AUDITED FINANCIAL STATEMENTS

Renaissance Reinsurance Ltd. and Subsidiaries

December 31, 2019 and 2018

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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, 2019 and 2018, 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.

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, 2019 and 2018, 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 32 through 44 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 27, 2020

RENAISSANCE REINSURANCE LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2019 AND 2018
(in thousands of United States Dollars)

	2019	2018
Assets		
Fixed maturity investments trading, at fair value - amortized cost $3,258,024 at December 31, 2019 (2018 - $3,023,574) (Notes 3 and 4)	$ 3,291,679	$ 3,006,961
Short term investments, at fair value (Notes 3 and 4)	279,316	262,057
Other investments, at fair value (Notes 3 and 4)	65,298	27,487
Investment in RIHL, under equity method (Note 3)	286,879	187,067
Investment in RIHL II, under equity method (Note 3)	194,882	101,537
Investment in ROIHL II, under equity method (Note 3)	309,847	277,165
Investment in ROIHL III, under equity method (Note 3)	21,952	68,029
Investment in Top Layer Re, under equity method (Note 3)	35,363	46,562
Total investments	4,485,216	3,976,865
Cash and cash equivalents	398,081	215,227
Premiums receivable (Note 8)	1,419,114	1,141,854
Prepaid reinsurance premiums (Notes 5 and 8)	675,076	549,158
Reinsurance recoverable (Notes 5, 6 and 8)	1,376,422	1,565,224
Contribution of capital receivable from parent (Note 7)	21,757	—
Accrued investment income	18,161	15,620
Deferred acquisition costs	445,038	393,298
Receivable for investments sold	684	77,277
Other assets (Notes 4 and 11)	17,634	11,072
Total assets	$ 8,857,183	$ 7,945,595
Liabilities and Shareholder's Equity		
Liabilities		
Reserve for claims and claim expenses (Notes 6 and 8)	$ 4,060,515	$ 3,704,049
Unearned premiums (Note 8)	1,631,645	1,349,621
Reinsurance balances payable (Note 8)	840,444	644,790
Return of capital payable to parent (Notes 7 and 8)	—	31,660
Due to affiliates, net (Notes 3 and 8)	50,663	98,596
Payable for investments purchased	—	96,136
Accounts payable and accrued liabilities	20,391	16,439
Other liabilities (Notes 4 and 11)	3,525	4,304
Total liabilities	6,607,183	5,945,595
Shareholder's Equity		
Common shares: $1.00 par value – 200,000,000 shares authorized; 141,301,000 shares issued and outstanding at December 31, 2019 and 2018 (Note 7)	141,301	141,301
Additional paid-in capital (Note 7)	2,114,629	1,979,744
Accumulated other comprehensive income (loss)	219	(733)
Retained deficit	(6,149)	(120,312)
Total shareholder's equity	2,250,000	2,000,000
Total liabilities and shareholder's equity	$ 8,857,183	$ 7,945,595

On behalf of the Board:

Director

Robert Qutub

Director

See accompanying notes to the consolidated financial statements

RENAISSANCE REINSURANCE LTD. AND SUSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(in thousands of United States Dollars)

	2019	2018
Revenues		
Gross premiums written (Notes 5 and 8)	$ 2,594,186	$ 2,032,235
Net premiums written (Note 5)	$ 1,493,992	$ 1,186,002
Increase in net unearned premiums	(156,106)	(133,467)
Net premiums earned (Notes 5 and 8)	1,337,886	1,052,535
Net investment income (Note 3)	92,350	68,569
Net foreign exchange losses	(14,837)	(11,037)
Equity in earnings of RIHL (Note 3)	10,812	2,965
Equity in earnings (losses) of RIHL II (Note 3)	7,633	(518)
Equity in earnings (losses) of ROIHL II (Note 3)	57,630	(28,485)
Equity in earnings of ROIHL III (Note 3)	2,523	304
Equity in earnings of Top Layer Re (Note 3)	8,801	8,852
Other income (Notes 6 and 8)	5,983	8,651
Net realized and unrealized gains (losses) on investments (Note 3)	104,540	(18,186)
Total revenues	1,613,321	1,083,650
Expenses		
Net claims and claim expenses incurred (Notes 5, 6 and 8)	814,752	476,902
Acquisition expenses	315,558	244,496
Operational expenses (Notes 8 and 12)	69,143	87,367
Corporate expenses	2,032	1,262
Total expenses	1,201,485	810,027
Income before taxes	411,836	273,623
Income tax benefit (expense) (Note 9)	949	(242)
Net income	$ 412,785	$ 273,381

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, 2019 AND 2018
(in thousands of United States Dollars)

	2019	2018
Common shares	$ 141,301	$ 141,301
Additional paid-in capital		
Balance – January 1	1,979,744	2,252,086
Contribution of capital (Note 7)	280,733	—
Return of capital (Note 7)	(145,848)	(272,342)
Balance – December 31	2,114,629	1,979,744
Accumulated other comprehensive income (loss)		
Balance – January 1	(733)	306
Change in net unrealized gains (losses) on investments (Note 3)	952	(1,039)
Balance – December 31	219	(733)
Retained deficit		
Balance – January 1	(120,312)	(393,693)
Net income	412,785	273,381
Dividends declared (Note 7)	(298,622)	—
Balance – December 31	(6,149)	(120,312)
Total shareholder's equity	$ 2,250,000	$ 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, 2019 AND 2018
(in thousands of United States Dollars)

	2019	2018
Cash flows provided by operating activities		
Net income	$ 412,785	$ 273,381
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization and accretion	(1,823)	(1,920)
Equity in undistributed earnings of RIHL	(10,812)	(2,965)
Equity in undistributed earnings (losses) of RIHL II	(7,633)	518
Equity in undistributed earnings (losses) of ROIHL II	(57,630)	28,485
Equity in undistributed earnings of ROIHL III	(2,523)	(304)
Equity in undistributed earnings of Top Layer Re	(51)	(4,816)
Net unrealized losses (gains) included in net investment income	2,801	(330)
Net realized and unrealized (gains) losses on investments	(104,540)	18,186
Change in:		
Premiums receivable	(277,260)	(202,118)
Prepaid reinsurance premiums	(125,918)	(89,973)
Reinsurance recoverable	188,802	(483,954)
Accrued investment income	(2,541)	(4,319)
Deferred acquisition costs	(51,740)	(53,728)
Reserve for claims and claim expenses	356,466	473,577
Unearned premiums	282,024	223,440
Reinsurance balances payable	195,654	44,832
Due to affiliates, net	(47,933)	62,495
Other, net	(18,211)	13,202
Net cash provided by operating activities	729,917	293,689
Cash flows used in investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	6,556,590	4,435,089
Purchases of fixed maturity investments trading	(6,788,027)	(4,868,897)
Net (purchases) sales of short term investments	(18,898)	34,124
Proceeds from redemptions of investment in RIHL	166,000	349,500
Purchases of investment in RIHL	(350,000)	(385,000)
Proceeds from redemptions of investment in RIHL II	94,288	—
Purchases of investment in RIHL II	(135,000)	—
Proceeds from redemptions of investment in ROIHL II	29,900	116,100
Purchases of investment in ROIHL II	(4,000)	(40,000)
Purchases of investment in ROIHL III	(1,400)	(3,995)
Return of investment from investment in Top Layer Re	11,250	8,465
Net (purchases) sales of other investments	(40,612)	11,364
Net cash used in investing activities	(479,909)	(343,250)
Cash flows used in financing activities		
Capital contribution	8,976	—
Return of capital	(62,270)	(15,879)
Dividends paid	(13,860)	—
Net cash used in financing activities	(67,154)	(15,879)
Net increase (decrease) in cash and cash equivalents	182,854	(65,440)
Cash and cash equivalents, beginning of period	215,227	280,667
Cash and cash equivalents, end of period	$ 398,081	$ 215,227

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 Reinsurance of 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 Reinsurance of Europe was incorporated in October 1998 under the laws of Ireland to provide certain property, casualty and specialty 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, deferred acquisition costs, 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 contract or policies are deferred and amortized over the same period in which the related premiums are earned. Acquisition costs consist principally of commissions, brokerage and premium tax expenses. Certain of our assumed contracts contain profit sharing provisions or adjustable commissions that are estimated based on the expected loss and loss adjustment expense on those contracts. Acquisition costs include accruals for such estimates of commissions and are shown net of commissions and profit commissions earned on ceded reinsurance. 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 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>

From time to time, the Company enters 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 to assume risk. 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 early adopted ASU 2016-15 and the adoption resulted in the reclassification of certain cash inflows from cash flows provided by operating activities, to cash flows used in investing activities.

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,	2019	2018
U.S. treasuries	$ 1,788,053	$ 1,844,362
Agencies	159,096	78,036
Municipal	—	760
Non-U.S. government	161,217	177,630
Non-U.S. government-backed corporate	152,372	124,932
Corporate	647,610	518,056
Agency mortgage-backed	376,799	259,789
Commercial mortgage-backed	6,532	3,396
Total fixed maturity investments trading	$ 3,291,679	$ 3,006,961

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, 2019	Amortized Cost	Fair Value
Due in less than one year	$ 195,733	$ 196,150
Due after one through five years	1,821,346	1,844,459
Due after five through ten years	817,429	820,381
Due after ten years	47,278	47,358
Mortgage-backed	376,238	383,331
Total	$ 3,258,024	$ 3,291,679

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

NOTE 3. INVESTMENTS, cont'd.

Pledged Investments

At December 31, 2019, $3.3 billion (2018 - $3.1 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, $1.6 billion (2018 - $1.5 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,	2019	2018
Fixed maturity investments	$ 79,291	$ 64,348
Short term investments	10,834	4,780
Other investments	1,933	1,104
Cash and cash equivalents	4,417	2,468
	96,475	72,700
Investment expenses	(4,125)	(4,131)
Net investment income	$ 92,350	$ 68,569

Net Realized and Unrealized Gains (Losses) on Investments

Net realized and unrealized gains (losses) on investments are as follows:

Year ended December 31,	2019	2018
Gross realized gains	$ 32,931	$ 2,155
Gross realized losses	(9,985)	(26,695)
Net realized gains (losses) on fixed maturity investments	22,946	(24,540)
Net unrealized gains on fixed maturity investments trading	44,135	8,534
Net realized and unrealized gains (losses) on investments-related derivatives	37,459	(2,180)
Net realized and unrealized gains (losses) on investments	$ 104,540	$ (18,186)

(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,	2019	2018
Catastrophe bonds	$ 60,620	$ 19,677
Senior secured bank loan fund	4,678	7,810
Total	$ 65,298	$ 27,487

Interest income, income distributions and net realized and unrealized gains on other investments are included in net investment income and totaled $1.9 million (2018 - $1.1 million) of which $2.8 million was related to net unrealized losses (2018 - gains of $0.3 million).

The Company has committed capital to a senior secured bank loan fund of $25.0 million of which $23.6 million has been contributed at December 31, 2019. The Company's remaining commitments to this fund at December 31, 2019 totaled $1.4 million. In the future, the Company may enter into additional commitments in respect of investment opportunities.

RIHL

At December 31, 2019, the Company owned 26.2% of RIHL's mandatorily redeemable preferred shares (2018 - 13.0%). The dollar weighted average rating of the securities held through RIHL is non-investment grade. The table below shows the Company's share of RIHL's net assets:

At December 31,	2019	2018
Fixed maturity investments trading	$ 266,194	$ 172,177
Short term investments	19,713	14,631
Equity investments trading	34	31
Accrued investment income	2,085	1,340
Net unsettled trades	(1,574)	(1,179)
Other assets	427	67
Investment in RIHL, under equity method	$ 286,879	$ 187,067

(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,	2019	2018
U.S. treasuries	$ 5,912	$ 7,287
Agencies	—	831
Municipal	—	324
Non-U.S. government	766	302
Non-U.S. government-backed corporate	319	—
Corporate	159,776	104,525
Agency mortgage-backed	1,155	20,448
Non-agency mortgage-backed	69,002	24,273
Commercial mortgage-backed	18,781	9,139
Asset-backed	10,483	5,048
Total	$ 266,194	$ 172,177

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, 2019	Amortized Cost	Fair Value
Due in less than one year	$ 1,429	$ 1,424
Due after one through five years	54,500	54,939
Due after five through ten years	97,663	100,218
Due after ten years	9,617	10,192
Mortgage-backed	95,353	88,938
Asset-backed	10,814	10,483
Total	$ 269,376	$ 266,194

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

Year ended December 31,	2019	2018
Net investment income	$ 5,856	$ 14,274
Net realized losses on fixed maturity investments trading	(433)	(2,626)
Net unrealized gains (losses) on fixed maturity investments trading	4,814	(7,967)
Net realized and unrealized gains (losses) on equity investments trading	501	(127)
Net realized and unrealized gains (losses) on derivatives	68	(647)
Net foreign exchange gains	6	58
Equity in earnings of RIHL	$ 10,812	$ 2,965

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

NOTE 3. INVESTMENTS, cont'd.

RIHL II

At December 31, 2019 the Company owned 96.5% of RIHL II's mandatorily redeemable preferred shares (2018 - 40.5%). 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,	2019	2018
Fixed maturity investments trading	$ 219,634	$ 101,047
Short term investments	3,867	5,709
Cash and cash equivalents	1	99
Accrued investment income	1,373	664
Net unsettled trades	(30,007)	(5,837)
Other assets (liabilities)	14	(145)
Investment in RIHL II, under equity method	$ 194,882	$ 101,537

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

At December 31,	2019	2018
U.S. treasuries	$ 26,575	$ 8,106
Municipal	—	871
Non-U.S. government	—	592
Non-U.S. government-backed corporate	—	737
Corporate	81,801	42,927
Agency mortgage-backed	71,928	30,531
Non-agency mortgage-backed	2,943	1,434
Commercial mortgage-backed	19,874	9,657
Asset-backed	16,513	6,192
Total	$ 219,634	$ 101,047

(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, 2019	Amortized Cost	Fair Value
Due after one through five years	$ 26,585	$ 27,349
Due after five through ten years	57,139	59,287
Due after ten years	19,609	21,740
Mortgage-backed	93,503	94,745
Asset-backed	16,510	16,513
Total	$ 213,346	$ 219,634

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

Year ended December 31,	2019	2018
Net investment income	$ 2,352	$ 3,182
Net realized gains (losses) on fixed maturity investments trading	590	(1,598)
Net unrealized gains (losses) on fixed maturity investments trading	4,276	(1,819)
Net realized and unrealized gains (losses) on derivatives	381	(308)
Net foreign exchange gains	34	25
Equity in earnings (losses) of RIHL II	$ 7,633	$ (518)

ROIHL II

At December 31, 2019, the Company owned 100.0% (2018 - 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,	2019	2018
Short term investments	$ 607	$ 10,854
Equity investments trading	210,790	177,809
Other investments	67,097	64,332
Investments in other ventures	25,547	20,695
Cash and cash equivalents	1,849	3,786
Other assets (liabilities), net (1)	3,957	(311)
Total	$ 309,847	$ 277,165

(1) Included in other assets (liabilities), net at December 31, 2019 are notes receivable of $4.5 million from certain strategic relationships (2018 - $0.2 million).

(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,	2019	2018
Financials	$ 210,790	$ 177,809

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

At December 31,	2019	2018
Private equity investments	$ 67,097	$ 64,332

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

At December 31,	2019	2018
Tower Hill Companies	$ 22,244	$ 18,775
Other	3,303	1,920
Total	$ 25,547	$ 20,695

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 earnings (losses) on its investment in ROIHL II is as follows:

Year ended December 31,	2019	2018
Net investment income	$ 2,011	$ 591
Foreign exchange losses	(6)	—
Equity in losses of other ventures	3,009	(692)
Other income	814	209
Net realized and unrealized (losses) gains on investments	52,863	(28,196)
Operating expenses	(1,061)	(397)
Equity in (losses) earnings of ROIHL II	$ 57,630	$ (28,485)

Included in accumulated other comprehensive income at December 31, 2019 is income of $1.0 million related to the Company's investment in ROIHL II (2018 - losses of $0.7 million).

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

NOTE 3. INVESTMENTS, cont'd.

ROIHL III

At December 31, 2019, the Company owned 9.3% of ROIHL III's mandatorily redeemable preferred shares (2018 - 33.3%). The table below shows the Company's share of ROIHL III's net assets:

At December 31,	2019	2018
Short term investments	$ 1,084	$ 2,845
Equity investments	23	—
Other investments	20,832	65,162
Cash and cash equivalents	5	13
Receivable for investments sold	2	12
Other assets (liabilities)	6	(3)
Total	$ 21,952	$ 68,029

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

At December 31,	2019	2018
Private equity investments	$ 18,030	$ 59,200
Senior secured bank loan fund	1,673	2,222
Hedge funds	1,129	3,740
Total	$ 20,832	$ 65,162

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

Year ended December 31,	2019	2018
Net investment income	$ 2,621	$ 751
Net realized and unrealized losses on investments	(89)	(441)
Net foreign exchange losses	(9)	(6)
Equity in earnings of ROIHL III	$ 2,523	$ 304

Top Layer Re

At December 31, 2019, the Company owned 50.0% of Top Layer Re (2018 - 50.0%). The Company's earnings from Top Layer Re totaled $8.8 million for the year ended December 31, 2019 (2018 - $8.9 million) and are included in equity in earnings of Top Layer Re on the Company's consolidated statements of operations. During 2019 the Company received total distributions from Top Layer Re of $20.0 million comprised of a return on investment of $8.8 million and a return of investment of $11.3 million (2018 - $12.5 million, $4.0 million and $8.5 million, respectively). Earnings from the Company's investment in Top Layer Re net of return on investment was $0.1 million at December 31, 2019 (2018 - $4.8 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, 2019	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	$ 1,788,053	$ 1,788,053	$ —	$ —
Agencies	159,096	—	159,096	—
Non-U.S. government	161,217	—	161,217	—
Non-U.S. government-backed corporate	152,372	—	152,372	—
Corporate	647,610	—	647,610	—
Agency mortgage-backed	376,799	—	376,799	—
Commercial mortgage-backed	6,532	—	6,532	—
Total fixed maturity investments	3,291,679	1,788,053	1,503,626	—
Short term investments	279,316	—	279,316	—
Other investments				
Catastrophe bonds	60,620	—	60,620	—
Senior secured bank loan fund (1)	4,678	—	—	—
Total other investments	65,298	—	60,620	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(8,767)	—	—	(8,767)
Derivatives (3)	383	(1,014)	1,397	—
Total other assets and (liabilities)	(8,384)	(1,014)	1,397	(8,767)
	$ 3,627,909	$ 1,787,039	$ 1,844,959	$ (8,767)

(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, 2019 are $5.5 million of other assets and $14.2 million of other liabilities.

(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, 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 of other assets and $13.0 million of other liabilities.

(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, 2019, the Company's U.S. treasuries fixed maturity investments had a weighted average yield to maturity of 1.7% and a weighted average credit quality of AA, (2018 - 2.5% 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, 2019, the Company's agency fixed maturity investments had a weighted average yield to maturity of 1.9% and a weighted average credit quality of AA (2018 - 2.9% 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, 2019, the Company did not hold any material positions in municipal fixed maturity investments. 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. The Company's municipal fixed maturity investments were primarily priced by pricing services. When evaluating these securities, the pricing services gathered information regarding the security from third-party sources such as trustees, paying agents or issuers. Evaluations were updated by obtaining broker-dealer quotes and other market information including actual trade volumes, when available. The pricing services also considered the specific terms and conditions of the securities, including any specific features which may have influence risk. In certain instances, securities were individually evaluated using a spread over widely accepted market benchmarks.

Non-U.S. government

Level 2 - At December 31, 2019, the Company's non-U.S. government fixed maturity investments had a weighted average yield to maturity of 2.1% and a weighted average credit quality of AA (2018 - 2.5% and AAA, 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, 2019, the Company's non-U.S. government-backed corporate fixed maturity investments had a weighted average yield to maturity of 2.2% and a weighted average credit quality of AA (2018 - 2.8% and AA, respectively). Non-U.S. government-backed corporate 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, 2019, the Company's corporate fixed maturity investments principally consisted of U.S. and international corporations and had a weighted average yield to maturity of 2.1% and a weighted average credit quality of A (2018 - 3.5% 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, 2019, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average yield to maturity of 2.5%, a weighted average credit quality of AA and a weighted average life of 4.9 years (2018 - 3.4%, AA and 6.9 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, 2019, the Company's commercial mortgage-backed fixed maturity investments had a weighted average yield to maturity of 2.4%, a weighted average credit quality of AA and a weighted average life of 6.3 years (2018 - 3.2%, AA and 6.9 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, 2019, the Company's short term investment had a weighted average yield to maturity of 1.3% and a weighted average credit quality of AAA (2018 - 1.7% 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, 2019	Fair Value (Level 3)	Valuation Technique	Unobservable Inputs	Low	High	Weighted Average or Actual
Assumed and ceded (re)insurance contracts	$ (8,767)	Internal valuation model	Net undiscounted cash flows	n/a	n/a	$ (11,179)
			Expected loss ratio	n/a	n/a	33.1%
			Discount rate	n/a	n/a	1.7%

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, 2019	$ (8,565)
Total realized gains	
Included in other income	2,917
Purchases	(3,139)
Settlements	20
Balance - December 31, 2019	$ (8,767)

	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)

(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, 2019, the Company had a net liability of $8.8 million 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 (2018 - net liability of $8.6 million). 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,	2019	2018
Other investments	$ 65,298	$ 27,487
Other liabilities, net	$ (8,767)	$ (8,565)

Included in net investment income for the year ended December 31, 2019 is $2.8 million of net unrealized losses related to the changes in fair value of other investments (2018 - $0.3 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, 2019 (2018 - $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, 2019	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Senior secured bank loan fund	$ 4,678	$ 1,366	See below	See below

Senior secured bank loan fund - At December 31, 2019, the Company had $4.7 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 begin to 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,	2019	2018
Premiums written		
Assumed	$ 2,594,186	$ 2,032,235
Ceded	(1,100,194)	(846,233)
Net premiums written	$ 1,493,992	$ 1,186,002
Premiums earned		
Assumed	$ 2,317,946	$ 1,808,795
Ceded	(980,060)	(756,260)
Net premiums earned	$ 1,337,886	$ 1,052,535
Claims and claim expenses		
Gross claims and claim expenses incurred	$ 1,342,635	$ 1,488,569
Claims and claim expenses recovered	(527,883)	(1,011,667)
Net claims and claim expenses incurred	$ 814,752	$ 476,902

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

NOTE 5. REINSURANCE, cont'd.

At December 31, 2019, the Company's reinsurance recoverable balance was $1.4 billion (2018 - $1.6 billion). Of the Company's reinsurance recoverable balance at December 31, 2019, 39.6% is fully collateralized by the Company's reinsurers, 57.9% is recoverable from reinsurers rated A- or higher by major rating agencies and 2.5% is recoverable from reinsurers rated lower than A- by major rating agencies (2018 - 47.2%, 50.5% and 2.3%, respectively). The reinsurers with the three largest balances accounted for 9.3%, 7.9% and 7.0%, respectively, of the Company's reinsurance recoverables balance at December 31, 2019 (2018 - 6.4%, 6.4% and 5.9%, respectively). At December 31, 2019, the Company had a $6.3 million valuation allowance against reinsurance recoverables (2018 - $7.5 million). The three largest company-specific components of the valuation allowance represented 19.0%, 8.6% and 8.1%, respectively, of the Company's total valuation allowance at December 31, 2019 (2018 - 17.9%, 14.3% and 13.6%, 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, 2019	Case Reserves	Additional Case Reserves	IBNR	Total
Property	$ 464,536	$ 760,310	$ 658,445	$ 1,883,291
Casualty and Specialty	608,498	96,410	1,471,876	2,176,784
Other	440	—	—	440
Total	$ 1,073,474	$ 856,720	$ 2,130,321	$ 4,060,515
At December 31, 2018				
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

(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,	2019	2018
Net reserves as of beginning of period	$ 2,138,825	$ 2,149,202
Net incurred related to:		
Current year	866,882	626,682
Prior years	(52,130)	(149,780)
Total net incurred	814,752	476,902
Net paid related to:		
Current year	69,294	220,150
Prior years	215,423	253,501
Total net paid	284,717	473,651
Foreign exchange (1)	15,233	(13,628)
Net reserves as of end of period	2,684,093	2,138,825
Reinsurance recoverable as of end of period	1,376,422	1,565,224
Gross reserves as of end of period	$ 4,060,515	$ 3,704,049

(1) Reflects the impact of the foreign exchange revaluation of net reserves denominated in non-U.S. dollars as at the balance sheet date.

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.

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

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.

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.

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

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, 2019 on a consolidated basis and by main class of business is presented as supplementary information. The Company has 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, partially offset by a decrease from discounting in connection with an acquisition, to reflect the time value of money.

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, 2019, 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, 2019
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2010	$ 546,914	$ 500,444	$ 471,729	$ 461,864	$ 465,999	$ 467,566	$ 479,114	$ 479,545	$ 471,609	$ 482,580	$ 22,269
2011	—	966,653	896,782	844,417	794,872	779,186	756,671	750,688	751,560	738,492	30,778
2012	—	—	444,826	376,396	326,573	309,405	291,343	285,983	291,750	293,738	23,016
2013	—	—	—	325,838	282,261	254,658	233,079	215,465	209,185	201,813	10,944
2014	—	—	—	—	376,939	336,759	340,730	343,182	323,510	324,749	64,610
2015	—	—	—	—	—	354,280	331,683	348,335	322,128	309,607	53,463
2016	—	—	—	—	—	—	429,356	451,874	422,531	415,960	105,318
2017	—	—	—	—	—	—	—	1,096,406	1,036,421	1,002,263	379,758
2018	—	—	—	—	—	—	—	—	617,215	654,355	298,579
2019	—	—	—	—	—	—	—	—	—	826,596	754,646
Total										$ 5,250,153	$ 1,743,381

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2010	$ 70,239	$ 171,741	$ 249,332	$ 287,857	$ 313,911	$ 341,355	$ 399,232	$ 415,926	$ 425,439	$ 431,023
2011	—	83,228	253,428	488,993	592,488	641,299	666,673	679,608	685,551	693,264
2012	—	—	67,743	94,966	143,132	167,107	191,191	222,757	234,798	243,568
2013	—	—	—	26,050	74,968	111,147	136,283	155,775	168,042	177,975
2014	—	—	—	—	41,319	94,367	134,021	164,820	189,006	212,050
2015	—	—	—	—	—	32,159	78,438	133,256	194,320	228,497
2016	—	—	—	—	—	—	37,697	135,359	221,106	271,337
2017	—	—	—	—	—	—	—	267,432	234,614	366,126
2018	—	—	—	—	—	—	—	—	218,482	135,181
2019	—	—	—	—	—	—	—	—	—	68,245
Total										$ 2,827,266
Outstanding liabilities from accident year 2009 and prior, net of reinsurance										236,980
Claims and claim expenses, net of reinsurance, from the Company's former Bermuda-based insurance operations										229
Adjustment for unallocated claim expenses										23,296
Unamortized fair value adjustments in connection with an acquisition										701
Liability for claims and claim expenses, net of reinsurance										$ 2,684,093

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 also writes aggregate reinsurance contracts. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from multiple events within set conditions exceeds the attachment point specified in the contract, up to an amount 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 catastrophe 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.

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

For certain property lines of business exposed to relatively more attritional and frequent losses, in addition to catastrophe events, the Company employs standard actuarial techniques similar to those used in the Casualty and Specialty main class of business. Generally, estimates of ultimate losses are initially determined based on the loss ratio method applied to each underwriting year and to each line of business. 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) our historical loss ratios and combined ratios adjusted for rate change and trend; and (2) contract by contract expected loss ratios developed during our pricing process. 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. Over time, as a greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are based on the Bornhuetter-Ferguson and the chain ladder techniques. The Bornhuetter-Ferguson technique utilizes actual reported losses, a loss development pattern and the initial expected loss ratio to determine an estimate of ultimate losses. We believe this technique is most appropriate when there are few reported claims and the underwriting year is immature. The chain ladder technique 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. We believe 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. The loss development pattern is a key input to these techniques. For these attritional and catastrophe exposed property lines of business, loss development patterns are determined utilizing actuarial analysis, including management's judgment, and are based on historical patterns of reported incurred losses to us, as well as industry patterns. Information that may cause future loss development patterns to differ from historical loss development patterns is considered and reflected in the selected loss development patters as appropriate. For these property lines of business, these patterns indicate that a substantial portion of the ultimate losses are reported within three years after the contract is effective.

(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, 2019, 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, 2019
	For the year ended December 31,										
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2010	$ 430,987	$ 400,582	$ 379,963	$ 380,843	$ 392,168	$ 396,133	$ 403,621	$ 404,516	$ 398,097	$ 415,392	$ 17,496
2011	—	841,500	786,749	747,367	717,530	706,038	687,811	686,766	684,869	672,928	16,216
2012	—	—	259,477	200,050	178,625	166,871	154,099	147,411	143,206	140,957	6,697
2013	—	—	—	143,802	126,343	107,882	97,558	90,222	88,044	87,293	1,122
2014	—	—	—	—	112,352	95,863	92,481	89,865	85,103	85,469	1,669
2015	—	—	—	—	—	137,304	119,476	107,406	101,615	97,575	4,470
2016	—	—	—	—	—	—	160,584	173,366	154,682	147,852	28,112
2017	—	—	—	—	—	—	—	722,367	653,090	592,574	186,417
2018	—	—	—	—	—	—	—	—	303,404	337,681	115,433
2019	—	—	—	—	—	—	—	—	—	457,252	402,061
Total										$ 3,034,973	$ 779,693

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2010	$ 62,119	$ 156,510	$ 221,017	$ 250,374	$ 273,638	$ 292,489	$ 342,850	$ 349,686	$ 359,151	$ 364,596
2011	—	76,478	238,367	468,449	562,840	605,802	626,289	637,096	640,940	646,586
2012	—	—	53,280	68,988	97,015	109,824	117,185	125,737	127,980	130,919
2013	—	—	—	20,727	50,771	71,120	80,057	83,686	84,768	86,022
2014	—	—	—	—	25,790	55,298	72,288	75,382	79,031	81,208
2015	—	—	—	—	—	25,519	54,352	68,574	84,141	89,145
2016	—	—	—	—	—	—	24,529	78,272	115,556	127,074
2017	—	—	—	—	—	—	—	244,976	178,852	267,895
2018	—	—	—	—	—	—	—	—	198,154	61,228
2019	—	—	—	—	—	—	—	—	—	50,713
Total										$ 1,905,386
Outstanding liabilities from accident year 2009 and prior, net of reinsurance										2,716
Adjustment for unallocated claim expenses										2,822
Unamortized fair value adjustments recorded in connection with an acquisition										324
Liability for claims and claim expenses, net of reinsurance										$ 1,135,449

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, although 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.

The Company has accepted a wide 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, 2019, 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, 2019
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	IBNR and ACR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2010	$ 115,927	$ 99,862	$ 91,766	$ 81,021	$ 73,831	$ 71,433	$ 75,493	$ 75,029	$ 73,512	$ 67,188	$ 4,773
2011	—	125,153	110,033	97,050	77,342	73,148	68,860	63,922	66,691	65,564	14,562
2012	—	—	185,349	176,346	147,948	142,534	137,244	138,572	148,544	152,781	16,319
2013	—	—	—	182,036	155,918	146,776	135,521	125,243	121,141	114,520	9,822
2014	—	—	—	—	264,587	240,896	248,249	253,317	238,407	239,280	62,941
2015	—	—	—	—	—	216,976	212,207	240,929	220,513	212,032	48,993
2016	—	—	—	—	—	—	268,772	278,508	267,849	268,108	77,206
2017	—	—	—	—	—	—	—	374,039	383,331	409,689	193,341
2018	—	—	—	—	—	—	—	—	313,811	316,674	183,146
2019	—	—	—	—	—	—	—	—	—	369,344	352,585
Total										$ 2,215,180	$ 963,688

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2010	$ 8,120	$ 15,231	$ 28,315	$ 37,483	$ 40,273	$ 48,866	$ 56,382	$ 66,240	$ 66,288	$ 66,427
2011	—	6,750	15,061	20,544	29,648	35,497	40,384	42,512	44,611	46,678
2012	—	—	14,463	25,978	46,117	57,283	74,006	97,020	106,818	112,649
2013	—	—	—	5,323	24,197	40,027	56,226	72,089	83,274	91,953
2014	—	—	—	—	15,529	39,069	61,733	89,438	109,975	130,842
2015	—	—	—	—	—	6,640	24,086	64,682	110,179	139,352
2016	—	—	—	—	—	—	13,168	57,087	105,550	144,263
2017	—	—	—	—	—	—	—	22,456	55,762	98,231
2018	—	—	—	—	—	—	—	—	20,328	73,953
2019	—	—	—	—	—	—	—	—	—	17,532
Total										$ 921,880
Outstanding liabilities from accident year 2009 and prior, net of reinsurance										234,264
Adjustment for unallocated claim expenses										20,474
Unamortized fair value adjustments recorded in connection with an acquisition										377
Liability for claims and claim expenses, net of reinsurance										$ 1,548,415

(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,	2019	2018
	(Favorable) adverse development	(Favorable) adverse development
Property	$ (38,970)	$ (110,681)
Casualty and Specialty	(13,120)	(38,902)
Other	(40)	(197)
Total favorable development of prior accident years net claims and claim expenses	$ (52,130)	$ (149,780)

Changes to prior year estimated claims reserves increased the Company's net income by $52.1 million during 2019 (2018 - $149.8 million), excluding the consideration of changes in reinstatement, adjustment or other premium items, profit commissions and income tax.

During 2019, net favorable development of prior accident years net claims and claim expenses of $52.1 million included net favorable development of $39.0 million, $13.1 million and $40 thousand 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 2019 was principally driven by $61.9 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 (collectively, the "2017 Large Loss Events"), partially offset by $20.5 million of net increases in the estimated ultimate losses associated with Typhoons Jebi, Mangkhut and Trami, Hurricane Florence, the wildfires in California during the third and fourth quarters of 2018, Hurricane Michael and certain losses associated with aggregate loss contracts (collectively, the "2018 Large Loss Events"). In addition, 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 2019 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 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 the 2017 Large Loss Events. 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.

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, 2019	
Net reserve for claims and claim expenses	
Property	$ 1,135,449
Casualty and Specialty	1,548,415
Other	229
Total net reserve for claims and claim expenses	2,684,093
Reinsurance recoverable	
Property	747,842
Casualty and Specialty	628,369
Other	211
Total reinsurance recoverable	1,376,422
Total gross reserve for claims and claim expenses	$ 4,060,515

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, 2019	1	2	3	4	5	6	7	8	9	10
Property	25.8%	8.2%	22.3%	10.7%	5.7%	3.6%	4.9%	1.1%	1.4%	1.3%
Casualty and Specialty	5.9%	11.8%	13.6%	14.1%	10.7%	10.7%	7.0%	6.2%	1.6%	0.2%

(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, 2019	
	Cumulative number of reported claims	
Accident Year	Property	Casualty and Specialty
2010	234	288
2011	410	647
2012	206	881
2013	194	1,109
2014	151	1,622
2015	222	1,647
2016	357	1,380
2017	1,029	1,005
2018	747	598
2019	182	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 $Nil during December 31, 2019 (2018 - $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 $1.3 million during December 31, 2019 (2018 - $11.2 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 $9.0 million are included in reinsurance balances payable at December 31, 2019 (2018 - $10.3 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 2019, the Company returned capital of $145.8 million and declared aggregate dividends of $298.6 million to its parent company. Also during 2019, the Company's parent company contributed $280.7 million of capital to the Company, with $21.8 million recorded as a contribution of capital receivable from parent at December 31, 2019. The net aggregate return of capital and dividends, including those amounts outstanding with the Company's parent at December 31, 2019, was settled with $35.5 million of cash and a $150.0 million transfer of RIHL II mandatorily redeemable preference shares from the Company to its parent company, partially offset by a $21.8 million transfer of RIHL mandatorily redeemable preference shares from the parent company to the Company.

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.

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 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 2019, net earned premiums ceded under this agreement were $30.9 million (2018 - $15.0 million) and net claims and claim expenses recovered were $31.2 million (2018 - $4.5 million). At December 31, 2019, reinsurance recoverables were $69.3 million (2018 - $41.1 million), prepaid reinsurance premiums were $14.9 million (2018 - $11.3 million) and reinsurance balances payable were $5.1 million (2018 - $3.1 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 2019, net earned premiums assumed and net claims and claim expenses incurred under this agreement were $Nil and $2.0 million, respectively (2018 - $0.2 million and $2.5 million, respectively). At December 31, 2019, outstanding reserves for claims and claim expenses assumed under this agreement were $23.4 million (2018 - $29.3 million), unearned premium reserves were $Nil (2018 - $Nil) and premiums payable were $1.5 million (2018 - $4.3 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 excess of loss business. During 2019, net earned premiums ceded under these agreements were $112.4 million (2018 - $59.0 million) and net claims and claim expenses recovered were $97.9 million (2018 - $30.9 million). At December 31, 2019, losses recoverable under these agreements were $128.6 million (2018 - $33.8 million), prepaid reinsurance premiums for these agreements were $14.5 million (2018 - $1.9 million) and reinsurance balances payable were $10.9 million (2018 - $4.3 million).

The Company had entered into reinsurance agreements with Renaissance Reinsurance U.S. Inc. ("Renaissance Reinsurance U.S."), a wholly-owned subsidiary of RenaissanceRe. Effective December 31, 2017, these reinsurance agreements with Renaissance Reinsurance U.S. were cancelled on a cutoff basis. During 2019, net earned premiums assumed and net claims and claim expenses recovered under these agreements were $0.3 million and $2.4 million, respectively (2018 - $0.7 million and $4.4 million, respectively). At December 31, 2019, outstanding reserves for claims and claim expenses assumed under these agreements were $192.0 million (2018 - $232.9 million), unearned premium reserves were $Nil (2018 - $Nil) and premiums payable were $4.6 million (2018 - $18.0 million).

During 2019, Renaissance Reinsurance has entered into a reinsurance agreement to assume a portion of its business to RenaissanceRe Europe AG, Australia Branch, a branch of RenaissanceRe Europe AG (formerly known as Tokio Millennium Re AG) ("RenaissanceRe Europe"), which is a wholly-owned subsidiary of RenaissanceRe. During 2019, net earned premiums assumed under this agreement were $6.6 million and net claims and claim expenses assumed were $12.3 million. At December 31, 2019, outstanding reserves for claims and claim expenses assumed under these agreements were $12.3 million, unearned premium reserves were $2.2 million and premiums receivable were $8.4 million.

During 2019, Renaissance Reinsurance has entered into a reinsurance agreement to cede a portion of its business to RenaissanceRe Europe AG, Bermuda Branch, a branch of RenaissanceRe Europe, which is a wholly-owned subsidiary of RenaissanceRe. During 2019, net earned premiums ceded under this agreement were $6.3 million million and net claims and claim expenses recovered were $12.0 million. At December 31, 2019, reinsurance recoverables were $12.1 million, prepaid reinsurance premiums were $Nil and reinsurance balances payable were $1.3 million.

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

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 2019, the Company recorded $26.1 million (2018 - $35.5 million) of gross premiums written assumed from Tower Hill and certain of its subsidiaries and affiliates. Gross premiums earned totaled $27.6 million (2018 - $33.2 million) and expenses incurred were $4.7 million (2018 - $5.8 million) for 2019 related to these contracts. During 2019, the Company assumed net claims and claim expenses of $22.0 million (2018 - $79.9 million) and, as of December 31, 2019, had a net reserve for claims and claim expenses of $23.2 million (2018 - $81.3 million). The Company had a net related outstanding receivable balance of $7.9 million as of December 31, 2019 (2018 - $14.9 million).

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 $38.7 million in 2019 (2018 - $15.9 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, 2019, net allocated costs and expenses to the Company were $91.8 million (2018 - $90.5 million).

In 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. At December 31, 2019, the Company had a receivable of $Nil (2018 - $9.6 million) associated with the foreign exchange forward contracts and an offsetting payable of $Nil (2018 - $9.6 million) associated with transaction agreements. See "Note 11. Derivative Instruments" for additional information regarding derivative instruments entered into by the Company.

During 2019 the Company received distributions from Top Layer Re of $20.0 million (2018 - $12.5 million), and a management fee of $2.3 million (2018 - $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 (2018 - $37.5 million) and the Company is also obligated to make a mandatory capital contribution of up to $50.0 million (2018 - $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.

Broker Concentration

During the year ended December 31, 2019, the Company received 82.8% (2018 - 77.0%) of its gross premiums assumed from three reinsurance brokers. Subsidiaries and affiliates of AON, Marsh and Willis Towers Watson accounted for approximately 46.9%, 22.1% and 13.8%, respectively, of gross premiums assumed in 2019 (2018 - 45.8%, 21.6% and 9.6%, 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 Reinsurance of 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 Reinsurance of 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.

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

NOTE 10. STATUTORY REQUIREMENTS, cont'd.

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 signal for the BMA, and failure to meet the TCL may result in additional reporting requirements or increased regulatory oversight. Renaissance Reinsurance has completed its 2019 BSCR, which must be filed with the BMA on or before April 30, 2020, and exceeds the target level of required economic statutory capital.

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

At December 31,	2019	2018
Statutory capital and surplus (1)	$ 2,212,467	$ 1,962,474
Required statutory capital and surplus	789,791	610,171
Unrestricted net assets (2)	312,532	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.

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, 2019, the FAL requirement set by Lloyd's for Syndicate 1458 is £524.3 million (2018 - £427.5 million). Actual FAL posted for Syndicate 1458 at December 31, 2019 by RenaissanceRe CCL was £522.5 million (2018 - £481.0 million), supported by a $290.0 million letter of credit and a $385.9 million deposit of cash and fixed maturity securities (2018 - $180.0 million and $390.8 million, respectively).

NOTE 10. STATUTORY REQUIREMENTS, cont'd.

Renaissance Reinsurance of Europe

Under the Solvency II capital regime, Renaissance Reinsurance of Europe is required to maintain the higher of the Solvency Capital Requirement and Minimum Capital Requirement. At December 31, 2019 the amount required to be maintained by Renaissance Reinsurance of Europe was $4.0 million (2018 - $4.1 million) and the Total Eligible Own Funds to meet this requirement was $11.0 million (2018 - $12.5 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.

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, 2019 with respect to the MBRT totaled $1.3 billion (2018 - $1.2 billion), compared to the minimum amount required under U.S. state regulations of $927.4 million (2018 - $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, 2019 with respect to the RCT totaled $51.7 million (2018 - $50.3 million), compared to the minimum amount required under U.S. state regulations of $40.3 million (2018 - $36.8 million).

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

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 to assume risk. 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.

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, 2019	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	$ 4	$ 4	$ —	Other assets	$ —	$ —
Foreign currency forward contracts (1)	3,874	256	3,618	Other assets	—	3,618
Equity futures	290	—	290	Other assets	—	290
Total	$ 4,168	$ 260	$ 3,908		$ —	$ 3,908

	Derivative Liabilities					
At December 31, 2019	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	$ 1,308	$ 4	$ 1,304	Other liabilities	$ 1,304	$ —
Foreign currency forward contracts (1)	2,221	—	2,221	Other liabilities	—	2,221
Total	$ 3,529	$ 4	$ 3,525		$ 1,304	$ 2,221

(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, 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	$ 1,047	$ —	$ 1,047	Other assets	$ —	$ 1,047
Foreign currency forward contracts (1)	14,206	2,155	12,051	Other assets	—	12,051
Equity futures	153	—	153	Other assets	—	153
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.

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,		2019	2018
Interest rate futures	Net realized and unrealized gains (losses) on investments	$ 17,521	$ (2,551)
Foreign currency forward contracts (1)	Net foreign exchange losses	(4,185)	2,883
Equity futures	Net realized and unrealized gains (losses) on investments	19,938	371
Total		$ 33,274	$ 703

(1) Contracts used to manage foreign currency risks in underwriting and non-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, 2019, the Company had $1.7 billion of notional long positions and $698.3 million of notional short positions of primarily U.S. treasury futures contracts (2018 - $1.0 billion and $223.7 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 and Non-Investments 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, 2019, the Company had outstanding underwriting related foreign currency contracts of $82.1 million in notional long positions and $456.8 million in notional short positions, denominated in U.S. dollars (2018 - $313.6 million and $299.6 million, respectively).

Equity Derivatives

Equity Futures

During 2019, the Company entered into certain equity futures contracts.The Company uses equity derivatives in its investment portfolio futures from time to time to either assume equity risk or hedge its equity exposure. The fair value of the Company's equity futures is determined using market-based prices from pricing vendors. At December 31, 2019, the Company had $121.5 million notional long position and $Nil notional short position of equity futures, denominated in U.S. dollars (2018 - $20.0 million 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 securities of the U.S. government, none of the Company's investments exceeded 10% of shareholder's equity at December 31, 2019. 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

Revolving Credit Facility

RenaissanceRe, the Company's ultimate parent, and the Company, among other operating subsidiaries of RenaissanceRe, are parties to a second amended and restated credit agreement dated November 9, 2018 (as amended, the "Revolving Credit Agreement") with various banks, financial institutions and Wells Fargo Bank, National Association ("Wells Fargo") as administrative agent, which amended and restated a previous credit agreement. The Revolving Credit Agreement provides for a revolving commitment to RenaissanceRe of $500.0 million, with a right, subject to satisfying certain conditions, to increase the size of the facility to $750.0 million. Amounts borrowed under the Revolving Credit Agreement bear interest at a rate selected by RenaissanceRe equal to the Base Rate or LIBOR (each as defined in the Revolving Credit Agreement) plus a margin. In addition to revolving loans, the Revolving Credit Agreement provides that the entire facility will also be available for the issuance of standby letters of credit, subject to the terms and conditions set forth therein, and swingline loans, which are capped at $50.0 million for each of the swingline lenders. At December 31, 2019, RenaissanceRe had $Nil outstanding under the Revolving Credit Agreement, of which $Nil relates to the Company.

The Revolving Credit Agreement contains representations, warranties, covenants and certain financial covenants customary for bank loan facilities of this type, including limits on the ability of RenaissanceRe and its subsidiaries to merge, consolidate, sell a substantial amount of assets, incur liens and declare or pay dividends under certain circumstances. If certain events of default occur, in some circumstances the lenders' obligations to make loans may be terminated and the outstanding obligations of RenaissanceRe under the Revolving Credit Agreement may be accelerated. The scheduled commitment maturity date of the Revolving Credit Agreement is November 9, 2023.

Certain subsidiaries of RenaissanceRe guarantee its obligations under the Revolving Credit Agreement. Subject to certain exceptions, additional subsidiaries of RenaissanceRe are required to become guarantors if such subsidiaries issue or incur certain types of indebtedness.

Uncommitted, Secured Standby Letter of Credit Facility with Wells Fargo

RenaissanceRe, the Company's ultimate parent, maintains a standby letter of credit facility with Wells Fargo Bank, National Association ("Wells Fargo") which, as of December 31, 2019, provides for a secured, uncommitted facility under which letters of credit may be issued from time to time for the respective accounts of RenaissanceRe's operating subsidiaries and joint ventures, including the Company (the "Applicants"). Pursuant to the agreement, the Applicants may request secured letter of credit issuances, and also have an option to request the issuance of up to $25.0 million of unsecured letters of credit (outstanding on such request date). The agreement contains representations, warranties and covenants that are customary for facilities of this type. Under the agreement, each applicant is required to pledge eligible collateral having a value sufficient to cover all of its obligations under the agreement with respect to secured letters of credit issued for its account. In the case of an event of default under the agreement, Wells Fargo may exercise certain remedies, including conversion of collateral of a defaulting applicant into cash. At December 31, 2019, RenaissanceRe had $31.5 million of secured letters of credit outstanding and $Nil of unsecured letters of credit outstanding under this agreement, of which $26.2 million and $Nil, respectively, relates to the Company.

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

Secured Letter of Credit Facility with Citibank Europe

RenaissanceRe, the Company's ultimate parent, maintains a facility letter, with Citibank Europe plc ("Citibank Europe"), pursuant to which Citibank Europe has established a letter of credit facility under which Citibank Europe provides a commitment to issue letters of credit for the accounts of RenaissanceRe's operating subsidiaries and joint ventures, including the Company (the "Participants"). The aggregate commitment amount is $300.0 million. The letter of credit facility is scheduled to expire on December 31, 2021. At all times during which it is a party to the facility, each Participant is obligated to pledge to Citibank Europe securities with a value that equals or exceeds the aggregate face amount of its then-outstanding letters of credit. In the case of an event of default under the facility with respect to a Participant, Citibank Europe may exercise certain remedies, including terminating its commitment to such Participant and taking certain actions with respect to the collateral pledged by such Participant (including the sale thereof). In the facility letter, each Participant makes representations and warranties that are customary for facilities of this type and agrees that it will comply with certain informational and other undertakings. At December 31, 2019, RenaissanceRe had $266.5 million aggregate face amount of letters of credit outstanding and, subject to the sublimits described above, $33.5 million remained unused and available to the Participants under this facility, of which $44.2 million of the aggregate face amount of letters of credit outstanding relates to the Company.

Uncommitted, Unsecured Letter of Credit Facility with Citibank Europe

The Company, among other operating subsidiaries of RenaissanceRe, the Company's ultimate parent, is party to a Master Agreement for Issuance of Payment Instruments and a Facility Letter for Issuance of Payment Instruments with Citibank Europe dated March 22, 2019, as amended, which established an uncommitted, unsecured letter of credit facility pursuant to which Citibank Europe or one of its correspondents may issue standby letters of credit or similar instruments in multiple currencies for the account of one or more of the applicants. The obligations of the applicants under this facility are guaranteed by RenaissanceRe.

Pursuant to the master agreement, each applicant makes representations and warranties that are customary for facilities of this type and agrees that it will comply with certain informational and other customary undertakings. The master agreement contains events of default customary for facilities of this type. In the case of an event of default under the facility, Citibank Europe may exercise certain remedies, including requiring that the relevant applicant pledge cash collateral in an amount equal to the maximum actual and contingent liability of the issuing bank under the letters of credit and similar instruments issued for such applicant under the facility, and taking certain actions with respect to the collateral pledged by such applicant (including the sale thereof). In addition, Citibank Europe may require that the relevant applicant pledge cash collateral if certain minimum ratings are not satisfied.

At December 31, 2019, the aggregate face amount of the payment instruments issued and outstanding under this facility was $270.7 million, of which $Nil of aggregate face amount of the payment instruments issued and outstanding relates to the Company.

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

Funds at Lloyd's Letter of Credit Facility

The Company is party to a letter of credit facility with Bank of Montreal, Citibank Europe and ING Bank N.V. evidenced by an Amended and Restated Letter of Credit Reimbursement Agreement dated November 7, 2019, which provides for the issuance of letters of credit to support business written by the Company's Lloyd's syndicate, Syndicate 1458. Effective November 7, 2019, the stated amount of the outstanding Funds at Lloyd's letter of credit increased from $255.0 million to $290.0 million. The Company may request that the outstanding letter of credit be amended to increase the stated amount or that a new letter of credit denominated in U.S. dollars be issued, in an aggregate amount for all such increases or issuances not to exceed $140.0 million. The facility terminates four years from the date of notice from the lenders to the beneficiary of the letter of credit, unless extended.

Generally, the Company is not required to post any collateral for letters of credit issued pursuant to this facility. However, following the occurrence of a partial collateralization event or a full collateralization event, as provided in the agreement, the Company is required to pledge eligible securities with a collateral value of at least 60% or 100%, respectively, of the aggregate amount of its then-outstanding letters of credit. The latest date upon which the Company will become obligated to collateralize the facility at 100% is December 31, 2020.

In the agreement, the Company makes representations and warranties that are customary for facilities of this type and agrees that it will comply with certain informational undertakings and other covenants, including maintaining a minimum net worth. In the case of an event of default under the FAL facility, the lenders may exercise certain remedies, including declaring all outstanding obligations of the Company under the agreement and related credit documents due and payable and taking certain actions with respect to the collateral pledged by the Company (including the sale thereof). At December 31, 2019, the face amount of the outstanding letter of credit issued under the FAL facility was $290.0 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.

Legal Proceedings

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. 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

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to a number of other countries. In January 2020, the World Health Organization declared the outbreak a global health emergency, and on March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Due to the recent, ongoing and evolving nature of the pandemic, the Company's assessment of the impact and potential exposures is in its preliminary stages.

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2019, through April 27, 2020, the date the consolidated financial statements were available to be issued.