (2017 - 2.0% and AA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Non-U.S. government-backed corporate

Level 2 - At December 31, 2018, the Company's non-U.S. government-backed corporate fixed maturity investments had a weighted average yield to maturity of 2.8% and a weighted average credit quality of AA (2017 - 2.2% and AA, respectively). Non-U.S. government-backed fixed maturity investments are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Corporate

Level 2 - At December 31, 2018, the Company's corporate fixed maturity investments principally consisted of U.S. and international corporations and had a weighted average yield to maturity of 3.5% and a weighted average credit quality of A (2017 - 2.4% and A, respectively). The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Agency mortgage-backed

Level 2 - At December 31, 2018, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average yield to maturity of 3.4%, a weighted average credit quality of AA and a weighted average life of 6.9 years (2017 - 2.8%, AA and 6.2 years, respectively). The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes.

Commercial mortgage-backed

Level 2 - At December 31, 2018, the Company's commercial mortgage-backed fixed maturity investments had a weighted average yield to maturity of 3.2%, a weighted average credit quality of AA and a weighted average life of 6.9 years (2017 - 2.3%, AA and 6.0 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bid and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

Short Term Investments

Level 2 - At December 31, 2018, the Company's short term investment had a weighted average yield to maturity of 1.7% and a weighted average credit quality of AAA (2017 - 1.5% and AAA, respectively)The fair value of the Company's portfolio of short term investments is generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company's fixed maturity investments noted above.

Other Investments

Catastrophe bonds

Level 2 - The Company's other investments include investments in catastrophe bonds which are recorded at fair value based on broker or underwriter bid indications.

Other Assets and Liabilities

Derivatives

Level 1 and Level 2 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value of these transactions includes certain exchange traded futures contracts which are considered Level 1, and foreign exchange currency contracts and certain credit derivatives, determined using standard industry valuation models and considered Level 2, as the inputs to the valuation model are based on observable market inputs. For foreign currency contracts, these inputs include spot rates and interest rate curves. For credit derivatives, these inputs include credit spreads, credit ratings of the underlying referenced security, the risk free rate and the contract term.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Level 3 Assets and Liabilities Measured at Fair Value

Below is a summary of quantitative information regarding the significant unobservable inputs (Level 3) used in determining the fair value of assets and liabilities measured at fair value on a recurring basis:

At December 31, 2018	Fair Value (Level 3)	Valuation Technique	Unobservable Inputs	Low	High	Weighted Average or Actual
Assumed and ceded (re)insurance contracts	$ (8,565)	Internal valuation model	Net undiscounted cash flows	n/a	n/a	$ (9,787)
			Expected loss ratio	n/a	n/a	38.0%
			Discount rate	n/a	n/a	2.5%

Below is a reconciliation of the beginning and ending balances, for the periods shown, of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs. Interest and dividend income are included in net investment income and are excluded from the reconciliation.

	Other assets and (liabilities)
Balance - January 1, 2018	$ (2,953)
Total realized gains	
Included in other income	2,707
Purchases	(9,302)
Settlements	983
Balance - December 31, 2018	$ (8,565)

	Other assets and (liabilities)
Balance - January 1, 2017	$ (11,646)
Total realized gains	
Included in other income	1,661
Purchases	1,095
Settlements	5,937
Balance - December 31, 2017	$ (2,953)

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Assumed and ceded (re)insurance contracts

Level 3 - At December 31, 2018, the Company had an $8.6 million net liability related to assumed and ceded (re)insurance contracts accounted for at fair value, with the fair value obtained through the use of an internal valuation model. The inputs to the internal valuation model are principally based on proprietary data as observable market inputs are generally not available. The most significant unobservable inputs include the assumed and ceded expected net cash flows related to the contracts, including the expected premium, acquisition expenses and losses; the expected loss ratio and the relevant discount rate used to present value the net cash flows. The contract period and acquisition expense ratio are considered an observable input as each is defined in the contract. Generally, an increase in the net expected cash flows and expected term of the contract and a decrease in the discount rate, expected loss ratio or acquisition expense ratio, would result in an increase in the expected profit and ultimate fair value of these assumed and ceded (re)insurance contracts.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The Company uses various financial instruments in the normal course of its business. The Company's insurance contracts are excluded from the fair value of financial instruments accounting guidance, unless the Company elects the fair value option, and therefore, are not included in the amounts discussed herein. The carrying values of cash and cash equivalents, accrued investment income, receivables for investments sold, certain other assets, payables for investments purchased, certain other liabilities, and other financial instruments not included herein approximated their fair values.

The Fair Value Option for Financial Assets and Financial Liabilities

The Company has elected to account for certain financial assets and financial liabilities at fair value using the guidance under FASB ASC Topic *Financial Instruments*, as the Company believes it represents the most meaningful measurement basis for these assets and liabilities. Below is a summary of the balances the Company has elected to account for at fair value:

At December 31,	2018	2017
Other investments	$ 27,487	$ 38,315
Other liabilities, net	$ (8,565)	$ (2,953)

Included in net investment income for the year ended December 31, 2018 is $0.3 million of net unrealized gains related to the changes in fair value of other investments (2017 - $0.7 million). Net unrealized gains related to the changes in the fair value of other assets and liabilities recorded in other income was $Nil for the year ended December 31, 2018 (2017 - $Nil).

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Measuring the Fair Value of Other Investments Using Net Asset Valuations

The table below shows the Company's portfolio of other investments measured using net asset valuations:

At December 31, 2018	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Senior secured bank loan fund	$ 7,810	$ 1,490	See below	See below

Senior secured bank loan fund - At December 31, 2018, the Company had $7.8 million invested in closed end funds which invest primarily in loans. The Company has no right to redeem its investment in these funds. It is estimated that the majority of the underlying assets in these closed end funds would liquidate over 4 to 5 years from inception of the applicable fund.

NOTE 5. REINSURANCE

The Company purchases reinsurance and other protection to manage its risk portfolio and reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions or on a proportional basis. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts provide for payments of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to the respective reinsurance contracts. The Company remains liable to the extent that any reinsurer fails to meet its obligations.

The following table sets forth the effect of reinsurance and retrocessional activity on net premiums written and earned and on net claims and claim expenses incurred:

Year ended December 31,	2018	2017
Premiums written		
Assumed	$ 2,032,235	$ 1,823,108
Ceded	(846,233)	(683,788)
Net premiums written	$ 1,186,002	$ 1,139,320
Premiums earned		
Assumed	$ 1,808,795	$ 1,700,904
Ceded	(756,260)	(597,125)
Net premiums earned	$ 1,052,535	$ 1,103,779
Claims and claim expenses		
Gross claims and claim expenses incurred	$ 1,488,569	$ 2,192,209
Claims and claim expenses recovered	(1,011,667)	(1,068,693)
Net claims and claim expenses incurred	$ 476,902	$ 1,123,516

(amounts in tables expressed in thousands of United States Dollars)

NOTE 5. REINSURANCE, cont'd.

At December 31, 2018, the Company's reinsurance recoverable balance was $1.6 billion (2017 - $1.1 billion). Of this amount, 47.2% is fully collateralized by the Company's reinsurers, 50.5% is recoverable from reinsurers rated A- or higher by major rating agencies and 2.3% is recoverable from reinsurers rated lower than A- by major rating agencies (2017 - 36.6%, 61.5% and 1.9%, respectively). The reinsurers with the three largest balances accounted for 6.4%, 6.4% and 5.9%, respectively, of the Company's reinsurance recoverables balance at December 31, 2018 (2017 - 9.9%, 7.8% and 6.4%, respectively). At December 31, 2018, the Company had a $7.5 million valuation allowance against reinsurance recoverables (2017 - $6.0 million). The three largest company-specific components of the valuation allowance represented 17.9%, 14.3% and 13.6%, respectively, of the Company's total valuation allowance at December 31, 2018 (2017 - 12.5%, 10.8% and 9.6%, respectively).

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES

General Description

The Company believes the most significant accounting judgment made by management is its estimate of claims and claim expense reserves. Claims and claim expense reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs for unpaid claims and claim expenses arising from the insurance and reinsurance contracts the Company sells. The Company establishes its claims and claim expense reserves by taking claims reported to the Company by insureds and ceding companies, but which have not yet been paid ("case reserves"), adding estimates for the anticipated cost of claims incurred but not yet reported to the Company, or incurred but not enough reported to the Company (collectively referred to as "IBNR") and, if deemed necessary, adding costs for additional case reserves which represent the Company's estimates for claims related to specific contracts previously reported to the Company which it believes may not be adequately estimated by the client as of that date, or adequately covered in the application of IBNR.

The following table summarizes the Company's claims and claim expense reserves by main class of business, allocated between case reserves, additional case reserves and IBNR:

At December 31, 2018	Case Reserves	Additional Case Reserves	IBNR	Total
Property	$ 381,473	$ 808,533	$ 669,874	$ 1,859,880
Casualty and Specialty	470,184	105,360	1,264,001	1,839,545
Other	1,458	—	3,166	4,624
Total	$ 853,115	$ 913,893	$ 1,937,041	$ 3,704,049
At December 31, 2017				
Property	$ 388,769	$ 593,223	$ 598,674	$ 1,580,666
Casualty and Specialty	414,585	108,826	1,107,869	1,631,280
Other	6,605	—	11,921	18,526
Total	$ 809,959	$ 702,049	$ 1,718,464	$ 3,230,472

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Activity in the liability for unpaid claims and claim expenses is summarized as follows:

Year ended December 31,	2018	2017
Net reserves as of January 1	$ 2,149,202	$ 1,584,771
Net incurred related to:		
Current year	626,682	1,097,904
Prior years	(149,780)	25,612
Total net incurred	476,902	1,123,516
Net paid related to:		
Current year	220,150	269,742
Prior years	253,501	324,170
Total net paid	473,651	593,912
Foreign exchange	(13,628)	34,827
Net reserves as of December 31	2,138,825	2,149,202
Reinsurance recoverable as of December 31	1,565,224	1,081,270
Gross reserves as of December 31	$ 3,704,049	$ 3,230,472

The Company's reserving methodology for each line of business uses a loss reserving process that calculates a point estimate for its ultimate settlement and administration costs for claims and claim expenses. The Company does not calculate a range of estimates and does not discount any of its reserves for claims and claim expenses. The Company uses this point estimate, along with paid claims and case reserves, to record its best estimate of additional case reserves and IBNR in its consolidated financial statements. Under GAAP, the Company is not permitted to establish estimates for catastrophe claims and claim expense reserves until an event occurs that gives rise to a loss.

Reserving for reinsurance claims involves other uncertainties, such as the dependence on information from ceding companies, the time lag inherent in reporting information from the primary insurer to the Company or to the Company's ceding companies, and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of bordereaux, broker notifications of loss and/or discussions with ceding companies or their brokers. This information may be received on a monthly, quarterly or transactional basis and normally includes paid claims and estimates of case reserves. The Company sometimes also receives an estimate or provision for IBNR. This information is often updated and adjusted from time to time during the loss settlement period as new data or facts in respect of initial claims, client accounts, industry or event trends may be reported or emerge in addition to changes in applicable statutory and case laws.

The Company's estimates of losses from large events are based on factors including currently available information derived from claims information from certain customers and brokers, industry assessments of losses from the events, proprietary models, and the terms and conditions of the Company's contracts. The uncertainty of the Company's estimates for large events is also impacted by the preliminary nature of the information available, the magnitude and relative infrequency of the events, the expected duration of the respective claims development period, inadequacies in the data provided to the relevant date by industry participants and the potential for further reporting lags or insufficiencies; and in certain large events, significant uncertainty as to the form of the claims and legal issues, under the relevant terms of insurance and reinsurance contracts. In addition, a significant portion of the net claims and claim expenses associated with certain large events can be concentrated with a few large clients and therefore the loss estimates for these events may vary significantly based on the claims experience of those clients. The contingent nature of business interruption and other exposures will also impact losses in a meaningful way, which may give rise to significant complexity in respect of claims handling, claims adjustment and other coverage issues, over time.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Given the magnitude of certain events, there can be meaningful uncertainty regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying the Company's loss estimates. Loss reserve estimation in respect of the Company's retrocessional contracts poses further challenges compared to directly assumed reinsurance. In addition, the Company's actual net losses from these events may increase if the Company's reinsurers or other obligors fail to meet their obligations.

Because of the inherent uncertainties discussed above, the Company has developed a reserving philosophy that attempts to incorporate prudent assumptions and estimates, and the Company has generally experienced favorable net development on prior accident years net claims and claim expenses in the last several years. However, there is no assurance that this favorable development on prior accident years net claims and claim expenses will occur in future periods.

The Company establishes a provision for unallocated loss adjustment expenses ("ULAE") when the related reserve for claims and claim expenses is established. ULAE are expenses that cannot be associated with a specific claim but are related to claims paid or in the process of settlement, such as internal costs of the claims function, and are included in the reserve for claims and claim expenses. The determination of the ULAE provision is subject to judgment.

The Company reevaluates its actuarial reserving techniques on a periodic basis. Typically, the quarterly review procedures include reviewing paid and reported claims in the most recent reporting period, reviewing the development of paid and reported claims from prior periods, and reviewing the Company's overall experience by underwriting year and in the aggregate. The Company monitors its expected ultimate claims and claim expense ratios and expected claims reporting assumptions on a quarterly basis and compares them to its actual experience. These actuarial assumptions are generally reviewed annually, based on input from the Company's actuaries, underwriters, claims personnel and finance professionals, although adjustments may be made more frequently if needed. Assumption changes are made to adjust for changes in the pricing and terms of coverage the Company provides, changes in industry results for similar business, as well as its actual experience to the extent the Company has enough data to rely on its own experience. If the Company determines that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified.

Incurred and Paid Claims Development and Reserving Methodology

The information provided herein about incurred and paid accident year claims development for the years ended prior to December 31, 2018 on a consolidated basis and by main class of business is presented as supplementary information. The Company applied a retrospective approach with respect to acquisitions, presenting all relevant historical information for all periods presented. In addition, included in the incurred claims and claim expenses and cumulated paid claims and claim expenses tables below is a reconciling item that represents the unamortized balance of fair value adjustments recorded in connection with an acquisition to reflect an increase in net claims and claim expenses due to the addition of a market based risk margin that represented the cost of capital required by a market participant to assume the net claims and claim expenses of the acquiree.

For incurred and paid accident year claims denominated in foreign currency, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table details the Company's consolidated incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2018, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										**At December 31, 2018**
	For the year ended December 31,										
Accident Year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**IBNR and ACR**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2009	$ 232,257	$ 199,521	$ 183,247	$ 166,139	$ 160,157	$ 156,712	$ 155,616	$ 157,241	$ 158,183	$ 157,417	$ 5,986
2010	—	552,866	506,084	477,602	467,637	471,859	473,449	485,000	485,173	477,222	28,881
2011	—	—	963,557	895,277	843,002	793,146	777,494	754,859	748,867	749,591	47,940
2012	—	—	—	444,572	376,273	326,459	309,254	291,137	285,807	291,545	29,979
2013	—	—	—	—	326,255	282,842	253,993	231,129	214,096	208,282	22,693
2014	—	—	—	—	—	376,703	338,130	337,648	339,805	322,374	77,272
2015	—	—	—	—	—	—	354,155	338,189	351,637	322,064	83,313
2016	—	—	—	—	—	—	—	428,559	450,851	430,322	151,234
2017	—	—	—	—	—	—	—	—	1,096,109	1,027,125	545,194
2018	—	—	—	—	—	—	—	—	—	616,755	428,066
Total										$ 4,602,697	$ 1,420,558

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2009	$ 41,790	$ 83,373	$ 100,985	$ 116,094	$ 124,988	$ 136,192	$ 142,715	$ 144,805	$ 147,281	$ 147,746
2010	—	68,945	170,248	247,866	286,380	312,374	339,743	397,638	414,313	423,822
2011	—	—	81,922	250,962	487,090	590,803	639,799	665,187	678,124	684,057
2012	—	—	—	68,087	95,310	143,476	167,406	191,446	222,930	234,947
2013	—	—	—	—	26,268	75,488	111,969	136,779	155,464	167,554
2014	—	—	—	—	—	41,370	94,585	134,215	163,726	185,455
2015	—	—	—	—	—	—	32,202	79,020	135,894	182,982
2016	—	—	—	—	—	—	—	37,619	135,159	214,793
2017	—	—	—	—	—	—	—	—	267,346	256,884
2018	—	—	—	—	—	—	—	—	—	218,526
Total										$ 2,716,766
Outstanding liabilities from accident year 2008 and prior, net of reinsurance										230,946
Claims and claim expenses, net of reinsurance, from the Company's former Bermuda-based insurance operations										368
Adjustment for unallocated claim expenses										20,518
Unamortized fair value adjustments in connection with an acquisition										1,062
Liability for claims and claim expenses, net of reinsurance										$ 2,138,825

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Property Main Class of Business

Within the Property main class of business, the Company principally writes property catastrophe excess of loss reinsurance contracts to insure insurance and reinsurance companies against natural and man-made catastrophes. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from a single occurrence of a covered peril exceeds the attachment point specified in the contract, up to an amount per loss specified in the contract. The Company's most significant exposure is to losses from hurricanes, earthquakes and other windstorms, although the Company is also exposed to claims arising from other catastrophes, such as tsunamis, winter storms, freezes, floods, fires, tornadoes, explosions and acts of terrorism. The Company's predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered under the Company's catastrophe contracts when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas. Coverage can also vary from “all property” perils to limited coverage on selected perils, such as “earthquake only” coverage. The Company also enters into retrocessional contracts that provide property catastrophe coverage to other reinsurers or retrocedants. This coverage is generally in the form of excess of loss retrocessional contracts and may cover all perils and exposures on a worldwide basis or be limited in scope to selected geographic areas, perils and/or exposures. The exposures the Company assumes from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company also offers dual trigger reinsurance contracts which require the Company to pay claims based on claims incurred by insurers and reinsurers in addition to the estimate of insured industry losses as reported by referenced statistical reporting agencies.

Also included in the Property main class of business is property per risk, property (re)insurance, binding facilities and regional U.S. multi-line reinsurance. The Company's predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas. The exposures assumed from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company offers these products principally through proportional coverage. In a proportional reinsurance arrangement (also referred to as quota share reinsurance or pro rata reinsurance), the reinsurer shares a proportional part of the original premiums and losses of the reinsured.

Claims and claim expenses in the Company's Property main class of business are generally characterized by loss events of low frequency and high severity. Initial reporting of paid and incurred claims in general, tends to be relatively prompt. The Company considers this business “short-tail” as compared to the reporting of claims for “long-tail” products, which tends to be slower. However, the timing of claims payment and reporting also varies depending on various factors, including: whether the claims arise under reinsurance of primary insurance companies or reinsurance of other reinsurance companies; the nature of the events (e.g., hurricanes, earthquakes or terrorism); the geographic area involved; post-event inflation which may cause the cost to repair damaged property to increase significantly from current estimates, or for property claims to remain open for a longer period of time, due to limitations on the supply of building materials, labor and other resources; complex policy coverage and other legal issues; and the quality of each client's claims management and reserving practices. Management's judgments regarding these factors are reflected in the Company's reserve for claims and claim expenses.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Reserving for most of the Company's Property main class of business generally does not involve the use of traditional actuarial techniques. Rather, claims and claim expense reserves are estimated by management after a catastrophe occurs by completing an in-depth analysis of the individual contracts which may potentially be impacted by the catastrophic event. The in-depth analysis generally involves: 1) estimating the size of insured industry losses from the catastrophic event; 2) reviewing reinsurance contract portfolios to identify contracts which are exposed to the catastrophic event; 3) reviewing information reported by customers and brokers; 4) discussing the event with customers and brokers; and 5) estimating the ultimate expected cost to settle all claims and administrative costs arising from the catastrophic event on a contract-by-contract basis and in aggregate for the event. Once an event has occurred, during the then current reporting period, the Company records its best estimate of the ultimate expected cost to settle all claims arising from the event. The Company's estimate of claims and claim expense reserves is then determined by deducting cumulative paid losses from its estimate of the ultimate expected loss for an event. The Company's estimate of IBNR is determined by deducting cumulative paid losses, case reserves and additional case reserves from its estimate of the ultimate expected loss for an event. Once the Company receives a valid notice of loss or payment request under a catastrophe reinsurance contract, it is generally able to process and pay such claims promptly.

Because the events from which claims arise under policies written within the Property main class of business are typically prominent, public occurrences such as hurricanes and earthquakes, the Company is often able to use independent reports as part of its loss reserve estimation process. The Company also reviews catastrophe bulletins published by various statistical reporting agencies to assist in determining the size of the industry loss, although these reports may not be available for some time after an event.

For smaller events including localized severe weather events such as windstorms, hail, ice, snow, flooding, freezing and tornadoes, which are not necessarily prominent, public occurrences, the Company initially places greater reliance on catastrophe bulletins published by statistical reporting agencies to assist in determining what events occurred during the reporting period than the Company does for large events. This includes reviewing catastrophe bulletins published by Property Claim Services for U.S. catastrophes. The Company sets its initial estimates of reserves for claims and claim expenses for these smaller events based on a combination of its historical market share for these types of losses and the estimate of the total insured industry property losses as reported by statistical reporting agencies, although management may make significant adjustments based on the Company's current exposure to the geographic region involved as well as the size of the loss and the peril involved. This approach supplements the Company's approach for estimating losses for larger catastrophes, which as discussed above, includes discussions with brokers and ceding companies and reviewing individual contracts impacted by the event. Approximately one year from the date of loss for these small events, the Company typically estimates IBNR for these events by using the paid Bornhuetter-Ferguson actuarial method. The loss development factors for the paid Bornhuetter-Ferguson actuarial method are selected based on a review of the Company's historical experience. There were no significant changes to the Company's paid loss development factors over the last three years.

In general, reserves for the Company's more recent reinsured catastrophic events are subject to greater uncertainty and, therefore, greater potential variability, and are likely to experience material changes from one period to the next. This is due to the uncertainty as to the size of the industry losses from the event, uncertainty as to which contracts have been exposed to the catastrophic event, uncertainty due to complex legal and coverage issues that can arise out of large or complex catastrophic events, and uncertainty as to the magnitude of claims incurred by the Company's customers. As the Company's claims age, more information becomes available and the Company believes its estimates become more certain.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table details the Company's Property main class of business incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2018, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										
	For the year ended December 31,										At December 31, 2018
Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2009	$ 130,023	$ 106,426	$ 91,415	$ 88,353	$ 85,273	$ 86,729	$ 86,288	$ 86,590	$ 86,173	$ 86,344	$ 51
2010	—	430,872	400,282	379,908	380,606	391,994	395,994	403,490	404,293	397,822	20,521
2011	—	—	838,685	785,461	746,132	715,973	704,519	686,179	685,125	683,042	31,166
2012	—	—	—	259,444	200,110	178,675	166,923	154,155	147,466	143,201	10,579
2013	—	—	—	—	144,522	127,209	108,702	98,367	91,026	88,789	2,241
2014	—	—	—	—	—	112,387	96,002	92,586	89,955	88,776	2,628
2015	—	—	—	—	—	—	137,456	119,551	107,457	95,598	11,055
2016	—	—	—	—	—	—	—	160,253	172,857	166,153	39,606
2017	—	—	—	—	—	—	—	—	722,353	642,805	285,909
2018	—	—	—	—	—	—	—	—	—	302,721	157,500
Total										$ 2,695,251	$ 561,256

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2009	$ 31,660	$ 62,406	$ 71,350	$ 78,189	$ 82,718	$ 86,036	$ 87,081	$ 87,995	$ 87,986	$ 88,175
2010	—	60,812	154,959	219,417	248,758	271,955	290,731	341,105	347,919	357,380
2011	—	—	75,105	235,668	466,285	560,869	604,024	624,538	635,368	639,219
2012	—	—	—	53,263	68,944	97,017	109,830	117,199	125,751	128,000
2013	—	—	—	—	20,891	51,054	71,732	80,745	84,423	85,514
2014	—	—	—	—	—	25,780	55,254	72,298	75,393	77,482
2015	—	—	—	—	—	—	25,521	54,326	68,534	77,536
2016	—	—	—	—	—	—	—	24,443	77,946	113,774
2017	—	—	—	—	—	—	—	—	244,772	187,862
2018	—	—	—	—	—	—	—	—	—	198,073
Total										$ 1,953,015
Outstanding liabilities from accident year 2008 and prior, net of reinsurance										2,078
Adjustment for unallocated claim expenses										2,695
Unamortized fair value adjustments recorded in connection with an acquisition										492
Liability for claims and claim expenses, net of reinsurance										$ 747,501

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Casualty and Specialty Main Class of Business

The Company offers its casualty and specialty reinsurance products principally on a proportional basis, and it also provides excess of loss coverage. The Company offers casualty and specialty reinsurance products to insurance and reinsurance companies and provides coverage for specific geographic regions or on a worldwide basis. While all of the business is principally reinsurance, the Company also writes a small volume of insurance business.

As with the Company's Property main class of business, its Casualty and Specialty main class of business reinsurance contracts can include coverage for relatively large limits or exposures. As a result, the Company's casualty and specialty reinsurance business can be subject to significant claims volatility. In periods of low claims frequency or severity, the Company's results will generally be favorably impacted while in periods of high claims frequency or severity the Company's results will generally be negatively impacted.

More recently, the Company has accepted a wider range of proportional risks, facilitating the Company's efforts to expand its product offerings. While the Company remains focused on underwriting discipline, and seeks to remain focused on opportunities amenable to stochastic representation and supported by strong data and analytics, the Company's expanded casualty and specialty product suite, may pose new, unmodelled or unforeseen risks for which the Company may not be adequately compensated and may also result in a higher level of attritional claims and claim expenses and the potential for reserve development, either adverse or favorable.

The Company's processes and methodologies in respect of loss estimation for the coverages offered through its Casualty and Specialty main class of business differ from those used for its Property main class of business. For example, the Company's casualty and specialty coverages are more likely to be impacted by factors such as long-term inflation and changes in the social and legal environment, which the Company believes gives rise to greater uncertainty in its reserves for claims and claim expenses. Moreover, in many lines of business the Company does not have the benefit of a significant amount of its own historical experience and may have little or no related corporate reserving history in many of its newer or growing lines of business. The Company believes this makes its Casualty and Specialty main class of business reserving subject to greater uncertainty than its Property main class of business.

The Company calculates multiple point estimates for claims and claim expense reserves using a variety of actuarial reserving techniques for many, but not all, of its classes of business for each underwriting year within the Casualty and Specialty main class of business. The Company does not believe that these multiple point estimates are, or should be considered a range. Rather, the Company considers each class of business and determines the most appropriate point estimate for each underwriting year based on the characteristics of the particular class including: (1) loss development patterns derived from historical data; (2) the credibility of the selected loss development pattern; (3) the stability of the loss development patterns; (4) how developed the underwriting year is; and (5) the observed loss development of other underwriting years for the same class. The Company also considers other relevant factors, including: (1) historical ultimate loss ratios; (2) the presence of individual large losses; and (3) known occurrences that have not yet resulted in reported losses. The Company makes determinations of the most appropriate point estimate of loss for each class based on an evaluation of relevant information and do not ascribe any particular portion of the estimate to a particular factor or consideration. In addition, the Company believes that a review of individual contract information improves the loss estimates for some classes of business.

When developing claims and claims expense reserves for the Company's Casualty and Specialty main class of business, it considers several actuarial techniques such as the expected loss ratio method, the Bornhuetter-Ferguson actuarial method and the paid and reported chain ladder actuarial method.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

For classes of business and underwriting years where the Company has limited historical claims experience, estimates of ultimate losses that are not related to a specific event are generally initially determined based on the loss ratio method applied to each underwriting year and to each class of business. Unless the Company has credible claims experience or unfavorable development, it generally selects an ultimate loss based on its initial view of the loss. The selected ultimate losses are determined by multiplying the initial expected loss ratio by the earned premium. The initial expected loss ratios are key inputs that involve management judgment and are based on a variety of factors, including: (1) contract by contract expected loss ratios developed during the Company's pricing process; (2) historical loss ratios and combined ratios adjusted for rate change and trend; and (3) industry benchmarks for similar business. These judgments take into account management's view of past, current and future factors that may influence ultimate losses, including: (1) market conditions; (2) changes in the business underwritten; (3) changes in timing of the emergence of claims; and (4) other factors that may influence ultimate loss ratios and losses.

The determination of when reported losses are sufficient and credible to warrant selection of an ultimate loss ratio different from the initial expected loss ratios also requires judgment. The Company generally makes adjustments for reported loss experience indicating unfavorable variances from initial expected loss ratios sooner than reported loss experience indicating favorable variances. This is because the reporting of losses in excess of expectations tends to have greater credibility than an absence or lower than expected level of reported losses. Over time, as a greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are typically based on the Bornhuetter-Ferguson actuarial method or the reported chain ladder actuarial method.

The Bornhuetter-Ferguson method allows for greater weight to be applied to expected results in periods where little or no actual experience is available, and, hence, is less susceptible to the potential pitfall of being excessively swayed by one year or one quarter of actual paid and/or reported loss data, compared to the chain ladder actuarial method. The Bornhuetter-Ferguson method uses the initial expected loss ratio to estimate IBNR, and it assumes that past experience is not fully representative of the future. As the Company's reserves for claims and claim expenses age, and actual claims experience becomes available, this method places less weight on expected experience and places more weight on actual experience. This experience, which represents the difference between expected reported claims and actual reported claims, is reflected in the respective reporting period as a change in estimate. The utilization of the Bornhuetter-Ferguson method requires the Company to estimate an expected ultimate claims and claim expense ratio and select an expected loss reporting pattern. The Company selects its estimates of the expected ultimate claims and claim expense ratios as described above and selects its expected loss reporting patterns by utilizing actuarial analysis, including management's judgment, and historical patterns of paid losses and reporting of case reserves to the Company, as well as industry loss development patterns. The estimated expected claims and claim expense ratio may be modified to the extent that reported losses at a given point in time differ from what would be expected based on the selected loss reporting pattern.

The reported chain ladder actuarial method utilizes actual reported losses and a loss development pattern to determine an estimate of ultimate losses that is independent of the initial expected ultimate loss ratio and earned premium. The Company believes this technique is most appropriate when there are a large number of reported losses with significant statistical credibility and a relatively stable loss development pattern. Information that may cause future loss development patterns to differ from historical loss development patterns is considered and reflected in the Company's selected loss development patterns as appropriate. For certain reinsurance contracts, historical loss development patterns may be developed from ceding company data or other sources.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

In addition, certain specialty coverages may be impacted by natural and man-made catastrophes. The Company estimates reserves for claim and claim expenses for these losses after the event giving rise to these losses occurs, following a process that is similar to its Property main class of business described above.

The following table details the Company's Casualty and Specialty main class of business incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2018, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										
	For the year ended December 31,										At December 31, 2018
Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2009	$ 102,234	$ 93,095	$ 91,832	$ 77,786	$ 74,884	$ 69,983	$ 69,328	$ 70,651	$ 72,010	$ 71,073	$ 5,935
2010	—	121,994	105,802	97,694	87,031	79,865	77,455	81,510	80,880	79,400	8,360
2011	—	—	124,872	109,816	96,870	77,173	72,975	68,680	63,742	66,549	16,774
2012	—	—	—	185,128	176,163	147,784	142,331	136,982	138,341	148,344	19,400
2013	—	—	—	—	181,733	155,633	145,291	132,762	123,070	119,493	20,452
2014	—	—	—	—	—	264,316	242,128	245,062	249,850	233,598	74,644
2015	—	—	—	—	—	—	216,699	218,638	244,180	226,466	72,258
2016	—	—	—	—	—	—	—	268,306	277,994	264,169	111,628
2017	—	—	—	—	—	—	—	—	373,756	384,320	259,285
2018	—	—	—	—	—	—	—	—	—	314,034	270,566
Total										$ 1,907,446	$ 859,302

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2009	$ 10,130	$ 20,967	$ 29,635	$ 37,905	$ 42,270	$ 50,156	$ 55,634	$ 56,810	$ 59,295	$ 59,571
2010	—	8,133	15,289	28,449	37,622	40,419	49,012	56,533	66,394	66,442
2011	—	—	6,817	15,294	20,805	29,934	35,775	40,649	42,756	44,838
2012	—	—	—	14,824	26,366	46,459	57,576	74,247	97,179	106,947
2013	—	—	—	—	5,377	24,434	40,237	56,034	71,041	82,040
2014	—	—	—	—	—	15,590	39,331	61,917	88,333	107,973
2015	—	—	—	—	—	—	6,681	24,694	67,360	105,446
2016	—	—	—	—	—	—	—	13,176	57,213	101,019
2017	—	—	—	—	—	—	—	—	22,574	69,022
2018	—	—	—	—	—	—	—	—	—	20,453
Total										$ 763,751
Outstanding liabilities from accident year 2008 and prior, net of reinsurance										228,868
Adjustment for unallocated claim expenses										17,823
Unamortized fair value adjustments recorded in connection with an acquisition										570
Liability for claims and claim expenses, net of reinsurance										$ 1,390,956

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Prior Year Development of the Reserve for Net Claims and Claim Expenses

The Company's estimates of claims and claim expense reserves are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends and other variable factors. Some, but not all, of the Company's reserves are further subject to the uncertainty inherent in actuarial methodologies and estimates. Because a reserve estimate is simply an insurer's estimate at a point in time of its ultimate liability, and because there are numerous factors that affect reserves and claims payments that cannot be determined with certainty in advance, the Company's ultimate payments will vary, perhaps materially, from its estimates of reserves. If the Company determines in a subsequent period that adjustments to its previously established reserves are appropriate, such adjustments are recorded in the period in which they are identified. On a net basis, the Company's cumulative favorable or unfavorable development is generally reduced by offsetting changes in its reinsurance recoverables, as well as changes to loss related premiums such as reinstatement premiums , all of which generally move in the opposite direction to changes in the Company's ultimate claims and claim expenses.

The following table details the Company's prior year development by main class of business of its liability for unpaid claims and claim expenses:

Year ended December 31,	2018	2017
	(Favorable) adverse development	(Favorable) adverse development
Property	$ (110,681)	$ (10,577)
Casualty and Specialty	(38,902)	37,303
Other	(197)	(1,114)
Total (favorable) adverse development of prior accident years net claims and claim expenses	$ (149,780)	$ 25,612

Changes to prior year estimated claims reserves increased the Company's net income by $149.8 million during 2018 (2017 - increased the Company's net loss by $25.6 million), excluding the consideration of changes in reinstatement, adjustment or other premium items, profit commissions and income tax.

During 2018, net favorable development of prior accident years net claims and claim expenses of $149.8 million included net favorable development of $110.7 million, $38.9 million and $0.2 million associated with the Company's Property, Casualty and Specialty and Other main classes of business, respectively. The net favorable development of prior accident years net claims and claim expenses associated with the Company's Property main class of business in 2018 was principally driven by $68.7 million of net decreases in the estimated ultimate losses associated with Hurricanes Harvey, Irma and Maria, the Mexico City Earthquake, the wildfires in California during the fourth quarter of 2017 and certain losses associated with aggregate loss contracts. The Company's Property main class of business also experienced net favorable development associated with a number of other small catastrophe events as well as attritional loss movements related to lines of business where the Company principally estimates net claims and claim expenses using traditional actuarial methods. The net favorable development on prior accident years net claims and claim expenses associated with the Company's Casualty and Specialty main class of business in 2018 was driven by the application of the Company's actuarial reserving methodology with attritional net claims and claim expenses reported coming in lower than expected on prior accident years events.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

During 2017, net adverse development of prior accident years net claims and claim expenses of $25.6 million included net adverse development of $37.3 million associated with the Company's Casualty and Specialty main class of business, partially offset by net favorable development of $10.6 million and $1.1 million associated with the Company's Property and Other main classes of business, respectively. The net adverse development on prior accident years net claims and claim expenses associated with the Company's Casualty and Specialty main class of business in 2017 was driven by $33.5 million of adverse development associated with the change in the discount rate used to calculate lump sum awards in U.K. bodily injury cases (the "Ogden Rate"), from 2.5%, to minus 0.75%. Notwithstanding the impact of the Ogden Rate change, the Company's Casualty and Specialty main class of business experienced $0.4 million of net favorable development related to actual reported losses coming in lower than expected on attritional net claims and claim expenses across a number of lines of business, partially offset by $4.2 million of adverse development associated with actuarial assumption changes.

The net favorable development of prior accident years net claims and claim expenses associated with the Company's Property main class of business in 2017 was principally driven by a number of relatively small net decreases in the estimated ultimate losses associated with a number of events from prior accident years.

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Reserve for Claims and Claim Expenses

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

At December 31, 2018	
Net reserve for claims and claim expenses	
Property	$ 747,501
Casualty and Specialty	1,390,956
Other	368
Total net reserve for claims and claim expenses	2,138,825
Reinsurance recoverable	
Property	1,112,379
Casualty and Specialty	448,589
Other	4,256
Total reinsurance recoverable	1,565,224
Total gross reserve for claims and claim expenses	$ 3,704,049

Historical Claims Duration

The following is unaudited supplementary information about average historical claims duration by main class of business:

	Average annual percentage payout of incurred claims by age, net of reinsurance (number of years)									
At December 31, 2018	1	2	3	4	5	6	7	8	9	10
Property	28.2%	16.1%	24.0%	10.4%	5.6%	3.7%	4.9%	1.0%	2.0%	0.2%
Casualty and Specialty	6.5%	11.9%	14.2%	12.5%	9.0%	11.4%	6.8%	6.0%	1.7%	0.4%

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Claims Frequency

Each of the Company's main classes of business are broadly considered to be assumed reinsurance, where multiple claims are often aggregated, perhaps multiple times through retrocessional reinsurance, before ultimately being ceded to the Company. In addition, the nature, size, terms and conditions of contracts entered into by the Company, changes from one accident year to the next and the quantum of contractual or policy limits, and accordingly the potential amount of claims and claim expenses associated with a reported claim, can range from nominal, to significant. These factors can impact the amount and timing of the claims and claim expenses to be recorded and accordingly, developing claim frequency information is highly subjective and is not prepared or utilized for internal purposes. In addition, the Company does not have direct access to claim frequency information underlying certain of its proportional contracts given the nature of that business. As a result, the Company does not believe providing claim frequency information is practicable as it relates to its proportional contracts.

Notwithstanding the factors noted above, the Company has developed claims frequency information associated with its excess of loss reinsurance contracts. As each accident year develops, the Company would expect the cumulative number of reported claims to increase in certain of its excess of loss reinsurance contracts, most notably in its Casualty and Specialty main class of business. In determining claims frequency for its excess of loss reinsurance contracts, the Company has made the following assumptions:

- Claims below the insured layer of a contract are excluded;
- If an insured loss event results in claims associated with a number of layers of a contract, the Company would consider this to be a single claim; and
- If an insured loss event results in claims associated with a number of the Company's operating subsidiaries, the Company considers each operating subsidiary to have a reported claim.

The following table details the Company's cumulative number of reported claims for its excess of loss reinsurance contracts allocated by main class of business:

	At December 31, 2018	
	Cumulative number of reported claims	
Accident Year	Property	Casualty and Specialty
2009	142	223
2010	231	284
2011	408	634
2012	206	838
2013	194	1,061
2014	149	1,506
2015	222	1,489
2016	346	1,153
2017	941	634
2018	385	197

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Assumed Reinsurance Contracts Classified As Deposit Contracts

Net claims and claim expenses incurred were reduced by $0.2 million during December 31, 2018 (2017 - $0.2 million) related to income earned on assumed reinsurance contracts that were classified as deposit contracts with underwriting risk only. Other income increased by $11.2 million during December 31, 2018 (2017 - $3.7 million) related to premiums and losses incurred on assumed reinsurance contracts that were classified as deposit contracts with timing risk only. Aggregate deposit liabilities associated with these contracts of $10.3 million are included in reinsurance balances payable at December 31, 2018 (2017 - $21.7 million).

NOTE 7. SHAREHOLDER'S EQUITY

The aggregate authorized capital of the Company is 200,000,000 common shares of $1.00 par value each.

During 2018, the Company returned capital of $272.3 million to its parent company, with $31.7 million recorded as return of capital payable to parent at December 31, 2018. The aggregate return of capital, including those payable to parent at December 31, 2018, was settled with $47.5 million of cash, and $224.8 million via the transfer of RIHL mandatorily redeemable preference shares.

During 2017, the Company's parent contributed $500.0 million in additional paid in capital, including $300.0 million in cash, and $100.0 million and $100.0 million via the transfer of RIHL and RIHL II mandatorily redeemable preference shares, respectively. In addition, the Company returned $127.0 million in additional paid in capital to its parent company, including $27.0 million in cash, and $50.0 million and $50.0 million via the transfer of RIHL and RIHL II mandatorily redeemable preference shares, respectively. Also during 2017, the Company declared aggregate dividends of $194.6 million to its parent company, with $22.8 million recorded as dividends payable to parent at December 31, 2017. The aggregate dividends, including those payable to parent at December 31, 2017, were settled with $71.8 million of cash, and $122.8 million via the transfer of RIHL mandatorily redeemable preference shares.

NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS

Amounts due to and from affiliates are non-interest bearing and payable on demand, or in accordance with the contractual terms of reinsurance-related transactions.

Reinsurance-Related Transactions

Renaissance Reinsurance has entered into a reinsurance agreement to cede a portion of its property catastrophe business to DaVinci Reinsurance Ltd. ("DaVinci"), a wholly-owned subsidiary of DaVinciRe Holdings Ltd., which is a minority-owned but controlled subsidiary of Renaissance Other Investments Holdings Ltd., which is a wholly-owned subsidiary of RenaissanceRe. During 2018, net earned premiums ceded under this agreement were $15.0 million (2017 - $2.7 million) and net claims and claim expenses recovered were $4.5 million (2017 - $6.4 million). At December 31, 2018, reinsurance recoverables were $41.1 million (2017 - $6.6 million), prepaid reinsurance premiums were $11.3 million (2017 - $0.9 million) and reinsurance balances payable were $3.1 million (2017 - $2.1 million).

NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

The Company had entered into a reinsurance agreement with RenaissanceRe Specialty U.S. Ltd. ("RenaissanceRe Specialty U.S."), a wholly-owned subsidiary of RenaissanceRe. Effective December 31, 2017, this reinsurance agreement with RenaissanceRe Specialty U.S. was cancelled on a cutoff basis. During 2018, net earned premiums assumed and net claims and claim expenses incurred under this agreement were $0.2 million and $2.5 million, respectively (2017 - $7.0 million and $4.5 million, respectively). At December 31, 2018, outstanding reserves for claims and claim expenses assumed under this agreement were $29.3 million (2017 - $36.1 million), unearned premium reserves were $0.0 million (2017 - $0.2 million) and premiums payable were $4.3 million (2017 - premiums payable were $2.3 million).

Renaissance Reinsurance has entered into fully-collateralized retrocessional reinsurance contracts with Upsilon RFO Re Ltd., a related party, to cede a portion of its worldwide aggregate and per-occurrence retrocessional property catastrophe excess of loss business. During 2018, net earned premiums ceded under these agreements were $59.0 million (2017 - $7.1 million) and net claims and claim expenses recovered were $30.9 million (2017 - $6.7 million). At December 31, 2018, losses recoverable under these agreements were $33.8 million (2017 - $6.7 million), prepaid reinsurance premiums for these agreements were $1.9 million (2017 - $0.4 million) and reinsurance balances payable were $4.3 million (2017 - $1.4 million).

The Company had entered into reinsurance agreements with Renaissance Reinsurance U.S. Inc. ("Renaissance Reinsurance U.S."), a wholly-owned subsidiary of RenaissanceRe and formerly known as Platinum Underwriters Reinsurance, Inc., which was acquired by RenaissanceRe as part of the acquisition of Platinum Underwriters Holdings, Ltd. ("Platinum") on March 2, 2015. In addition, Platinum Underwriters Bermuda, Ltd. ("Platinum Bermuda"), which was merged into Renaissance Reinsurance during 2016 had existing reinsurance agreements with Renaissance Reinsurance U.S. prior to the acquisition of Platinum by RenaissanceRe on March 2, 2015. Effective December 31, 2017, these reinsurance agreements with Renaissance Reinsurance U.S. were cancelled on a cutoff basis. During 2018, net earned premiums assumed and net claims and claim expenses recovered under these agreements were $0.7 million and $4.4 million, respectively (2017 - $202.6 million and assumed of $187.8 million, respectively). At December 31, 2018, outstanding reserves for claims and claim expenses assumed under these agreements were $232.9 million (2017 - $322.4 million), unearned premium reserves were $Nil (2017 - $Nil) and premiums payable were $18.0 million (2017 - $4.5 million).

Renaissance Reinsurance had entered into reinsurance with Top Layer Re whereby it agreed to cede 100% of certain specified business entered into with a third-party cedant. During 2018, the Company recorded $Nil, $0.2 million and $Nil of premiums ceded, premiums ceded earned, and net claims and claim expenses recovered, respectively, under these agreements (2017 - $0.9 million, $0.9 million, and $Nil, respectively). At December 31, 2018 and 2017, no balances remained outstanding with respect to these agreements on the Company's consolidated balance sheet.

The Company and subsidiaries of the Company's ultimate parent have entered into equity investments in the Tower Hill Companies, which are accounted for under the equity method of accounting. See "Note 3. Investments" for additional information regarding the Tower Hill Companies. As a result, the Tower Hill Companies are considered related parties to the Company. The Company has entered into reinsurance agreements with certain subsidiaries and affiliates of Tower Hill and has also entered into reinsurance agreements with respect to business produced by the Tower Hill Companies. During 2018, the Company recorded $35.5 million (2017 - $28.2 million) of gross premiums written assumed from Tower Hill and certain of its subsidiaries and affiliates. Gross premiums earned totaled $33.2 million (2017 - $24.4 million) and expenses incurred were $5.8 million (2017 - $3.8 million) for 2018 related to these contracts. During 2018, the Company assumed net claims and claim expenses of $79.9 million (2017 - $62.3 million) and, as of December 31, 2018, had a net reserve for claims and claim expenses of $81.3 million (2017 - $55.2 million). The Company had a net related outstanding receivable balance of $14.9 million as of December 31, 2018 (2017 - $9.4 million).

NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

Other Items

Included in other income is income from affiliates which relates to management, underwriting, investment management and administration functions performed for various related parties, totaling $15.9 million in 2018 (2017 - $8.6 million).

Under the terms of an administration agreement, the Company primarily reimburses RenaissanceRe Services Ltd., a wholly-owned subsidiary of RenaissanceRe, and certain other subsidiaries, for administrative services, office lease, investment and certain employee benefit plans on the basis of directly identifiable costs plus an allocation of other expenses. For the year ended December 31, 2018, net allocated costs and expenses to the Company were $90.5 million (2017 - $82.6 million).

During 2018, the Company entered into certain foreign exchange forward contracts on behalf of RenaissanceRe Upsilon Diversified Fund and RenaissanceRe Upsilon Diversified Co-Invest Fund (collectively referred to as "Upsilon"), each a related party. For each foreign exchange forward contract entered into by the Company on behalf of Upsilon, the Company and Upsilon entered into a transaction agreement to net settle each transaction, resulting in no net impact on the Company's consolidated statements of operations or financial position. During 2018, the Company recorded foreign exchange gains (losses) of $Nil associated with the transactions noted above. At December 31, 2018, the Company had a receivable of $9.6 million associated with the foreign exchange forward contracts and an offsetting payable of $9.6 million associated with transaction agreements. See "Note 11. Derivative Instruments" for additional information regarding derivative instruments entered into by the Company.

During 2018 the Company received distributions from Top Layer Re of $12.5 million (2017 - $20.0 million), and a management fee of $2.7 million (2017 - $2.7 million). The management fee reimburses the Company for services it provides to Top Layer Re and is included in operational expenses. The Company has committed capital to support a $37.5 million letter of credit facility for Top Layer Re (2017 - $37.5 million) and the Company is also obligated to make a mandatory capital contribution of up to $50.0 million (2017 - $50.0 million) in the event that a loss reduces Top Layer Re's capital and surplus below a specified level. The letters of credit are secured by cash and investments of similar amounts.

Major Customers

During the year ended December 31, 2018, the Company received 77.0% (2017 - 66.8%) of its gross premiums assumed from three reinsurance brokers. Subsidiaries and affiliates of AON, Marsh and Willis Towers Watson accounted for approximately 45.8%, 21.6% and 9.6%, respectively, of the Company's gross premiums assumed in 2018 (2017 - 42.9%, 16.2% and 7.7%, respectively).

NOTE 9. TAXATION

Under current Bermuda law, the Company is not subject to any income or capital gains taxes. In the event that such taxes are imposed, the Company would be exempted from any such tax until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, and Amended Acts of 1987 and 2011, respectively.

Renaissance Europe is subject to the tax laws of Ireland and the U.K.; RenaissanceRe CCL and Syndicate 1458 are subject to the tax laws of the U.K; the Singapore Branch is subject to the tax laws of Singapore; and the Switzerland Branch is subject to the tax laws of Switzerland.

The taxation balances related to Renaissance Europe, RenaissanceRe CCL, Syndicate 1458, the Singapore Branch and the Switzerland Branch are not material to the Company. In addition, Renaissance Reinsurance may be subject to income tax withholdings at source related to dividends on its equity investments trading. These amounts are currently immaterial.

NOTE 10. STATUTORY REQUIREMENTS

Renaissance Reinsurance

Renaissance Reinsurance is subject to insurance laws and regulations in Bermuda. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the BMA. Under the Insurance Act 1978, amendments thereto and related regulations of Bermuda (collectively, the “Insurance Act”), Renaissance Reinsurance is required to maintain certain measures of solvency and liquidity, including its minimum solvency margin (“MSM”), defined as the prescribed minimum amount by which the value of the assets of Renaissance Reinsurance must exceed the value of its liabilities, the breach of which represents an unacceptable level of risk and triggers the strongest supervisory actions.

In addition, Renaissance Reinsurance is required to maintain statutory capital and surplus at a level equal to or in excess of its enhanced capital requirement (“ECR”) which is established by reference to the Bermuda Solvency Capital Requirement (the “BSCR”) model. The BSCR is a mathematical model designed to give the BMA robust methods for determining an insurer’s capital adequacy. The ECR is equal to the greater of the MSM or required capital calculated by reference to the BSCR. The BMA has embedded the Economic Balance Sheet (“EBS”) framework in the Bermuda legislative and regulatory regime. The EBS is an input to the BSCR which determines Renaissance Reinsurance’s ECR. The EBS regime prescribes the use of financial statements prepared in accordance with GAAP as the basis on which statutory financial statements are prepared, and those statutory financial statements form the starting basis for the EBS.

Underlying the BSCR is the belief that all insurers should operate on an ongoing basis with a view to maintaining their capital at a prudent level in excess of the minimum solvency margin otherwise prescribed under the Insurance Act. Alternatively, under the Insurance Act, insurers may, subject to the terms of the Insurance Act and to the BMA’s oversight, elect to utilize an approved internal capital model to determine regulatory capital. In either case, ECR shall at all times equal or exceed the Class 4 insurer’s minimum solvency margin and may be adjusted in circumstances where the BMA concludes that the insurer’s risk profile deviates significantly from the assumptions underlying its ECR or the insurer’s assessment of its risk management policies and practices used to calculate ECR applicable to it.

Under the Insurance Act, Renaissance Reinsurance is defined as a Class 4 insurer. Class 4 insurers are prohibited from declaring or paying any dividends if in breach of the required minimum solvency margin or minimum liquidity ratio (the “Relevant Margins”) or if the declaration or payment of such dividend would cause the insurer to fail to meet the Relevant Margins. Where an insurer fails to meet its Relevant Margins on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the prior approval of the BMA. Further, Class 4 insurers are prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year’s statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the BMA an affidavit stating that it will continue to meet its Relevant Margins. Class 4 insurers must obtain the BMA’s prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year’s statutory financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to the solvency requirements under the Companies Act 1981, amendments thereto of Bermuda (the “Companies Act”) which apply to all Bermuda companies. In addition, an insurer engaged in general business is also required to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. The BMA has established a target capital level (“TCL”) which is set at 120% of the ECR. While Renaissance Reinsurance is not required to maintain statutory capital and surplus at this level, it serves as an early warning tool for the BMA, and failure to meet the TCL may result in additional reporting requirements or increased regulatory oversight. Renaissance Reinsurance has completed its 2018 BSCR, which must be filed with the BMA on or before April 30, 2019, and exceeds the target level of required economic statutory capital.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 10. STATUTORY REQUIREMENTS, cont'd.

The statutory capital and surplus, required minimum statutory capital and surplus and unrestricted net assets of Renaissance Reinsurance are detailed below:

At December 31,	2018	2017
Statutory capital and surplus (1)	$ 1,962,474	$ 1,962,500
Required statutory capital and surplus	610,171	558,854
Unrestricted net assets (2)	353,383	353,383

(1) Actual capital and surplus is based on the relevant insurer's statutory financial statements and required statutory capital and surplus is based on the MSM.
(2) Unrestricted net assets represents the amount of shareholders' equity that is permitted to be distributed in light of the statutory restrictions noted above, and the definition of distributable reserves and certain legal restrictions per the Companies Act.

At December 31, 2016, in accordance with established capital management practices, Renaissance Reinsurance declared a return of additional paid in capital of $192.4 million to its parent company and recorded a corresponding amount as return of capital payable to parent at December 31, 2016. Since the return of additional paid in capital exceeded 15% of Renaissance Reinsurance's total statutory capital, as set forth in its previous financial year's statutory financial statements, the Company applied for, and effective February 28, 2017, received approval from the BMA to reduce its statutory capital by an amount greater than 15%.

Syndicate 1458

RenaissanceRe CCL and Syndicate 1458 are subject to oversight by the Council of Lloyd's. RenaissanceRe Syndicate Management Limited is authorized by the U.K.'s Prudential Regulation Authority and regulated by the Financial Conduct Authority under the Financial Services and Markets Act 2000. Underwriting capacity of a member of Lloyd's must be supported by providing a deposit in the form of cash, securities or letters of credit, which are referred to as Funds at Lloyd's ("FAL"). This amount is determined by Lloyd's and is based on Syndicate 1458's solvency and capital requirement as calculated through its internal model. In addition, if the FAL are not sufficient to cover all losses, the Lloyd's Central Fund provides an additional level of security for policyholders. At December 31, 2018, the FAL requirement set by Lloyd's for Syndicate 1458 is £427.5 million (2017 - £405.8 million). Actual FAL posted for Syndicate 1458 at December 31, 2018 by RenaissanceRe CCL was £481.0 million, supported by a $180.0 million letter of credit and a $432.7 million deposit of cash and fixed maturity securities (2017 - actual FAL of £389.8 million, supported by a $180.0 million letter of credit and a $347.4 million deposit of cash and fixed maturity securities).

Renaissance Europe

Under the terms of Statutory Instrument 380 of 2006 ("S.I. 380"), the Company is required to prepare and file an annual return with the Central Bank of Ireland. S.I. 380 also requires the Company to maintain the higher of a Required Solvency Margin or Minimum Guarantee Fund. In addition, the Company is subject to the Solvency II capital regime. At December 31, 2018 the amount required to be maintained by Renaissance Europe was $4.1 million (2017 - $4.4 million) and the Available Solvency Margin to meet this requirement was $12.5 million (2017 - $12.8 million).

Singapore Branch

The Singapore Branch is licensed to carry on insurance business as a general reinsurer under the regulation of the Monetary Authority of Singapore pursuant to Singapore's Insurance Act. The activities of the Singapore Branch are primarily regulated by the Monetary Authority of Singapore pursuant to Singapore's Insurance Act. Additionally, the Singapore Branch is regulated by the Accounting and Corporate Regulatory Authority as a foreign company pursuant to Singapore's Companies Act. The activities and regulatory requirements of the Singapore Branch are not considered to be material to the Company.

NOTE 10. STATUTORY REQUIREMENTS, cont'd.

Switzerland Branch

The Switzerland Branch is considered a branch office of a foreign reinsurer, and is not regulated by the Swiss Financial Market Supervisory Authority. The activities and regulatory requirements of the Switzerland Branch are not considered to be material to the Company.

Multi-Beneficiary Reinsurance Trust

Renaissance Reinsurance is approved as a Trusteed Reinsurer in the state of New York and established an MBRT to collateralize its (re)insurance liabilities associated with U.S. domiciled cedants. The MBRT is subject to the rules and regulations of the state of New York and the respective deed of trust, including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at December 31, 2018 with respect to the MBRT totaled $1.2 billion (2017 - $1.2 billion), compared to the minimum amount required under U.S. state regulations of $1.1 billion (2017 - $1.1 billion).

Multi-Beneficiary Reduced Collateral Reinsurance Trust

Renaissance Reinsurance is approved as a “certified reinsurer” eligible for collateral reduction in California, Connecticut, Delaware, Florida, Indiana, Maryland and New York, and is authorized to provide reduced collateral equal to 50% of its net outstanding insurance liabilities to insurers domiciled in those states. Renaissance Reinsurance has established an RCT to collateralize its (re)insurance liabilities associated cedants domiciled in those states. Because the RCT was established in New York, it is subject to the rules and regulations of the state of New York including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at December 31, 2018 with respect to the RCT totaled $50.3 million (2017 - $49.4 million), compared to the minimum amount required under U.S. state regulations of $36.8 million (2017 - $39.7 million).

NOTE 11. DERIVATIVE INSTRUMENTS

From time to time, the Company may enter into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and speculation. The Company's derivative instruments can be exchange traded or over-the-counter, with over-the-counter derivatives generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event a party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

The tables below show the gross and net amounts of recognized derivative assets and liabilities at fair value, including the location on the consolidated balance sheets of the Company's principal derivative instruments:

	Derivative Assets					
At December 31, 2018	**Gross Amounts of Recognized Assets**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts of Assets Presented in the Balance Sheet**	**Balance Sheet Location**	**Collateral**	**Net Amount**
Interest rate futures	$ 1,200	$ —	$ 1,200	Other assets	$ —	$ 1,200
Foreign currency forward contracts (1)	14,206	2,155	12,051	Other assets	—	12,051
Total	$ 15,406	$ 2,155	$ 13,251		$ —	$ 13,251

	Derivative Liabilities					
At December 31, 2018	**Gross Amounts of Recognized Liabilities**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts of Liabilities Presented in the Balance Sheet**	**Balance Sheet Location**	**Collateral Pledged**	**Net Amount**
Interest rate futures	$ 977	$ —	$ 977	Other liabilities	$ —	$ 977
Foreign currency forward contracts (1)	3,327	—	3,327	Other liabilities	—	3,327
Total	$ 4,304	$ —	$ 4,304		$ —	$ 4,304

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

	Derivative Assets					
At December 31, 2017	**Gross Amounts of Recognized Assets**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts of Assets Presented in the Balance Sheet**	**Balance Sheet Location**	**Collateral**	**Net Amount**
Interest rate futures	$ 269	$ 269	$ —	Other assets	$ —	$ —
Foreign currency forward contracts (1)	3,350	285	3,065	Other assets	—	3,065
Total	$ 3,619	$ 554	$ 3,065		$ —	$ 3,065

	Derivative Liabilities					
At December 31, 2017	**Gross Amounts of Recognized Liabilities**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts of Liabilities Presented in the Balance Sheet**	**Balance Sheet Location**	**Collateral Pledged**	**Net Amount**
Interest rate futures	$ 316	$ 269	$ 47	Other liabilities	$ 47	$ —
Foreign currency forward contracts (1)	661	—	661	Other liabilities	—	661
Total	$ 977	$ 269	$ 708		$ 47	$ 661

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

The location and amount of the gain (loss) recognized in the Company's consolidated statements of operations related to the Company's principal derivative instruments are shown in the following table:

	Location of gain (loss) recognized on derivatives	**Amount of gain (loss) recognized on derivatives**	
Year ended December 31,		**2018**	**2017**
Interest rate futures	Net realized and unrealized losses on investments	$ (2,180)	$ (1,088)
Foreign currency forward contracts (1)	Net foreign exchange (losses) gains	2,883	9,261
Foreign currency forward contracts (2)	Net foreign exchange (losses) gains	—	(951)
Total		$ 703	$ 7,222

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.
(2) Contracts used to manage foreign currency risks in investment operations.

Interest Rate Futures

The Company uses interest rate futures within its portfolio of fixed maturity investments to manage its exposure to interest rate risk, which may result in increasing or decreasing its exposure to this risk. The fair value of these derivatives is determined using exchange traded prices. At December 31, 2018, the Company had $1.0 billion of notional long positions and $223.7 million of notional short positions of primarily U.S. and non-U.S. treasury futures contracts (2017 - $252.4 million and $183.7 million, respectively).

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

Foreign Currency Derivatives

The Company's functional currency is the U.S. dollar. The Company writes a portion of its business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses in the Company's consolidated financial statements. All changes in exchange rates, with the exception of non-monetary assets and liabilities, are recognized currently in the Company's consolidated statements of operations. Changes in the fair value of the Company's foreign currency derivatives are recognized in the consolidated statements of operations.

Underwriting Operations Related Foreign Currency Contracts

The Company's foreign currency policy with regard to its underwriting operations is generally to hold foreign currency assets, including cash, investments and receivables that approximate the foreign currency liabilities, including claims and claim expense reserves and reinsurance balances payable. When necessary, the Company may use foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with its underwriting operations. The fair value of the Company's underwriting operations related foreign currency contracts is determined using indicative pricing obtained from counterparties or broker quotes. At December 31, 2018, the Company had outstanding underwriting related foreign currency contracts of $313.6 million in notional long positions and $299.6 million in notional short positions, denominated in U.S. dollars (2017 - $194.3 million and $40.5 million, respectively).

Investment Portfolio Related Foreign Currency Forward Contracts

The Company's investment operations are exposed to currency fluctuations through its investments in non-U.S. dollar fixed maturity investments, short term investments and other investments. From time to time, the Company may employ foreign currency forward contracts in its investment portfolio to either assume foreign currency risk or to economically hedge its exposure to currency fluctuations from these investments. The fair value of the Company's investment portfolio related foreign currency forward contracts is determined using an interpolated rate based on closing forward market rates. At December 31, 2018, the Company had outstanding investment portfolio related foreign currency contracts of $Nil in notional long positions and $Nil in notional short positions, denominated in U.S. dollars (2017 - $Nil and $Nil, respectively).

Reinsurance Derivatives

Refer to "Note 4. Fair Value Measurements" for additional information related to reinsurance contracts accounted for at fair value.

NOTE 12. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS

Concentration of Credit Risk

Instruments which potentially subject the Company to concentration of credit risk consist principally of investments, including the Company's equity method investments, cash, premiums receivable and reinsurance balances. Except for U.S. treasuries, none of the Company's investments exceeded 10% of shareholder's equity at December 31, 2018. See "Note 5. Reinsurance" and "Note 6. Reserve for Claims and Claim Expenses" for additional information with respect to reinsurance recoverable.

NOTE 12. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS, cont'd.

Letters of Credit and Other Commitments

RenaissanceRe, the Company's ultimate parent, maintains a standby letter of credit facility with Wells Fargo, National Association (the "Wells Fargo Facility") which, as of December 31, 2018, provides for a secured, uncommitted facility under which letters of credit may be issued from time to time for certain of RenaissanceRe's operating subsidiaries and joint ventures, including the Company (the "Applicants"). The Applicants may draw down from the Wells Fargo Facility as required, so long as they provide eligible collateral and there are no specific allocations of the facility to the Applicants. At December 31, 2018, RenaissanceRe had $86.9 million of letters of credit with effective dates on or before December 31, 2018 outstanding under the Facility (2017 - $106.8 million), of which $27.1 million relates to the Company (2017 - $46.3 million). The letters of credit are secured by cash and investments of similar amounts.

Effective as of March 23, 2018, RenaissanceRe, the Company's ultimate parent, terminated the Standby Letter of Credit Agreement, dated as of May 19, 2015, among National Australia Bank Limited ("NAB") and Renaissance Reinsurance and other subsidiaries of RenaissanceRe (collectively, the "NAB Facility Applicants") (the "NAB Standby Letter of Credit Agreement"). The NAB Standby Letter of Credit Agreement provided for a secured, uncommitted facility under which letters of credit were issued from time to time for the respective accounts of the NAB Facility Applicants in multiple currencies. RenaissanceRe unconditionally guaranteed the payment obligations of the NAB Facility Applicants, other than DaVinci.

In addition, RenaissanceRe, the Company's ultimate parent, maintains a bilateral letter of credit facility (the "Bilateral Facility") which, as of December 31, 2018, provides a commitment to make available to certain of its operating subsidiaries and joint ventures (the "Bilateral Facility Participants") an aggregate amount of up to $300.0 million. The Bilateral Facility is scheduled to expire on December 31, 2020. The Bilateral Facility Participants may draw down from the Bilateral Facility as required, so long as they provide eligible collateral and there are no specific allocations of the facility to Bilateral Facility Participants. At December 31, 2018, RenaissanceRe had $243.7 million of letters of credit with effective dates on or before December 31, 2018 outstanding under the Bilateral Facility (2017 - $197.3 million), of which $58.5 million relates to the Company (2017 - $65.0 million). The letters of credit are secured by cash and investments of similar amounts.

Effective November 23, 2015, Renaissance Reinsurance entered into a letter of credit facility with Bank of Montreal ("BMO"), CEP and ING Bank N.V. ("ING") as lenders (the "Renaissance Reinsurance FAL Facility"), evidenced by a letter of credit reimbursement agreement (the "Reimbursement Agreement"), which provides for the issuance by the lenders of letters of credit to support business written by Syndicate 1458. Effective May 31, 2016, the Funds at Lloyd's letters of credit issued for the account of Renaissance Reinsurance were increased from $360.0 million and £85.0 million to $380.0 million and £90.0 million, respectively, and effective as of May 25, 2017, the stated amount of the $380.0 million letter of credit was reduced to $180.0 million and the £90.0 million letter of credit was cancelled. Renaissance Reinsurance may request that the Renaissance Reinsurance FAL Facility be amended to increase the stated amount of the letter of credit, or issue a new letter or credit denominated in British Pounds, in an aggregate amount for all such increases or issuances not to exceed $150.0 million or the equivalent thereof. At December 31, 2018, the face amount of the outstanding letter of credit issued by CEP under the Renaissance Reinsurance FAL Facility was $180.0 million (2017 - $180.0 million).

NOTE 12. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS, cont'd.

Effective November 24, 2014, RenaissanceRe Specialty Risks Ltd. ("RenaissanceRe Specialty Risks") and CEP entered into a letter of credit facility (the "Specialty Risks FAL Facility"), evidenced by a Master Agreement (the "Specialty Risks Master Agreement"), and a related Pledge Agreement (the "Specialty Risks Pledge Agreement"), which provided for the issuance and renewal by CEP for the account of RenaissanceRe Specialty Risks of letters of credit that are used to support business written by RenaissanceRe Specialty Risks and Syndicate 1458. Effective October 1, 2016, in connection with the merger of RenaissanceRe Specialty Risks and Platinum Bermuda into Renaissance Reinsurance, Renaissance Reinsurance assumed all of the obligations of RenaissanceRe Specialty Risks and Platinum Bermuda under the Specialty Risks FAL Facility. At all times during the term of the Specialty Risks FAL Facility, RenaissanceRe Specialty Risks has agreed to pledge to CEP certain qualifying securities with a value (determined as provided in the Specialty Risks Pledge Agreement) equal to the aggregate face amount of the then-outstanding letters of credit. The Specialty Risks Master Agreement and the Specialty Risks Pledge Agreement contain representations, warranties and covenants that are customary for facilities of this type. At December 31, 2018, letters of credit issued by CEP under the Specialty Risks FAL Facility were outstanding in the face amount of £Nil (2017 - £10.0 million).

See "Note 8. Related Party Transactions and Major Customers" for additional information related to a letter of credit facility and mandatory capital contribution for Top Layer Re.

Investment Commitments

See "Note 3. Investments" for additional information related to the Company's senior secured bank loan fund commitments.

Indemnifications and Warranties

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on past experience, management currently believes that the likelihood of such an event is remote.

NOTE 12. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS, cont'd.

Litigation

The Company is subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct insurance policies, as applicable. In the Company's industry, business litigation may involve allegations of underwriting or claims-handling errors or misconduct, disputes relating to the scope of, or compliance with, the terms of delegated underwriting agreements, employment claims, regulatory actions or other disputes. The Company may also directly or indirectly be subject to claims litigation involving disputed interpretations of policy coverages. In addition, the Company may from time to time engage in litigation or arbitration related to its claims for payment in respect of ceded reinsurance, including disputes that challenge the Company's ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate accordingly. Currently, the Company believes that no individual litigation or arbitration to which the Company is presently a party is likely to have a material adverse effect on the Company's financial condition, business or operations.

NOTE 13. SUBSEQUENT EVENTS

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2018, through April 26, 2019, the date the consolidated financial statements were available to be issued.