EVEREST REINSURANCE (BERMUDA), LTD.

(a wholly owned subsidiary of Everest Re Group, Ltd.)

GAAP Financial Statements

For the Years Ended December 31, 2018 and 2017

Report of Independent Auditors

To the Board of Directors of Everest Reinsurance (Bermuda), Ltd.:

We have audited the accompanying financial statements of Everest Reinsurance (Bermuda), Ltd., which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and comprehensive income (loss), of changes in shareholder's equity, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 our 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, we consider internal control relevant to the Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of Everest Reinsurance (Bermuda), Ltd. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the Company has entered into significant transactions with related parties. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP, 300 Madison Avenue New York, NY 10017
T: 646-471-3000, F: 813-286-6000, www.pwc.com

Other Matter

Accounting principles generally accepted in the United States of America require that the information about incurred and paid claims development for the years ended December 31, 2012 to December 31, 2017 on pages 18 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York
April 29, 2019

EVEREST REINSURANCE (BERMUDA), LTD.
BALANCE SHEETS

(Dollars in thousands, except par value per share)	December 31, 2018	December 31, 2017
ASSETS:		
Fixed maturities - available for sale, at market value	$ 6,288,969	$ 7,990,830
(amortized cost: 2018, $6,360,062; 2017, $7,946,572)		
Equity securities, at market value (cost: 2018, $0; 2017, $121,235)	-	120,269
Equity securities, at fair value	140,041	-
Short-term investments (cost: 2018, $42,862; 2017, $96,826)	42,862	96,826
Other invested assets (cost: 2018, $844,481; 2017, $647,257)	844,481	647,257
Cash	75,892	160,012
Total investments and cash	7,392,245	9,015,194
Note receivable - affiliated	300,000	-
Accrued investment income	42,322	49,881
Premiums receivable	752,801	834,081
Reinsurance receivables - unaffiliated	449,047	174,244
Reinsurance receivables - affiliated	584,490	537,524
Income taxes	-	683
Funds held by reinsureds	208,739	90,406
Deferred acquisition costs	87,919	96,024
Prepaid reinsurance premiums	115,437	96,193
Other assets	75,294	11,098
TOTAL ASSETS	$ 10,008,294	$ 10,905,328
LIABILITIES:		
Reserve for losses and loss adjustment expenses	$ 6,122,993	$ 6,921,652
Future policy benefit reserve	46,778	51,014
Unearned premium reserve	508,030	433,872
Funds held under reinsurance treaties	16,015	23,935
Losses in course of payment	-	218,200
Income taxes payable	2,470	-
Other net payable to reinsurers	91,867	103,108
Equity index put option liability	11,958	12,477
Deferred gain on retroactive reinsurance	118,708	22,903
Other liabilities	13,390	32,198
Total liabilities	6,932,209	7,819,359
Commitments and Contingencies (Note 12)		
SHAREHOLDER'S EQUITY:		
Common shares, par value: $1.00; 1.25 million shares authorized,		
issued and outstanding (2018 and 2017)	1,250	1,250
Additional paid-in capital	1,331,801	1,331,801
Accumulated other comprehensive income (loss), net of deferred		
income tax expense (benefit) of $12,589 at 2018 and $11,011 at 2017	(230,246)	(91,139)
Retained earnings	1,973,280	1,844,057
Total shareholder's equity	3,076,085	3,085,969
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 10,008,294	$ 10,905,328

The accompanying notes are an integral part of the financial statements.

EVEREST REINSURANCE (BERMUDA), LTD.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)	Years Ended December 31, 2018	2017
REVENUES:		
Premiums earned	$ 1,522,569	$ 3,544,424
Net investment income	249,104	250,134
Net realized capital gains (losses):		
Other-than-temporary impairments on fixed maturity securities	(1,945)	(1,016)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	-	-
Other net realized capital gains (losses)	(28,602)	16,202
Total net realized capital gains (losses)	(30,547)	15,186
Net derivative gain (loss)	520	9,581
Gain (loss) on retroactive reinsurance	(95,806)	(25,148)
Other income (expense)	8,584	(25,844)
Total revenues	1,654,424	3,768,333
CLAIMS AND EXPENSES:		
Incurred losses and loss adjustment expenses	475,639	2,162,797
Commission, brokerage, taxes and fees	262,922	1,003,293
Other underwriting expenses	31,615	27,131
Total claims and expenses	770,176	3,193,221
INCOME (LOSS) BEFORE TAXES	884,248	575,112
Income tax expense (benefit)	3,596	(1,713)
NET INCOME (LOSS)	$ 880,652	$ 576,825
Other comprehensive income (loss), net of tax:		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	(145,918)	(21,051)
Less: reclassification adjustment for realized losses (gains) included in net income (loss)	28,989	(14,085)
Total URA(D) on securities arising during the period	(116,929)	(35,136)
Foreign currency translation adjustments	(23,607)	33,466
Total other comprehensive income (loss), net of tax	(140,536)	(1,670)
COMPREHENSIVE INCOME (LOSS)	$ 740,116	$ 575,155

The accompanying notes are an integral part of the financial statements.

EVEREST REINSURANCE (BERMUDA), LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(Dollars in thousands, except share amounts)	Years Ended December 31, 2018	2017
COMMON SHARES (shares outstanding):		
Balance, beginning of period	1,250,000	1,250,000
Balance, end of period	1,250,000	1,250,000
COMMON SHARES (par value):		
Balance, beginning of period	$ 1,250	$ 1,250
Balance, end of period	1,250	1,250
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	1,331,801	1,331,801
Share-based compensation plans	-	-
Balance, end of period	1,331,801	1,331,801
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:		
Balance, beginning of period	(91,139)	(89,469)
Change to beginning balance due to adoption of Accounting Standards Update 2016-01	1,429	-
Net increase (decrease) during the period	(140,536)	(1,670)
Balance, end of period	(230,246)	(91,139)
RETAINED EARNINGS:		
Balance, beginning of period	1,844,057	1,667,232
Change to beginning balance due to adoption of Accounting Standards Update 2016-01	(1,429)	-
Net income (loss)	880,652	576,825
Dividends paid	(750,000)	(400,000)
Balance, end of period	1,973,280	1,844,057
TOTAL SHAREHOLDER'S EQUITY, END OF PERIOD	$ 3,076,085	$ 3,085,969

The accompanying notes are an integral part of the financial statements.

EVEREST REINSURANCE (BERMUDA), LTD.
STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 880,652	$ 576,825
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	72,498	106,033
Decrease (increase) in funds held by reinsureds, net	(127,888)	65,187
Decrease (increase) in reinsurance receivables	(355,350)	(107,842)
Increase (decrease) in reserve for losses and loss adjustment expenses	(723,724)	889,713
Increase (decrease) in future policy benefit reserve	(4,236)	(4,060)
Increase (decrease) in unearned premiums	85,326	(382,249)
Increase (decrease) in losses in course of payment	(245,181)	(117,031)
Increase (decrease) in other net payable to reinsurer	(6,945)	59,988
Change in equity adjustments in limited partnerships	(31,695)	(46,945)
Distribution of limited partnership income	29,273	17,196
Change in other assets and liabilities, net	17,317	121,266
Amortization of bond premium (accrual of bond discount)	22,408	22,220
Net realized capital (gains) losses	30,547	(15,186)
Net cash provided by (used in) operating activities	(356,998)	1,185,115
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale, at market value	1,013,943	1,008,251
Proceeds from fixed maturities sold - available for sale, at market value	1,657,898	602,917
Proceeds from equity securities sold - available for sale, at market value	-	18,802
Distributions from other invested assets	3,050,791	2,470,784
Cost of fixed maturities acquired - available for sale, at market value	(1,177,990)	(2,172,887)
Cost of equity securities acquired - available for sale, at market value	-	(20,824)
Cost of equity securities acquired - available for sale, at fair value	(35,014)	-
Cost of other invested assets acquired	(3,250,124)	(2,558,639)
Cost of lending for long term note - affiliated	(300,000)	-
Net change in short-term investments	53,442	(9,529)
Net change in unsettled securities transactions	(6,343)	6,020
Net cash provided by (used in) investing activities	1,006,603	(655,105)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common shares issued during the period for share-based compensation, net of expense	(1,118)	(275)
Dividends paid to shareholder	(750,000)	(400,000)
Net cash provided by (used in) financing activities	(751,118)	(400,275)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	17,393	(35,889)
Net increase (decrease) in cash	(84,120)	93,846
Cash, beginning of period	160,012	66,166
Cash, end of period	$ 75,892	$ 160,012
SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid (recovered)	$ 2,529	$ (792)
NON-CASH TRANSACTION:		
Transfer of fixed maturities, available for sale, at market value from Everest Reinsurance Company as part of the settlement for loss portfolio transfer agreement as of 12/31/17	$ -	$ 790,583

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business and Basis of Presentation.

Everest Reinsurance (Bermuda) Ltd. (the "Company" or "Bermuda Re"), a Bermuda insurance company and direct wholly owned subsidiary of Everest Re Group, Ltd. ("Group"), is registered as a Class 4 insurer and long-term insurer and underwrites property and casualty reinsurance and insurance and life and annuity business. The Company's U.K. branch writes property and casualty reinsurance for the United Kingdom and European markets.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All amounts are reported in U.S. dollars.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate actual results could differ, possibly materially, from those estimates.

Certain reclassifications and format changes have been made to prior years' amounts to conform to the 2018 presentation.

B. Investments.

Fixed maturity investments available for sale, at market value, reflect unrealized appreciation and depreciation, as a result of temporary changes in market value during the period, in shareholders' equity, net of income taxes in "accumulated other comprehensive income (loss)" in the consolidated balance sheets. The Company records changes in fair value for its fixed maturities available for sale, at market value through shareholders' equity, net of taxes in accumulated other comprehensive income (loss) since cash flows from these investments will be primarily used to settle its reserve for losses and loss adjustment expense liabilities. The Company anticipates holding these investments for an extended period as the cash flow from interest and maturities will fund the projected payout of these liabilities. As of January 1, 2018, the Company carries all of its equity securities at fair value. For equity securities, at fair value, the Company reflects changes in value as net realized capital gains and losses since these securities may be sold in the near term depending on financial market conditions. Interest income on all fixed maturities and dividend income on all equity securities are included as part of net investment income in the consolidated statements of operations and comprehensive income (loss). Unrealized losses on fixed maturities, which are deemed other-than-temporary and related to the credit quality of a security, are charged to net income (loss) as net realized capital losses. Short-term investments are stated at cost, which approximates market value. Realized gains or losses on sales of investments are determined on the basis of identified cost. For some non-publicly traded securities, market prices are determined through the use of pricing models that evaluate securities relative to the U.S. Treasury yield curve, taking into account the issue type, credit quality, and cash flow characteristics of each security. For publicly traded securities, market value is based on quoted market prices or valuation models that use observable market inputs. When a sector of the financial markets is inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. Retrospective adjustments are employed to recalculate the values of asset-backed securities. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if the new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Conditional prepayment rates, computed with life to date factor histories and weighted average maturities, are used to effect the calculation of projected and prepayments for pass-through security types. Other invested assets include limited partnerships and a private placement liquidity sweep facility. Cash contributions to and cash distributions from the sweep facility were reported gross in cash flows from other invested assets activities in the consolidated statements of cash flows. Limited partnerships are accounted for under the equity method of accounting, which can be recorded on a monthly or quarterly lag.

C. Uncollectible Receivable Balances.
The Company provides reserves for uncollectible reinsurance recoverable and premium receivable balances based on management's assessment of the collectability of the outstanding balances. Such reserves are presented in the table below for the periods indicated.

	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Reinsurance recoverable and premium receivables	$ 324	$ 339

D. Deferred Acquisition Costs.
Acquisition costs, consisting principally of commissions and brokerage expenses and certain premium taxes and fees incurred at the time a contract or policy is issued and that vary with and are directly related to the Company's reinsurance and insurance business, are deferred and amortized over the period in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value by line of business based on the related unearned premiums, anticipated claims and claim expenses and anticipated investment income. Deferred acquisition costs amortized to income are presented in the table below for the periods indicated.

	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Deferred acquisition costs	$ 262,922	$ 1,003,293

E. Reserve for Losses and Loss Adjustment Expenses.
The reserve for losses and loss adjustment expenses ("LAE") is based on individual case estimates and reports received from ceding companies. A provision is included for losses and LAE incurred but not reported ("IBNR") based on past experience. A provision is also included for certain potential liabilities relating to asbestos and environmental ("A&E") exposures, which liabilities cannot be estimated using traditional reserving techniques. See also Note 3. The reserves are reviewed periodically and any changes in estimates are reflected in earnings in the period the adjustment is made. The Company's loss and LAE reserves represent management's best estimate of the ultimate liability. Loss and LAE reserves are presented gross of reinsurance receivables and incurred losses and LAE are presented net of reinsurance.

Accruals for commissions are established for reinsurance contracts that provide for the stated commission percentage to increase or decrease based on the loss experience of the contract. Changes in estimates for such arrangements are recorded as commission expense. Commission accruals for contracts with adjustable features are estimated based on expected loss and LAE.

F. Future Policy Benefit Reserve.
Liabilities for future policy benefits on annuity policies are carried at their accumulated values. Reserves for policy benefits include mortality claims in the process of settlement and IBNR claims. Actual experience in a particular period may fluctuate from expected results.

G. Premium Revenues.
Written premiums are earned ratably over the periods of the related insurance and reinsurance contracts. Unearned premium reserves are established relative to the unexpired contract period. Such reserves are established based upon reports received from ceding companies or estimated using pro rata methods based on statistical data. Reinstatement premiums represent additional premium received on reinsurance coverages, most prevalently catastrophe related, when limits have been depleted under the original reinsurance contract and additional coverage is granted. Written and earned premiums and the related costs, which have not yet been reported to the Company, are estimated and accrued. Premiums are net of ceded reinsurance.

Payout annuity premiums are recognized as revenue over the premium-paying period of the policies.

H. Prepaid Reinsurance Premiums.
Prepaid reinsurance premiums represent unearned premium reserves ceded to other reinsurers.

I. Income Taxes.
The U.K. branch of Bermuda Re files a U.K. income tax return. Income taxes have been recorded to recognize the tax effect of temporary differences between the financial reporting and income tax bases of assets and liabilities, which arise because of differences between GAAP and U.K. income tax accounting rules.

J. Foreign Currency.
Assets and liabilities relating to foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date; revenues and expenses are translated into U.S. dollars using average exchange rates in effect during the reporting period. Gains and losses resulting from translating foreign currency financial statements, net of deferred income taxes, are excluded from net income (loss) and accumulated in shareholder's equity. Gains and losses resulting from foreign currency transactions, other than debt securities available for sale, are recorded through the statements of operations and comprehensive income (loss) in other income (expense). Gains and losses resulting from changes in the foreign currency exchange rates on debt securities, available for sale at market value, are recorded in the balance sheets in accumulated other comprehensive income (loss) as unrealized appreciation (depreciation) and any losses which are deemed other-than-temporary are charged to net income (loss) as net realized capital loss.

K. Derivatives.
The Company sold seven equity index put option contracts, based on two indices, in 2001 and 2005. The Company sold these equity index put options as insurance products with the intent of achieving a profit. These equity index put option contracts meet the definition of a derivative under FASB guidance and the Company's position in these equity index put option contracts is unhedged. Accordingly, these equity index put option contracts are carried at fair value in the balance sheets with changes in fair value recorded in the consolidated statements of operations and comprehensive income (loss). One of these contracts expired on June 9, 2017, with no liability due under the terms of the contract.

The fair value of the equity index put options can be found in the Company's balance sheets as follows:

(Dollars in thousands) Derivatives not designated as hedging instruments	Location of fair value in balance sheet	At December 31, 2018	At December 31, 2017
Equity index put option contracts	Equity index put option liability	$ 11,958	$ 12,477
Total		$ 11,958	$ 12,477

The change in fair value of the equity index put option contracts can be found in the Company's statement of operations and comprehensive income (loss) as follows:

(Dollars in thousands) Derivatives not designated as hedging instruments	Location of gain (loss) in statements of operations and comprehensive income (loss)	For the Years Ended December 31, 2018	For the Years Ended December 31, 2017
Equity index put option contracts	Net derivative gain (loss)	$ 520	$ 9,581
Total		$ 520	$ 9,581

L. Deposit Assets and Liabilities.
In the normal course of its operations, the Company may enter into contracts that do not meet risk transfer provisions. Such contracts are accounted for using the deposit accounting method and are included in other liabilities in the Company's balance sheets. For such contracts, the Company originally records deposit liabilities for an amount equivalent to the assets received. Actuarial studies are used to estimate the final liabilities under such contracts with any change reflected in the statements of operations and comprehensive income (loss).

M. Retroactive Reinsurance.
The gains on assumed retroactive contracts are deferred and amortized into income based on cash payouts. Losses on assumed retroactive contracts are recognized immediately into income.

N. Application of Recently Issued Accounting Standard Changes.
Accounting for Long Duration Contracts. In August 2018, FASB issued ASU 2018-12, which discusses changes to the recognition, measurement and presentation of long duration contracts. The main provisions of this guidance address the following: 1) In determining liability for future policy benefits, companies must review cash flow assumptions at least annually and the discount rate assumption at each reporting period date 2) Amortization of deferred acquisition costs has been simplified to be in constant level proportion to either premiums, gross profits or gross margins 3) Disaggregated roll forwards of beginning and ending liabilities for future policy benefits are required. The guidance is effective for annual reporting periods beginning after December 15, 2020 and interim periods within that annual reporting period. The Company is currently evaluating the impact of the adoption of ASU 2018-12 on its financial statements.

Amortization of Bond Premium. In March 2017, FASB issued ASU 2017-08 which outlines guidance on the amortization period for premium on callable debt securities. The new guidance requires that the premium on callable debt securities be amortized through the earliest call date rather than through the maturity date of the callable security. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. The Company does not expect the adoption of ASU 2017-08 to have a material impact on its financial statements.

Disclosure of Restricted Cash. In November 2016, FASB issued ASU 2016-18 and in August 2016, FASB issued ASU 2016-15 which outline guidance on the presentation in the statements of cash flows of changes in restricted cash. The new guidance requires that the statements of cash flows should reflect all changes in cash, cash equivalents and restricted cash in total and not segregated individually. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018. The adoption of ASU 2016-18 and ASU 2016-15 did not have a material impact on the Company's financial statements.

Valuation of Financial Instruments. In June 2016, FASB issued ASU 2016-13 which outlines guidance on the valuation of and accounting for assets measured at amortized cost and available for sale debt securities. The carrying value of assets measured at amortized cost will now be presented as the amount expected to be collected on the financial asset (amortized cost less an allowance for credit losses valuation account). Available for sale debt securities will now record credit losses through an allowance for credit losses, which will be limited to the amount by which fair value is below amortized cost. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact of the adoption of ASU 2016-13 on its financial statements.

Leases. In February 2016, FASB issued ASU 2016-02 (and subsequently issued ASU 2018-11 in July, 2018) which outline new guidance on the accounting for leases. The new guidance requires the recognition of lease assets and lease liabilities on the balance sheets for most leases that were previously deemed operating leases and required only lease expense presentation in the statements of operations. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The Company will adopt ASU 2016-02 effective January 1, 2019 and estimates that its increase in lease liability will be $1,200 thousand with no impact on shareholders' equity upon adoption and no material impact on future statements of operation and comprehensive income (loss).

Recognition and Measurement of Financial Instruments. In January 2016, the FASB issued ASU 2016-01 which outlines revised guidance on the accounting for equity investments. The new guidance states that all equity investments in unconsolidated entities will be measured at fair value, with the change in value being recorded through the income statement rather than being recorded within other comprehensive income. The updated guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018. The adoption of ASU 2016-01 resulted in a cumulative change adjustment of $1,429 thousand between AOCI and retained earnings, which is disclosed separately within the consolidated statement of changes in shareholders' equity.

Revenue Recognition. In May 2014, the FASB issued ASU 2014-09 and in August 2015, FASB issued ASU 2015-14 which outline revised guidance on the recognition of revenue arising from contracts with customers. The new guidance states that reporting entities should apply certain steps to determine when revenue should be recognized, based upon fulfillment of performance obligations to complete contracts. The updated guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company adopted the guidance effective January 1, 2018. The adoption of ASU 2014-09 and ASU 2015-14 did not have a material impact on the Company's financial statements.

2. INVESTMENTS

The amortized cost, market value and gross unrealized appreciation and depreciation of available for sale, fixed maturity, equity security investments, carried at market value and other-than-temporary impairments ("OTTI") in accumulated other comprehensive income ("AOCI") are as follows for the periods indicated:

	At December 31, 2018				
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value	OTTI in AOCI (a)
Fixed maturity securities					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	$ 210,240	$ 10,833	$ (2,265)	$ 218,808	$ -
U.S. Corporate securities	2,576,612	30,643	(53,624)	2,553,631	1,235
Asset-backed securities	253,668	19	(2,975)	250,712	-
Mortgage-backed securities					
Commercial	165,427	108	(4,123)	161,412	-
Agency residential	1,475,452	3,161	(32,466)	1,446,147	-
Non-agency residential	20	-	-	20	-
Foreign government securities	580,444	16,360	(37,429)	559,375	98
Foreign corporate securities	1,098,199	37,777	(37,112)	1,098,864	39
Total fixed maturity securities	$ 6,360,062	$ 98,901	$ (169,994)	$ 6,288,969	$ 1,372
Equity securities	$ -	$ -	$ -	$ -	$ -

	At December 31, 2017				
(Dollars in thousands)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value	OTTI in AOCI (a)
Fixed maturity securities					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	$ 432,683	$ 7,657	$ (2,578)	$ 437,762	$ -
U.S. Corporate securities	3,164,793	48,518	(17,002)	3,196,309	-
Asset-backed securities	327,635	638	(1,334)	326,939	2,320
Mortgage-backed securities					
Commercial	162,522	500	(1,591)	161,431	-
Agency residential	1,914,054	6,183	(23,353)	1,896,884	-
Non-agency residential	251	2	-	253	-
Foreign government securities	625,019	21,601	(19,142)	627,478	178
Foreign corporate securities	1,319,615	42,319	(18,160)	1,343,774	574
Total fixed maturity securities	$ 7,946,572	$ 127,418	$ (83,160)	$ 7,990,830	$ 3,072
Equity securities	$ 121,235	$ 2,406	$ (3,372)	$ 120,269	$ -

(a) Represents the amount of OTTI recognized in AOCI. Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.

Effective January 1, 2018, the Company adopted ASU 2016-01, which requires equity investments in unconsolidated entities to be measured at fair value, with any change in value being recorded within net realized capital gains/(losses) as part of the statements of operations and comprehensive income (loss). Previously, changes in the market value had been recorded within AOCI as part of the consolidated balance sheets. Therefore, effective January 1, 2018, equity security investments no longer have an impact upon the AOCI balance.

The amortized cost and market value of fixed maturity securities are shown in the following table by contractual maturity. Mortgage-backed securities are generally more likely to be prepaid than other fixed maturity securities. As the stated maturity of such securities may not be indicative of actual maturities, the totals for mortgage-backed and asset-backed securities are shown separately.

	At December 31, 2018		At December 31, 2017	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale:				
Due in one year or less	$ 622,593	$ 629,032	$ 645,511	$ 653,204
Due after one year through five years	2,764,350	2,728,281	3,782,594	3,807,096
Due after five years through ten years	899,151	879,565	907,197	911,342
Due after ten years	179,401	193,800	206,808	233,681
Asset-backed securities	253,668	250,712	327,635	326,939
Mortgage-backed securities:				
Commercial	165,427	161,412	162,522	161,431
Agency residential	1,475,452	1,446,147	1,914,054	1,896,884
Non-agency residential	20	20	251	253
Total fixed maturity securities	$ 6,360,062	$ 6,288,969	$ 7,946,572	$ 7,990,830

The changes in net unrealized appreciation (depreciation) for the Company's investments are derived from the following sources for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Increase during the period between the market value and cost of investments carried at market value, and income taxes thereon:		
Fixed maturity securities	$ (113,651)	$ (53,728)
Fixed maturity securities, other-than-temporary impairment	(1,700)	(1,067)
Equity securities	-	9,719
Change in unrealized appreciation (depreciation), pre-tax	(115,351)	(45,076)
Income tax benefit (expense)	(1,578)	9,940
Change in unrealized appreciation (depreciation), net of income taxes, included in shareholder's equity	$ (116,929)	$ (35,136)

The Company frequently reviews all of its fixed maturity, available for sale securities for declines in market value and focuses its attention on securities whose fair value has fallen below 80% of their amortized cost at the time of review. The Company then assesses whether the decline in value is temporary or other-than-temporary. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security's value caused by a change in the market, interest rate or foreign exchange environment does not constitute an other-than-temporary impairment, but rather a temporary decline in market value. Temporary declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company determines that the decline is other-than-temporary and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the carrying value of the investment is written down to fair value. The fair value adjustment that is credit or foreign exchange related is recorded in net realized capital gains (losses) in the Company's statements of operations and comprehensive income (loss). The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's balance sheets.

The Company's assessments are based on the issuers' current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

Upon the adoption of ASU 2016-01 as of January 1, 2018, all equity investments in unconsolidated entities are recorded at fair value. Prior to the adoption of ASU 2016-01, the Company presented certain equity securities at market value. The majority of the Company's equity securities presented at market value prior to January 1, 2018 were primarily comprised of mutual fund investments whose underlying securities consisted of fixed maturity securities. When a fund's value reflected an unrealized loss, the Company assessed whether the decline in value was temporary or other-than-temporary. In making its assessment, the Company considered the composition of its portfolios and their related markets, reports received from the portfolio managers and discussions with portfolio managers. If the Company determined that the declines were temporary and it had the ability and intent to continue to hold the investments, then the declines were recorded as unrealized losses in accumulated other comprehensive income (loss). If declines were deemed to be other-than-temporary, then the carrying value of the investment was written down to fair value and recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss).

Retrospective adjustments are employed to recalculate the values of asset-backed securities. All of the Company's asset-backed and mortgage-backed securities have a pass-through structure. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if the new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Conditional prepayment rates, computed with life to date factor histories and weighted average maturities, are used in the calculation of projected prepayments for pass-through security types.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the period indicated:

	Duration of Unrealized Loss at December 31, 2018 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	$ 16,267	$ (100)	$ 87,286	$ (2,165)	$ 103,553	$ (2,265)
U.S. Corporate securities	1,102,773	(21,185)	995,540	(32,439)	2,098,313	(53,624)
Asset-backed securities	74,735	(1,209)	168,252	(1,766)	242,987	(2,975)
Mortgage-backed securities						
Commercial	43,056	(804)	108,815	(3,319)	151,871	(4,123)
Agency residential	337,474	(3,716)	975,158	(28,750)	1,312,632	(32,466)
Non-agency residential	20	-	-	-	20	-
Foreign government securities	108,843	(6,507)	178,459	(30,922)	287,302	(37,429)
Foreign corporate securities	418,025	(14,125)	303,547	(22,987)	721,572	(37,112)
Total fixed maturity securities	$ 2,101,193	$ (47,646)	$ 2,817,057	$ (122,348)	$ 4,918,250	$ (169,994)
Equity Securities	-	-	-	-	-	-
Total	$ 2,101,193	$ (47,646)	$ 2,817,057	$ (122,348)	$ 4,918,250	$ (169,994)

	Duration of Unrealized Loss at December 31, 2018 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 279,964	$ (1,096)	$ 203,559	$ (7,231)	$ 483,523	$ (8,327)
Due in one year through five years	920,753	(21,110)	1,118,868	(63,291)	2,039,621	(84,401)
Due in five years through ten years	412,359	(18,017)	237,201	(17,123)	649,560	(35,140)
Due after ten years	32,832	(1,694)	5,204	(868)	38,036	(2,562)
Asset-backed securities	74,735	(1,209)	168,252	(1,766)	242,987	(2,975)
Mortgage-backed securities	380,550	(4,520)	1,083,973	(32,069)	1,464,523	(36,589)
Total fixed maturity securities	$ 2,101,193	$ (47,646)	$ 2,817,057	$ (122,348)	$ 4,918,250	$ (169,994)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2018 were $4,918,250 thousand and $169,994 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2018, did not exceed 1.4% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $47,646 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of U.S. corporate securities, foreign corporate securities, foreign government securities and agency residential mortgage-backed securities. Of these unrealized losses, $38,104 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The $122,348 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to U.S. corporate securities, foreign government securities, foreign corporate securities and agency residential mortgage-backed securities. Of these unrealized losses, $118,710 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. There was no gross unrealized depreciation for mortgage-backed securities related to sub-prime and alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The Company, given the size of its investment portfolio and capital position, does not have the intent to sell these securities; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis. In addition, all securities currently in an unrealized loss position are current with respect to principal and interest payments.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the period indicated:

	Duration of Unrealized Loss at December 31, 2017 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	$ 269,222	$ (1,965)	$ 22,639	$ (613)	$ 291,861	$ (2,578)
U.S. Corporate securities	1,163,401	(10,206)	375,287	(6,796)	1,538,688	(17,002)
Asset-backed securities	189,785	(966)	47,085	(368)	236,870	(1,334)
Mortgage-backed securities						
Commercial	61,488	(246)	51,124	(1,345)	112,612	(1,591)
Agency residential	485,668	(3,507)	956,643	(19,846)	1,442,311	(23,353)
Non-agency residential	-	-	44	-	44	-
Foreign government securities	125,770	(7,870)	167,360	(11,272)	293,130	(19,142)
Foreign corporate securities	340,969	(7,784)	247,870	(10,376)	588,839	(18,160)
Total fixed maturity securities	$ 2,636,303	$ (32,544)	$ 1,868,052	$ (50,616)	$ 4,504,355	$ (83,160)
Equity Securities	-	-	113,506	(3,372)	113,506	(3,372)
Total	$ 2,636,303	$ (32,544)	$ 1,981,558	$ (53,988)	$ 4,617,861	$ (86,532)

	Duration of Unrealized Loss at December 31, 2017 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 133,143	$ (149)	$ 134,035	$ (2,797)	$ 267,178	$ (2,946)
Due in one year through five years	1,450,081	(18,237)	526,145	(20,076)	1,976,226	(38,313)
Due in five years through ten years	294,076	(8,873)	148,150	(5,736)	442,226	(14,609)
Due after ten years	22,062	(566)	4,826	(448)	26,888	(1,014)
Asset-backed securities	189,785	(966)	47,085	(368)	236,870	(1,334)
Mortgage-backed securities	547,156	(3,753)	1,007,811	(21,191)	1,554,967	(24,944)
Total fixed maturity securities	$ 2,636,303	$ (32,544)	$ 1,868,052	$ (50,616)	$ 4,504,355	$ (83,160)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2017 were $4,617,861 thousand and $86,532 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2017, did not exceed 1.1% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The $32,544 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of U.S. corporate securities, foreign government and corporate securities and agency residential mortgage-backed securities. Of these unrealized losses, $31,944 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The $50,616 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to foreign government and corporate securities, agency residential mortgage-backed securities and U.S. corporate securities. Of these unrealized losses, $49,650 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. There was no gross unrealized depreciation for mortgage-backed securities related to sub-prime and alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The components of net investment income are presented in the table below for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Fixed maturities	$ 213,291	$ 195,627
Equity securities	8,099	5,912
Short-term investments and cash	1,967	797
Other invested assets:		
Limited partnerships	31,818	46,945
Other	2,838	2,082
Gross investment income before adjustments	258,013	251,363
Funds held interest income (expense)	659	6,668
Future policy benefit reserve income (expense)	(1,419)	(1,282)
Gross investment income	257,253	256,749
Investment expenses	(8,149)	(6,615)
Net investment income	$ 249,104	$ 250,134

The Company records results from limited partnership investments on the equity method of accounting with changes in value reported through net investment income. Due to the timing of receiving financial information from these partnerships, the results are generally reported on a one month or quarter lag. If the Company determines there has been a significant decline in value of a limited partnership during this lag period, a loss will be recorded in the period in which the Company identifies the decline.

The Company had contractual commitments to invest up to an additional $325,389 thousand in limited partnerships at December 31, 2018. These commitments will be funded when called in accordance with the partnership agreements, which have investment periods that expire, unless extended, through 2023 for new investments. Following the investment period, these capital commitments may be called by the partnerships for follow on investments, management fees and operating expenses.

The Company's other invested assets at December 31, 2018 and 2017 included $137,409 thousand and $187,343 thousand, respectively, related to a private placement liquidity sweep facility. The primary purpose of the facility is to enhance the Company's return on its short-term investments and cash positions. The facility invests in high quality, short-duration securities and permits daily liquidity.

The components of net realized capital gains (losses) are presented in the table below for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Fixed maturity securities, market value:		
Other-than-temporary impairments	$ (1,945)	$ (1,016)
Gains (losses) from sales	(12,833)	19,643
Equity securities, market value:		
Gains (losses) from sales	-	(3,436)
Gains (losses) from fair value adjustments	(15,768)	-
Short-term investments gains (losses)	-	(5)
Total net realized capital gains (losses)	$ (30,547)	$ 15,186

(Some amounts may not reconcile due to rounding.)

The Company recorded as net realized capital gains (losses) in the statements of operations and comprehensive income (loss) write-downs in the value of securities deemed to be impaired on an other-than-temporary basis as displayed in the table above. The Company had no other-than-temporary impaired securities where the impairment had both a credit and non-credit component.

The proceeds and split between gross gains and losses, from sales of fixed maturity and equity securities, are presented in the table below for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Proceeds from sales of fixed maturity securities	$ 1,657,898	$ 602,917
Gross gains from sales	12,785	22,820
Gross losses from sales	(25,618)	(3,177)
Proceeds from sales of equity securities	$ -	$ 18,802
Gross gains from sales	-	-
Gross losses from sales	-	(3,436)

3. RESERVE FOR LOSSES, LAE AND FUTURE POLICY BENEFIT RESERVE

Reserves for losses and LAE.
Activity in the reserve for losses and LAE is summarized for the periods indicated:

	At December 31,	
(Dollars in thousands)	2018	2017
Gross reserves at January 1	$ 6,921,652	$ 5,136,952
Less reinsurance recoverables	(710,201)	(559,403)
Net reserves at January 1	6,211,451	4,577,549
Incurred related to:		
Current year	638,606	2,334,560
Prior years	(162,967)	(171,763)
Total incurred losses and LAE	475,639	2,162,797
Paid related to:		
Current year	120,907	(361,572)
Prior years	1,421,134	986,155
Total paid losses and LAE	1,542,041	624,583
Foreign exchange/translation adjustment	(50,909)	95,688
Net reserves at December 31	5,094,140	6,211,451
Plus reinsurance recoverables	1,028,853	710,201
Gross reserves at December 31	$ 6,122,993	$ 6,921,652

(Some amounts may not reconcile due to rounding.)

Current year incurred losses were $638,606 thousand, and $2,334,560 thousand at December 31, 2018 and 2017, respectively. The decrease in current year incurred losses was primarily due to the cutoff of assumed affiliated quota share reinsurance business effective December 31, 2017.

Prior years' reserves decreased by $162,967 thousand and $171,763 thousand for the years ended December 31, 2018 and 2017, respectively. The 2018 decrease was primarily attributable to assumed affiliated quota share reinsurance business related primarily to property and short-tailed business in the U.S. as well as property business in Canada and Singapore.

The 2017 decrease was primarily attributable to assumed affiliated quota share reinsurance business related primarily to property and short-tailed business in the U.S. as well as property business in Canada, Latin America, Middle East and Africa.

The following is information about incurred and paid claims development as of December 31, 2018, net of reinsurance, as well as cumulative claim frequency and the total of incurred but not reported liabilities (IBNR) plus expected development on reported claims included within the net incurred claims amounts. The Company's loss activity has been disaggregated into casualty and property business. The casualty and property segregation results in groups that have homogeneous loss development characteristics and are large enough to represent credible trends. Generally, casualty claims take longer to be reported and settled, resulting in longer payout patterns and increased volatility. Property claims on the other hand, tend to be reported and settled quicker and therefore tend to exhibit less volatility. The property business is more exposed to catastrophe losses, which can result in year over year fluctuations in incurred claims depending on the frequency and severity of catastrophes claims in any one accident year.

The information about incurred and paid claims development for the years ended December 31, 2012 to December 31, 2017 is presented as supplementary information.

These tables present seven years of incurred and paid claims development as it is impracticable to retrospectively create the tables for ten years. For the years prior to 2012, the total of IBNR plus expected development on reported claims was not prepared on an accident year basis. The Company calculated these IBNR amounts in the aggregate as of prior year end points in time. As a result of not being able to present the information prior to 2012, prospectively an additional year will be added to the tables each reporting year until a ten year table is presented.

The Cumulative Number of Reported Claims is not shown as it is impracticable to provide the information. The loss activity includes pro rata contracts for which ceding companies provide only summary information via a bordereau. This summary information does not include the number of reported claims underlying the paid and reported losses. Therefore, it is not possible to provide this information.

The following tables present the ultimate loss and ALAE and the paid loss and ALAE, net of reinsurance for casualty and property, as well as the average annual percentage payout of incurred claims by age, net of reinsurance for each of our disclosed lines of business.

Casualty Business

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of reinsurance Years Ended December 31,							Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
Accident Year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018		
(Dollars in thousands)									
2012	$ 591,444	$ 633,268	$ 613,512	$ 595,325	$ 573,026	$ 572,286	$ 608,878	71,073	N/A
2013		604,789	677,472	665,793	644,466	625,972	638,510	103,257	N/A
2014			634,531	714,471	690,408	684,275	693,111	179,773	N/A
2015				689,136	715,641	733,753	829,108	343,587	N/A
2016					608,154	691,717	816,115	509,921	N/A
2017						836,545	1,051,635	771,052	N/A
2018							273,949	247,438	N/A
							$ 4,911,306		

(Some amounts may not reconcile due to rounding.)

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance Years Ended December 31,						
Accident Year	2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018
(Dollars in thousands)							
2012	$ 42,328	$ 107,551	$ 190,532	$ 271,574	$ 336,997	$ 386,526	$ 467,372
2013		46,773	128,304	210,646	290,887	338,598	438,875
2014			57,892	130,342	218,061	273,901	395,999
2015				56,015	141,567	175,580	327,314
2016					62,956	7,041	113,099
2017						(13,873)	95,535
2018							9,414
							$ 1,847,607
All outstanding liabilities prior to 2012, net of reinsurance							775,296
Liabilities for claims and claim adjustment expenses, net of reinsurance							$ 3,838,995

(Some amounts may not reconcile due to rounding.)

	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited)						
Years	1	2	3	4	5	6	7
Casualty	5.3%	7.7%	11.0%	13.3%	12.1%	12.0%	13.3%

Property Business

Accident Year	Incurred Claims and Allocated Claim Adjustment Expenses, Net of reinsurance Years Ended December 31, 2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018	Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
(Dollars in thousands)									
2012	$ 863,654	$ 676,592	$ 653,886	$ 640,771	$ 656,706	$ 653,525	$ 642,267	2,102	N/A
2013		819,029	634,483	574,868	564,359	560,324	561,097	2,952	N/A
2014			763,838	679,437	651,201	598,690	585,260	5,569	N/A
2015				871,774	718,744	665,584	627,932	18,218	N/A
2016					1,135,010	917,227	835,871	41,421	N/A
2017						1,668,801	1,106,653	203,488	N/A
2018							311,835	166,786	N/A
							$ 4,670,916		

(Some amounts may not reconcile due to rounding.)

Accident Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance Years Ended December 31, 2012 (unaudited)	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018
(Dollars in thousands)							
2012	$ 285,660	$ 443,536	$ 538,729	$ 586,240	$ 605,952	$ 615,918	$ 622,543
2013		249,334	399,110	491,415	521,179	533,738	541,469
2014			263,557	423,121	497,161	541,311	554,286
2015				272,363	419,536	504,903	560,141
2016					328,858	523,563	666,438
2017						67,673	521,084
2018							54,538
							$ 3,520,498
All outstanding liabilities prior to 2012, net of reinsurance							69,494
Liabilities for claims and claim adjustment expenses, net of reinsurance							$ 1,219,912

(Some amounts may not reconcile due to rounding.)

	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited)						
Years	1	2	3	4	5	6	7
Property	32.6%	29.0%	15.1%	7.3%	2.5%	1.5%	1.0%

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claim Adjustment Expenses

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated statement of financial position is as follows.

(Dollars in thousands)		December 31, 2018
Net outstanding liabilities		
Casualty	$	3,838,995
Property		1,219,912
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance		5,058,907
Reinsurance recoverable on unpaid claims		
Casualty		880,859
Property		147,994
Total reinsurance recoverable on unpaid claims		1,028,853
Insurance lines other than short-duration		-
Unallocated claims adjustment expenses		23,734
Other		11,500
		35,234
Total gross liability for unpaid claims and claim adjustment expense	$	6,122,993

(Some amounts may not reconcile due to rounding.)

Reserving Methodology

The Company maintains reserves equal to our estimated ultimate liability for losses and loss adjustment expense (LAE) for reported and unreported claims. Because reserves are based on estimates of ultimate losses and LAE by underwriting or accident year, the Company uses a variety of statistical and actuarial techniques to monitor reserve adequacy over time, evaluate new information as it becomes known, and adjust reserves whenever an adjustment appears warranted. The Company considers many factors when setting reserves including: (1) exposure base and projected ultimate premium; (2) expected loss ratios by product and class of business, which are developed collaboratively by underwriters and actuaries; (3) actuarial methodologies which analyze loss reporting and payment experience, reports from ceding companies and historical trends, such as reserving patterns, loss payments, and product mix; (4) current legal interpretations of coverage and liability; and (5) economic conditions. Insurance and reinsurance loss and LAE reserves represent the Company's best estimate of its ultimate liability. Actual loss and LAE ultimately paid may deviate, perhaps substantially, from such reserves. Net income (gain or loss) will be impacted in a period in which the change in estimated ultimate loss and LAE is recorded.

Reserving for reinsurance requires evaluation of loss information received from ceding companies. Ceding companies report losses in many forms depending on the type of contract and the agreed or contractual reporting requirements. Generally, pro rata contracts require the submission of a monthly/quarterly account, which includes premium and loss activity for the period with corresponding reserves as established by the ceding company. This information is recorded into the Company's records. For certain pro rata contracts, the Company may require a detailed loss report for claims that exceed a certain dollar threshold or relate to a particular type of loss. Excess of loss and facultative contracts generally require individual loss reporting with precautionary notices provided when a loss reaches a significant percentage of the attachment point of the contract or when certain causes of loss or types of injury occur. Experienced claims staff handles individual loss reports and supporting claim information. Based on evaluation of a claim, the Company may establish additional case reserves in addition to the case reserves reported by the ceding company. To ensure ceding companies are submitting required and accurate data, the Company performs various reviews of ceding companies, particularly larger ceding companies.

The Company assigns business to exposure groupings so that the underlying exposures have reasonably homogeneous loss development characteristics and are large enough to facilitate credible estimation of ultimate losses. The Company periodically reviews its exposure groupings and may change groupings over time as business changes. The Company currently uses approximately 200 exposure groupings to develop reserve estimates. One of the key selection characteristics for the exposure groupings is the historical duration of the claims settlement process. Business in which claims are reported and settled relatively quickly are commonly referred to as short tail lines, principally property lines. On the other hand, casualty claims tend to take longer to be reported and settled and casualty lines are generally referred to as long tail lines. Estimates of ultimate losses for shorter tail lines, with the exception of loss estimates for large catastrophic events, generally exhibit less volatility than those for the longer tail lines.

The Company uses a variety of actuarial methodologies, such as the expected loss ratio method, chain ladder methods, and Bornhuetter-Ferguson methods, supplemented by judgment where appropriate, to estimate ultimate loss and LAE for each exposure group.

Expected Loss Ratio Method: The expected loss ratio method uses earned premium times an expected loss ratio to calculate ultimate losses for a given underwriting or accident year. This method relies entirely on expectation to project ultimate losses with no consideration given to actual losses. As such, it may be appropriate for an immature underwriting or accident year where few, if any, losses have been reported or paid, but less appropriate for a more mature year.

Chain Ladder Method: Chain ladder methods use a standard loss development triangle to project ultimate losses. Age-to-age development factors are selected for each development period and combined to calculate age-to-ultimate development factors which are then applied to paid or reported losses to project ultimate losses. This method relies entirely on actual paid or reported losses to project ultimate losses. No other factors such as changes in pricing or other expectations are taken into account. It is most appropriate for groups with homogeneous, stable experience where past development patterns are expected to continue in the future. It is least appropriate for groups which have changed significantly over time or which are more volatile.

Bornhuetter-Ferguson Method: The Bornhuetter-Ferguson method is a combination of the expected loss ratio method and the chain ladder method. Ultimate losses are projected based partly on actual paid or reported losses and partly on expectation. Incurred but not reported (IBNR) reserves are calculated using earned premium, an a priori loss ratio, and selected age-to-age development factors and added to actual reported (paid) losses to determine ultimate losses. It is more responsive to actual reported or paid development than the expected loss ratio method but less responsive than the chain ladder method. The reliability of the method depends on the accuracy of the selected a priori loss ratio.

Although the Company uses similar actuarial methods for both short tail and long tail lines, the faster reporting of experience for the short tail lines allows the Company to have greater confidence in its estimates of ultimate losses for short tail lines at an earlier stage than for long tail lines. As a result, the Company utilizes, as well, exposure-based methods to estimate its ultimate losses for longer tail lines, especially for immature underwriting or accident years. For both short and long tail lines, the Company supplements these general approaches with analytically based judgments.

Key actuarial assumptions contain no explicit provisions for reserve uncertainty nor does the Company supplement the actuarially determined reserves for uncertainty.

Carried reserves at each reporting date are the Company's best estimate of ultimate unpaid losses and LAE at that date. The Company completes detailed reserve studies for each exposure group annually. The completed annual reserve studies are "rolled-forward" for each accounting period until the subsequent reserve study is completed. Analyzing the roll-forward process involves comparing actual reported losses to expected losses based on the most recent reserve study. The Company analyzes significant variances between actual and expected losses and post adjustments to its reserves as warranted.

The Company continues to receive claims under expired insurance and reinsurance contracts asserting injuries and/or damages relating to or resulting from environmental pollution and hazardous substances, including asbestos. Environmental claims typically assert liability for (a) the mitigation or remediation of environmental contamination or (b) bodily injury or property damage caused by the release of hazardous substances into the land, air or water. Asbestos claims typically assert liability for bodily injury from exposure to asbestos or for property damage resulting from asbestos or products containing asbestos.

The Company's reserves include an estimate of the Company's ultimate liability for A&E claims. The Company's A&E liabilities emanate from direct insurance business of Mt. McKinley Insurance Company ("Mt. McKinley"), a formerly affiliated company and assumed reinsurance business of Everest Reinsurance Company ("Everest Re"), an affiliated company. All of the contracts of insurance and reinsurance, under which the Company has received claims during the past three years, expired more than 20 years ago. There are significant uncertainties surrounding the Company's reserves for its A&E losses.

A&E exposures represent a separate exposure group for monitoring and evaluating reserve adequacy. The following table summarizes incurred losses with respect to A&E reserves on both a gross and net of reinsurance basis for the periods indicated:

	At December 31,	
(Dollars in thousands)	2018	2017
Gross basis:		
Beginning of period reserves	$ 48,928	$ 44,662
Incurred losses	-	11,943
Paid losses	(11,019)	(7,677)
End of period reserves	$ 37,909	$ 48,928
Net basis:		
Beginning of period reserves	$ 48,928	$ 44,662
Incurred losses	-	11,943
Paid losses	(11,019)	(7,677)
End of period reserves	$ 37,909	$ 48,928

Reinsurance Receivables. Reinsurance receivables for both paid and unpaid losses were $1,033,537 thousand and $711,768 thousand at December 31, 2018 and 2017, respectively. At December 31, 2018, $584,291 thousand, or 56.5%, was receivable from Everest International Reinsurance, Ltd. ("Everest International"), an affiliated entity; $360,353 thousand, or 34.9%, was receivable from Mt. Logan Reinsurance Limited ("Mt. Logan Re"), an affiliated entity and $88,395 thousand, or 8.6% was receivable from Resolution Group Reinsurance (Barbados) Limited ("Resolution Group"). No other retrocessionaire accounted for more than 5% of reinsurance receivables.

Future Policy Benefit Reserve.
Activity in the reserve for future policy benefit is summarized for the periods indicated:

	At December 31,	
(Dollars in thousands)	2018	2017
Balance at beginning of year	$ 51,014	$ 55,074
Liabilities assumed	110	115
Adjustments to reserves	806	(437)
Benefits paid in the current year	(5,151)	(3,738)
Balance at end of year	$ 46,778	$ 51,014

(Some amounts may not reconcile due to rounding.)

4. FAIR VALUE

GAAP guidance regarding fair value measurements address how companies should measure fair value when they are required to use fair value measures for recognition or disclosure purposes under GAAP and provides a common definition of fair value to be used throughout GAAP. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. In addition, it establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement, with Level 1 being the highest priority and Level 3 being the lowest priority.

The levels in the hierarchy are defined as follows:

Level 1: Inputs to the valuation methodology are observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in an active market;

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's fixed maturity and equity securities are primarily managed by third party investment asset managers. The investment asset managers obtain prices from nationally recognized pricing services. These services seek to utilize market data and observations in their evaluation process. They use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment and interest rate scenarios for securities that have prepayment features.

In limited instances where prices are not provided by pricing services or in rare instances when a manager may not agree with the pricing service, price quotes on a non-binding basis are obtained from investment brokers. The investment asset managers do not make any changes to prices received from either the pricing services or the investment brokers. In addition, the investment asset managers have procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. In addition, the Company continually performs analytical reviews of price changes and tests the prices on a random basis to an independent pricing source. No material variances were noted during these price validation procedures. In limited situations, where financial markets are inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. The Company made no such adjustments at December 31, 2018 and 2017.

Equity securities denominated in U.S. currency with quoted prices in active markets for identical assets are categorized as level 1 since the quoted prices are directly observable. Equity securities traded on foreign exchanges are categorized as level 2 due to the added input of a foreign exchange conversion rate to determine fair or market value. The Company uses foreign currency exchange rates published by nationally recognized sources.

All categories of fixed maturity securities listed in the tables below are generally categorized as level 2, since a particular security may not have traded but the pricing services are able to use valuation models with observable market inputs such as interest rate yield curves and prices for similar fixed maturity securities in terms of issuer, maturity and seniority. For foreign government securities and foreign corporate securities, the fair values provided by the third party pricing services in local currencies, and where applicable, are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

The fixed maturities with fair values categorized as level 3 result when prices are not available from the nationally recognized pricing services. The asset managers will then obtain non-binding price quotes for the securities from brokers. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The prices received from brokers are reviewed for reasonableness by the third party asset managers and the Company. If the broker quotes are for foreign denominated securities, the quotes are converted to U.S. dollars using currency exchange rates from nationally recognized sources. In limited circumstances when broker prices are not available for private placements, the Company will value the securities using comparable market information.

The composition and valuation inputs for the presented fixed maturities categories are as follows:

- U.S. Treasury securities and obligations of U.S. government agencies and corporations are primarily comprised of U.S. Treasury bonds and the fair value is based on observable market inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields;

- Corporate securities are primarily comprised of U.S. corporate and public utility bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;

- Asset-backed and mortgage-backed securities fair values are based on observable inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields and cash flow models using observable inputs such as prepayment speeds, collateral performance and default spreads;

- Foreign government securities are comprised of global non-U.S. sovereign bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source;

- Foreign corporate securities are comprised of global non-U.S. corporate bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source.

The Company sold seven equity index put option contracts, based on two indices, in 2001 and 2005. The Company sold these equity index put options as insurance products with the intent of achieving a profit. These equity index put option contracts meet the definition of a derivative under FASB guidance and the Company's position in these equity index put option contracts is unhedged. Accordingly, these equity index put option contracts are carried at fair value in the consolidated balance sheets with changes in fair value recorded in the consolidated statements of operations and comprehensive income (loss). One of these contracts expired on June 9, 2017, with no liability due under the terms of the contract.

The Company has five remaining equity index put option contracts, based on the Standard & Poor's 500 ("S&P 500") index. Based on historical index volatilities and trends and the December 31, 2018 S&P 500 index value, the Company estimates the probability that each equity index put option contract of the S&P 500 index falling below the strike price on the exercise date to be less than 2%. The theoretical maximum payouts under these five equity index put option contracts would occur if on each of the exercise dates the S&P 500 index value were zero. At December 31, 2018, the present value of these theoretical maximum payouts using a 3% discount factor was $412,550 thousand. Conversely, if the contracts had all expired on December 31, 2018, with the S&P index at $2,506.85, there would have been no settlement amount.

The Company has one equity index put option contract based on the FTSE 100 index. Based on historical index volatilities and trends and the December 31, 2018 FTSE 100 index value, the Company estimates the probability that the equity index put option contract of the FTSE 100 index will fall below the strike price on the exercise date to be less than 24%. The theoretical maximum payout under the equity index put option contract would occur if on the exercise date the FTSE 100 index value was zero. At December 31, 2018, the present value of the theoretical maximum payout using a 3% discount factor and current exchange rate was $40,058 thousand. Conversely, if the contract had expired on December 31, 2018, with the FTSE index at £6,728.13, there would have been no settlement amount.

At December 31, 2018 and 2017, the fair value for these equity put options was $11,958 thousand and $12,477 thousand, respectively.

The Company's liability for equity index put options is categorized as level 3 since there is no active market for these equity put options. The fair values for these options are calculated by the Company using an industry accepted pricing model, Black-Scholes. The model inputs and assumptions are: risk free interest rates, equity market indexes values, volatilities and dividend yields and duration. The model results are then adjusted for the Company's credit default swap rate. All of these inputs and assumptions are updated quarterly. One of the option contacts is in British Pound Sterling so the fair value for this contract is converted to U.S. dollars using an exchange rate from a nationally recognized source.

The following table presents the fair value measurement levels for all assets and liabilities, which the Company has recorded at fair value (fair and market values) as of the periods indicated:

		Fair Value Measurement Using:		
(Dollars in thousands)	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 218,808	$ -	$ 218,808	$ -
U.S. Corporate securities	2,553,631	-	2,501,666	51,965
Asset-backed securities	250,712	-	250,712	-
Mortgage-backed securities				
Commercial	161,412	-	161,412	-
Agency residential	1,446,147	-	1,446,147	-
Non-agency residential	20	-	20	-
Foreign government securities	559,375	-	559,375	-
Foreign corporate securities	1,098,864	-	1,098,864	-
Total fixed maturities, market value	6,288,969	-	6,237,004	51,965
Equity securities, at fair value	140,041	133,539	6,502	-
Liabilities:				
Equity index put option contracts	$ 11,958	$ -	$ -	$ 11,958

There were no transfers between Level 1 and Level 2 for the twelve months ended December 31, 2018.

The following table presents the fair value measurement levels for all assets and liabilities, which the Company has recorded at fair value (fair and market values) as of the periods indicated:

(Dollars in thousands)	December 31, 2017	Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 437,762	$ -	$ 437,762	$ -
U.S. Corporate securities	3,196,309	-	3,144,344	51,965
Asset-backed securities	326,939	-	326,939	-
Mortgage-backed securities				
Commercial	161,431	-	161,431	-
Agency residential	1,896,884	-	1,896,884	-
Non-agency residential	253	-	253	-
Foreign government securities	627,478	-	627,478	-
Foreign corporate securities	1,343,774	-	1,343,774	-
Total fixed maturities, market value	7,990,830	-	7,938,865	51,965
Equity securities, market value	120,269	113,506	6,763	-
Liabilities:				
Equity index put option contracts	$ 12,477	$ -	$ -	$ 12,477

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs by asset type, for the periods indicated:

	December 31, 2018		December 31, 2017	
(Dollars in thousands)	Corporate Securities	Total	Corporate Securities	Total
Beginning balance	$ 51,965	$ 51,965	$ -	$ -
Total gains or (losses) (realized/unrealized)				
Included in earnings	-	-	-	-
Included in other comprehensive income (loss)	-	-	46	46
Purchases, issuances and settlements	-	-	52,707	52,707
Transfers in and/or (out) of Level 3	-	-	(788)	(788)
Ending balance	$ 51,965	$ 51,965	$ 51,965	$ 51,965
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ -	$ -	$ -	$ -

The net transfers to/(from) level 3, fair value measurements using significant unobservable inputs were $0 thousand and ($788) thousand as of December 31, 2018 and 2017, respectively, for fixed maturities, market value. The transfers during 2017 were related to securities that were priced using single non-binding broker quotes as of December 31, 2016. The securities were subsequently priced using a recognized pricing service as of December 31, 2017.

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs for equity index put option contracts, for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2018	2017
Liabilities:		
Balance, beginning of year	$ 12,477	$ 22,059
Total (gains) or losses (realized/unrealized)		
Included in earnings	(520)	(9,582)
Included in other comprehensive income (loss)	-	-
Purchases, issuances and settlements	-	-
Transfers in and/or (out) of Level 3	-	-
Balance, end of year	$ 11,958	$ 12,477
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to liabilities still held at the reporting date	$ -	$ -

(Some amounts may not reconcile due to rounding.)

5. CREDIT FACILITY

Group Credit Facility

Effective May 26, 2016, Group, Bermuda Re and Everest International entered into a five year, $800,000 thousand senior credit facility with a syndicate of lenders, which amended and restated in its entirety the June 22, 2012, four year, $800,000 thousand senior credit facility. Both the May 26, 2016 and June 22, 2012 senior credit facilities, which have similar terms, are referred to as the "Group Credit Facility". Wells Fargo Corporation ("Wells Fargo Bank") is the administrative agent for the Group Credit Facility, which consists of two tranches. Tranche one provides up to $200,000 thousand of unsecured revolving credit for liquidity and general corporate purposes, and for the issuance of unsecured standby letters of credit. The interest on the revolving loans shall, at the Company's option, be either (1) the Base Rate (as defined below) or (2) an adjusted London Interbank Offered Rate ("LIBOR") plus a margin. The Base Rate is the higher of (a) the prime commercial lending rate established by Wells Fargo Bank, (b) the Federal Funds Rate plus 0.5% per annum or (c) the one month LIBOR Rate plus 1.0% per annum. The amount of margin and the fees payable for the Group Credit Facility depends on Group's senior unsecured debt rating. Tranche two exclusively provides up to $600,000 thousand for the issuance of standby letters of credit on a collateralized basis.

The Group Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1 and to maintain a minimum net worth. Minimum net worth is an amount equal to the sum of $5,370,979 thousand plus 25% of consolidated net income for each of Group's fiscal quarters, for which statements are available ending on or after March 31, 2016 and for which consolidated net income is positive, plus 25% of any increase in consolidated net worth during such period attributable to the issuance of ordinary and preferred shares, which at December 31, 2018, was $5,994,924 thousand. As of December 31, 2018, the Company was in compliance with all Group Credit Facility covenants.

The following table summarizes the outstanding letters of credit and/or borrowings for the periods indicated:

(Dollars in thousands)		At December 31, 2018			At December 31, 2017		
Bank		Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Wells Fargo Bank Group Credit Facility	Tranche One	$ 200,000	$ -		$ 200,000	$ -	
	Tranche Two	600,000	558,818	12/31/2019	600,000	538,214	12/31/2018
Total Wells Fargo Bank Group Credit Facility		$ 800,000	$ 558,818		$ 800,000	$ 538,214	

Bermuda Re Letter of Credit Facility

Effective December 10, 2018, Bermuda Re renewed its letter of credit issuance facility with Citibank N.A. referred to as the "Bermuda Re Letter of Credit Facility", which commitment is reconfirmed annually with updated fees. The current renewal of the Bermuda Re Letter of Credit Facility provides for the issuance of up to $200,000 thousand of secured letters of credit to collateralize reinsurance obligations as a non-admitted reinsurer. The interest on drawn letters of credit shall be (A) 0.35% per annum of the principal amount of issued standard letters of credit (expiry of 15 months or less) and (B) 0.45% per annum of the principal amount of issued extended tenor letters of credit (expiry maximum of up to 60 months). The commitment fee on undrawn credit shall be 0.15% per annum.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands)	At December 31, 2018			At December 31, 2017		
Bank	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Citibank Bilateral Letter of Credit Agreement	$ 200,000	$ 3,482	2/28/2019	$ 250,000	$ 3,297	2/28/2018
		3,672	11/24/2019		3,672	11/24/2018
		72,443	12/31/2019		73,626	12/31/2018
		296	8/15/2020		344	8/30/2019
		177	12/16/2020		93,855	12/30/2021
		125	12/20/2020		-	
		1,851	11/4/2022		-	
		407	11/13/2022		-	
		59,293	12/30/2022		-	
Total Citibank Bilateral Agreement	$ 200,000	$ 141,746		$ 250,000	$ 174,794	

6. TRUST AGREEMENTS

The Company has established trust agreements, which effectively use the Company's investments as collateral, as security for assumed losses payable to certain non-affiliated ceding companies. At December 31, 2018 the total amount on deposit in trust accounts was $194,569 thousand.

7. OPERATING LEASE AGREEMENTS

The future minimum rental commitments, exclusive of cost escalation clauses, at December 31, 2018 for all of the Company's operating leases with remaining non-cancelable terms in excess of one year are as follows:

(Dollars in thousands)	
2019	$ 617
2020	617
2021	617
2022	617
2023	257
Thereafter	-
Net commitments	$ 2,724

(Some amounts may not reconcile due to rounding.)

All of these leases, the expiration terms of which range from 2019 to 2023, are for the rental of office space. Rental expense was $289 thousand and $289 thousand for the years ended December 31, 2018 and 2017, respectively.

8. INCOME TAXES

Under Bermuda law, no income or capital gains taxes are imposed on Group and its Bermuda subsidiaries. The Minister of Finance of Bermuda has assured Group and its Bermuda subsidiaries that, pursuant to The Exempted Undertakings Tax Protection Amendment Act of 2011, they will be exempt until 2035 from imposition of any such taxes. However, the UK Branch of Bermuda Re is subject to UK income taxes on its income.

The provision for income taxes in the statement of operations and comprehensive income (loss) has been determined by reference to the applicable tax laws of jurisdictions in which the income of Bermuda Re is subject to tax. It reflects the permanent differences between financial and taxable income. The significant components of the provision are as follows for the periods indicated:

	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Current foreign tax expense (benefit)	$ 3,596	$ (1,713)
Total income tax expense (benefit)	$ 3,596	$ (1,713)

The weighted average expected tax provision has been calculated using the pre-tax income (loss) in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. Reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate for the periods indicated is provided below:

	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Expected tax provision at weighted average rate	$ 6,574	$ 7,422
2018 and prior year benefit related to the HMRC APA agreement	(3,438)	(12,265)
Prior year true up	-	2,603
Other	460	527
Total income tax provision	$ 3,596	$ (1,713)

On October 20, 2017, Her Majesty's Revenue and Customs ("HMRC") signed an Advance Pricing Agreement ("APA") covering tax years 2016 – 2020 with regard to the pricing of the quota share agreement between the UK Branch of Bermuda Re and Everest International. The 2018 tax provision benefit related to the APA includes $12,265 thousand for tax years 2014 to 2017 and $3,438 thousand for 2018.

9. REINSURANCE

The Company engages in reinsurance transactions, including agreements with affiliates Everest Re, Everest International, Everest Reinsurance Company (Ireland), Ltd. ("Ireland Re"), Everest Insurance Company of Canada ("Everest Canada") and Mt. Logan Re, primarily driven by enterprise risk and capital management considerations under which business is assumed or ceded at market rates and terms. These agreements provide for recovery from reinsurers of a portion of losses and LAE under certain circumstances without relieving the ceding company of its obligations to the policyholders. Losses and LAE incurred and premiums earned are reported after deduction for reinsurance. In the event that one or more of the reinsurers were unable to meet their obligations under these reinsurance agreements, the Company would not realize the full value of the reinsurance recoverable balances. The Company may hold partial collateral, including letters of credit and funds held, under these agreements. See also Note 1C and Note 3.

Premiums written and earned and incurred losses and LAE are comprised of the following for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2018	2017
Written premiums:		
Direct	$ 1,657	$ 2,870
Assumed	1,888,588	3,343,670
Ceded	(308,468)	(253,917)
Net written premiums	$ 1,581,777	$ 3,092,623
Premiums earned:		
Direct	$ 2,081	$ 484
Assumed	1,805,492	3,788,514
Ceded	(285,004)	(244,574)
Net premiums earned	$ 1,522,569	$ 3,544,424
Incurred losses and LAE:		
Direct	$ 4,246	$ 3,857
Assumed	766,690	2,408,433
Ceded	(295,297)	(249,493)
Net incurred losses and LAE	$ 475,639	$ 2,162,797

The table below represents affiliated quota share reinsurance agreements ("whole account quota share") for all new and renewal business for the indicated coverage period:

(Dollars in thousands)

Coverage Period	Ceding Company	Percent Ceded	Assuming Company	Type of Business	Single Occurrence Limit	Aggregate Limit
01/01/2010-12/31/2010	Everest Re	44.0%	Bermuda Re	property / casualty business	150,000	325,000
01/01/2011-12/31/2011	Everest Re	50.0%	Bermuda Re	property / casualty business	150,000	300,000
01/01/2012-12/31/2014	Everest Re	50.0%	Bermuda Re	property / casualty business	100,000	200,000
01/01/2015-12/31/2016	Everest Re	50.0%	Bermuda Re	property / casualty business	162,500	325,000
01/01/2017-12/31/2017	Everest Re	60.0%	Bermuda Re	property / casualty business	219,000	438,000
01/01/2010-12/31/2011	Bermuda Re (U.K. Branch)	50.0%	Everest International	property / casualty business	€ 80,000	-
01/01/2012-12/31/2012	Bermuda Re (U.K. Branch)	50.0%	Everest International	property / casualty business	€ 70,000	-
01/01/2013	Bermuda Re (U.K. Branch)	59.5%	Everest International	property business	€ 41,650	-
01/01/2010-12/31/2010	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	350,000 (1)	-
01/01/2011-12/31/2011	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	350,000 (1)	-
01/01/2012-12/31/2012	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	206,250 (1)	412,500 (1)
01/01/2013-12/31/2013	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	150,000 (1)	412,500 (1)
01/01/2014-12/31/2017	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	262,500 (1)	412,500 (1)
01/01/2018	Everest Canada	80.0%	Bermuda Re	property / casualty business	-	-

(1) Amounts shown are Canadian dollars.

Effective April 1, 2018, the Company entered into a retroactive reinsurance transaction with one of the Mt. Logan Re segregated accounts to retrocede $269,198 thousand of casualty reserves related to accident years 2002 through 2015. As consideration for entering the agreement, the Company transferred cash of $252,000 thousand to the Mt. Logan Re segregated account. The maximum liability to be retroceded under the agreement will be $319,000 thousand. The Company will retain liability for any amounts exceeding the maximum liability.

As of December 31, 2017, the quota share reinsurance agreements between Everest Re and the Company and between the Everest Re-Canadian Branch and the Company were not renewed.

Effective January 1, 2018, the Company entered into a twelve month whole account aggregate stop loss reinsurance contract ("stop loss agreement") with Everest Re. Through the stop loss agreement, the Company provides Everest Re with coverage for ultimate net losses on applicable net earned premiums above a retention level, subject to certain other coverage limits and conditions.

The table below represents loss portfolio transfer reinsurance agreements whereby net insurance exposures and reserves were transferred from an affiliate.

(Dollars in thousands)

Effective Date	Transferring Company	Assuming Company	% of Business or Amount of Transfer	Covered Period of Transfer
10/01/2001	Everest Re (Belgium Branch)	Bermuda Re	100%	All years
10/01/2008	Everest Re	Bermuda Re	$ 747,022	01/01/2002-12/31/2007
12/31/2017	Everest Re	Bermuda Re	$ 970,000	All years

On December 31, 2017, the Company entered into a loss portfolio transfer ("LPT") agreement with Everest Re. The LPT agreement covers Everest Re loss reserves of $2,336,242 thousand for accident years 2017 and prior. As a result of the LPT agreement, the Company received $1,000,000 thousand of cash and fixed maturity securities from Everest Re and assumed $970,000 thousand of loss reserves to Everest Re. The Company has recorded a deferred gain of $30,000 thousand on the LPT transaction. As part of the LPT agreement, the Company will provide an additional $500,000 thousand of adverse development coverage on the subject loss reserves.

On July 13, 2015, Everest Reinsurance Holdings, Inc., an affiliate of the Company, sold Mt. McKinley to Clearwater Insurance Company, a Delaware domiciled insurance company. Concurrently with the closing, the Company entered into a retrocession treaty with an affiliate of Clearwater Insurance Company. Per the retrocession treaty, the Company retroceded 100% of the liabilities associated with certain Mt. McKinley policies. As consideration for entering into the retrocession treaty, the Company transferred cash of $140,279 thousand, an amount equal to the net loss reserves as of the closing date. The maximum liability retroceded under the retrocession treaty will be $440,279 thousand, equal to the retrocession payment plus $300,000 thousand. The Company will retain liability for any amounts exceeding the maximum liability retroceded under the retrocession treaty.

Bermuda Re has entered into catastrophe excess of loss reinsurance contracts with Ireland Re beginning in 2010. The table below represents Bermuda Re's liability limits for any losses per one occurrence and for aggregate losses under each contract.

(Euros in thousands)	Liability Limits	
	Exceeding	Not to Exceed
01/01/2010 - 12/31/2010		
Losses per one occurrence	€ 45,000	€ 45,000
Aggregate losses	€ -	€ 100,000
01/01/2011 - 12/31/2011		
Losses per one occurrence	€ 75,000	€ 50,000
Aggregate losses	€ -	€ 100,000
01/01/2012 - 12/31/2012		
Losses per one occurrence	€ 75,000	€ 25,000
Aggregate losses	€ -	€ 50,000
01/01/2013 -		
Losses per one occurrence	€ 75,000	€ 50,000
Aggregate losses	€ -	€ 100,000

The following tables summarize the premiums and losses assumed and ceded by the Company to and from its affiliates for the periods indicated:

Everest Re and subsidiaries	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Assumed written premiums	$ 600,372	$ 2,219,352
Assumed earned premiums	622,960	2,796,939
Assumed losses and LAE	(26,481)	1,717,655

Everest International	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Ceded written premiums	$ 350,218	$ 249,273
Ceded earned premiums	209,061	181,735
Ceded losses and LAE	165,438	137,644

Mt. Logan Re	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Ceded written premiums	$ 34,987	$ 31,801
Ceded earned premiums	34,419	30,434
Ceded losses and LAE	291,016	39,466

10. COMPREHENSIVE INCOME (LOSS)

The following table presents the components of other comprehensive income (loss) in the statements of operations and comprehensive income (loss) for the periods indicated:

	Years Ended December 31,					
	2018			2017		
(Dollars in thousands)	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized appreciation (depreciation) ("URA(D)") on securities - temporary	$ (144,199)	$ (19)	(144,218)	$ (28,818)	$ 8,834	$ (19,984)
URA(D) on securities - OTTI	(1,700)	-	(1,700)	(1,067)	-	(1,067)
Reclassification of net realized losses (gains) included in net income (loss)	30,548	(1,559)	28,989	(15,191)	1,106	(14,085)
Foreign currency translation adjustments	(23,607)	-	(23,607)	33,466	-	33,466
Total other comprehensive income (loss)	$ (138,958)	$ (1,578)	$ (140,536)	$ (11,610)	$ 9,940	$ (1,670)

The following table presents details of the amounts reclassified from accumulated other comprehensive income ("AOCI") for the periods indicated:

	Years Ended December 31,		Affected line item within the statements of
AOCI component	2018	2017	operations and comprehensive income (loss)
(Dollars in thousands)			
URA(D) on securities	$ 30,548	$ (15,191)	Other net realized capital gains (losses)
	(1,559)	1,106	Income tax expense (benefit)
	$ 28,989	$ (14,085)	Net income (loss)

The following table shows the components of the change in accumulated other comprehensive income (loss) for the periods indicated:

(Dollars in thousands)	Years Ended December 31, 2018	2017
Beginning balance of URA (D) on securities	$ 32,279	$ 67,415
Change to beginning balance due to adoption of ASU 2016-01	1,429	-
Current period change in URA (D) of investments - temporary	(115,229)	(34,069)
Current period change in URA (D) of investments - non-credit OTTI	(1,700)	(1,067)
Ending balance of URA (D) on securities	(83,221)	32,279
Beginning balance of foreign currency translation adjustments	(123,418)	(156,884)
Current period change in foreign currency translation adjustments	(23,607)	33,466
Ending balance of foreign currency translation adjustments	(147,025)	(123,418)
Ending balance of accumulated other comprehensive income (loss)	$ (230,246)	$ (91,139)

11. DIVIDEND RESTRICTIONS AND STATUTORY FINANCIAL INFORMATION

Dividend Restrictions.
Under Bermuda law, Bermuda Re is prohibited from declaring or making payment of a dividend if it fails to meet its minimum solvency margin or minimum liquidity ratio. As a long term insurer, Bermuda Re is also unable to declare or pay a dividend to anyone who is not a policyholder unless, after payment of the dividend, the value of the assets in its long term business fund, as certified by its approved actuary, exceeds its liabilities for long term business by at least the $250 thousand minimum solvency margin. Prior approval of the BMA is required if Bermuda Re's dividend payments would exceed 25% of its prior year-end total statutory capital and surplus.

Statutory Financial Information.
Bermuda Re prepares its statutory financial statements in conformity with the accounting principles set forth in Bermuda in The Insurance Act 1978, amendments thereto and related regulations. The statutory capital and surplus of Bermuda Re was $3,068,534 thousand and $3,085,882 thousand at December 31, 2018 and 2017, respectively. The statutory net income of Bermuda Re was $873,111 thousand and $528,128 thousand for the years ended December 31, 2018 and 2017, respectively.

Capital Restrictions.
In Bermuda, Bermuda Re is subject to the BSCR administered by the BMA. No regulatory action is taken if an insurer's capital and surplus is equal to or in excess of their enhanced capital requirement determined by the BSCR model. In addition, the BMA has established a target capital level for each insurer, which is 120% of the enhanced capital requirement.

The regulatory targeted capital and the actual statutory capital for Bermuda Re was as follows:

(Dollars in thousands)	Bermuda Re (1) At December 31, 2018	2017
Regulatory targeted capital	$ 1,753,156	$ 2,368,620
Actual capital	3,068,534	3,085,882

(1) Regulatory targeted capital represents the target capital level from the applicable year's BSCR calculation.

12. CONTINGENCIES

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company's rights and obligations under insurance and reinsurance agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. The Company considers the statuses of these proceedings when determining its reserves for unpaid loss and loss adjustment expenses.

Aside from litigation and arbitrations related to these insurance and reinsurance agreements, the Company is not a party to any other material litigation or arbitration.

On April 1, 2009, the Company entered into a guaranty agreement with Ireland Re, an affiliate, for an annual fee. The guaranty agreement states that if Ireland Re's surplus at the end of any fiscal quarter is less than €250,000 thousand, the Company will guarantee Ireland Re's commercial payment obligations to the extent that such payment obligations are not disputed or contested and have not been discharged or commuted. At December 31, 2018, Ireland Re's surplus was €366,387 thousand.

13. RELATED-PARTY TRANSACTIONS

The Company has engaged in reinsurance transactions with Everest Re, Everest Security and Ireland Re under which business is assumed and Everest International and Mt. Logan Re under which business is ceded. See also Note 9.

Effective December 31, 2018, Everest Reinsurance Holdings, Inc., an affiliated entity, entered into a $300,000 thousand long-term promissory note agreement with Bermuda Re. The note will mature on December 31, 2023 and has an interest rate of 3.07% that will be paid annually. This transaction is presented as a Note Receivable – Affiliated in the Company's balance sheet as of December 31, 2018.

Everest Global Services, Inc. ("Everest Global"), an affiliate of Bermuda Re, provides centralized management and home office services, through a management agreement. Services provided by Everest Global include executive managerial services, legal services, actuarial services, accounting services, information technology services and others.

The following table presents the expenses incurred by Bermuda Re from services provided by Everest Global for the periods indicated.

	Years Ended December 31,	
(Dollars in thousands)	2018	2017
Expenses incurred	$ 9,878	$ 10,470

14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 29, 2019, the date the financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustment or disclosure to the financial statements.