Hamilton Re, Ltd.

Consolidated Financial Statements

For the Year Ended November 30, 2019

Hamilton Re, Ltd.

Table of Contents

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Report of Independent Auditors

The Shareholder
Hamilton Re, Ltd.

We have audited the accompanying consolidated financial statements of Hamilton Re, Ltd. (the Company), which comprise the consolidated balance sheets as of November 30, 2019 and 2018, and the related consolidated statements of operations, shareholder's equity and cash flows for the years ended November 30, 2019 and 2018, and the eleven months ended November 30, 2017, 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 Hamilton Re, Ltd. at November 30, 2019 and 2018, and the consolidated results of its operations and its cash flows for the years ended November 30, 2019 and 2018, and the eleven months ended November 30, 2017 in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred losses and allocated loss adjustment expenses, net of reinsurance and cumulative paid losses and allocated loss adjustment expenses, net of reinsurance for the years ending 2018 and prior, and the average annual percentage payout of incurred losses by age, net of reinsurance which are on pages 21 through 23 be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the consolidated 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.

February 7, 2020

Hamilton Re, Ltd.
Consolidated Balance Sheets

(Expressed in thousands of United States Dollars, except share information)	November 30, 2019	November 30, 2018
Assets		
Fixed maturity investments, at fair value (amortized cost: 2019, $359,709; 2018, $140,150)	$ 362,507	$ 138,829
Short term investments, at fair value (amortized cost: 2019 $748,935; 2018, $1,111,068)	749,633	1,112,098
Investments in Two Sigma Funds, at fair value (cost: 2019 $633,548; 2018, $494,193)	659,800	726,305
Total investments	1,771,940	1,977,232
Cash and cash equivalents	556,921	465,050
Restricted cash	9,214	4,207
Premiums receivable	382,067	300,827
Paid loss recoverable	9,463	9,856
Deferred acquisition costs	48,930	48,223
Unpaid losses and loss adjustment expenses recoverable	437,137	361,994
Receivable for investments sold	45,036	23,526
Prepaid reinsurance	43,692	37,013
Intercompany receivable	2,296	7,400
Intangible assets	3,654	4,135
Other assets	6,151	5,216
Total assets	$ 3,316,501	$ 3,244,679
Liabilities, non-controlling interest, and shareholder's equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	$ 1,165,129	$ 957,823
Unearned premiums	240,214	220,424
Reinsurance balances payable	142,529	95,068
Payable for investments purchased	73,395	74,899
Accounts payable and accrued expenses	15,575	17,109
Payable to related party	—	119,773
Intercompany payable	2,672	474
Total liabilities	1,639,514	1,485,570
Non-controlling interest – TS Hamilton Fund	177	385
Shareholder's equity:		
Common Shares:		
Par value $0.01; authorized, issued and outstanding 100,000,000 common shares	1,000	1,000
Additional paid-in capital	917,000	917,000
Retained earnings	758,810	840,724
Total shareholder's equity	1,676,810	1,758,724
Total liabilities, non-controlling interest, and shareholder's equity	$ 3,316,501	$ 3,244,679

See accompanying notes to the consolidated financial statements.

Hamilton Re, Ltd.
Consolidated Statements of Operations
For the Years Ended November 30, 2019 and 2018 and the Eleven Months Ended November 30, 2017

(Expressed in thousands of United States Dollars)	2019	2018	2017
Revenues			
Gross premiums written	$ 562,397	$ 500,759	$ 457,667
Reinsurance premiums ceded	(162,614)	(123,091)	(112,029)
Net premiums written	399,783	377,668	345,638
Net change in unearned premiums	(13,111)	8,614	(36,884)
Net premiums earned	386,672	386,282	308,754
Net investment income	204,375	573,664	203,390
Other income (loss)	380	(92)	9
Net foreign exchange gains (losses)	(2,071)	525	2,318
Total revenues	589,356	960,379	514,471
Expenses			
Losses and loss adjustment expenses	313,113	336,087	303,468
Acquisition costs	101,068	96,952	87,906
General and administrative expenses	37,339	33,892	28,024
Interest expense	5,847	6,108	5,248
Total expenses	457,367	473,039	424,646
Income before income tax	131,989	487,340	89,825
Income tax	8,078	9,395	9,113
Net income	123,911	477,945	80,712
Non-controlling interest	67,825	232,004	60,884
Net income attributable to common shareholder	$ 56,086	$ 245,941	$ 19,828

See accompanying notes to the consolidated financial statements.

Hamilton Re, Ltd.
Consolidated Statements of Shareholder's Equity
For the Years Ended November 30, 2019 and 2018 and the Eleven Months Ended November 30, 2017

(Expressed in thousands of United States Dollars)	2019	2018	2017
Common shares			
Balance, beginning of period	$ 1,000	$ 1,000	$ 1,000
Issuance of common shares	—	—	—
Balance, end of period	$ 1,000	$ 1,000	$ 1,000
Additional paid-in capital			
Balance, beginning of period	$ 917,000	$ 917,000	$ 917,000
Capital contribution	—	—	—
Balance, end of period	$ 917,000	$ 917,000	$ 917,000
Retained earnings			
Balance, beginning of period	$ 840,724	$ 644,783	$ 634,955
Net income	123,911	477,945	80,712
Dividends declared	(138,000)	(50,000)	(10,000)
Non-controlling interest	(67,825)	(232,004)	(60,884)
Balance, end of period	$ 758,810	$ 840,724	$ 644,783
Total shareholder's equity	$ 1,676,810	$ 1,758,724	$ 1,562,783

See accompanying notes to the consolidated financial statements.

Hamilton Re, Ltd.
Consolidated Statements of Cash Flows
For the Years Ended November 30, 2019 and 2018 and the Eleven Months Ended November 30, 2017

(Expressed in thousands of United States Dollars)	2019	2018	2017
Operating activities			
Net income	$ 123,911	$ 477,945	$ 80,712
Adjustments to reconcile net income to net cash from (used in) operating activities:			
Depreciation	3,105	2,996	1,836
Loss on disposal of fixed assets	(1)	48	—
Interest accretion	(327)	(102)	—
Net realized gains on investments	(442,864)	(519,122)	(180,671)
Net unrealized (gains) losses on investments	202,073	(99,419)	(67,563)
Other items	86	1,113	(3,336)
Change in:			
Premiums receivable	(81,240)	(104,145)	(59,292)
Paid loss recoverable	393	2,341	(12,197)
Deferred acquisition costs	(707)	5,677	(6,613)
Prepaid reinsurance	(6,679)	3,413	(13,995)
Unpaid losses and loss adjustment expenses recoverable	(75,143)	(143,813)	(190,345)
Other assets	(1,613)	(1,016)	(15,223)
Reserve for losses and loss adjustment expenses	207,306	310,705	405,567
Unearned premiums	19,790	(12,027)	50,879
Reinsurance balances payable	47,461	39,656	40,970
Intercompany balances	7,302	(35,801)	38,883
Accounts payable and accrued expenses	(1,534)	1,323	16,719
Incentive fee payable to related party	(119,773)	119,773	(23,640)
Net cash from (used in) operating activities	$ (118,454)	$ 49,545	$ 62,691
Investing activities			
Proceeds from redemptions from Two Sigma Funds	$ 2,224,760	$ 2,338,794	$ 1,836,908
Contributions to Two Sigma Funds	(1,944,419)	(1,683,360)	(1,559,206)
Purchases of fixed maturity investments	(732,950)	(223,279)	—
Proceeds from sales, redemptions and maturity of fixed maturity investments	508,876	83,082	—
Purchases of short term investments	(2,730,654)	(3,727,277)	(1,837,824)
Proceeds from sale of short term investments	3,120,797	3,161,372	2,017,365
Receivables for investments sold	(21,510)	(9,775)	—
Payables for investments purchased	(1,504)	61,152	—
Purchases of fixed assets and development of intangible assets	(1,947)	(5,601)	(1,297)
Other	2	2	2
Net cash from (used in) investing activities	$ 421,451	$ (4,890)	$ 455,948
Financing activities			
Repayment of notes payable	$ —	$ —	$ (20,000)
Withdrawal of non-controlling interest	(68,033)	(242,180)	(58,742)
Dividends paid	(138,000)	(50,000)	(10,000)
Net cash used in financing activities	$ (206,033)	$ (292,180)	$ (88,742)
Effect of exchange rate changes on cash and cash equivalents	$ (86)	$ (1,113)	$ 3,336
Net increase (decrease) in cash and cash equivalents	$ 96,878	$ (248,638)	$ 433,233
Cash and cash equivalents and restricted cash, beginning of period	469,257	717,895	284,662
Cash and cash equivalents and restricted cash, end of period	$ 566,135	$ 469,257	$ 717,895
Net income taxes paid	$ 10,190	$ 9,871	$ 7,342
Interest paid	$ 5,852	$ 6,018	$ 4,783

See accompanying notes to the consolidated financial statements.

1. Organization

Hamilton Re, Ltd. ("Hamilton Re") was incorporated in Bermuda on June 8, 2012, and is a wholly-owned subsidiary of Hamilton Insurance Group, Ltd. ("Hamilton Group"), a Bermuda domiciled holding company.

Hamilton Re is licensed as a Class 4 insurer in Bermuda and writes property and casualty insurance and reinsurance on a global basis. Lines of business written by Hamilton Re include, but are not limited to, property catastrophe, property, marine & energy, professional liability, excess casualty, motor and agriculture. In 2017, Hamilton Re established a special purpose insurer, Turing Re Ltd. ("Turing Re"), funded by third party investors to provide collateralized reinsurance capacity for Hamilton Re’s property treaty business.

Two Sigma Hamilton Fund, LLC ("TS Hamilton Fund"), a Delaware limited liability company, was formed in October 2013. On December 23, 2013, Hamilton Re entered into a limited liability company agreement with TS Hamilton Fund and Two Sigma Principals, LLC (the "Managing Member") as the managing member of TS Hamilton Fund. Hamilton Re initially committed to invest all of its investable assets in TS Hamilton Fund, other than a portion thereof that it held in cash and cash equivalents as a liquidity buffer. Commencing in 2017, Hamilton Re’s commitment was reduced to require that its investment in TS Hamilton Fund is equal to 95% of the consolidated net tangible assets of Hamilton Group. TS Hamilton Fund has engaged Two Sigma Investments, LP ("Two Sigma"), a Delaware limited liability company and a related party, to serve as its investment manager for a term ending on December 31, 2021. Two Sigma is a United States Securities and Exchange Commission ("SEC") registered investment adviser specializing in quantitative analysis. Although Two Sigma has broad discretion to allocate invested assets to different opportunities, the current strategy is focused on highly diversified liquid positions in global equities, futures and foreign exchange markets.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The financial statements include the accounts of Hamilton Re, Hamilton Insurance Services (Bermuda), Ltd. and TS Hamilton Fund (collectively, "the Company"). All significant intercompany transactions and balances have been eliminated on consolidation. Certain comparative information has been reclassified to conform to the current presentation.

Fiscal year end change

In 2017, the Company changed its fiscal year end to November 30. Audited results for the years ended November 30, 2019 and 2018 are both for twelve-month periods. Audited results for the 2017 comparative Consolidated Statements of Operations, Consolidated Statements of Shareholder's Equity and Consolidated Statements of Cash Flows are for the eleven month period ended November 30, 2017.

(b) Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The major estimates recorded in the Company’s financial statements include, but are not limited to, premiums written, the reserve for losses and loss adjustment expenses and the fair value of investments.

(c) Fair Value Measurements

Financial Instruments Subject to Fair Value Measurements

Accounting guidance over fair value measurements requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the “exit price”). Instruments that the Company owns are marked to bid prices. Fair value measurements are not adjusted for transaction costs

Basis of Fair Value Measurements

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

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Details on assets and liabilities that have been included under the requirements of authoritative guidance on fair value measurements to illustrate the bases for determining the fair values of these items held by the Company are included in each respective section of this significant accounting policies note.

The Company’s fixed maturity and short term 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 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 Level 2 inputs as they are corroborated with other market observable inputs.

(d) Premiums and Acquisition Costs

Premiums written and ceded on a losses occurring basis are earned pro-rata over the terms of the related contracts and policies For contracts written on a risks attaching basis, premiums written and ceded are earned over the terms of the underlying contracts and policies. Premiums written and ceded include estimates based on information received from insureds, brokers and ceding companies, and any subsequent differences arising on such estimates are recorded in the periods in which they are determined. The portion of the premiums written and ceded applicable to the unexpired terms of the underlying contracts and policies are recorded as unearned premiums and prepaid reinsurance premiums, respectively. Amounts are computed by pro-rata methods based on statistical data or reports received from insureds, brokers or 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 expenses are costs that vary with and are directly related to the successful acquisition of new or renewal business, and consist principally of commissions, brokerage and premium tax expenses. These costs are deferred and amortized over the periods in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated losses and loss expenses, based on historical and current experience, and anticipated net investment income related to the premiums are considered in determining the recoverability of deferred acquisition costs.

(e) Reinsurance

In the normal course of business, the Company seeks to reduce the potential amount of loss arising from claims events by reinsuring certain levels of risk with other insurers or reinsurers. Ceded reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Prepaid reinsurance represents the portion of premiums ceded to reinsurers applicable to the unexpired coverage terms of the reinsurance contracts in place. Amounts recoverable from reinsurers are estimated based on the terms and conditions of the reinsurance contracts, in a manner consistent with the underlying liabilities insured or reinsured. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the periods in which they are determined. Amounts recoverable from reinsurers are recorded net of a valuation allowance for estimated uncollectible recoveries.

(f) Reserve for Losses and Loss Adjustment Expenses

The reserve for losses and loss adjustment expenses includes reserves for unpaid reported losses and for losses incurred but not reported ("IBNR"). The reserve for unpaid reported losses and loss expenses is established by management based on reports from insureds, brokers and ceding companies, and represents the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Company. The reserve for IBNR losses and loss expenses is established by management based on estimates of ultimate losses and loss expenses.

Inherent in the estimates of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors, which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the 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 recorded in earnings in the periods in which they become known.

(g) Cash and Cash Equivalents

Cash and cash equivalents include money market funds and highly liquid short term deposits and securities with maturities of 90 days or less at the time of purchase. Bank deposits are not considered to be fair value measurements and as such are not subject to the authoritative guidance on fair value measurement disclosures. Money market funds are classified as Level 1 as these instruments are considered actively traded; however, certificates of deposit are classified as Level 2.

Restricted cash primarily relates to funds held in trust supporting a portion of the Lloyd's capital requirements.

(h) Investments

Investments – Trading

The Company elects the fair value option for all of its fixed maturities, short term investments, equities and certain other invested assets (excluding those that are accounted for using specialized Investment Company accounting as noted below). All changes in the fair value of investments are recorded within net investment income in the Consolidated Statements of Operations.

All investment transactions are recorded on a trade date basis and are valued using pricing data received from third parties. Realized gains or losses on sales of investments are determined on a weighted average basis. Investment income is recognized when earned and includes interest and dividend income, recorded as of the ex-dividend date, together with the amortization of premium and discount on fixed maturities and short term investments computed using the effective yield method. Net investment income includes related investment expenses.

Short Term Investments

Short term investments comprise securities with a maturity greater than three months but less than one year from the date of purchase.

Investments in Two Sigma Funds

TS Hamilton Fund invests in Two Sigma Funds ("Two Sigma Funds"), which are stated at their estimated fair values, that generally represent the Company's proportionate interest in the members' equity of the Two Sigma Funds as reported by the respective funds based on the net asset value ("NAV") provided by the fund administrator. The Company accounts for its investment in Two Sigma Funds under the variable interest model at NAV as a practical expedient for fair value in the Consolidated Balance Sheets. Increases or decreases in such fair values are recorded within net investment income in the Consolidated Statements of Operations. Realized gains or losses upon any redemptions of investments in the Two Sigma Funds are calculated using the weighted average method. The assets and liabilities of the Two Sigma Funds are recorded at fair value, or at amounts approximating fair value. The Company records contributions and withdrawals related to its investments in the Two Sigma Funds on the transaction date.

The specialized investment company accounting as described above is retained in the Company's consolidated financial statements upon consolidation of TS Hamilton Fund.

(i) Foreign Exchange

The Company's functional currency is the U.S. Dollar. Monetary assets and liabilities denominated in foreign currencies are revalued into the functional currency at the exchange rates in effect at the balance sheet date with the resulting foreign exchange gains and losses included in earnings. Revenues and expenses denominated in foreign currencies are revalued at the prevailing exchange rate on the transaction date.

(j) Stock-Based Compensation

Hamilton Group issues restricted stock units, performance stock units, restricted stock, warrants and options, and may issue other equity-based awards to employees of Hamilton Re. The fair value of the compensation cost is measured at the grant date and expensed over the period for which the employee is required to provide services in exchange for the award. For awards subject to graded vesting, the awards are separated into vesting tranches, which are amortized over their respective vesting periods. The fair value of awards with performance conditions is remeasured at each reporting period with any changes in the expected outcome of the performance conditions recorded in compensation expense by a cumulative catch-up adjustment to apply the revised estimate. Forfeitures are recognized as they occur.

(k) Variable Interest Entities

The Company accounts for variable interest entities ("VIE") in accordance with GAAP guidance, which requires the consolidation of all VIEs by the primary beneficiary, that being the investor that has the power to direct the activities of the VIE and will absorb a majority of the VIE's expected losses or residual returns. The Company determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers: (i) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders; (ii) the VIE's capital structure; (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE; (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE; and (vi) related party relationships. The Company reassesses its initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events. The Company also reassesses its determination of whether the Company is the primary beneficiary of a VIE upon changes in facts and circumstances that could potentially alter the Company's assessment.

(l) Non-Controlling Interest

The share classes related to the redeemable non-controlling interest portion of TS Hamilton Fund are not considered liabilities in accordance with GAAP and have redemption features that are not solely within the control of TS Hamilton Fund. Therefore, the redeemable non-controlling interest in TS Hamilton Fund is presented in the mezzanine section on the Company's Consolidated Balance Sheets. The net income (loss) attributable to non-controlling interest is presented separately in the Company's Consolidated Statements of Operations. Refer to Note 4, *Variable Interest Entity,* for further discussion of non-controlling interest in the Company.

(m) Income Taxes

The Company recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained upon audit by tax authorities. Recognized income tax positions would be measured at the largest amount that is greater than 50 percent likely of being realized. Changes in recognition or measurement are recorded in the period in which the change in judgment occurs. The Company would recognize accruals for any interest and penalties related to underpaid taxes in income tax expenses.

(n) Recent Accounting Pronouncements

In December 2019, the FASB issued updated accounting guidance that simplifies accounting for income taxes, changes the accounting for certain income tax transactions and makes minor improvements to the accounting guidance. This guidance is effective for annual reporting periods beginning after December 15, 2021 for private companies. Early adoption is permitted. This guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

In October 2018, the FASB issued updated accounting guidance permitting private companies to elect not to apply VIE guidance to legal entities under common control if both the parent and the legal entity being evaluated for consolidation are not public businesses. The guidance is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. The Company has determined that it will not elect the private company option, and therefore this guidance is not expected to have an impact on the Company's results of operations, financial position or cash flows.

In August 2018, the FASB issued updated accounting guidance on the treatment of fees paid by a customer in a cloud computing arrangement. The guidance specifies that if a license is included in the arrangement, the related costs should be recorded on the balance sheet; if no license is included, the costs should be expensed. The guidance is effective for annual reporting periods beginning after December 15, 2020. Early adoption is permitted. This guidance is not expected to have an impact on the Company's results of operations, financial position or cash flows.

In August 2018, the FASB issued updated accounting guidance to simplify and streamline fair value disclosures by eliminating certain disclosures, while enhancing the usefulness of information about investments in Level 3 of the fair value hierarchy. The enhancements include disclosure of transfers into and out of Level 3; the changes in unrealized gains and losses for the period included in other comprehensive income related to assets and liabilities in Level 3 at the end of the reporting period; and the range and weighted average of significant observable inputs used to develop Level 3 fair values. The guidance is effective for fiscal years beginning after December 31, 2019. Early adoption of removed or modified disclosures is permitted, while still implementing additional disclosures on their effective date. This guidance relates to disclosures and will not have an impact on the Company's results of operations, financial position or cash flows.

In November 2016, the FASB issued updated accounting guidance to address diversity in the classification and presentation of restricted cash in the Consolidated Statements of Cash Flows. The guidance requires that the Consolidated Statements of Cash Flows explain the change in total cash and cash equivalents and restricted cash. This guidance is effective for annual periods beginning after December 15, 2018, and early adoption is permitted, including adoption in an interim period. The Company adopted the guidance in 2019 using a retrospective transition method by disclosing restricted cash balances as a separate line item on the balance sheet and including restricted cash in the total balance explained by the Consolidated Statements of Cash Flows.

In June 2016 (further clarified in November 2019), the FASB issued updated accounting guidance that replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to record credit loss estimates. This guidance is effective for annual periods beginning after December 15, 2022 for private companies. Early adoption is permitted for annual periods beginning after December 15, 2018. This guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

In February 2016 (further clarified in July 2018 and November 2019), the FASB issued updated accounting guidance that applies to any entity that enters into a lease that does not meet certain scope exceptions. The guidance requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The Company expects that, as a lessee, the primary impact to the Company will be the gross-up of the balance sheet by recognition of an operating lease liability in respect of future lease payments and the associated right-of-use asset in respect of the right to use the underlying asset for the lease term. This guidance is effective for years beginning after December 15, 2020 for private companies. Early adoption is permitted. This guidance is not expected to have a material impact on the Company's results of operations, financial position or cash flows.

In May 2014, the FASB issued updated accounting guidance that 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 in a manner that depicts 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. It also provides guidance on accounting for certain contract costs and will also require new disclosures. The Company adopted this guidance in 2019 and it did not have a material impact on the Company's results of operations, financial position or cash flows.

3. Investments

Fixed Maturity and Short Term Investments - Trading

The Company's fixed maturity and short term investments at November 30, 2019 and 2018 are as follows:

	2019			
(Expressed in thousands of United States Dollars)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:				
U.S. government treasuries	$ 172,578	$ 1,774	$ (29)	$ 174,323
Non-U.S. sovereign governments	2,606	39	(3)	2,642
Corporate	117,271	702	(109)	117,864
Residential mortgage-backed securities - Agency	45,454	251	(63)	45,642
Commercial mortgage-backed securities - Non-agency	8,226	148	(17)	8,357
Other asset-backed securities	13,574	108	(3)	13,679
Total fixed maturities	359,709	3,022	(224)	362,507
Short term investments	748,935	849	(151)	749,633
Total	$ 1,108,644	$ 3,871	$ (375)	$ 1,112,140

	2018			
(Expressed in thousands of United States Dollars)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturities:				
U.S. government treasuries	$ 26,133	$ 28	$ (92)	$ 26,069
Non-U.S. sovereign governments	5,329	19	(135)	5,213
Corporate	45,392	7	(735)	44,664
Residential mortgage-backed securities - Agency	44,483	6	(359)	44,130
Commercial mortgage-backed securities - Non-agency	4,796	—	(34)	4,762
Other asset-backed securities	14,017	—	(26)	13,991
Total fixed maturities	140,150	60	(1,381)	138,829
Short term investments	1,111,068	1,049	(19)	1,112,098
Short term investments	$ 1,251,218	$ 1,109	$ (1,400)	$ 1,250,927

The Company's fixed maturity and short term investments are considered to be Level 2 in the fair value hierarchy.

Contractual Maturities Summary

Contractual maturities of fixed maturity securities at November 30, 2019 are presented 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.

(Expressed in thousands of United States Dollars)	Amortized Cost	Fair Value
Due less than one year	$ 1,496	$ 1,502
Due after one through five years	267,688	269,895
Due after five through ten years	23,271	23,432
Due after ten years	—	—
Mortgage backed	53,680	53,999
Asset backed	13,574	13,679
Total	$ 359,709	$ 362,507

Investments in Two Sigma Funds

The Company's investments in Two Sigma Funds at November 30, 2019 and 2018 are as follows:

	2019			2018		
(Expressed in thousands of United States Dollars)	Cost	Net Unrealized Gains (Losses)	Fair Value	Cost	Net Unrealized Gains (Losses)	Fair Value
Two Sigma Futures Portfolio, LLC (FTV)	$ 271,569	$ (20,674)	$ 250,895	$ 178,046	$ 97,034	$ 275,080
Two Sigma Spectrum Portfolio, LLC (STV)	234,723	35,283	270,006	316,147	135,078	451,225
Two Sigma Equity Spectrum Portfolio, LLC (ESTV)	127,256	11,643	138,899	—	—	—
Total	$ 633,548	$ 26,252	$ 659,800	$ 494,193	$ 232,112	$ 726,305

The Company, through its investments in FTV, STV and ESTV, seeks to achieve absolute dollar-denominated returns on a substantial capital base primarily by combining multiple hedged and leveraged systematic investment strategies with proprietary risk management and execution techniques. These systematic strategies include, but are not limited to, technical and statistically-based, fundamental-based, event-based, market condition-based and spread-based strategies as well as contributor-based and/or sentiment-based strategies and blended strategies. FTV primarily trades equity securities, global futures and foreign exchange contracts, options, swap contracts, exchange traded funds and government debt securities. STV and ESTV primarily trade equity securities, swap contracts and foreign currency forward contracts. At November 30, 2019, the Company owns 10.4%, 19.0% and 10.0% of the LLC interests in each of the FTV, STV and ESTV funds respectively.

The following table summarizes certain investments of FTV, STV and ESTV where TS Hamilton Fund's proportionate share of the fair value of the investment represents more than 5% of TS Hamilton Fund's members' equity at November 30, 2019:

(Expressed in thousands of United States Dollars, except for share figures)	Principal/ Shares (1)	Fair Value (1)	% of Members' Equity
U.S. Treasury Securities, 0.000%- 3.500%, due 12/17/19 - 11/15/20	$ 950,260	$ 948,750	53.1 %
State Street Treasury Obligations Money Market Fund	137,400	137,400	7.7 %
U.S. Treasury Securities, 0.000%- 2.375%, due 11/30/21 - 11/15/49	(207,720)	(208,059)	(11.7)%

(1) Values represent TS Hamilton Fund's proportionate share of the aggregate of FTV, STV and ESTV total holdings (expressed in thousands).

The components of net investment income for the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017 are as follows:

(Expressed in thousands of United States Dollars)	2019	2018	2017
Investment income:			
Net realized gains on investments	$ 442,864	$ 519,122	$ 180,671
Change in net unrealized gains (losses) on investments	(202,073)	99,419	67,563
Interest	22,566	11,497	5,043
Total investment income	$ 263,357	$ 630,038	$ 253,277
Investment expenses:			
Management fees	(58,322)	(55,747)	(49,352)
Other expenses	(660)	(627)	(535)
Total expenses	(58,982)	(56,374)	(49,887)
Net investment income	$ 204,375	$ 573,664	$ 203,390

Two Sigma and the Managing Member are related parties to the Company (see Note 1, *Organization*). The investment management agreement with Two Sigma requires TS Hamilton Fund to incur a management fee of 3% per annum. The management fee for the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017 was $58.0 million, $55.7 million and $49.4 million, respectively. Under the terms of the limited liability company agreement between Hamilton Re and the Managing Member, the Managing Member is entitled to an incentive allocation equal to 30% of TS Hamilton Fund's net profits, subject to high watermark provisions, and adjusted for withdrawals, and any incentive allocation to the Managing Member; provided, however, that in the event there is a net loss during a quarter and a net profit during any subsequent quarter, the Managing Member is entitled to a modified incentive allocation whereby the regular incentive allocation will be reduced by 50% until subsequent cumulative net profits are credited in an amount equal to 200% of the previously allocated net losses.

The Managing Member is also entitled to receive an additional incentive allocation as of the end of each fiscal year (or on any date Hamilton Re withdraws all or a portion of its capital), in an amount equal to 20% of the Excess Profits; where "Excess Profits" for any given fiscal year (or other such accounting period) means the net profits over 15% for such fiscal year, net of management fees and expenses and gross of incentive allocations, but only after recouping previously unrecouped net losses. To the extent Hamilton Re contributes capital other than at the beginning of a fiscal year or withdraws capital other than at the end of a fiscal year, the additional incentive allocation hurdle with respect to such capital is prorated.

The aggregate incentive allocation (inclusive of the additional incentive allocation) for the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017 was $67.8 million, $231.9 million and $60.3 million, respectively.

Hamilton Re has a commitment with TS Hamilton Fund to maintain at least approximately 93% of its investable assets in TS Hamilton Fund for a period (the "Commitment Period"), subject to certain circumstances and the liquidity options described below, with the Commitment Period ending on December 31, 2021. The Commitment Period will automatically renew for a new three-year period on an annual basis unless Hamilton Re or the Managing Member provide advance notice of non-renewal. The commitment is subject to a waiver that permits Hamilton Re to maintain a minimum investment in TS Hamilton equal to 95% of the consolidated net tangible assets of Hamilton Group. The waiver is applicable to December 31, 2020, is intended to automatically renew annually, and may be revoked by the Managing Member in its sole discretion upon 90 days' prior written notice. The TS Hamilton Fund generally has two liquidity options, subject to Hamilton Re's minimum investment commitment, which are as follows:

Monthly liquidity - Subject to certain conditions, Hamilton Re may request a whole or partial withdrawal of its capital account, no later than fifteen days prior to the end of a calendar month, effective as of the last day of such calendar month.

Daily liquidity - Subject to certain limited circumstances, including the need to meet obligations pursuant to Hamilton Re's underwriting operations, Hamilton Re may request a withdrawal of all or a portion of its capital account upon at least one business day's written notice of such withdrawal request date to the Managing Member.

The Managing Member may, at its discretion, but is not required to, permit or require Hamilton Re to withdraw all or any portion of its respective capital account at other times or waive or reduce certain notice periods or allow a notice to be revoked. The Managing Member may withdraw all or any portion of its capital account at any time.

Pledged Assets

At November 30, 2019, $185.8 million of investments secured a portion of the Lloyd's capital requirements. In addition, certain investments were pledged as security for letter of credit facilities as described further in Note 7, *Letter of Credit Facilities*.

At November 30, 2019, restricted cash balances were comprised of $4.0 million of cash balances held at Lloyd's securing a portion of the capital requirements and $5.2 million of cash securing other underwriting obligations.

4. Variable Interest Entity

TS Hamilton Fund meets the definition of a Variable Interest Entity ("VIE") principally because the Managing Member does not hold substantive equity at risk in the entity and controls all of the decision making authority over it. Therefore, the Company assessed its ownership in the VIE to determine if it is the primary beneficiary. A quantitative assessment of the VIE's expected losses and expected residual returns was not applied because the Managing Member is a related party to the Company and collectively they hold all of the variable interest. The Company performed a qualitative assessment of all relevant facts and circumstances and determined that it is the entity within the related party group that is most closely related to the VIE. As a result, the Company concluded that it is the primary beneficiary of TS Hamilton Fund.

Activity in the non-controlling interest of TS Hamilton Fund for the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017 was as follows:

(Expressed in thousands of United States Dollars)	2019	2018	2017
Non-controlling interest - balance at beginning of period	$ 385	$ 10,561	$ 8,419
Withdrawals	(68,033)	(242,180)	(58,742)
Equity in earnings	33	107	604
Incentive allocation	67,792	231,897	60,280
Non-controlling interest - balance at end of period	$ 177	$ 385	$ 10,561

The following table represents the total assets and total liabilities of TS Hamilton Fund at November 30, 2019 and 2018. Creditors or beneficial interest holders of TS Hamilton Fund have no recourse to the general credit of the Company, as the Company's obligation is limited to the amount of its committed investment.

(Expressed in thousands of United States Dollars)	2019	2018
Assets		
Cash and cash equivalents	$ 411,312	$ 287,315
Short term investments	743,173	1,111,998
Investments in Two Sigma Funds, at fair value	659,800	726,305
Receivables for investments sold	43,285	23,340
Interest and dividends receivable	1,933	1,726
Total assets	$ 1,859,503	$ 2,150,684
Liabilities		
Accounts payable and accrued expenses	255	268
Withdrawal payable	—	119,773
Payable for investments purchased	73,029	72,279
Total liabilities	73,284	192,320
Total net assets managed by TS Hamilton Fund	$ 1,786,219	$ 1,958,364

The withdrawal payable of $119.8 at November 30, 2018 is reported on the Company's balance sheet as a payable to related party.

5. Reinsurance

The Company purchases reinsurance and other protection to manage its risk portfolio and to 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. Amounts recoverable under reinsurance contracts are recorded as assets. The Company remains liable to the extent that any reinsurance company fails to meet its obligations.

The following tables set forth the effect of reinsurance and retrocessional activity on premiums written and earned and on net claims and claim expenses incurred during the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017:

	Premiums written			Premiums earned		
(Expressed in thousands of United States Dollars)	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Assumed	$ 490,519	$ 433,782	$ 406,001	$ 474,797	$ 446,272	$ 367,386
Direct	71,878	66,977	51,666	67,810	66,514	39,402
Ceded	(162,614)	(123,091)	(112,029)	(155,935)	(126,504)	(98,034)
Net	$ 399,783	$ 377,668	$ 345,638	$ 386,672	$ 386,282	$ 308,754

	Net claims and claims expenses		
(Expressed in thousands of United States Dollars)	**2019**	**2018**	**2017**
Gross losses and loss adjustment expenses	$ 522,068	$ 541,833	$ 530,386
Losses and loss adjustment expenses ceded	(208,955)	(205,746)	(226,918)
Net	$ 313,113	$ 336,087	$ 303,468

The Company evaluates the financial condition of its reinsurers on a regular basis and also monitors concentrations of credit risk with reinsurers. A provision for uncollectible reinsurance would be required due to the potential failure of reinsurers to indemnify the Company for either disputes under reinsurance contracts or insolvencies. There was no allowance for doubtful recoveries recorded at November 30, 2019 or 2018.

6. Reserve for Losses and Loss Adjustment Expenses

The following table presents a reconciliation of unpaid losses and loss adjustment expenses ("LAE") for the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017:

(Expressed in thousands of United States Dollars)	2019	2018	2017
Gross unpaid losses and loss expenses, beginning of period	$ 957,823	$ 647,118	$ 241,551
Reinsurance recoverable on unpaid losses	(361,994)	(218,181)	(27,836)
Net unpaid losses and loss expenses, beginning of period	595,829	428,937	213,715
Net losses and loss expenses incurred in respect of losses occurring in:			
Current period	294,486	335,537	319,533
Prior periods	18,627	550	(16,065)
Total incurred	313,113	336,087	303,468
Net losses and loss expenses paid in respect of losses occurring in:			
Current period	31,688	37,512	45,916
Prior periods	149,321	129,059	45,379
Total paid	181,009	166,571	91,295
Foreign currency revaluation and other	59	(2,624)	3,049
Net unpaid losses and loss expenses, end of period	727,992	595,829	428,937
Reinsurance recoverable on unpaid losses	437,137	361,994	218,181
Gross unpaid losses and loss expenses, end of period	$ 1,165,129	$ 957,823	$ 647,118

Net unfavorable prior year development of $18.6 million for the year ended November 30, 2019 was comprised of $4.5 million of unfavorable prior year loss development arising from the following significant components:

- Net unfavorable loss development of $35.8 million in casualty lines of business, arising from reserve strengthening in anticipation of increased loss trends and mass tort losses. Reserve strengthening related primarily to casualty classes including international professional indemnity, tort liability, U.S. high excess casualty and financial institutions business.
- Net favorable loss development of $27.0 million in specialty lines of business, due primarily to reductions in estimates on financial lines of business, attritional loss reductions in marine and energy exposures, and 2018 and prior accident year catastrophes; and
- Net favorable loss development of $4.3 million in property lines of business from the 2018 and prior accident year catastrophes.

In addition to the above noted items were revisions to premium estimates relating to casualty contracts written in 2018 and prior which increased earned premium by $17.0 million during 2019. Associated loss estimates of $14.1 million recorded relating to the increased 2018 and prior year premiums are included in the prior periods development line in the above table.

The $0.6 million of net unfavorable development for the year ended November 30, 2018 included two components. Net favorable prior year loss development of $12.6 million for the year ended November 30, 2018 was comprised of the following significant components:

- Net favorable development of $22.2 million in specialty lines of business, driven primarily by $12.9 million of reductions on attritional losses in marine and aviation business and $9.3 million of reductions related to hurricanes Harvey, Irma and Maria; and
- Net unfavorable development of $8.5 million in casualty lines of business, driven primarily by $4.9 million on medical malpractice contracts written in 2014 and 2013 underwriting years and $3.0 million on a 2015 casualty retro contract.

In addition, revisions to premium estimates relating to long-tail contracts written in 2017 and prior increased earned premium by $23.8 million during 2018. Associated loss estimates of $13.2 million recorded relating to the increased 2017 and prior year premiums are included in the prior periods development line in the above table.

Net favorable prior year loss development for the eleven months ended November 30, 2017 was comprised of the following:

- Net favorable development of $23.0 million in property lines of business, driven primarily by $11.5 million in reductions related to headline losses, with Hurricane Matthew, Alberta Wildfires, and the 2015 U.K. floods being the largest contributors;
- Net favorable development of $13.0 million in specialty lines of business, driven primarily by an additional $4.0 million recovery recorded on a marine loss, $3.0 million favorable development on space and satellite business and $2.2 million favorable development on crop business; and
- Net negative development of $19.9 million on casualty lines of business, driven primarily by $10.0 million unfavorable development in excess casualty lines, $5.3 million unfavorable development in non-standard auto, and $1.8 million unfavorable development in general liability lines.

The Company amortized acquisition costs of $101.1 million, $97.0 million and $87.9 million in the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017, respectively.

The Company's reserve for losses and loss expenses consists of case reserves and IBNR reserves. Case reserves are reserves for reported losses and loss expenses that have not yet been settled. IBNR are reserves for incurred but not reported losses and loss expenses, and include reserves for reported losses in excess of case reserves.

Case Reserves

For reinsurance business, the Company typically receives loss notifications from its cedants in the form of loss bordereaux or individual loss notifications. These notifications generally include varying amounts of information about the nature and quantum of the loss including paid amounts and estimates of outstanding loss. The Company records the estimates of outstanding loss from its cedants as Case Reserves. Typically there is a timing lag between the cedant establishing a reserve and notifying the loss to the Company. In addition, different cedants have different claims handling practices which result in case reserve estimates that vary in the level of prudence embedded in them.

For insurance business, the Company records a case reserve for the estimated amount of settlement. This amount is based on the judgment of the Company's claims team and takes into account the class of business, nature of the claim and if appropriate, the advice of specialist legal counsel and external loss adjusters and includes the estimated expenses of settling the claim such as legal and other fees. The Company may sometimes use third party claims administrators to handle claims and set case reserves, but within defined authority levels and service level agreements. In syndicated markets such as Lloyd's, the Company's case reserve will be based in part on information provided by the lead insurer, where the Company is not an agreement party. Any adjustments to case reserves are accounted for as changes in estimates and recorded in the period in which such changes are identified.

IBNR Reserves

The Company establishes IBNR reserves for large events based on a number of different factors, including discussions with brokers and cedants, proprietary loss modelling and pricing software, estimates of market loss and market share, experience from historical large events and other information that can guide the estimates of loss reserves. These estimates are reviewed periodically as new information emerges on the events.

IBNR reserves for attritional losses are established using actuarial loss reserving techniques. These techniques include the loss development factor method, ("LDF"), Bornheutter Ferguson method ("BF"), the Initial Expected Loss Ratio method ("IELR") and other techniques. These techniques rely on estimates of paid and reported loss development patterns and estimates of loss ratio at the inception of the contract. The Company's actuaries review the estimates of IBNR reserves on a quarterly basis and adjust the estimates as new information becomes available. Any such adjustments are accounted for as changes in estimates and recorded in the periods in which they become known.

To establish IBNR reserves for attritional losses, contracts are grouped into cohorts, or reserving classes, that have similar coverage, inception period and loss reporting characteristics. The paid and reported losses for these reserving classes are tracked over time against expectations and against the actuarial loss reserving indications and IBNR reserve is selected for each cohort.

Claims Development and Frequency

The information provided herein about incurred and paid accident year claims development, net of reinsurance, for the periods ended prior to November 30, 2019 and the annual percentage payouts of incurred claims by age, net of reinsurance, is presented as supplementary information. 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.

In determining the cumulative number of reported claims, the Company measures claim counts on its insurance business by individual claimant where information is available. The claim counts include all claims reported where the Company has identified a potential liability for the claim even if there is no existing reserve. Reinsurance business is typically written under either proportional (quota share arrangements) or non-proportional arrangements (excess of loss or other facultative covers). The Company typically does not have direct access to claim frequency information underlying its assumed quota share arrangements given the nature of that business. In addition, multiple claims are often aggregated by the ceding company before being reported to the Company. The Company generally does not use claim frequency information in the determination of loss reserves or for other internal purposes relating to proportional business. 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, and therefore the Company does not believe providing claims frequency information is practicable as it relates to its proportional business. The Company has developed claims frequency information associated with its non-proportional reinsurance contracts. In determining claims frequency for its excess of loss reinsurance contracts, claims counts include all claims reported by each insured where a reserve for loss and loss adjustment expenses has been recorded. The Company has assumed that claims below the loss layer of a contract are excluded; if an insured's claim impacts multiple layers of a contract, the Company considers each impact to be a separate claim; and for an insured loss impacting more than one operating subsidiary, each impact is considered a separate claim.

The information provided about incurred and paid accident year claims development for the periods ended prior to November 30, 2019 on a consolidated basis is presented as supplementary information. The following tables show the paid and incurred loss development by broad classification based on groupings of contracts that are similar in coverage and duration:

Property

(Expressed in thousands of United States Dollars, except claim count)

	Incurred losses and allocated loss adjustment expenses, net of reinsurance								As of November 30, 2019	
	For the years ended November 30,									
Accident year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	IBNR (1)	Cumulative Number of Reported Claims
2012	$ —	$ —	$ 4	$ 1	$ —	$ —	$ —	$ —	$ —	$ —
2013		15,447	14,779	12,065	10,948	8,970	9,335	9,398	1	27
2014			19,416	20,563	19,374	17,969	17,882	17,856	498	48
2015				29,519	17,011	12,530	12,123	7,831	1,280	41
2016					61,893	43,408	42,201	40,860	1,415	108
2017						129,652	130,387	127,122	2,285	274
2018							109,136	111,538	(2,651)	214
2019								73,499	21,157	77
							Total	$ 388,104	$ 23,985	

(1) Total of incurred but not reported liabilities plus expected development on reported claims.

	Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance							
	For the years ended November 30,							
Accident year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		4,295	6,136	8,345	8,874	8,422	8,962	9,163
2014			8,047	14,310	15,920	16,448	17,022	17,240
2015				1,776	4,664	5,017	5,221	5,417
2016					12,969	27,583	32,872	36,686
2017						31,366	112,713	96,963
2018							13,597	80,584
2019								8,868
							Total	$ 254,921
	Liabilities for claims and claims adjustment expenses, net of reinsurance							$ 133,183

	Average annual percentage payout of incurred losses by age, net of reinsurance (1)							
Years	1 (unaudited)	2 (unaudited)	3 (unaudited)	4 (unaudited)	5 (unaudited)	6 (unaudited)	7 (unaudited)	8 (unaudited)
	20.8%	55.3%	(3.1)%	6.7%	0.9%	2.8%	2.1%	—%

(1) Unaudited supplementary information

Casualty

(Expressed in thousands of United States Dollars, except claim count)

	Incurred losses and allocated loss adjustment expenses, net of reinsurance								As of November 30, 2019	
	For the years ended November 30,									
Accident year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	IBNR (1)	Cumulative Number of Reported Claims
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		2,201	2,758	2,911	2,501	3,613	4,375	4,368	605	1
2014			13,350	13,408	18,549	12,730	18,170	19,950	3,317	4
2015				20,410	19,379	32,480	31,229	39,720	13,915	17
2016					49,050	55,069	59,227	60,803	26,395	1
2017						106,937	119,765	131,818	64,393	19
2018							130,372	153,767	92,129	26
2019								112,807	92,561	2
							Total	$ 523,233	$ 293,315	

(1) Total of incurred but not reported liabilities plus expected development on reported claims.

	Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance							
	For the years ended November 30,							
Accident year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		55	229	572	958	1,851	2,232	2,607
2014			776	2,026	3,330	4,559	6,156	10,512
2015				1,057	2,702	4,094	11,806	17,553
2016					1,789	6,491	14,360	22,450
2017						6,550	15,861	30,193
2018							5,597	29,289
2019								3,978
							Total	$ 116,582
				Liabilities for claims and claims adjustment expenses, net of reinsurance				$ 406,651

	Average annual percentage payout of incurred losses by age, net of reinsurance (1)							
Years	1 (unaudited)	2 (unaudited)	3 (unaudited)	4 (unaudited)	5 (unaudited)	6 (unaudited)	7 (unaudited)	8 (unaudited)
	3.8%	9.9%	9.8%	14.0%	12.9%	19.5%	8.6%	—%

(1) Unaudited supplementary information

Specialty

(Expressed in thousands of United States Dollars, except claim count)

	Incurred losses and allocated loss adjustment expenses, net of reinsurance								As of November 30, 2019	
	For the years ended November 30,									
Accident year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	IBNR (1)	Cumulative Number of Reported Claims
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		1,742	2,284	827	571	819	781	709	77	3
2014			11,857	12,478	10,293	8,372	9,123	8,865	305	19
2015				27,712	26,756	19,417	19,392	17,626	2,551	39
2016					40,055	38,425	33,018	27,140	9,633	58
2017						74,415	57,331	49,048	14,592	80
2018							83,055	76,195	34,581	78
2019								110,557	59,017	30
							Total	$ 290,140	$ 120,756	

(1) Total of incurred but not reported liabilities plus expected development on reported claims.

	Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance							
	For the years ended November 30,							
Accident year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2012	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013		14	438	406	425	517	583	590
2014			2,218	7,196	6,767	6,357	7,454	7,503
2015				3,330	8,650	13,147	13,193	14,302
2016					3,124	10,190	8,624	13,138
2017						3,988	16,926	26,853
2018							9,130	32,233
2019								16,845
							Total	$ 111,464
				Liabilities for claims and claims adjustment expenses, net of reinsurance				$ 178,676

	Average annual percentage payout of incurred losses by age, net of reinsurance (1)							
Years	1 (unaudited)	2 (unaudited)	3 (unaudited)	4 (unaudited)	5 (unaudited)	6 (unaudited)	7 (unaudited)	8 (unaudited)
	13.3%	30.0%	12.0%	7.7%	8.4%	1.2%	1.0%	—%

(1) Unaudited supplementary information

Reconciliation

(Expressed in thousands of United States Dollars)		**November 30, 2019**
Net outstanding liabilities		
Property	$	133,183
Casualty		406,651
Specialty		178,676
Liabilities for unpaid losses and loss adjustment expenses, net of reinsurance		718,510
Reinsurance recoverable on unpaid claims		
Property		273,137
Casualty		155,658
Specialty		8,342
Total reinsurance recoverable on unpaid claims		437,137
Other insurance lines		10,173
Unallocated loss adjustment expenses		(691)
		9,482
Total gross liability for unpaid losses and loss adjustment expenses	**$**	**1,165,129**

7. Letter of Credit Facilities

The Company has several available letter of credit facilities provided by commercial banks. These facilities are utilized to provide collateral to Hamilton Re's reinsureds to the extent required under reinsurance agreements, and to support the capital requirements of the Company's affiliated Lloyd's operations

On June 28, 2019, Hamilton Re amended its letter of credit facility agreement with Macquarie Funding LLC ("Macquarie") (the "Macquarie Facility") under which Macquarie and certain of its affiliates agreed to make available to Hamilton Re a secured letter of credit facility for up to an aggregate amount of $50 million. Unless renewed or otherwise terminated in accordance with its terms, the Macquarie Facility is scheduled to terminate on June 30, 2021.

On September 27, 2019, Hamilton Re amended and restated its unsecured letter of credit agreement with a syndication of lenders (the "Unsecured Facility). Under the Unsecured Facility, the lenders have agreed to provide up to an aggregate of $200 million of letters of credit capacity. Subject to the receipt of commitments and satisfaction of other conditions set out therein, the Unsecured Facility may be increased up to $250 million. Capacity is provided by Wells Fargo Bank, National Association, Truist Bank, and Commerzbank AG, New York Branch. Unless renewed or otherwise terminated in accordance with its terms, the Unsecured Facility is scheduled to terminate on September 27, 2022.

On October 30, 2019, Hamilton Re amended its letter of credit facility agreement with UBS AG ("UBS") under which UBS and certain of its affiliates agreed to make available to Hamilton Re a secured letter of credit facility of $100 million for a term that will expire in two tranches: $60 million on October 30, 2020 and $40 million on October 29, 2021.

On December 5, 2018 Hamilton Re entered into a committed letter of credit facility agreement with Citibank Europe PLC ("Citi") under which Citi agreed to make available to Hamilton Re a secured letter of credit facility of $50 million for a term that will expire on December 5, 2021. In addition, on December 27, 2018, Hamilton Re entered into an uncommitted letter of credit facility agreement with Citi, under which Citi agreed to make available to Hamilton Re a secured letter of credit facility, for a term as shall be notified by Citi to Hamilton Re from time to time.

In addition, Hamilton Re is the borrower under an unsecured letter of credit facility agreement that it utilizes to provide Funds at Lloyd's ("FAL") ("FAL LOC Facility") to support the FAL requirements of Syndicate 3334 and Syndicate 4000. See Note 10, "Commitments and Contingencies" for further details. Capacity is provided by Barclays Bank PLC, ING Bank N.V., London Branch, Bank of Montreal, London Branch, and Citibank Europe PLC.

The Company's obligations under the Letter of Credit facilities require Hamilton Re to comply with various covenants. The Company was in compliance with all such covenants at November 30, 2019 and 2018.

At November 30, 2019, the facilities were secured by pledged interests in the TS Hamilton Fund and the Company's fixed income security portfolio. The Company's facilities at November 30, 2019, and associated securities pledged, were as follows:

(Expressed in thousands of United States Dollars)	2019
Available letter of credit facilities - commitments	712,586
Available letter of credit facilities - in use	561,896
Security pledged under letter of credit facilities	
Pledged Interests in Fixed Income Portfolio	56,568
Pledged interests in TS Hamilton Fund	190,962

8. Stock Incentive Plans

Hamilton Group has a stock incentive plan under which employees, directors, and consultants of Hamilton Re may be granted restricted stock units, performance stock awards, restricted stock awards, warrants, options, stock appreciation rights, and stock bonus awards. During the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017, the Company was recharged by Hamilton Group for amounts related to the stock incentive plan in the amounts of $2.7 million, $2.1 million and $2.0 million, respectively.

9. Taxes

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company. Hamilton Re has obtained assurances from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966 of Bermuda, as amended, that in the event any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not be applicable to Hamilton Re until March 31, 2035, provided that the assurance is subject to the condition that it will not prevent the application of any taxes payable by Hamilton Re in respect of real property or leasehold interests in Bermuda held by it.

Hamilton Re is subject to U.S. withholding tax earned on certain investment income from TS Hamilton Fund.

10. Commitments and Contingencies

(a) Concentrations of Credit Risks.

Credit risk arises out of the failure of a counter-party to perform according to the terms of the contract. The Company underwrites most of its insurance and reinsurance business through brokers and credit risk exists should any of these brokers be unable to fulfill their contractual obligations with respect to the payments of insurance and reinsurance balances to the Company. During the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017 gross premiums written generated from or placed by the below companies individually accounted for more than 10% of the Company's consolidated gross written premiums, as follows:

(Percentage of consolidated gross premiums written)	2019	2018	2017
Intercompany	19%	21%	25%
Aon plc	32%	30%	29%
Marsh & McLennan Companies, Inc	28%	26%	20%
Willis Towers Watson plc	12%	14%	12%
All Others/Direct	9%	9%	14%
Total	100%	100%	100%

The Company believes that the brokers will meet all of their obligations. The Company's credit risk is generally reduced by the contractual right to offset loss obligations against premiums receivable.

(b) Operating leases.

The Company leases office space under an operating lease. Operating lease expense was $1.2 million, $1.1 million, and $1.0 million, for the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017 respectively. Future minimum lease payments under the lease are expected to be as follows:

(Expressed in thousands of United States Dollars)

Year Ending November 30,	**Minimum Lease Payments**	
2020	$	1,187
2021		593
Thereafter		—
	$	1,780

(c) Funds at Lloyd's.

The Company, as an approved third-party capital provider, provides capital in the form of FAL to its affiliated Lloyd's businesses through, and for the benefit of, two corporate members: Hamilton Corporate Member Limited (HCML) and Ironshore CC (Three) Limited (ICC), both as managed by Hamilton Managing Agency Limited. HCML has been the sole participant in Syndicate 3334 for each underwriting year since 2015 and is the sole participant in Syndicate 4000 for the 2020 underwriting year of account. ICC is the sole participant in Syndicate 4000 for the 2019 underwriting year of account. Lloyd's sets HCML's and ICC's FAL requirements semi-annually based upon a business plan, known as the syndicate business forecast, submitted by Hamilton Managing Agency Limited, internal models, performance and other factors.

As from January 1, 2020, Syndicate 3334 has ceased underwriting, with Hamilton Managing Agency Limited having been granted approval by Lloyd's to manage the ongoing obligations of Syndicate 3334.

As at November 30, 2019, the FAL provided by Hamilton Re was comprised of (1) a $210.0 million unsecured letter of credit and $4 million in cash for the benefit of HCML and (2) a $100.0 million unsecured letter of credit and $185.8 million of fixed income and cash support for the benefit of ICC.

Notwithstanding the above, the corporate members and Hamilton Managing Agency Limited have received approval from Lloyd's for the FAL provided by the Company (and other forms of FAL otherwise made available to the corporate members in support of their capital obligations) to be made interavailable, subject to any requirements or restrictions from Lloyd's from time to time.

(d) Indemnifications.

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

(e) Bermuda Infrastructure Fund.

On April 27, 2018, Hamilton Re entered into a limited partnership agreement with Fortress Bermuda Infrastructure Partners (A) LP (the "Fund"), whose purpose is to provide capital for development of various Bermuda-based infrastructure projects. Hamilton Re committed to subscribing to the Fund for up to an aggregate of $5.0 million, upon demand. As of November 30, 2019, less than $0.1 million had been called under the agreement.

11. Related Party Transactions

The intercompany payable and receivable at November 30, 2019 of $2.7 million and $2.3 million, respectively, and intercompany payable and receivable at November 30, 2018 of $0.5 million and $7.4 million, respectively, represent balances due from/to affiliates that are unsecured, non-interest bearing and due on demand.

Hamilton Re provides intercompany reinsurance to affiliates. The following table summarizes the impact of intercompany reinsurance for the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017:

(Expressed in thousands of United States Dollars)	2019	2018	2017
Gross premiums written	$ 108,542	$ 105,001	$ 113,331
Net premiums earned	110,167	96,113	109,129
Losses and loss adjustment expenses	(108,519)	(80,454)	(118,920)
Acquisition costs	(37,141)	(33,427)	(38,215)
Net foreign exchange gains (losses)	—	—	—
Net loss on related party reinsurance	$ (35,493)	$ (17,768)	$ (48,006)

Included in the Company's balance sheet as at November 30, 2019 and November 30, 2018 are the following balances related to intercompany reinsurance:

(Expressed in thousands of United States Dollars)	2019	2018
Premiums receivable	$ 121,557	$ 95,434
Deferred acquisition costs	15,332	17,639
Reserve for losses and loss adjustment expenses	161,303	106,444
Unearned premiums	49,775	51,400

During June 2017, Hamilton Re established Turing Re, a special purpose insurer, to provide collateralized reinsurance capacity for Hamilton Re's property treaty business. The following table summarizes the impact of the business ceded to Turing Re for the the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017:

(Expressed in thousands of United States Dollars)	2019	2018	2017
Reinsurance premiums ceded	$ (24,149)	$ (18,330)	$ (15,982)
Net premiums earned	(23,184)	(22,357)	(10,324)
Losses and loss adjustment expenses	32,523	34,802	30,348
Acquisition costs	4,081	3,189	1,438
Net gain on related party reinsurance	$ 13,420	$ 15,634	$ 21,462

12. Statutory Requirements

The statutory net income for the Company for the years ended November 30, 2019 and 2018 and the eleven months ended November 30, 2017 was $56.1 million, $245.9 million and $19.8 million, respectively.

At November 30, 2019 the primary difference between statutory financial statements and statements prepared in accordance with GAAP is that statutory financial statements do not reflect prepaid expenses or intangible assets.

Under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Insurance Act"), Hamilton Re is required to prepare statutory financial statements and to file with the BMA a statutory financial return. As a Class 4 (re)insurer, Hamilton Re must maintain capital at the greater of a minimum solvency margin ("MSM") and its Enhanced Capital Requirement ("ECR"), which is established by reference to the Bermuda Solvency Capital Requirement ("BSCR") model. The BSCR model is a risk-based capital model that provides a method for determining a (re)insurer's capital requirements (statutory capital and surplus) by taking into account the risk characteristics of different aspects of the (re)insurer's business. The Insurance Act also requires Hamilton Re to maintain certain measures of solvency and liquidity. The MSM that must be maintained by a Class 4 insurer with respect to its general business is the greater of (i) $100 million, or (ii) 50% of net premiums written (with a credit for reinsurance premiums ceded up to 25% of gross premiums written) or (iii) 15% of net discounted aggregate loss and loss expense provisions and other insurance reserves. The BSCR for Hamilton Re for the year ended November 30, 2019 will not be filed with the BMA until March 2020. As a result, the required statutory capital and surplus disclosed as at November 30, 2019 is based on the MSM. At November 30, 2019, the actual statutory capital and surplus of Hamilton Re was $1.7 billion and the MSM was $199.9 million.

In 2016, the BMA implemented the economic balance sheet ("EBS") framework, which is currently used as the basis to determine the Company's ECR. Under the new framework, assets and liabilities are mainly assessed and included on the EBS at fair value, with the (re)insurer's GAAP balance sheet serving as a starting point, as opposed to the statutory financial statements upon which the ECR was previously based. The model also requires insurers to estimate insurance technical provisions, which consist of the insurer's insurance related balances valued based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate, with the addition of a risk margin to reflect the uncertainty in the underlying cash flows.

While not specifically referred to in the Insurance Act, the BMA has also established a target capital level (TCL) for Hamilton Re equal to 120% of its ECR. While Hamilton Re is not required to maintain its statutory capital and surplus at this level, the TCL serves as an early warning tool for the BMA, and failure to maintain statutory capital at least equal to the TCL will likely result in increased regulatory oversight. Hamilton Re's actual capital and surplus levels are expected to exceed the TCL at November 30, 2019.

Hamilton Re received approval from the BMA to treat its investment in TS Hamilton Fund as a "Relevant Asset" for the purpose of computing its "Liquidity Ratio" (under which relevant assets must be maintained at not less than 75% of relevant liabilities) in respect of 2019 and 2018. Hamilton Re is in compliance with the Liquidity Ratio at November 30, 2019.

Under the Insurance Act, Hamilton Re is restricted as to the payment of dividends and/or distributions for amounts greater than 25% of the prior year's statutory capital and surplus. In addition, before reducing its total statutory capital by 15% or more (as set out in its previous year's statutory financial statements), a Class 4 Bermuda insurance subsidiary must make application to the BMA for permission to do so; such application shall consist of an affidavit signed by at least two directors and such insurance subsidiary's principal representative stating that, in their opinion, the proposed reduction in capital will not cause such subsidiary to fail to meet its relevant margins, and such other information as the BMA may require. For the year ended November 30, 2019, Hamilton Re had capacity to pay dividends of $263.1 million without prior approval under Bermuda law, of which, $138.0 million of dividends were paid during the year.

13. Subsequent Events

The Company has evaluated subsequent events through February 6, 2020, the date these financial statements were available to be issued, and concluded that there are no subsequent events requiring recognition or disclosure.