AXIS Specialty Limited

Consolidated Financial Statements and
Independent Auditors' Report

December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of AXIS Specialty Limited
Hamilton, Bermuda

We have audited the accompanying consolidated financial statements of AXIS Specialty Limited (the "Company"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of AXIS Specialty Limited and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 6 be presented to supplement the basic financial statements. Such information, although not 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 no provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

April 30, 2019

AXIS SPECIALTY LIMITED
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017
(In thousands of U.S. dollars)

	2018	2017
Assets		
Investments:		
Fixed maturities, available for sale, at fair value	$ 5,694,463	$ 7,215,974
(Amortized cost 2018: $5,808,606, 2017: $7,205,824)		
Equity securities, at fair value	64,715	70,761
(Cost 2018: $55,919, 2017: $55,713)		
Other investments, at fair value	486,680	624,391
Short-term investments, at amortized cost and fair value	115,735	10,183
Total investments	6,361,593	7,921,309
Cash and cash equivalents	237,727	253,801
Restricted cash and cash equivalents	302,266	129,117
Accrued interest receivable	43,165	45,734
Insurance and reinsurance premium balances receivable	331,920	256,825
Deferred acquisition costs	215,152	308,744
Due from affiliates	1,967,351	2,016,163
Prepaid reinsurance premiums	76,032	176,706
Reinsurance recoverable on unpaid losses	570,885	394,716
Reinsurance recoverable on paid losses	102,877	82,371
Receivable for investments sold	25,098	10,375
Other assets	12,728	35,628
Total assets	$ 10,246,794	$ 11,631,489
Liabilities		
Reserve for losses and loss expenses	$ 5,201,676	$ 5,771,966
Unearned premiums	1,065,857	1,653,551
Insurance and reinsurance balances payable	344,570	329,681
Due to affiliates	84,148	2,672
Other liabilities	59,720	30,126
Payable for investments purchased	20,004	81,049
Total liabilities	6,775,975	7,869,045
Shareholder's Equity		
Common shares	1,200	1,200
(Authorized 12,000,000 common shares, par value $0.10		
Issued and outstanding 2018: 12,000,000 ; 2017: 12,000,000)		
Additional paid-in capital	2,114,237	2,114,237
Accumulated other comprehensive (loss) income	(114,143)	25,199
Retained earnings	1,469,525	1,621,808
Total shareholder's equity	3,470,819	3,762,444
Total liabilities and shareholder's equity	$ 10,246,794	$ 11,631,489

See accompanying notes to Consolidated Financial Statements.

AXIS SPECIALTY LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
Years ended December 31, 2018 and 2017
(In thousands of U.S. dollars)

	2018	2017
Revenues		
Gross premiums written	$ 1,418,396	$ 2,900,055
Premiums ceded	(236,530)	(407,182)
Net premiums written	1,181,866	2,492,873
Change in net unearned premiums	486,961	67,033
Net premiums earned	1,668,827	2,559,906
Net investment income	257,155	264,377
Other insurance related income	4,645	3,643
Net investment gains (losses)		
Other-than-temporary impairment (OTTI) losses	(7,589)	(10,862)
Other realized and unrealized investment (losses) gains	(71,117)	40,830
Total net investment (losses) gains	(78,706)	29,968
Total revenues	1,851,921	2,857,894
Expenses		
Net losses and loss expenses	1,119,338	2,008,974
Acquisition costs	497,831	813,338
General and administrative expenses	53,403	55,063
Foreign exchange (gains) losses	(51,320)	88,249
Interest expense	—	1,216
Total expenses	1,619,252	2,966,840
Net income (loss)	232,669	(108,946)
Other comprehensive income (loss):		
Available for sale investments:		
Unrealized investment (losses) gains arising during the year	(201,893)	117,632
Adjustment for re-classification of net realized investment gains (losses) and OTTI losses recognized in net income (loss) (nil tax)	77,599	(35,451)
Unrealized investment (losses) gains arising during the year, net of reclassification adjustment (nil tax)	(124,294)	82,181
Total other comprehensive (loss) income	(124,294)	82,181
Comprehensive income (loss)	$ 108,375	$ (26,765)

See accompanying notes to Consolidated Financial Statements.

AXIS SPECIALTY LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
Years ended December 31, 2018 and 2017
(In thousands of U.S. dollars)

	2018	2017
Common shares		
Balance at beginning and end of year	$ 1,200	$ 1,200
Additional paid-in capital		
Balance at beginning of year	2,114,237	2,114,237
Share-based compensation expense	2,248	2,579
Return of additional paid-in capital	(2,248)	(2,579)
Balance at end of year	2,114,237	2,114,237
Accumulated other comprehensive income (loss)		
Unrealized gains (losses) on available for sale investments:		
Balance at beginning of year	25,199	(56,982)
Cumulative effect of adoption of ASU No. 2016-01 (nil tax)	(15,048)	—
Unrealized (losses) gains arising during the year, net of reclassification adjustment	(124,294)	82,181
Balance at end of year	(114,143)	25,199
Retained earnings		
Balance at beginning of year	1,621,808	2,130,754
Cumulative effect of adoption of ASU No. 2016-01 (nil tax)	15,048	—
Net income (loss)	232,669	(108,946)
Dividends paid to parent	(400,000)	(400,000)
Balance at end of year	1,469,525	1,621,808
Total shareholder's equity	$ 3,470,819	$ 3,762,444

See accompanying notes to Consolidated Financial Statements.

AXIS SPECIALTY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2018 and 2017
(In thousands of U.S. dollars)

	2018	2017
Cash flows from operating activities:		
Net income (loss)	$ 232,669	$ (108,946)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Net investment losses (gains)	78,706	(29,968)
Net realized and unrealized gains on other investments	(35,353)	(62,209)
Amortization of fixed maturities	15,406	26,518
Other amortization and depreciation	2,529	2,869
Share-based compensation expense, net of cash payments	2,248	2,579
Changes in:		
Accrued interest receivable	2,569	4,237
Insurance and reinsurance balances, net	(60,206)	100,684
Deferred acquisition costs	93,592	(8,050)
Due from affiliates	(24,697)	(504,372)
Prepaid reinsurance premiums	100,674	(41,754)
Reinsurance recoverable on unpaid and paid losses	(196,675)	(269,845)
Reserve for losses and loss expenses	(570,290)	908,069
Unearned premiums	(587,694)	(25,279)
Other items	55,991	(962)
Net cash used in operating activities	(890,531)	(6,429)
Cash flows from investing activities:		
Purchases of:		
Fixed maturities	(3,545,112)	(5,626,310)
Equity securities	(206)	(93,192)
Other investments	(93,559)	(91,845)
Short-term investments	(177,049)	(24,015)
Proceeds from the sale of:		
Fixed maturities	4,088,303	4,560,243
Equity securities	15	336,018
Other investments	266,623	259,217
Short-term investments	49,225	15,966
Proceeds from the redemption of fixed maturities	683,467	1,388,962
Proceeds from the redemption of short-term investments	23,987	117,675
Net cash provided by investing activities	1,295,694	842,719
Cash flows from financing activities:		
Advances and payments on behalf of parent and ultimate parent companies	(328,739)	(616,683)
Short term advance from (to) affiliate	81,476	(368,877)
Net cash used in financing activities	(247,263)	(985,560)
Effect of exchange rates changes on foreign currency cash and cash equivalents and restricted cash	(825)	3,178
Increase (decrease) in cash and cash equivalents and restricted cash	157,075	(146,092)
Cash and cash equivalents and restricted cash, beginning of year	382,918	529,010
Cash and cash equivalents and restricted cash, end of year	$ 539,993	$ 382,918

Non-cash operating and financing activities: The Company declared dividends of $400,000 in 2018 (2017: $400,000) and returned additional paid-in capital of $2,248 in 2018 (2017: $2,579). The dividends and returns of additional paid-in capital were net settled against balances due from AXIS Capital Holdings Limited, the Company's ultimate holding company and AXIS Specialty Holdings Bermuda Limited, the Company's parent company .

See accompanying notes to Consolidated Financial Statements.

1. History

AXIS Specialty Limited (the "Company") was incorporated on November 8, 2001 under the laws of Bermuda. Pursuant to an exchange offer consummated on December 31, 2002, the Company became a wholly owned subsidiary of AXIS Capital Holdings Limited ("AXIS Capital", the "ultimate parent company"). On December 12, 2011, AXIS Capital assigned all of its shares of the Company to AXIS Specialty Holdings Bermuda Limited ("AXIS Specialty Holdings"). AXIS Specialty Holdings was incorporated under the laws of Bermuda on September 22, 2011 and is a wholly owned subsidiary of AXIS Capital.

The Company is licensed under the Bermuda Insurance Act 1978, amendments thereto and related regulations, to write general business as a Class 4 insurer and commenced operations on November 20, 2001, providing a broad range of insurance and reinsurance products on a worldwide basis.

The Company also provides reinsurance protection to other subsidiaries of AXIS Capital through quota share and stop loss agreements.

The Company formed a branch in Singapore (the "Branch") on June 19, 2008 and obtained a license on August 12, 2008 to carry on general insurance business in Singapore.

On February 5, 2015, AXIS Specialty Holdings contributed all of its shares of AXIS Bermuda Services Limited ("Bermuda Services") to the Company. Bermuda Services was repurposed as a special purpose investment company. On August 15, 2017, Bermuda Services was renamed AXIS Specialty Investments Limited ("Investments I").

On January 6, 2016, AXIS Specialty Holdings transferred all of its shares of AXIS Specialty Investments II Limited ("Investments II") to the Company. Investments II was repurposed as a special purpose investment company.

2. Significant Accounting Policies

Basis of Presentation and Consolidation

These Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the results of operations and the financial position of the Branch, Investments I and Investments II. All transactions and balances between the Company, the Branch, Investments I and Investments II have been eliminated.

Certain reclassifications have been made to prior year amounts to conform to the current year's presentation.

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of these Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the Consolidated Financial Statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company's principal estimates include:

- reserve for losses and loss expenses;
- reinsurance recoverable on unpaid losses, including the provision for uncollectible amounts;
- gross and net premiums written and net premiums earned;
- other-than-temporary impairments ("OTTI") in the carrying value of available-for-sale securities; and
- fair value measurements for financial assets and liabilities.

Significant accounting policies are as follows:

a) Investments

Fixed Maturities, available for sale, at fair value

Fixed maturities classified as "available for sale" are reported at fair value at the balance sheet date (see Note 4 – Fair Value Measurements). The change in fair values (net unrealized investment gains (losses)) of fixed maturities, net of tax, is recognized in accumulated other comprehensive income (loss) ("AOCI") in the Consolidated Statement of Changes in Shareholder's Equity.

Net investment income includes interest income and the amortization of market premiums and discounts and is presented net of investment expenses. Investment income is recognized when earned. Purchases and sales of fixed maturities are recorded on a trade-date basis and realized investment gains (losses) on sales of fixed maturities are determined based on the specific identification method. Realized investment gains (losses) on fixed maturities are included in net investment gains (losses) in the Consolidated Statements of Operations.

The Company recognizes investment income from fixed maturities based on the constant effective yield method, which includes an adjustment for estimated principal repayments, if applicable. The effective yield used to determine the amortization for fixed maturities subject to prepayment risk (e.g. asset-backed, mortgage-backed and other structured securities) is recalculated and adjusted periodically based upon actual historical and/or projected future cash flows. Adjustments to the yield for highly-rated prepayable fixed maturities are accounted for using the retrospective method. Adjustments to the yield for other prepayable fixed maturities are accounted for using the prospective method.

2. Significant Accounting Policies (continued)

A fixed maturity is impaired if the fair value of the investment is below amortized cost. On a quarterly basis, the Company assesses whether unrealized investment losses on fixed maturities represent impairments that are other-than-temporary. The Company's impairment review process begins with a quantitative analysis to identify securities to be evaluated for potential OTTI. For identified securities, fundamental analysis is performed that considers the following quantitative and qualitative factors:

(i) the duration and the extent of the decline;
(ii) the financial condition, near-term and long-term prospects of the issuer of the security;
(iii) the reason for the decline (e.g. credit spread widening, credit event, foreign exchange rate movements);
(iv) the historical and implied future volatility of the fair value; and
(v) the collateral structure and credit support of the security, if applicable.

If a fixed maturity is impaired and the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the impairment is considered other-than-temporary. In these instances, the full amount of the impairment is charged to net income and is included in net investment gains (losses).

In instances where the Company intends to hold the impaired fixed maturity, the Company estimates the anticipated credit loss of the security and recognizes this component of the impairment in net income with a corresponding adjustment to amortized cost (new cost basis) of the security. The new cost basis is adjusted for subsequent increases in fair value where the difference between the new cost basis and the expected cash flows is accreted on a quarterly basis to net investment income over the remaining life of the fixed maturity.

The Company recognizes the non-credit component of the impairment (i.e. related to interest rates, market conditions, etc.) in other comprehensive income.

Equity Securities, at fair value

Following the adoption of Accounting Standards Update ("ASU") 2016-01 "Financial Instruments - Overall (Subtopic 825-10) - *Recognition and Measurement of Financial Assets and Financial Liabilities,*"

Equity securities are reported at fair value (see Note 4 – Fair Value Measurements). The change in the fair values (net unrealized investment gains (losses)) of equity securities, net of tax, is recognized in net investment gains (losses) in the Consolidated Statements of Operations.

Net investment income includes dividend income and is presented net of investment expenses. Investment income is recognized when earned. Purchases and sales of equity securities are recorded on a trade-date basis and realized investment gains (losses) on sales of equity securities are determined based on the specific identification method. Realized investment gains (losses) on equity securities are included in net investment gains (losses) in the Consolidated Statements of Operations.

2. Significant Accounting Policies (continued)

Prior to the adoption of ASU 2016-01

The change in the fair values (net unrealized investment gains (losses)) of equity securities, net of tax, were recognized in AOCI in the Consolidated Statement of Changes in Shareholders' Equity. An equity security was impaired if the fair value of the investment was below cost. On a quarterly basis, the Company assessed whether unrealized investment losses on equity securities represented impairments that are other-than-temporary and recognized impairments on equity securities in an unrealized loss position when the Company did not have the ability and intent to hold the security for a reasonable period of time to allow for a full recovery. The full amount of the impairment was charged to net income and was included in net realized investment gains (losses) in the Consolidated Statements of Operations. Upon recognition of an other-than-temporary impairment ("OTTI") charge, the new cost basis for the equity security was the cost for an equity security less the OTTI charge recognized in net income. The new cost basis is not adjusted for subsequent increases in fair value.

Other Investments

Other investments are recorded at fair value (see Note 4 – Fair Value Measurements), with both changes in fair value and realized investment gains (losses) reported in net investment income.

Short-Term Investments

Short-term investments primarily comprise highly-liquid debt securities with maturities greater than three months but less than one year from the date of purchase. These investments are carried at amortized cost, which approximates fair value.

b) Cash and Cash Equivalents

Cash equivalents include money-market funds, fixed interest deposits and reverse repurchase agreements with a maturity of under 90 days when purchased. Cash and cash equivalents are recorded at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities. Restricted cash consists of cash and cash equivalents held in trust primarily to secure obligations under reinsurance agreements.

c) Premiums and Acquisition Costs

Premiums

Insurance premiums written are recorded in accordance with the terms of the underlying policies.

Reinsurance premiums are recorded at the inception of the contract and are estimated based upon information received from ceding companies. For multi-year contracts where (re)insurance premiums are payable in annual installments, premiums are recorded at the inception of the contract based on management's best estimate of total premiums to be received. However, premiums are normally recognized on an annual basis for multi-year contracts where the cedant has the ability to unilaterally commute or cancel coverage within the term of the policy. The remaining annual premiums are included as written at each successive anniversary date within the multi-year term.

2. Significant Accounting Policies (continued)

Any adjustments to insurance and reinsurance premium estimates are recognized in the period in which they are determined.

(Re)insurance premiums are earned evenly over the period during which the Company is exposed to the underlying risk, which is generally one to two years with the exception of multi-year contracts. Unearned premiums represent the portion of premiums written which relates to the unexpired risks under contracts in force.

Reinstatement premiums are recognized and earned at the time a loss event occurs, where the coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The accrual of reinstatement premiums is based on estimates of losses and loss adjustment expenses, which reflects management's judgment, as described in Note 2(d) – Losses and Loss Expenses below.

Premiums receivable balances are reviewed for impairment at least quarterly and an allowance is established for amounts considered uncollectible.

Acquisition Costs

Acquisition costs vary with and are directly related to the successful acquisition efforts of acquiring new or renewing existing (re)insurance contracts and consist primarily of fees and commissions paid to brokers and premium taxes. Acquisition costs are shown net of commissions earned on ceded reinsurance. Net acquisition costs are deferred and charged to expense as the related premium is earned. Insurance and Reinsurance premiums receivable are presented net of applicable acquisition costs when contract terms provide for the right of offset.

Anticipated losses and loss expenses, other costs and investment income related to these premiums are considered in assessing the recoverability of deferred acquisition costs. If deferred amounts are estimated to be unrecoverable, they are expensed. Compensation expenses for personnel involved in contract acquisition, as well as advertising costs, are expensed as incurred.

d) Losses and Loss Expenses

Reserve for losses and loss expenses represents an estimate of the unpaid portion of the ultimate liability for losses and loss expenses for (re)insured events that have occurred at or before the balance sheet date. These amounts reflect both claims that have been reported ("case reserves") and claims that have been incurred but not yet reported ("IBNR") and are reduced for estimated amounts of salvage and subrogation recoveries.

The Company reviews its reserve for losses and loss expenses on a quarterly basis. Case reserves are primarily established based on amounts reported from insureds and/or their brokers. Management estimates IBNR after reviewing detailed actuarial analyses and applying informed judgment regarding qualitative factors that may not be fully captured in the actuarial estimates. A variety of actuarial methods are utilized in this process, including the Expected Loss Ratio, Bornhuetter Ferguson and Chain Ladder methods. The Company's estimate is highly dependent on management's judgment as to which method(s) are most appropriate for a particular accident year and line of business. Historical claims data is often supplemented with industry benchmarks when applying these methodologies.

2. Significant Accounting Policies (continued)

Any adjustments to reserve for losses and loss expenses estimates are recognized in the period in which they are determined. While the Company believes that its reserves for losses and loss expenses are adequate, this estimate requires significant judgment and new information, events or circumstances may result in ultimate losses that are materially greater or less than provided for in the Consolidated Balance Sheets.

e) Ceded Reinsurance

In the normal course of business, the Company purchases reinsurance protection to limit its ultimate losses from catastrophic events and to reduce its loss aggregation risk. The premiums paid to reinsurers (i.e. ceded premiums written) are expensed over the coverage period. Prepaid reinsurance premiums represent the portion of premiums ceded which relate to the unexpired term of the contracts in force. Reinstatement premiums ceded are recognized and earned at the time a loss event occurs, where coverage limits for the remaining life of a contract are reinstated under pre-defined contract terms.

Reinsurance recoverable related to case reserves is estimated on a case-by-case basis by applying the terms of any applicable reinsurance cover to individual case reserve estimates. Reinsurance recoverable related to IBNR is generally developed as part of the loss reserving process therefore, its estimation is subject to similar risks and uncertainties as the estimation of IBNR.

Reinsurance recoverable is presented net of a provision for uncollectible amounts, reflecting the amount the Company believes ultimately will not be recovered due to reinsurer insolvency, contractual disputes and/or some other reason. The Company applies case-specific provisions against reinsurance recoverable on unpaid and paid losses that are deemed unlikely to be collected in full. In addition, the Company uses a default analysis to estimate the provision for uncollectible amounts on the remainder of the reinsurance recoverable balance.

The estimates of reinsurance recoverable and the associated provision for uncollectible amounts require management's judgment and are reviewed in detail on a quarterly basis. Any adjustments to the provision for uncollectible amounts are recognized in the period in which they are determined.

Retroactive Reinsurance

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered under contracts subject to the reinsurance. In certain instances, reinsurance contracts cover losses both on a prospective basis and on a retroactive basis and where practical the Company bifurcates the prospective and retrospective elements of these reinsurance contracts and accounts for each element separately. Initial gains in connection with retroactive reinsurance contracts are deferred and amortized into income over the settlement period while losses are recognized immediately. When changes in the estimated amount recoverable from the reinsurer or in the timing of receipts related to that amount occur, a cumulative amortization adjustment is recognized in net income in the period of the change so that the deferred gain reflects the balance that would have existed had the revised estimate been available at the inception of the reinsurance transaction.

2. Significant Accounting Policies (continued)

f) Foreign Currency Transactions

The functional currency of the Company is the U.S. dollar. Transactions in currencies other than the functional currency are measured in U.S. dollars at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at exchange rates in effect at the balance sheet date while non-monetary assets and liabilities are converted at historical rates. Realized and changes in unrealized gains and losses from non-functional currencies are recognized in the Consolidated Statements of Operations, with the exception of those related to foreign-denominated available for sale investments. For these investments, exchange rate fluctuations represent an unrealized appreciation/ depreciation in the value of the securities and are included in the related component of AOCI.

g) Share-Based Compensation

Share-based compensation expense includes share-settled and cash-settled service and performance based awards. The fair value of these awards is measured based on the market value of AXIS Capital's common shares at the grant date and is expensed over the requisite service period. The fair value of the liability associated with service and performance based cash-settled awards is re-measured at each balance sheet date, with the change in fair value recognized as an increase or decrease to share-based compensation expense for the period in which it is determined. Effective January 1, 2017, the Company made an accounting policy election to account for forfeitures when they occur.

h) Derivative Instruments

The Company may enter into derivative instruments such as futures, options, interest rate swaps and foreign currency forward contracts as part of its overall foreign currency risk management strategy, to obtain exposure to a particular financial market or for yield enhancement.

During 2013, the Company began to write derivative-based risk management products designed to address weather and commodity price risks, with the objective of generating profits on a portfolio basis. Effective July 1, 2017, the Company no longer writes derivative-based risk management products which address weather risks.

From time to time, the Company may also enter into (re)insurance contracts that meet the Financial Accounting Standards Board's ("FASB") definition of a derivative contract.

The Company measures all derivative instruments at fair value (see Note 4 – Fair Value Measurements) and recognizes them as either assets or liabilities in the Consolidated Balance Sheets. Subsequent changes in fair value and any realized gains or losses are recognized in the Consolidated Statements of Operations.

2. Significant Accounting Policies (continued)

i) Income Tax

The Branch is subject to taxation. Current and deferred income taxes are charged or credited to net income, or in certain cases to AOCI, based upon enacted tax laws and rates applicable in Singapore in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the Consolidated Balance Sheets and those used in the tax returns. When it is more likely than not that a portion of a deferred tax asset will not be realized in the foreseeable future, a valuation allowance against deferred tax assets is recorded. The Company recognizes the tax benefits of uncertain tax positions only when the position is more-likely-than-not to be sustained upon audit by the relevant taxing authorities.

j) New Accounting Standards Adopted in 2018

Recognition and Measurement of Financial Assets and Financial Liabilities

Fixed maturities and equity securities are reported at fair value at the balance sheet date (see Note 4 '*Fair Value Measurements*'). Effective January 1, 2018, the Company adopted ASU 2016-01 "Financial Instruments - Overall (Subtopic 825-10) - *Recognition and Measurement of Financial Assets and Financial Liabilities,*" which:

- requires equity investments (except those accounted for under the equity method of accounting, investments that are consolidated or those that meet a practicability exception) to be measured at fair value with changes in fair value recognized in net income;
- simplifies the impairment assessment of equity investments without readily determinable values by requiring a qualitative assessment to identify impairment, eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost;
- requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes;
- requires separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the organization has elected to measure the liabilities in accordance with the fair value option;
- requires the separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements, and;
- clarifies that the reporting organization should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the organization's other deferred tax assets.

Upon adoption of this guidance, net unrealized investment gains on equity securities of $15,048, net of deferred income taxes, were reclassified from accumulated other comprehensive income to retained earnings.

2. Significant Accounting Policies (continued)

Revenue From Contracts With Customers

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers (Topic 606)," using the modified retrospective transition approach. This guidance affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards, such as accounting for insurance contracts.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company generated fee income of $5 million for the year ended December 31, 2018 which is within the scope of this ASU. These fees represent service fees earned by the Company's reinsurance operations related to services provided to strategic capital partners and are recognized when the related services have been performed. Given that the timing and measurement of revenue associated with the impacted contracts did not change, the adoption of this guidance did not have a material impact on the Company's results of operations, financial condition and liquidity.

Classification of Certain Cash Receipts and Cash Payments

Effective January 1, 2018, the Company adopted ASU 2016-15, "Statement of Cash Flows (Topic 230) - *Classification of Certain Cash Receipts and Cash Payments,*" which addresses diversity in practice in how eight specific cash receipts and cash payments should be presented and classified on the statement of cash flows. The adoption of this guidance did not impact the Company's results of operations, financial condition and liquidity.

Restricted Cash

Effective January 1, 2018, the Company adopted ASU 2016-18, "Statement of Cash Flows (Topic 230) - *Restricted Cash,*" which addresses diversity in practice in the classification and presentation of changes in restricted cash on the statement of cash flows. This guidance requires a statement of cash flows to explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. Transfers between cash and cash equivalents and restricted cash and restricted cash equivalents will no longer be presented on the statement of cash flows. To facilitate comparison of the Company's Consolidated Statements of Cash Flows, the Company adopted this guidance utilizing the full retrospective approach for all periods presented in the Company's Consolidated Financial Statements. As a result, the Company's Consolidated Statements of Cash Flows now explain the change during the period in the total of cash, cash equivalents, and restricted cash. Therefore, restricted cash is now included with cash and cash equivalents in the reconciliation of the beginning of period and end of period total amounts shown on the statement of cash flows. The adoption of this guidance did not impact the Company's results of operations, financial condition and liquidity.

2. Significant Accounting Policies (continued)

Stock Compensation - Scope of Modification Accounting

Effective January 1, 2018, the Company adopted ASU 2017-09 "Compensation - Stock Compensation (Topic 718) - *Scope of Modification Accounting,*" which provides clarity and reduces diversity in practice of applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. This ASU provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The guidance states that an entity should account for the effects of a modification unless all the following are met:

1. the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified;
2. the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and
3. the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified.

The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this Update. The adoption of this guidance did not impact the Company's results of operations, financial condition and liquidity.

k) Recently Issued Accounting Standards Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" which provided a new comprehensive model for lease accounting. Topic 842 will require a lessee to recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term.

In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842) - Targeted Improvements" which provides an additional (and optional) transition method to adopt the new lease guidance. A company electing this additional (and optional) transition method must provide the required Topic 840 disclosures for all periods that continue to be in accordance with Topic 840. However, these amendments do not change the existing disclosure requirements in Topic 840, in particular these amendments do not create interim disclosure requirements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted.

The Company will adopt Topic 842 effective January 1, 2019, by electing the additional transition method provided in ASU 2018-11. The Company will also elect the package of practical expedients permitted under the transition guidance of Topic 842, which must be elected as a package and applied consistently to all leases. The package of practical expedients permits the Company not to reassess the following:

1. whether any expired or existing contracts are or contain leases;
2. the lease classification for any expired or existing leases; and
3. initial direct costs for any existing leases.

2. Significant Accounting Policies (continued)

In addition to electing the package of practical expedients, the Company will make an accounting policy election not to record leases with an initial term of 12 months or less (short-term) in the Company's Consolidated Balance Sheets. The Company will recognize expense for short-term lease payments on a straight-line basis over the lease term in the Company's Consolidated Statements of Operations. At December 31, 2018, the Company expects the adoption of this guidance will result in the recognition of lease assets and lease liabilities of approximately $12 million in the Company's Consolidated Balance Sheets at January 1, 2019, related to existing office property and equipment leases. The adoption of this guidance will not impact the Company's results of operations and liquidity.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments" which replaces the "incurred loss" impairment methodology with an approach based on "expected losses" to estimate credit losses on certain types of financial instruments and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses. The guidance also provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. This guidance is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted for interim and annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of this guidance on its results of operations, financial condition and liquidity.

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued ASU 2017-08 "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20) -*Premium Amortization on Purchased Callable Debt Securities"* which shortens the amortization period for certain purchased callable debt securities held at a premium. The Company plans to adopt this guidance effective January 1, 2019. The adoption of this guidance will not impact the Company's results of operations, financial condition and liquidity.

Changes to Disclosures on Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13 "Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to *the Disclosure Requirements for Fair Value Measurement*" to improve the effectiveness of fair value measurement disclosures. This guidance is effective for interim and annual reporting periods, beginning after December 15, 2019, with early adoption permitted. The Company plans to adopt this guidance effective January 1, 2019. As this guidance relates solely to financial statement disclosures, the adoption of ASU 2016-18, will not impact the Company's results of operations, financial condition and liquidity.

(In thousands of U.S. dollars)

3. Investments

a) Fixed Maturities and Equity Securities

Fixed Maturities

The amortized cost and fair values of the Company's fixed maturities classified as available for sale were as follows:

2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-credit OTTI in AOCI (5)
Fixed maturities:					
U.S. government and agency	$ 397,907	$ 1,093	$ (703)	$ 398,297	$ —
Non-U.S. government	266,100	954	(10,055)	256,999	—
Corporate debt	2,373,597	10,218	(79,822)	2,303,993	—
Agency RMBS(1)	1,188,971	4,651	(21,532)	1,172,090	—
CMBS(2)	546,400	851	(9,068)	538,183	—
Non-Agency RMBS	24,846	527	(1,267)	24,106	—
ABS(3)	945,374	842	(10,586)	935,630	—
Municipals(4)	65,411	451	(697)	65,165	—
Total fixed maturities	$ 5,808,606	$ 19,587	$ (133,730)	$ 5,694,463	$ —

2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-credit OTTI in AOCI (5)
Fixed maturities:					
U.S. government and agency	$ 925,768	$ 899	$ (8,543)	$ 918,124	$ —
Non-U.S. government	315,801	10,649	(5,814)	320,636	—
Corporate debt	2,696,331	39,031	(15,715)	2,719,647	—
Agency RMBS(1)	1,712,657	5,362	(19,308)	1,698,711	—
CMBS(2)	554,423	2,673	(2,625)	554,471	—
Non-Agency RMBS	33,612	1,205	(791)	34,026	—
ABS(3)	868,355	3,719	(899)	871,175	—
Municipals(4)	98,877	932	(625)	99,184	—
Total fixed maturities	$ 7,205,824	$ 64,470	$ (54,320)	$ 7,215,974	$ —

(1) Residential mortgage-backed securities ("RMBS") originated by U.S. government-sponsored agencies.
(2) Commercial mortgage-backed securities ("CMBS").
(3) Asset-backed securities ("ABS") include debt tranched securities collateralized primarily by auto loans, student loans, credit card receivables, collateralized debt obligations ("CDOs") and collateralized loan obligations ("CLOs").
(4) Municipals include bonds issued by states, municipalities, and political subdivisions.
(5) Represents the non-credit component of the other-than-temporary impairment ("OTTI") losses, adjusted for subsequent sales, maturities and redemptions. It does not include the change in fair value subsequent to the impairment measurement date.

(In thousands of U.S. dollars)

3. Investments (continued)

Equity Securities
The cost and fair values of the Company's equity securities were as follows:

	2018			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities:				
Exchange-traded funds	$ 55,538	$ 8,842	$ —	$ 64,380
Common stocks	381	112	(158)	335
Total equity securities	$ 55,919	$ 8,954	$ (158)	$ 64,715

	2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities:				
Exchange-traded funds	$ 55,538	$ 13,757	$ —	$ 69,295
Common stocks	175	1,372	(81)	1,466
Total equity securities	$ 55,713	$ 15,129	$ (81)	$ 70,761

In the normal course of investing activities, the Company actively manages allocations to non-controlling tranches of structured securities which are variable interests issued by variable interest entities ("VIEs"). These structured securities include RMBS, CMBS and ABS. The Company also invests in limited partnerships including hedge funds, direct lending funds, private equity funds and real estate funds as well as CLO equity tranched securities, which are all variable interests issued by VIEs (see Note 3(b) *'Other Investments'*). The Company does not have the power to direct the activities that are most significant to the economic performance of the VIEs therefore the Company is not the primary beneficiary of any of these VIEs. The maximum exposure to loss on these interests is limited to the amount of investment made by the Company. The Company has not provided financial or other support with respect to these structured securities other than its original investment.

(In thousands of U.S. dollars)

3. Investments (continued)

Contractual Maturities

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The contractual maturities of fixed maturities are shown below:

	2018		2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 137,484	$ 135,301	$ 193,752	$ 193,441
Due after one year through five years	1,867,180	1,836,102	2,359,250	2,362,132
Due after five years through ten years	948,725	906,765	1,322,466	1,331,982
Due after ten years	149,624	146,286	161,309	170,036
	3,103,013	3,024,454	4,036,777	4,057,591
Agency RMBS	1,188,971	1,172,090	1,712,657	1,698,711
CMBS	546,400	538,183	554,423	554,471
Non-Agency RMBS	24,846	24,106	33,612	34,026
ABS	945,374	935,630	868,355	871,175
Total	$ 5,808,604	$ 5,694,463	$ 7,205,824	$ 7,215,974

Gross Unrealized Losses

The following tables summarize fixed maturities and equity securities in an unrealized loss position at December 31, 2018 and 2017, and the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

	2018					
	12 months or greater		Less than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
U.S. government and agency	$ 69,988	$ (552)	$ 101,335	$ (151)	$ 171,323	$ (703)
Non-U.S. government	15,741	(812)	173,672	(9,243)	189,413	(10,055)
Corporate debt	773,583	(34,930)	1,210,269	(44,892)	1,983,852	(79,822)
Agency RMBS	691,930	(21,317)	47,603	(215)	739,533	(21,532)
CMBS	308,135	(8,314)	132,344	(754)	440,479	(9,068)
Non-Agency RMBS	9,310	(1,167)	5,596	(100)	14,906	(1,267)
ABS	82,310	(1,112)	764,966	(9,474)	847,276	(10,586)
Municipals	31,024	(680)	2,301	(17)	33,325	(697)
Total fixed maturities	$ 1,982,021	$ (68,884)	$ 2,438,086	$ (64,846)	$ 4,420,107	$ (133,730)

(1) Effective January 1, 2018, the Company adopted ASU No. 2016-01, which requires equity securities to be measured at fair value with changes in fair value recognized in net income therefore equity securities at fair value are excluded from the table above at December 31, 2018.

(In thousands of U.S. dollars)

3. Investments (continued)

	2017					
	12 months or greater		Less than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
U.S. government and agency	$ 101,834	$ (2,195)	$ 751,223	$ (6,348)	$ 853,057	$ (8,543)
Non-U.S. government	43,356	(4,611)	41,313	(1,203)	84,669	(5,814)
Corporate debt	191,507	(6,309)	1,024,974	(9,406)	1,216,481	(15,715)
Agency RMBS	510,319	(11,421)	851,672	(7,887)	1,361,991	(19,308)
CMBS	27,528	(678)	259,071	(1,947)	286,599	(2,625)
Non-Agency RMBS	7,299	(779)	4,197	(12)	11,496	(791)
ABS	19,372	(330)	198,733	(569)	218,105	(899)
Municipals	6,761	(214)	36,997	(411)	43,758	(625)
Total fixed maturities	$ 907,976	$ (26,537)	$ 3,168,180	$ (27,783)	$ 4,076,156	$ (54,320)
Equity securities[(1)]:						
Common stocks	$ —	$ —	$ 1	$ (81)	$ 1	$ (81)
Total equity securities	$ —	$ —	$ 1	$ (81)	$ 1	$ (81)

Fixed Maturities

At December 31, 2018, 2,134 fixed maturities (2017: 1,353) were in an unrealized loss position of $133,730 (2017: $54,320) of which $40,973 (2017: $5,509) were related to securities below investment grade or not rated.

At December 31, 2018, 923 securities (2017: 383) had been in a continuous unrealized loss position for 12 months or greater and had a fair value of $1,982,021 (2017: $907,976). Following a credit impairment review, the Company concluded that these securities as well as the remaining securities in an unrealized loss position were temporarily impaired at December 31, 2018, and are expected to recover in value as the securities approach maturity. Further, at December 31, 2018, the Company did not intend to sell the securities in an unrealized loss position and it is more likely than not that it will not be required to sell these securities before the anticipated recovery of their amortized costs.

(In thousands of U.S. dollars)

3. Investments (continued)

b) Other Investments

The following tables provide a summary of the Company's other investments, together with additional information relating to the liquidity of each category:

	Fair Value		Redemption Frequency (if currently eligible)	Redemption Notice Period
At December 31, 2018				
Long/short equity funds	$ 26,779	6%	Annually	60 days
Event-driven funds	13,936	3%	Annually	45 days
Multi-strategy funds	74,163	15%	Quarterly, Semi-annually	60-95 days
Direct lending funds	224,870	46%	N/A	N/A
Private equity funds	64,417	13%	N/A	N/A
Real estate funds	61,244	13%	N/A	N/A
CLO-Equities	21,271	4%	N/A	N/A
Total other investments	$ 486,680	100%		
At December 31, 2017				
Long/short equity funds	$ 38,470	6%	Annually	60 days
Event-driven funds	39,177	6%	Annually	45 days
Multi-strategy funds	212,707	34%	Quarterly, Semi-annually	60-95 days
Direct lending funds	197,212	32%	N/A	N/A
Private equity funds	68,812	11%	N/A	N/A
Real estate funds	36,600	6%	N/A	N/A
CLO-Equities	31,413	5%	N/A	N/A
Total other investments	$ 624,391	100%		

N/A - not applicable

The investment strategies for the above funds are as follows:

- *Long/short equity funds*: Seek to achieve attractive returns primarily by executing an equity trading strategy involving both long and short investments in publicly-traded equity securities.

- *Event-driven funds*: Seek to achieve attractive returns by exploiting situations where announced or anticipated events create opportunities.

- *Multi-strategy funds*: Seek to achieve above-market returns by pursuing multiple investment strategies to diversify risks and reduce volatility. This category includes funds of hedge funds which invest in a large pool of hedge funds across a diversified range of hedge fund strategies.

- *Direct lending funds*: Seek to achieve attractive risk-adjusted returns, including current income generation, by investing in funds which provide financing directly to borrowers.

3. Investments (continued)

- *Private equity funds*: Seek to achieve attractive risk-adjusted returns by investing in private transactions over the course of several years.

- *Real estate funds*: Seek to achieve attractive risk-adjusted returns by making and managing investments in real estate and real estate securities and businesses.

Two common redemption restrictions which may impact the Company's ability to redeem its hedge funds are gates and lockups. A gate is a suspension of redemptions which may be implemented by the general partner or investment manager of the fund in order to defer, in whole or in part, the redemption request in the event the aggregate amount of redemption requests exceeds a predetermined percentage of the fund's net assets which may otherwise hinder the general partner or investment manager's ability to liquidate holdings in an orderly fashion in order to generate the cash necessary to fund extraordinarily large redemption payouts. A lockup period is the initial amount of time an investor is contractually required to hold the security before having the ability to redeem. During 2018 and 2017, neither of these restrictions impacted the Company's redemption requests. At December 31, 2018, $26,778 (2017: $38,470), representing 23% (2017: 13%) of the Company's total hedge funds, relate to holdings where they are still within the lockup period. The expiry of these lockup periods range from March 2019 to March 2021.

At December 31, 2018, the Company has $209,538 (2017: $136,968) of unfunded commitments within the other investments portfolio relating to future investments in direct lending funds. Once the full amount of committed capital has been called by the General Partner of each of these funds, the assets will not be fully returned until the completion of the fund's investment term. These funds have investment terms ranging from five to ten years and the General Partners of certain funds have the option to extend the term by up to three years.

At December 31, 2018, the Company has $76,532 (2017: $7,500) of unfunded commitments as a limited partner in a multi-strategy hedge fund. Once the full amount of committed capital has been called by the General Partner, the assets will not be fully returned until the completion of the funds' investment term. These funds have investment terms ranging from two years to the dissolution of the underlying fund.

At December 31, 2018, the Company has $81,825 (2017: $114,011) of unfunded commitments as a limited partner in funds which invest in real estate and real estate securities and businesses. These funds include an open-ended fund and funds with investment terms ranging from seven years to the dissolution of the underlying fund.

At December 31, 2018, the Company has $15,900 (2017: $20,983) of unfunded commitments as a limited partner in a private equity fund. The life of the fund is subject to the dissolution of the underlying funds. The Company expects the overall holding period to be over ten years.

During 2015, the Company made a $50,000 commitment as a limited partner of a bank revolver opportunity fund. The fund has an investment term of seven years and the General Partners have the option to extend the term by up to two years. At December 31, 2018, this commitment remains unfunded. It is not anticipated that the full amount of this fund will be drawn.

(In thousands of U.S. dollars)

3. Investments (continued)

c) Net Investment Income

Net investment income for the years ended December 31, 2018 and 2017 was derived from the following sources:

	2018	2017
Fixed maturities	$ 203,681	$ 204,560
Other investments	35,547	63,328
Equity securities	1,098	4,522
Short-term investments	6,379	1,947
Cash and cash equivalents	3,326	1,705
Loans to affiliates	21,754	5,248
Gross investment income	271,785	281,310
Investment expenses	(14,630)	(16,933)
Net investment income	$ 257,155	$ 264,377

d) Net Investment Gains (Losses)

The following table provides an analysis of net investment gains (losses) for the years ended December 31, 2018 and 2017:

	2018	2017
Gross realized investment gains		
Fixed maturities and short-term investments	$ 16,564	$ 51,514
Equity securities	20	61,681
Gross realized investment gains	16,584	113,195
Gross realized investment losses		
Fixed maturities and short-term investments	(86,649)	(64,147)
Equity securities	—	(93)
Gross realized investment losses	(86,649)	(64,240)
Net OTTI charge recognized in net income	(7,589)	(10,862)
Changes in fair value of investment derivatives (1)	5,200	(8,125)
Net unrealized gains (losses) on equity securities (2)	(6,252)	—
Net investment gains (losses)	$ (78,706)	$ 29,968

(1) Refer to Note 5 - Derivative Instruments
(2) Effective January 1, 2018, the Company adopted ASU No. 2016-01. The change in fair value of equity securities is now recognized in net investment gains (losses).

(In thousands of U.S. dollars)

3. Investments (continued)

The following table summarizes the OTTI charge recognized in net income by asset class for the years ended December 31, 2018 and 2017:

	2018	2017
Fixed maturities:		
Non-U.S. government	$ 4,010	$ 5,919
Corporate debt	3,538	4,943
Non-Agency CMBS	41	—
Fixed maturities	7,589	10,862
Total OTTI recognized in net income	$ 7,589	$ 10,862

Fixed maturities

The following table provides a roll forward of the credit losses ("credit loss table"), before income taxes, for which a component of the OTTI charge was recognized in AOCI for the years ended December 31, 2018 and 2017:

	2018	2017
Balance at beginning of year	$ 993	$ 993
Credit impairments recognized on securities not previously impaired	—	—
Additional credit impairments recognized on securities previously impaired	—	—
Change in timing of future cash flows on securities previously impaired	—	—
Intent to sell of securities previously impaired	—	—
Securities sold/redeemed/matured	(993)	—
Balance at end of year	$ —	$ 993

The credit loss component of an OTTI charge recognized in net income is calculated based on the difference between the amortized cost of the security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security prior to the impairment. A summary of credit loss activities by asset class as well as the significant inputs and the methodology used to estimate these credit losses are described below.

3. Investments (continued)

U.S. Government, U.S. Agency and U.S. Agency RMBS:

Unrealized losses on securities issued or backed (either explicitly or implicitly) by the U.S. government are not analyzed for OTTI. The Company has concluded that the possibility of a credit losses on these securities is highly unlikely due to the explicit U.S. government guarantee on certain securities (e.g. Government National Mortgage Association ("GNMA") issuances) and the implicit guarantee on other securities that has been validated by past actions (e.g. U.S. government bailout of Federal National Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC") during the 2008 credit crisis). Although these securities are not analyzed for credit losses, they are still evaluated for intention to sell and likely requirement to sell.

Non-U.S. Government:

Non-U.S. government securities are evaluated for credit losses primarily through qualitative assessment of the likelihood of credit losses using information such as duration and severity of unrealized losses, as well as credit ratings and price volatility. At December 31, 2018, the Company's holdings in sovereign debt, including $2,622 (2017: $36,340) relating to the eurozone countries, were substantially all investment-grade securities. The gross unrealized losses of $10,055 at December 31, 2018 were due mainly to pricing and foreign exchange losses on emerging market debt. The Company concluded there were no credit losses anticipated for these securities at December 31, 2018. In 2018, the OTTI charge on non-U.S. government fixed maturities mainly related to unrealized foreign exchange losses on certain securities where forecasted recovery was uncertain.

Corporate Debt:

To estimate credit losses for corporate debt securities, projected cash flows are primarily driven by assumptions regarding the probability of default and the severity associated with those defaults. The default and loss severity rates are based on credit rating, credit analysis, industry analyst reports and forecasts, Moody's historical default data and any other data relevant to the recoverability of the security. In 2018, the OTTI charge on corporate debt securities mainly related to significant loss severity, unrealized foreign exchange losses on certain securities where forecasted recovery was uncertain as well as the Company's intent to sell.

CMBS:

The Company's investments in CMBS are diversified and primarily rated AA or better. Based on discounted cash flows at December 31, 2018, the current level of subordination is sufficient to cover the estimated loan losses on the underlying collateral of the CMBS.

(In thousands of U.S. dollars)

3. Investments (continued)

Non-Agency RMBS:

For non-agency RMBS, the Company's projected cash flows incorporated underlying data from widely accepted third-party data sources along with certain internal assumptions and judgments regarding the future performance of the security. These assumptions included default, delinquency, loss severity and prepayment rates. The assumptions used to calculate the credit losses in 2018 have not changed significantly since December 31, 2017. At December 31, 2018, the fair value of the Company's non-agency RMBS was $24,106 (2017: $34,026), consisting primarily of $20,701 (2017: $28,704) of Prime and $2,387 (2017: $4,133) of Alt-A MBS. The Company concluded there are no credit losses anticipated for any of its non-agency RMBS at December 31, 2018, other than those already recorded.

ABS:

The Company's investments in ABS at December 31, 2018 consist mainly of CLO debt tranched securities ("CLO Debt") purchased primarily as new issues during 2017 through 2018. Substantially all of these new issues had credit ratings of AA or better. The Company utilizes a scenario-based approach to reviewing the CLO Debt portfolio based on the current asset market price. The Company reviews subordination levels of these securities to determine their ability to absorb credit losses of underlying collateral. If losses are forecast to be below the subordination level for a tranche held by the Company, the security is determined not to be impaired. At December 31, 2018, the Company concluded that there are no credit losses anticipated for any of its CLO Debt.

e) Restricted Investments

In order to support the Company's obligations in regulatory jurisdictions where it operates as a non-admitted carrier, the Company provides collateral in the form of assets held in trust and, to a lesser extent, letters of credit. Refer to Note 8 for further information on collateral requirements upon issuance of certain letters of credit. The fair value of the Company's restricted investments primarily relates to the items, as noted in the table below. Restricted investments primarily consist of high-quality fixed maturity and short-term investment securities.

	2018	2017
Collateral in Trust for inter-company agreements	$ 2,043,564	$ 3,153,051
Collateral for secured letter of credit facilities	338,325	379,484
Collateral in Trust for third party agreements (1)	1,009,669	1,066,074
Total restricted investments	$ 3,391,558	$ 4,598,609

(1) Includes $735,123 (2017: $746,818) of fixed income securities and equities deposited directly with Lloyd's to support the underwriting capacity of AXIS Capital's Lloyd's Syndicate, AXIS Syndicate 1686.

3. Investments (continued)

f) Reverse Repurchase Agreements

At December 31, 2018, the Company held $16,200 (2017: $37,400) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of cash and cash equivalents in the Company's Consolidated Balance Sheets. The required collateral for these loans is either cash or U.S. Treasuries at a minimum rate of 102% of the loan principal. Upon maturity, the Company receives principal and interest income. The Company monitors the estimated fair value of the securities loaned and borrowed on a daily basis with additional collateral obtained as necessary throughout the duration of the transaction.

4. Fair Value Measurements

Fair Value Hierarchy

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. U.S. GAAP prescribes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. 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. The hierarchy is broken down into three levels as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

- Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Company's own judgments about assumptions that market participants might use.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment.

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for financial instruments categorized in Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many financial instruments. This may lead the Company to change the selection of its valuation technique (from market to cash flow approach) or may cause it to use multiple valuation techniques to estimate the fair value of a financial instrument. This circumstance could cause an instrument to be reclassified between levels within the fair value hierarchy.

4. Fair Value Measurements (continued)

Valuation Techniques

The valuation techniques, including significant inputs and assumptions generally used to determine the fair values of the Company's financial instruments as well as the classification of the fair values of its financial instruments in the fair value hierarchy are described in detail below.

Fixed Maturities

At each valuation date, the Company uses the market approach valuation technique to estimate the fair value of its fixed maturities portfolio, when possible. This market approach includes, but is not limited to, prices obtained from third party pricing services for identical or comparable securities and the use of "pricing matrix models" using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. Pricing from third party pricing services is sourced from multiple vendors, when available, and the Company maintains a vendor hierarchy by asset type based on historical pricing experience and vendor expertise. When prices are unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers who are active in the corresponding markets. The valuation techniques including significant inputs and assumptions generally used to determine the fair values of the Company's fixed maturities by asset class as well as the classifications of the fair values of these securities in the fair value hierarchy are described in detail below.

U.S. Government and Agency

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. As the fair values of U.S. Treasury securities are based on unadjusted market prices in active markets, these securities are classified as Level 1. The fair values of U.S. government agency securities are determined using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads are observable market inputs, the fair values of U.S. government agency securities are classified as Level 2.

Non-U.S. Government

Non-U.S. government securities include bonds issued by non-U.S. governments and their agencies along with supranational organizations (collectively also known as sovereign debt securities). The fair values of these securities are based on prices obtained from international indices or valuation models that include inputs such as interest rate yield curves, cross-currency basis index spreads and country credit spreads for structures similar to the sovereign bond in terms of issuer, maturity and seniority. As the significant inputs used to price these securities are observable market inputs, the fair values of non-U.S. government securities are classified as Level 2.

4. Fair Value Measurements (continued)

Corporate Debt

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are generally determined using the spread above the risk-free yield curve. These spreads are generally obtained from the new issue market, secondary trading and broker-dealer quotes. As the yields for the risk-free yield curve and the spreads are observable market inputs, the fair values of corporate debt securities are generally classified as Level 2. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers to estimate fair value. This is generally the case when there is a low volume of trading activity and current transactions are not orderly. In this event, the fair values of these securities are classified as Level 3.

Agency RMBS

Agency RMBS consist of bonds issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. The fair values of these securities are priced using a mortgage pool specific model which uses daily inputs from the active to be announced market and the spread associated with each mortgage pool based on vintage. As the significant inputs used to price these securities are observable market inputs, the fair values of Agency RMBS are classified as Level 2.

CMBS

CMBS include mostly investment-grade bonds originated by non-agencies. The fair values of these securities are determined using a pricing model which uses dealer quotes and other available trade information along with security level characteristics to determine deal specific spreads. As the significant inputs used to price these securities are observable market inputs, the fair values of CMBS are generally classified as Level 2. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers to estimate fair value. This is generally the case when there is a low volume of trading activity and current transactions are not orderly. In this event, the fair values of these securities are classified as Level 3.

Non-Agency RMBS

Non-Agency RMBS include mostly investment-grade bonds originated by non-agencies. The fair values of these securities are determined using an option adjusted spread model or other relevant models, which use inputs including available trade information or broker quotes, prepayment and default projections based on historical statistics of the underlying collateral and current market data. As the significant inputs used to price these securities are observable market inputs, the fair values of Non-Agency RMBS are generally classified as Level 2.

4. Fair Value Measurements (continued)

ABS

ABS include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, student loans, credit card receivables, and CLO debt originated by a variety of financial institutions. The fair values of these securities are determined using a model which uses prepayment speeds and spreads sourced primarily from the new issue market. As the significant inputs used to price these securities are observable market inputs, the fair values of ABS are generally classified as Level 2. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers to estimate fair value. This is generally the case when there is a low volume of trading activity and current transactions are not orderly. In this event, the fair values of these securities are classified as Level 3.

Municipals

Municipals comprise revenue and general obligation bonds issued by U.S. domiciled state and municipal entities. The fair values of these securities are determined using spreads obtained from the new issue market, trade prices and broker-dealers quotes. As the significant inputs used to price these securities are observable market inputs, the fair values of municipals are classified as Level 2.

Equity Securities

Equity securities include common stocks and exchange-traded funds. As the fair values of common stocks and exchange-traded funds are are based on unadjusted quoted market prices in active markets, the fair values of these securities are classified as Level 1.

Other Investments

The fair value of the indirect investment in CLO-Equities is classified as Level 3 as the fair value of this security is estimated using an income approach valuation technique, specifically an externally developed discounted cash flow model due to the lack of observable and relevant trades in secondary markets.

Short-Term Investments

Short-term investments primarily comprise highly liquid securities with maturities greater than three months but less than one year from the date of purchase. The fair values of these securities are classified as Level 2 because these securities are typically not actively traded due to their approaching maturity, and, as such, their amortized cost approximates fair value.

Derivative Instruments

Derivative instruments include foreign exchange forward contracts and exchange-traded interest rate swaps that are customized to the Company’s economic hedging strategies and trade in the over-the-counter derivative market. The fair values of these derivatives are determined using a market approach valuation technique based on significant observable market inputs from third party pricing vendors, non-binding broker-dealer quotes and/or recent trading activity. As the significant inputs used to price these securities are observable market inputs, the fair values of these derivatives are classified as Level 2.

4. Fair Value Measurements (continued)

Other underwriting-related derivatives include insurance and reinsurance contracts that are accounted for as derivatives. These derivative contracts are initially valued at cost which approximates fair value. In subsequent measurement periods, the fair values of these derivatives are determined using an income approach valuation technique, specifically internally developed discounted cash flow models. As the significant inputs used to price these derivatives are unobservable, the fair value of these contracts are classified as Level 3.

Insurance-Linked Securities

Insurance-linked securities comprise an investment in a catastrophe bond. As pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers to estimate the fair value of this security. Pricing is generally unavailable when there is a low volume of trading activity and current transactions are not orderly therefore the fair value of this security is classified as Level 3.

Cash Settled Awards

Cash settled awards comprise restricted stock units that form part of the Company's compensation program. Although the fair values of these awards are determined using observable quoted market prices in active markets, the restricted stock units are not actively traded. As the significant inputs used to price these securities are observable market inputs, the fair values of these liabilities are classified as Level 2.

(In thousands of U.S. dollars)

4. Fair Value Measurements (continued)

The tables below present the financial instruments measured at fair value on a recurring basis at December 31, 2018 and 2017:

December 31, 2018	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair value based on NAV practical expedient	Total Fair Value
Asset					
Fixed maturities					
U.S government and agency	$ 380,344	$ 17,953	$ —	$ —	$ 398,297
Non U.S. government	—	256,999	—	—	256,999
Corporate debt	—	2,262,983	41,010	—	2,303,993
Agency RMBS	—	1,172,090	—	—	1,172,090
CMBS	—	537,704	479	—	538,183
Non-Agency RMBS	—	24,106	—	—	24,106
ABS	—	933,424	2,206	—	935,630
Municipals	—	65,165	—	—	65,165
	380,344	5,270,424	43,695	—	5,694,463
Equity securities					
Exchange-traded funds	64,380	—	—	—	64,380
Common stocks	335	—	—	—	335
	64,715	—	—	—	64,715
Other investments					
Hedge funds (1)	—	—	—	114,878	114,878
Direct lending funds	—	—	—	224,870	224,870
Private equity funds	—	—	—	64,417	64,417
Real estate funds	—	—	—	61,244	61,244
CLO-Equities	—	—	21,271	—	21,271
	—	—	21,271	465,409	486,680
Short-term investments	—	115,735	—	—	115,735
Derivative instruments (see Note 5)	—	7,557	—	—	7,557
Total Assets	$ 445,059	$ 5,393,716	$ 64,966	$ 465,409	$ 6,369,150
Liabilities					
Derivative instruments (see Note 5)	$ —	$ 4,166	$ 10,299	$ —	$ 14,465
Cash settled awards (see Note 12)	—	1,906	—	—	1,906
Total Liabilities	$ —	$ 6,072	$ 10,299	$ —	$ 16,371

(1) Includes Long/short equity, Multi-strategy and Event-driven funds.

(In thousands of U.S. dollars)

4. Fair Value Measurements (continued)

December 31, 2017	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair value based on NAV practical expedient	Total Fair Value
Asset					
Fixed maturities					
U.S government and agency	$ 880,922	$ 37,202	$ —	$ —	$ 918,124
Non U.S. government	—	320,636	—	—	320,636
Corporate debt	—	2,694,647	25,000	—	2,719,647
Agency RMBS	—	1,698,711	—	—	1,698,711
CMBS	—	554,471	—	—	554,471
Non-Agency RMBS	—	34,026	—	—	34,026
ABS	—	871,175	—	—	871,175
Municipals	—	99,184	—	—	99,184
	880,922	6,310,052	25,000	—	7,215,974
Equity securities					
Exchange-traded funds	69,294	—	—	—	69,294
Common stocks	1,467	—	—	—	1,467
	70,761	—	—	—	70,761
Other investments					
Hedge funds (1)	—	—	—	290,354	290,354
Direct lending funds	—	—	—	197,212	197,212
Private equity funds	—	—	—	68,812	68,812
Real estate funds	—	—	—	36,600	36,600
CLO-Equities	—	—	31,413	—	31,413
	—	—	31,413	592,978	624,391
Short-term investments	—	10,183	—	—	10,183
Derivative instruments (see Note 5)	—	1,412	—	—	1,412
Insurance-linked securities	—	—	25,090	—	25,090
Total Assets	$ 951,683	$ 6,321,647	$ 81,503	$ 592,978	$ 7,947,811
Liabilities					
Derivative instruments (see Note 5)	$ —	$ 1,320	$ 11,510	$ —	$ 12,830
Cash settled awards (see Note 12)	—	2,322	—	—	2,322
Total Liabilities	$ —	$ 3,642	$ 11,510	$ —	$ 15,152

(1) Includes Long/short equity, Multi-strategy and Event-driven funds.

During 2018 and 2017, the Company had no transfers between levels 1 and 2.

(In thousands of U.S. dollars)

4. Fair Value Measurements (continued)

Except for certain fixed maturities and insurance-linked securities which are priced using broker-dealer quotes (underlying inputs are not available), the following table quantifies the significant unobservable inputs used in estimating fair values at December 31, 2018 of investments classified as Level 3 in the fair value hierarchy.

		Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Other investments - CLO-Equities	$	21,271	Discounted cash flow	Default rates	3.0%	3.0%
				Loss severity rate	35%	35%
				Collateral spreads	3.0%	3.0%
				Estimated maturity	7 years	7 years
Derivatives - Other underwriting-related derivatives	$	(10,299)	Discounted cash flow	Discount rate	2.6%	2.6%

Other investments - CLO-Equities

The CLO-Equities market continues to be relatively inactive with only a small number of transactions being observed, particularly as it relates to transactions involving CLO-Equities held by the Company. Accordingly, the fair value of the Company's indirect investment in CLO-Equities is determined using a discounted cash flow model prepared by an external investment manager.

The default and loss severity rates are the most judgmental unobservable market inputs to the discounted cash flow model to which the valuation of the Company's indirect investment in CLO-Equities is most sensitive. A significant increase (decrease) in either of these significant inputs in isolation would result in a lower (higher) fair value estimate for the investment in CLO-Equities and, in general, a change in default rate assumptions will be accompanied by a directionally similar change in loss severity rate assumptions. Collateral spreads and estimated maturity dates are less judgmental inputs as they are based on the historical average of actual spreads and the weighted average life of the current underlying portfolios, respectively. A significant increase (decrease) in either of these significant inputs in isolation would result in a higher (lower) fair value estimate for the investment in CLO-Equities. In general, these inputs have no significant interrelationship with each other or with default and loss severity rates.

On a quarterly basis, the Company’s valuation process for its indirect investment in CLO-Equities includes a review of the underlying cash flows and key assumptions used in the discounted cash flow model. The above significant unobservable inputs are reviewed and updated based on information obtained from secondary markets, including information received from the managers of the Company's CLO-Equities portfolio. In order to assess the reasonableness of the inputs that are used in the Company's models, a current understanding of the market conditions, historical results, as well as emerging trends that may impact future cash flows is maintained. In addition, the assumptions used by the Company in its models are updated through regular communication with industry participants and ongoing monitoring of the deals in which it participates (e.g. default and loss severity rate trends).

4. Fair Value Measurements (continued)

Derivatives - Other underwriting-related derivatives

Other underwriting-related derivatives are initially valued at cost which approximates fair value. In subsequent measurement periods, the fair values of these derivatives are determined using internally developed discounted cash flow models which uses appropriate discount rates. The selection of an appropriate discount rate is judgmental and is the most significant unobservable input used in the valuation of these derivatives. A significant increase (decrease) in this input in isolation could result in a significantly lower (higher) fair value measurement for the derivative contracts. In order to assess the reasonableness of the inputs the Company uses in the discounted cash flow model, the Company maintains an understanding of current market conditions, historical results, as well as contract specific information that may impact future cash flows.

(In thousands of U.S. dollars)

4. Fair Value Measurements (continued)

The following table presents changes in Level 3 for financial instruments measured at fair value on a recurring basis for the years ended December 31, 2018 and 2017:

	Opening Balance	Transfer into Level 3	Transfer out of Level 3	Included in earnings (1)	Included in OCI (2)	Purchases	Sales	Settlement/ Distributions	Closing Balance	Change in unrealized investment gain/loss (3)
Year ended December 31, 2018										
Fixed maturities										
Corporate debt	$ 25,000	$ 853	$ —	$ —	$ 4,890	$ 10,267	$ —	$ —	$ 41,010	$ —
CMBS	—	2,219	—	—	(1)	—	—	(1,739)	479	—
ABS	—	1,979	—	—	(273)	500	—	—	2,206	—
	25,000	5,051	—	—	4,616	10,767	—	(1,739)	43,695	—
Other investments										
CLO-Equities	31,413	—	—	6,627	—	—	—	(16,769)	21,271	6,627
Other assets										
Insurance-linked securities	25,090	—	—	(90)	—	—	—	(25,000)	—	—
Total assets	$ 81,503	$ 5,051	$ —	$ 6,537	$ 4,616	$ 10,767	$ —	$ (43,508)	$ 64,966	$ 6,627
Other liabilities										
Derivative instruments	11,510	—	—	(1,211)	—	—	—	—	10,299	(1,211)
Total liabilities	$ 11,510	$ —	$ —	$ (1,211)	$ —	$ —	$ —	$ —	$ 10,299	$ (1,211)
Year ended December 31, 2017										
Fixed maturities										
Corporate debt	$ 36,792	$ —	$ —	$ 149	$ (133)	$ —	$ (11,778)	$ (30)	$ 25,000	$ —
CMBS	—	—	—	—	—	—	—	—	—	—
ABS	17,464	—	(18,949)	—	1,485	—	—	—	—	—
	54,256	—	(18,949)	149	1,352	—	(11,778)	(30)	25,000	—
Other investments										
CLO-Equities	60,700	—	—	2,558	—	—	—	(31,845)	31,413	2,558
Other assets										
Insurance-linked securities	25,023	—	—	67	—	—	—	—	25,090	67
Total assets	$ 139,979	$ —	$ (18,949)	$ 2,774	$ 1,352	$ —	$ (11,778)	$ (31,875)	$ 81,503	$ 2,625
Other liabilities										
Derivative instruments	—	—	—	(962)	—	12,472	—	—	11,510	(962)
Total liabilities	$ —	$ —	$ —	$ (962)	$ —	$ 12,472	$ —	$ —	$ 11,510	$ (962)

(1) Realized gains (losses) on fixed maturities, and realized and unrealized gains (losses) on other assets and other liabilities included in net income are included in net investment gains (losses). Realized and unrealized gains (losses) on other investments included in net income are included in net investment income.
(2) Unrealized gains (losses) on fixed maturities are included in other comprehensive income ("OCI").
(3) Change in unrealized investment gains (losses) relating to assets held at the reporting date.

4. Fair Value Measurements (continued)

The transfers into and out of fair value hierarchy levels reflect the fair values of the securities at the end of the reporting period.

Transfers into Level 3 from Level 2

The transfers into Level 3 from Level 2 made during 2018 were primarily due to the lack of observable market inputs and multiple quotes from pricing vendors and broker-dealers for certain fixed maturities.

There were no transfers into Level 3 from Level 2 made during 2017.

Transfers out of Level 3 into Level 2

There were no transfers out of Level 3 into Level 2 made during 2018.

The transfers into Level 2 from Level 3 made during 2017 were primarily due to the availability of observable market inputs and quotes from pricing vendors on certain fixed maturities.

Measuring the Fair Value of Other Investments Using Net Asset Valuations

The fair values of hedge funds, direct lending funds, private equity funds and real estate funds are estimated using NAVs as advised by external fund managers or third party administrators. For these funds, NAVs are based on the manager's or administrator's valuation of the underlying holdings in accordance with the fund's governing documents and in accordance with U.S. GAAP.

If there is a reporting lag between the current period end and reporting date of the latest available fund valuation for any hedge fund, the Company estimates fair values by starting with the most recently available fund valuation and adjusting for return estimates as well as any subscriptions, redemptions and distributions that took place during the current period. Return estimates are obtained from the relevant fund managers. Accordingly, the Company does not typically have a reporting lag in fair value measurements of these funds. Historically, the Company's valuation estimates incorporating these return estimates have not significantly diverged from the subsequently received NAVs.

For direct lending funds, private equity funds, real estate funds and one of the Company's hedge funds, valuation statements are typically released on a reporting lag therefore the Company estimates the fair value of these funds by starting with the most recent fund valuations and adjusting for capital calls, redemptions, drawdowns and distributions. Return estimates are not available from the relevant fund managers for these funds therefore the Company typically has a reporting lag in its fair value measurements of these funds. In 2018, funds reported on a lag represented 80% (2017: 58%) of the total other investments balance.

(In thousands of U.S. dollars)

4. Fair Value Measurements (continued)

The Company often does not have access to financial information relating to the underlying securities held within the funds, therefore management is unable to corroborate the fair values placed on the securities underlying the asset valuations provided by fund managers or fund administrators. In order to assess the reasonableness of the NAVs, the Company performs a number of monitoring procedures on a quarterly basis, to assess the quality of the information provided by fund managers and fund administrators. These procedures include, but are not limited to, regular review and discussion of each fund's performance with its manager, regular evaluation of fund performance against applicable benchmarks and the backtesting of the Company's fair value estimates against subsequently received NAVs. Backtesting involves comparing the Company's previously reported fair values for each fund against NAVs per audited financial statements (for year-end values) and final NAVs from fund managers and fund administrators (for interim values).

The fair values of hedge funds, direct lending funds, private equity funds and real estate funds are measured using the NAV practical expedient, therefore the fair values of these funds have not been categorized within the fair value hierarchy.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The fair value of financial instruments accounting guidance also applies to financial instruments disclosed, but not carried, at fair value, except for certain financial instruments, including insurance contracts.

At December 31, 2018, the carrying values of cash equivalents including restricted amounts, accrued investment income, receivable for investments sold, certain other assets, payable for investments purchased and certain other liabilities approximated their fair values due to their respective short maturities. As these financial instruments are not actively traded, their fair values are classified as Level 2.

5. Derivative Instruments

The balance sheet classifications of derivatives recorded at fair value are shown in the following table.

	December 31, 2018			December 31, 2017		
	Derivative Notional Amount	Asset Derivative Fair Value (1)	Liability Derivative Fair Value (1)	Derivative Notional Amount	Asset Derivative Fair Value (1)	Liability Derivative Fair Value (1)
Relating to investment portfolio:						
Foreign exchange forward contracts	$ 79,336	$ 262	$ 531	$ 137,422	$ 10	$ 619
Interest rate swaps	150,000	—	1,116	155,000	448	—
Relating to underwriting portfolio:						
Foreign exchange forward contracts	$ 480,060	$ 7,295	$ 2,519	$ 517,755	$ 954	$ 701
Other underwriting-related contracts	85,000	—	10,299	85,000	—	11,510
Total derivatives		$ 7,557	$ 14,465		$ 1,412	$ 12,830

(1) Asset and liability derivatives are classified within other assets and other liabilities in the Consolidated Balance Sheets.

The notional amounts of derivative contracts represent the basis upon which pay or receive amounts are calculated and are presented in the above table to quantify the volume of the Company's derivative activities. Notional amounts are not reflective of credit risk.

(In thousands of U.S. dollars)

5. Derivative Instruments (continued)

None of the Company's derivative instruments are designated as hedges under current accounting guidance.

Offsetting Assets and Liabilities

The Company's derivative instruments are generally traded under International Swaps and Derivatives Association master netting agreements, which establish terms that apply to all transactions. In the event of a bankruptcy or other stipulated event, master netting agreements provide that individual positions be replaced with a new amount, usually referred to as the termination amount, determined by taking into account market prices and converting into a single currency. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. The table below presents a reconciliation of the gross derivative assets and liabilities to the net amounts presented in the Company's Consolidated Balance Sheets, with the difference being attributable to the impact of master netting agreements.

	December 31, 2018			December 31, 2017		
	Gross Amounts	Gross Amounts Offset	Net Amounts (1)	Gross Amounts	Gross Amounts Offset	Net Amounts (1)
Derivative assets	$ 10,844	$ (3,287)	$ 7,557	$ 4,465	$ (3,053)	$ 1,412
Derivative liabilities	$ 17,752	$ (3,287)	$ 14,465	$ 15,883	$ (3,053)	$ 12,830

(1) Net asset and liability derivatives are classified within other assets and other liabilities on the Consolidated Balance Sheets.

For information on reverse repurchase agreements see Note 3 *'Investments'*.

a) Relating to Investment Portfolio

Foreign Currency Risk

The Company's investment portfolio is exposed to foreign currency risk therefore the fair values of its investments are partially influenced by the change in foreign exchange rates. The Company may enter into foreign currency forward contracts to manage the effect of this foreign currency risk. These foreign currency hedging activities are not designated as specific hedges for financial reporting purposes.

Interest Rate Risk

The Company's investment portfolio contains a large percentage of fixed maturities which expose it to significant interest rate risk. As part of the overall management of this risk, the Company may use interest rate swaps.

(In thousands of U.S. dollars)

5. Derivative Instruments (continued)

b) Relating to Underwriting Portfolio

Foreign Currency Risk

The Company's underwriting portfolio is exposed to significant foreign currency risk. The Company manages foreign currency risk by seeking to match foreign-denominated net liabilities under (re)insurance contracts with cash and investments denominated in the same currencies. The Company uses derivative instruments, specifically forward contracts to economically hedge foreign currency exposures.

Other Underwriting-Related Risks

The Company enters into insurance and reinsurance contracts that are accounted for as derivatives. These insurance or reinsurance contracts provide indemnification to an insured or cedant as a result of a change in a variable as opposed to an identifiable insurable event. The Company considers these contracts to be part of its underwriting operations.

The total unrealized and realized gains (losses) recognized in net income for derivatives not designated as hedges for the years ended December 31, 2018 and 2017 are shown in the following table:

	Location of Gain (Loss) Recognized In Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	
		2018	2017
Derivatives not designated as hedging instruments			
Relating to investment portfolio:			
Foreign exchange forward contracts	Net realized investment gains (losses)	$ 3,446	$ (6,935)
Interest rate swaps	Net realized investment gains (losses)	1,752	(1,190)
Relating to underwriting portfolio:			
Foreign exchange forward contracts	Foreign exchange (losses) gains	10,194	15,985
Other underwriting-related contracts	Other insurance related income (losses)	2,384	1,476
Total		$ 17,776	$ 9,336

6. Reserve for Losses and Loss Expenses

Reserving Methodology

The reserving process begins with the collection and analysis of paid and incurred claim data for each of the Company's insurance and reinsurance operations. The data is then disaggregated by reserving class and further disaggregated by underwriting year and accident year. Underwriting year information is used to analyze the business and subsequently allocate reserves to the respective accident years. Reserve classes are selected to ensure that the underlying contracts have homogeneous loss development characteristics, while remaining large enough to make the estimation of trends credible. The Company's reserve classes are reviewed on a regular basis and adjusted over time as the Company's business evolves. The paid and incurred claim data, in addition to industry benchmarks, serves as a key input to many of the methods employed by the Company's actuaries. The relative weights assigned to the Company's own historical loss data versus industry data vary according to the length of the development profile for the reserving class being evaluated (see 'Net Incurred and Paid Claims *Development Tables By Accident Year'* below for further details by reserve class).

The tables below map the Company's lines of business to reserve classes and the expected claim tails:

Insurance Operations	**Reserve class and tail**					
	Property and Other	Marine	Aviation	Credit and Political Risk	Professional Lines	Liability
	Short	Short	Short/ Medium	Medium	Medium	Long
Reported line of business						
Property and other	X					
Marine		X				
Terrorism	X					
Aviation			X			
Credit and Political Risk				X		
Professional Lines					X	
Liability						X
Accident and Health	X					

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Operations	**Reserve class and tail**				
	Property and Other	Credit and Surety	Professional Lines	Motor	Liability
	Short	Medium	Medium	Long	Long
Reported lines of business					
Catastrophe	X				
Property	X				
Credit and Surety		X			
Professional Lines			X		
Motor				X	
Liability					X
Engineering	X				
Agriculture	X				
Marine and Other	X				
Accident and Health	X				

Actuarial Analysis

Multiple actuarial methods are available to estimate ultimate losses. Each method has its own assumptions and its own advantages and disadvantages, with no single estimation method being better than the others in all situations and no one set of assumption variables being meaningful for all reserve classes. The relative strengths and weaknesses of the particular estimation methods when applied to a particular group of claims can also change over time.

The following is a brief description of the reserve estimation methods commonly employed by the Company's actuaries including a discussion of their particular strengths and weaknesses:

- Expected Loss Ratio Method ("ELR Method"): This method estimates ultimate losses for an accident year or underwriting year by applying an expected loss ratio to the earned or written premium for that year. Generally, expected loss ratios are based on one or more of (a) an analysis of historical loss experience to date, (b) pricing information and (c) industry data, adjusted as appropriate, to reflect changes in rates and terms and conditions. This method is insensitive to actual incurred losses for the accident year or underwriting year in question and is, therefore, often useful in the early stages of development when very few losses have been incurred. Conversely, the lack of sensitivity to incurred/paid losses for the accident year or underwriting year in question means that this method is usually inappropriate in later stages of an accident year or underwriting year's development.

- Loss Development Method (also referred to as the "Chain Ladder Method" or "Link Ratio Method"): This method assumes that the losses incurred/paid for each accident year or underwriting year at a particular development stage follow a relatively similar pattern. It assumes that on average, every accident year or underwriting year will display the same percentage of ultimate losses incurred/paid at the same point in time after the inception of that year. The percentages incurred/paid are established for each development stage (e.g. 12 months, 24 months, etc.) after examining historical averages

6. Reserve for Losses and Loss Expenses (continued)

from historical loss development data and/or external industry benchmark information. Ultimate losses are then estimated by multiplying the actual incurred/paid losses by the reciprocal of the established incurred/paid percentage. The strengths of this method are that it reacts to loss emergence/payments and that it makes full use of historical claim emergence/payment experience. However, this method has weaknesses when the underlying assumption of stable loss development/payment patterns is not valid. This could be the consequence of changes in business mix, claim inflation trends or claim reporting practices and/or the presence of large claims, amongst other things. Furthermore, this method tends to produce volatile estimates of ultimate losses where there is volatility in the underlying incurred/paid patterns. In particular, where the expected percentage of incurred/paid losses is low, small deviations between actual and expected claims can lead to very volatile estimates of ultimate losses. As a result, this method is often unsuitable at early development stages for an accident year or underwriting year.

- Bornhuetter-Ferguson Method ("BF Method"): This method can be seen as a combination of the ELR and Loss Development Methods, under which the Loss Development Method is given progressively more weight as an accident year or underwriting year matures. The main advantage of the BF Method is that it provides a more stable estimate of ultimate losses than the Loss Development Method at earlier stages of development, while remaining more sensitive to emerging loss development than the ELR Method. In addition, the BF Method allows for the incorporation of external market information through the use of expected loss ratios, whereas the Loss Development Method does not incorporate such information.

6. Reserve for Losses and Loss Expenses (continued)

Key Actuarial Assumptions

As part of the loss reserve review process, the Company's actuaries employ the estimation method(s) that they believe will produce the most reliable estimate of ultimate losses, at that particular evaluation date, for each reserve class and accident year or underwriting year combination. Often, this is a blend (i.e. weighted average) of the results of two or more appropriate actuarial methods. These ultimate loss estimates are generally utilized to evaluate the adequacy of ultimate loss estimates for previous accident or underwriting years, as established in the prior reporting period. For the initial estimate of the current accident or underwriting year, the available claim data is typically insufficient to produce a reliable estimate of ultimate losses. As a result, initial estimates for an accident or underwriting year are generally based on the ELR Method for longer tailed lines and a BF Method for shorter tailed lines. The initial ELR for each reserve class is established collaboratively by actuaries, underwriters and management at the start of the year as part of the planning process, taking into consideration prior accident years' or underwriting years' experience and industry benchmarks, adjusted after considering factors such as exposure trends, rate differences, changes in contract terms and conditions, business mix changes and other known differences between the current year and prior accident or underwriting years. The initial expected loss ratios for a given accident or underwriting year may be modified over time if the underlying assumptions, such as loss development or premium rate changes, differ from the original assumptions.

The use of the above actuarial methods requires the Company to make certain explicit assumptions, the most significant of which are: (1) expected loss ratios and (2) loss development patterns.

In earlier years, significant reliance was placed on industry benchmarks in establishing expected loss ratios and loss development patterns. Over time, more reliance has been placed on historical loss experience in establishing these ratios and selecting these patterns where the Company believes the weight of its own actual experience has become sufficiently credible for consideration. The weight given to the Company's experience differs for each of the three claim tail classes. In establishing expected loss ratios for the insurance operations, consideration is given to a number of other factors, including exposure trends, rate adequacy on new and renewal business, ceded reinsurance costs, changes in claims emergence and underwriters' view of terms and conditions in the market environment. For the reinsurance operations, expected loss ratios are based on a contract-by-contract review, which considers information provided by clients together with estimates provided by underwriters and actuaries about the impact of changes in pricing, terms and conditions and coverage. Market experience of some classes of business as compiled and analyzed by an independent actuarial firm has also been considered, as appropriate.

Claims Tail Analysis

Short-Tail Business

Short-tail business generally includes exposures for which losses are usually known and paid within a relatively short period of time after the underlying loss event has occurred. The key actuarial assumptions for short-tail business in early accident years were primarily developed with reference to industry benchmarks for expected loss ratios and loss development patterns. As the Company's own historical loss experience amassed, it gained credibility and became relevant for consideration in establishing these key actuarial assumptions. As a result, the Company gradually increased the weighting assigned to its own historical experience in selecting the expected loss ratios and loss development patterns utilized to establish estimates of ultimate losses for an accident year. Due to the relatively short reporting and settlement patterns for short-

6. Reserve for Losses and Loss Expenses (continued)

tail business, more weight is generally placed upon experience-based methods and other qualitative considerations in establishing reserves for recent and more mature accident years. The majority of development for an accident year or underwriting year is expected to be recognized in the subsequent one to three years

Medium-Tail Analysis

Medium-tail business generally has claim reporting and settlement periods longer than those of short-tail reserve classes. For the Company's earliest accident and underwriting years, initial key actuarial expected loss ratio and loss development assumptions were established utilizing industry benchmarks. Due to the longer claim tail, the length of time required to develop its own credible loss history for use in the reserve process is greater for medium-tail business than for short-tail business. As a result, the number of years where the Company has relied heavily on industry benchmarks to establish its key actuarial assumptions is greater for medium-tail business.

Long-Tail Analysis

In contrast to short and medium-tail business, the claim tails for long-tail business,is expected to be notably longer, as claims are often reported and ultimately paid or settled years, or even decades, after the related loss events occur. As a general rule, estimates of accident year or underwriting year ultimate losses for long-tail business are notably more uncertain than those for short and medium-tail business. To date, key actuarial assumptions for long-tail business have been derived extensively from industry benchmarks supplemented with the Company's own historical experience. Given the Company's relatively short operating history in comparison to the development tail for this business, the Company does not believe that its own historical loss development for long-tail business has amassed an appropriate volume to serve as a fully credible input into the key actuarial assumptions previously outlined. While industry benchmarks that the Company believes reflect the nature and coverage of its business are considered, actual loss experience may differ from the benchmarks based on industry averages. Due to the length of the development tail for this business, reserve estimates for most accident years and underwriting years are predominantly based on the BF Method or ELR Method and the consideration of qualitative factors.

Reserving for Significant Catastrophic Events

The Company cannot estimate losses from widespread catastrophic events, such as hurricanes and earthquakes, using the traditional actuarial methods described above. Loss reserves for such events are estimated by management after a catastrophe occurs by completing an in-depth analysis of individual contracts which may potentially have been impacted by the catastrophic event. This in-depth analysis may rely on several sources of information including:

- estimates of the size of insured industry losses from the catastrophic event and the Company's corresponding market share;
- a review of portfolio of contracts performed to identify those contracts which may be exposed to the catastrophic event;
- a review of modeled loss estimates based on information previously reported by customers and brokers, including exposure data obtained during the underwriting process;
- discussions of the impact of the event with customers and brokers; and
- catastrophe bulletins published by various independent statistical reporting agencies.

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

A blend of these information sources is generally used to arrive at aggregate estimates of the ultimate losses arising from the catastrophic event. In subsequent reporting periods, changes in paid and incurred losses in relation to each significant catastrophe are reviewed and adjustments are made to estimates of ultimate losses for each event if there are developments that are different from previous expectations. Adjustments are recorded in the period in which they are identified.

Selection of Reported Reserves - Management's Best Estimate

The Company's reserving process involves the collaboration of underwriting, claims, actuarial, legal, ceded reinsurance and finance departments, includes various segmental committee meetings and culminates with the approval of a single point best estimate by the Company's Group Reserving Committee, which comprises senior management. In selecting this best estimate, management considers actuarial estimates and applies informed judgment regarding qualitative factors that may not be fully captured in these actuarial estimates. Such factors include, but are not limited to: the timing of the emergence of claims, volume and complexity of claims, social and judicial trends, potential severity of individual claims and the extent of internal historical loss data versus industry information. While these qualitative factors are considered in arriving at the point estimate, no specific provisions for qualitative factors are established.

Reserve Roll-Forward

The following table presents a reconciliation of the beginning and ending gross reserve for losses and loss expenses and net reserve for unpaid losses and loss expenses for the years ended December 31, 2018 and 2017:

	2018	2017
Gross reserve for losses and loss expenses, beginning of year	$ 5,771,966	$ 4,863,897
Less: reinsurance recoverable on unpaid losses, beginning of year	(394,716)	(189,970)
Net reserve for unpaid losses and loss expenses, beginning of year	5,377,250	4,673,927
Net incurred losses and loss expenses related to:		
Current year	1,213,549	2,186,227
Prior years	(94,211)	(177,253)
	1,119,338	2,008,974
Net paid losses and loss expenses related to:		
Current year	(258,075)	(433,163)
Prior years	(1,399,686)	(1,096,373)
	(1,657,761)	(1,529,536)
Foreign exchange and other	(208,036)	223,885
Net reserve for unpaid losses and loss expenses, end of year	4,630,791	5,377,250
Reinsurance recoverable on unpaid losses, end of year	570,885	394,716
Gross reserve for losses and loss expenses, end of year	$ 5,201,676	$ 5,771,966

6. Reserve for Losses and Loss Expenses (continued)

The Company writes business with loss experience generally characterized as low frequency and high severity in nature, which can result in volatility in its financial results. During 2018 and 2017, respectively, the Company recognized aggregate net losses and loss expenses of $219,821 and $614,676 in relation to catastrophe and weather-related events.

On April 16, 2018, the Company entered into a quota share retrocessional agreement with Harrington Re, a related party, which was deemed to have met the established criteria for retroactive reinsurance accounting. The Company recognized reinsurance recoverable on unpaid losses of $80,635 related to this reinsurance agreement. This transaction was conducted at market rates consistent with negotiated arms-length contracts.

Net losses and loss expenses incurred include net favorable prior period reserve development of $94,211 and $177,253 for the years ended December 31, 2018 and 2017, respectively. Prior year reserve development arises from changes to losses and loss expense estimates related to loss events that occurred in previous calendar years.

The net favorable prior period reserve development for both years originates from insurance and reinsurance operations on business both written directly by the Company and assumed from affiliates.

Short-tail business includes the underlying exposures in the property and other, marine and aviation reserve classes within the insurance operations and the property and other reserve class within the reinsurance operations. Development from these classes contributed $28,855 to the total net favorable prior year reserve development in 2018 reflecting the recognition of overall better than expected loss emergence, primarily related to the 2017 catastrophe events and $51,420 in 2017 which primarily reflected the recognition of better than expected loss emergence.

Medium-tail business consists primarily of professional insurance and reinsurance reserve classes, credit and political risk insurance reserve class, and credit and surety reinsurance reserve class. The reinsurance professional reserve class experienced net favorable prior year development of $10,973 in 2018 and $24,185 in 2017 reflecting the continued favorable experience on earlier accident years as the Company continued to transition to more experience based methods. The insurance professional reserve class recorded net favorable prior year development of $10,317 in 2018 and $15,123 in 2017 from better than expected development for similar reasons as the reinsurance operations. The reinsurance credit and surety reserve class recorded net favorable prior year reserve development of $25,043 in 2018 and $25,301 in 2017, reflecting the recognition of generally better than expected loss emergence.

Long-tail business consists primarily of the insurance and reinsurance liability reserve classes and the reinsurance motor reserve class.

For the year ended December 31, 2018, the reinsurance liability reserve classes contributed net favorable prior year development of $13,978 (2017: $28,621). For the year ended December 31, 2018, the net favorable prior year development was due to progressively increased weight given by management to experience based indications on older accident years. For the year ended December 31, 2017, the net favorable prior year development was primarily due to progressively increased weight given by management to experience based indications on older accident years, which have generally been favorable.

6. Reserve for Losses and Loss Expenses (continued)

For the year ended December 31, 2018, the insurance liability reserve class recorded net adverse prior year development of $9,450 (2017: $6,460). The net adverse prior year reserve development on the insurance liability reserve class in 2018 was primarily related to reserve strengthening within the Company's assumed U.S. excess casualty book of business. The net adverse prior year reserve development in 2017 was primarily attributable to reserve strengthening within the Company's run-off Bermuda excess casualty book of business.

For the year ended December 31, 2018, the reinsurance motor reserve class contributed net favorable prior year reserve development of $17,437 (2017: $39,397). The net favorable prior year reserve development on the motor reserve class in 2018 was primarily attributable to U.K. non proportional treaty business on older accident years. The net favorable prior year reserve development on the motor reserve class in 2017 related to favorable loss emergence trends on several classes of business spanning multiple accident years.

At December 31, 2018, net reserve for losses and loss expenses includes estimated amounts for numerous catastrophe events. The magnitude and/or complexity of losses arising from these events, in particular the California Wildfires and Hurricanes Michael and Florence which occurred in 2018 as well as Hurricanes Harvey, Irma and Maria, and the two earthquakes in Mexico which occurred in 2017, inherently increase the level of uncertainty and, therefore, the level of management judgment involved in arriving at estimated net reserves for losses and loss expenses. As a result, actual losses for these events may ultimately differ materially from current estimates.

Net Incurred and Paid Claims Development Tables By Accident Year

The following tables present net incurred and paid claims development by accident year, total incurred-but-not-reported liabilities plus expected development on reported claims, cumulative reported claims frequency and claims duration for each reserve class. The loss development triangles are presented on an accident year basis for both the insurance and reinsurance operations. The Company does not discount unpaid losses and loss expense reserves.

Non-U.S. dollar denominated loss data is converted to U.S. dollar at the rates of exchange in effect at the balance sheet date for material underlying currencies. Fluctuations in foreign currency exchange rates may cause material shifts in loss development. Reserves for losses and loss expenses, disclosed in the Consolidated Balance Sheets, are also revalued using the exchange rate at the balance sheet date.

To the extent that the Company enters into a disposition, the effects of the disposition are reported on a retrospective basis by removing the balances associated with the disposed of business.

There are many considerations in establishing loss reserves and an attempt to evaluate loss reserves using solely the data presented in these tables could be misleading. The Company cautions against mechanical application of standard actuarial methodologies to project ultimate losses using data presented in this disclosure.

6. Reserve for Losses and Loss Expenses (continued)

Insurance Operations

The reporting of cumulative claims frequency for the reserve classes within the insurance operations has been measured by counting the number of unique claim references including claim references assigned to nil and nominal case reserves. Claim references are grouped by claimant by loss event for each reserve class. For certain insurance facilities and business produced by managing general agents where underlying data is reported to the Company in an aggregated format, the information necessary to provide cumulative claims frequency is not available therefore reporting of claims frequency is deemed to be impracticable.

Insurance Property and Other

This reserve class includes property, terrorism and accident and health lines of business.

The property line of business provides physical loss or damage, business interruption and machinery breakdown cover for virtually all types of property, including commercial buildings, residential premises, construction projects and onshore energy installations. This line of business includes both primary and excess risks, some of which are catastrophe-exposed.

The terrorism line of business provides cover for physical damage and business interruption of an insured following an act of terrorism and includes kidnap and ransom, and crisis management insurance.

The accident and health line of business includes accidental death, travel insurance and specialty health products for employer and affinity groups.

In general, reporting and payment patterns are relatively short-tailed although they can be volatile due to the incidence of catastrophe events.

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Insurance Property and Other

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,										At December 31, 2018	
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2009	$ 63,890	$ 52,213	$ 46,829	$ 42,522	$ 40,943	$ 39,739	$ 39,965	$ 39,732	$ 39,889	$ 39,131	$ 42	3,201
2010		100,368	89,350	85,269	70,280	67,438	66,937	66,695	66,424	65,870	622	4,422
2011			209,289	195,095	177,514	166,863	164,484	162,890	163,116	162,587	717	6,348
2012				223,390	232,236	222,863	210,174	207,276	203,358	202,792	4,524	29,931
2013					186,342	178,885	162,113	159,912	159,803	164,985	3,009	53,172
2014						211,093	205,819	199,559	189,578	188,599	3,288	62,444
2015							165,134	157,917	151,968	149,345	2,978	47,052
2016								208,322	224,591	220,532	7,902	92,867
2017									436,866	405,642	31,523	663,914
2018										144,200	32,211	3,341
									Total	$ 1,743,683		

Insurance Property and Other

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

	For the Years Ended December 31,									
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ 12,859	$ 28,430	$ 33,202	$ 35,607	$ 36,250	$ 36,992	$ 38,655	$ 38,885	$ 39,086	$ 39,088
2010		26,101	47,609	52,373	60,251	63,218	63,322	63,157	63,186	63,350
2011			44,706	103,891	139,280	156,825	155,824	155,736	155,956	156,050
2012				40,301	115,491	155,865	168,408	173,478	177,264	177,298
2013					39,568	116,029	141,648	147,834	155,291	156,810
2014						71,835	147,078	177,950	181,419	183,050
2015							57,393	118,822	133,480	141,477
2016								71,408	171,135	195,074
2017									130,787	293,754
2018										45,571
									Total	1,451,522
	All outstanding liabilities before 2009, net of reinsurance									3,843
	Liabilities for claims and claim adjustment expenses, net of reinsurance									$ 296,004

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Insurance Property and Other

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
31.7%	39.9%	14.2%	6.6%	2.2%	1.0%	1.0%	0.2%	0.4%	—%

Insurance Marine

This reserve class includes the marine line of business which provides cover for traditional marine classes, including offshore energy, cargo, liability, recreational marine, fine art, specie as well as hull and war. Offshore energy includes physical damage, business interruption, operators extra expense and liability coverage for all aspects of offshore upstream energy, from exploration and construction through the operation and distribution phases. The complex nature of claims arising under marine policies tends to result in reporting and payment patterns that are longer than those of the property and other class. Exposure to natural perils such as windstorm and earthquake can result in volatility.

Insurance Marine

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2018	
	For the Years Ended December 31,											
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2009	$ 57,458	$ 52,860	$ 50,042	$ 46,665	$ 40,975	$ 39,392	$ 38,051	$ 37,083	$ 36,973	$ 35,871	$ 298	3,220
2010		45,851	46,773	44,496	36,007	34,413	32,228	31,325	30,035	29,773	522	3,196
2011			66,522	58,429	54,212	49,687	49,356	49,473	51,068	51,522	818	3,830
2012				66,610	60,237	50,448	52,528	53,263	55,220	53,692	10,122	4,134
2013					59,739	75,330	72,253	72,893	61,071	60,373	2,244	2,351
2014						44,888	33,592	36,329	33,123	34,079	4,996	2,157
2015							116,830	103,522	101,199	95,224	7,409	2,219
2016								63,952	57,982	56,354	11,263	2,795
2017									54,774	51,223	18,866	3,863
2018										48,817	31,838	2,063
									Total	$ 516,928		

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Insurance Marine

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

For the Years Ended December 31,

Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ 11,798	$ 21,581	$ 28,232	$ 30,575	$ 32,004	$ 32,441	$ 34,146	$ 34,365	$ 34,626	$ 35,474
2010		11,820	18,394	21,126	27,965	29,848	30,385	31,100	28,409	28,474
2011			19,483	32,224	40,911	43,492	44,976	45,532	48,522	50,011
2012				6,753	27,620	32,029	35,249	35,844	37,616	39,088
2013					13,244	31,821	39,897	46,046	47,949	56,220
2014						4,241	10,682	19,304	19,267	25,738
2015							15,202	39,086	78,299	80,427
2016								8,342	22,088	40,656
2017									6,472	16,699
2018										5,402
									Total	378,189
						All outstanding liabilities before 2009, net of reinsurance				8,102
						Liabilities for claims and claim adjustment expenses, net of reinsurance				$ 146,841

Insurance Marine

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
21.2%	25.8%	20.7%	7.5%	6.1%	4.2%	3.9%	(1.8)%	0.5%	2.4%

Insurance Aviation

This reserve class includes the aviation line of business which provides hull and liability, and specific war covers primarily for passenger airlines but also for cargo operations, general aviation operations, airports, aviation authorities, security firms and product manufacturers. The claims reporting pattern varies by insurance coverage provided. Losses arising from war or terrorism and damage to hulls of aircraft are generally reported quickly compared with liability claims which involve passengers and third parties which generally exhibit longer reporting and payment patterns. To date, the claims reported to the Company have predominantly related to damage to hulls, therefore reporting and payment patterns have typically exhibited a relatively short tail.

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Insurance Aviation

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2018	
	For the Years Ended December 31,											
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2009	$ 14,673	$ 12,434	$ 16,757	$ 16,415	$ 15,284	$ 14,981	$ 14,089	$ 13,415	$ 13,197	$ 12,785	$ 39	317
2010		11,886	10,985	10,708	9,273	8,364	8,318	8,364	8,172	8,506	69	521
2011			16,583	14,278	11,894	8,913	8,008	6,887	6,852	6,826	194	737
2012				12,058	10,097	10,286	8,270	7,321	7,266	7,152	198	879
2013					14,886	15,504	14,376	14,446	14,745	14,622	284	1,033
2014						19,262	21,587	22,354	19,657	19,630	399	1,350
2015							22,322	21,545	22,398	22,017	1,350	1,995
2016								21,218	24,126	24,282	2,195	1,841
2017									37,945	27,129	5,575	3,452
2018										52,843	5,453	2,282
									Total	$ 195,792		

Insurance Aviation

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	For the Years Ended December 31,									
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ 1,454	$ 2,979	$ 6,153	$ 11,690	$ 12,734	$ 13,080	$ 13,042	$ 12,663	$ 12,643	$ 12,593
2010		992	3,952	6,034	6,589	7,237	7,349	7,790	7,878	8,049
2011			604	2,599	4,233	4,730	5,248	5,490	5,705	5,847
2012				873	2,656	3,842	5,578	6,427	6,639	6,748
2013					4,268	6,861	9,094	10,712	12,763	13,347
2014						3,840	7,316	10,451	12,232	12,777
2015							6,086	11,944	15,432	17,080
2016								7,389	13,692	18,826
2017									11,630	16,444
2018										21,025
									Total	132,736
	All outstanding liabilities before 2009, net of reinsurance									(1,813)
	Liabilities for claims and claim adjustment expenses, net of reinsurance									$ 61,243

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Insurance Aviation

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
23.4%	22.9%	19.8%	15.6%	8.7%	2.9%	2.4%	—%	0.9%	(0.4)%

Insurance Credit and Political Risk

This reserve class includes the credit and political risk line of business which provides credit and political risk insurance products for banks, commodity traders, corporations and multilateral and export credit agencies. Cover is provided for a range of risks including sovereign default, credit default, political violence, currency inconvertibility and non-transfer, expropriation, aircraft non-repossession and contract frustration due to political events.

The credit insurance coverage is primarily for lenders seeking to mitigate the risk of non-payment from their borrowers. In order to claim compensation under a credit insurance contract, the insured (most often a bank) cannot assign, without the Company's prior agreement, the insured contract (most often a loan) to any third party and is normally obliged to hold a material portion of insured asset on their own books, unhedged and uninsured. Claims for this business tend to be characterized by their severity risk, as opposed to their frequency risk. Claim reporting and payment patterns are anticipated to be volatile. Under the notification provisions of credit insurance policies issued by the Company, it anticipates being advised of an insured event within a relatively short time period. Consequently, the Company generally estimates ultimate losses based on a contract-by-contract analysis which considers the contracts' terms, the facts and circumstances of underlying loss events and qualitative input from claims managers.

Insurance Credit and Political Risk

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2018	
	For the Years Ended December 31,											
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2009	$ 238,234	$ 300,560	$ 321,746	$ 331,425	$ 331,513	$ 331,801	$ 331,807	$ 336,100	$ 336,187	$ 337,747	$ 3,600	24
2010		54,865	54,056	54,339	55,560	55,865	55,133	61,875	80,454	88,995	991	6
2011			54,207	47,523	47,560	48,152	48,310	45,003	33,541	27,841	205	4
2012				30,124	14,052	12,105	12,257	10,288	33	147	116	4
2013					23,894	24,320	9,766	9,795	14,856	13,977	5,669	1
2014						36,191	66,697	64,004	64,866	67,754	1,144	6
2015							27,020	29,727	26,880	25,827	2,518	2
2016								45,495	44,222	42,057	17,613	1
2017									17,975	17,632	16,066	3
2018										11,294	9,408	1
									Total	$ 633,271		

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Insurance Credit and Political Risk

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

For the Years Ended December 31,

Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ 92,406	$ 341,021	$ 342,785	$ 342,751	$ 338,107	$ 342,051	$ 342,050	$ 342,098	$ 337,884	$ 337,884
2010		50,000	77,238	82,548	96,049	91,068	91,228	91,434	91,481	91,799
2011			32,788	37,205	27,636	27,636	27,636	27,636	27,636	27,636
2012				—	—	—	—	28	29	31
2013					745	2,235	3,726	5,216	11,769	13,828
2014						1,924	38,644	58,456	56,015	56,015
2015							—	23,309	23,309	23,309
2016								—	24,445	24,445
2017									—	1,452
2018										2,857
									Total	579,256
All outstanding liabilities before 2009, net of reinsurance										(1,475)
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 52,540

Insurance Credit and Political Risk

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
23.5%	38.0%	1.5%	3.2%	9.8%	3.4%	0.4%	—%	(0.4)%	—%

Insurance Professional Lines

This reserve class includes the professional line of business which provides directors' and officers' liability, errors and omissions liability, employment practices liability, fiduciary liability, crime, professional indemnity, cyber and privacy insurance, medical malpractice and other financial insurance related covers for commercial enterprises, financial institutions, not-for-profit organizations and other professional service providers. This business is predominantly written on a claims-made basis. Typically this reserve class is anticipated to exhibit medium to long tail claim reporting and payment patterns.

With respect to key actuarial assumptions, the Company is progressively giving more weight to its own experience when establishing expected loss ratios and selecting loss development patterns, though it continues to consider industry benchmarks. Loss reporting patterns for professional lines business tend to be volatile, causing instability in actuarial indications based on incurred loss data until an accident year matures.. Consequently, initial loss reserves for an accident year are generally based upon an ELR method and the consideration of relevant qualitative factors. As accident years mature, the Company increasingly gives more weight to methods that reflect its actual experience until its selections are based almost exclusively on experience-based methods. The Company evaluates the appropriateness of the transition to experience-based methods at the reserve class level, commencing this transition when it believes

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

that its incurred loss development is sufficient to produce meaningful actuarial indications. The rate at which the Company transitions fully to sole reliance on experience-based methods can vary by reserve class and by year, depending on its assessment of the stability and relevance of such indications. For some professional lines in the insurance segment, the Company also relies upon the evaluation of the open claim inventory in addition to the commonly employed actuarial methods when establishing reserves.

Insurance Professional Lines

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2018	
	For the Years Ended December 31,											
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2009	$ 138,391	$ 141,178	$ 141,767	$ 141,983	$ 148,112	$ 136,561	$ 138,234	$ 127,781	$ 134,488	$ 136,124	$ 9,126	5,889
2010		132,828	135,710	134,605	119,578	105,705	92,365	113,266	104,582	117,514	12,253	5,690
2011			179,584	180,679	188,733	185,132	188,862	196,568	198,425	198,160	18,686	7,215
2012				187,816	210,827	210,664	207,432	200,207	203,336	198,789	31,375	8,300
2013					218,903	224,418	226,005	205,403	200,224	201,084	42,879	9,409
2014						231,190	229,557	234,635	217,853	207,922	68,343	9,766
2015							212,873	211,333	216,177	203,389	74,576	10,379
2016								197,786	199,967	204,134	87,522	11,632
2017									197,110	209,422	138,606	12,903
2018										73,940	67,132	4,757
									Total	$1,750,478		

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Insurance Professional Lines

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

For the Years Ended December 31,

Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ —	$ 10,157	$ 22,554	$ 35,404	$ 49,740	$ 55,034	$ 65,067	$ 93,968	$ 101,555	$ 105,149
2010		3,971	14,135	29,201	42,951	51,777	57,094	63,378	65,940	82,322
2011			3,871	17,417	39,850	57,765	87,647	137,342	160,462	166,878
2012				4,066	22,578	53,572	97,785	123,856	135,625	146,589
2013					9,186	38,452	70,199	95,290	115,585	133,245
2014						12,399	39,284	70,050	102,712	119,918
2015							11,565	35,433	72,798	93,769
2016								8,804	39,570	82,484
2017									10,197	36,168
2018										3,074
									Total	969,596
All outstanding liabilities before 2009, net of reinsurance										30,891
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 811,773

Insurance Professional Lines

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
3.7%	11.0%	14.9%	13.0%	10.8%	9.6%	7.5%	8.9%	9.8%	2.6%

Insurance Liability

This reserve class includes the liability line of business which primarily targets primary and low/mid-level excess and umbrella commercial liability risks in the U.S. wholesale markets in addition to primary and excess of loss employers, public, and products liability predominately in the U.K. Target industry sectors include construction, manufacturing, transportation and trucking and other services. The delay between the writing of a contract, notification and subsequent settlement of a claim in respect of that contract results in claim reporting and payment patterns that are typically long tail in nature. A consequence of the claim development tail is that this line of business is particularly exposed, amongst a number of uncertainties, to the potential for unanticipated levels of claim inflation relative to that assumed when the contracts were written. Factors influencing claim inflation on this class can include, but are not limited to, underlying economic and medical inflation, judicial inflation, mass tort and changing social trends.

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Insurance Liability

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2018	
	For the Years Ended December 31,											
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2009	$ 32,282	$ 33,544	$ 36,708	$ 37,081	$ 41,243	$ 43,246	$ 52,049	$ 50,955	$ 51,268	$ 51,293	$ 4,958	4,093
2010		47,535	53,370	57,082	56,825	56,904	55,474	62,991	63,074	62,498	6,186	3,670
2011			39,881	41,189	48,700	49,703	47,590	46,799	46,010	46,094	9,385	3,222
2012				41,235	41,022	41,145	37,651	34,617	42,365	40,555	14,165	2,837
2013					56,634	57,663	56,902	50,491	56,649	58,251	12,767	3,520
2014						57,375	65,773	68,536	66,595	67,332	17,072	4,614
2015							68,557	66,029	74,385	88,099	30,598	5,975
2016								63,156	66,351	65,859	37,988	6,628
2017									72,592	73,436	48,931	5,842
2018										8,612	7,482	485
									Total	$ 562,029		

Insurance Liability

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	For the Years Ended December 31,									
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ —	$ —	$ 4,160	$ 14,659	$ 17,223	$ 21,955	$ 23,347	$ 43,300	$ 43,792	$ 45,193
2010		519	8,012	15,543	31,508	35,249	37,783	40,628	53,577	54,353
2011			1,382	5,322	10,183	23,249	27,108	31,570	34,203	35,152
2012				842	2,803	7,776	15,161	18,669	23,073	24,981
2013					1,210	16,409	21,453	25,828	37,493	41,173
2014						721	9,407	25,011	35,862	42,257
2015							2,723	10,936	20,451	46,735
2016								3,212	11,839	18,393
2017									2,272	13,688
2018										148
									Total	322,073
	All outstanding liabilities before 2009, net of reinsurance									22,186
	Liabilities for claims and claim adjustment expenses, net of reinsurance									$ 262,142

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Insurance Liability

Average annual percentage payout of incurred claims by age, net of reinsurance									
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2.2%	11.4%	12.0%	20.8%	9.6%	8.0%	4.4%	20.6%	1.1%	2.7%

Reinsurance Operations

The presentation of net incurred and paid claims development tables by accident year for the reinsurance operations is challenging due to the need to allocate loss information related to proportional treaties to the appropriate accident years. Information related to proportional treaty reinsurance contracts is generally submitted to the Company using quarterly bordereau reporting by underwriting year, with a supplemental listing of large losses. The large losses can be allocated to the corresponding accident years accurately. However, the remaining losses can generally only be allocated to accident years based on estimated premiums earned and loss reporting patterns. To the extent management's assumptions and allocation procedures differ from the actual loss development patterns, the actual loss development may differ materially from the net incurred and paid claims development presented in the tables below.

The reporting of cumulative claims frequency for this reserve classes within the reinsurance operations is deemed to be impracticable. The information necessary to provide cumulative claims frequency for these reserve classes is not available to the Company.

Reinsurance Property and Other

This reserve class includes property, catastrophe, engineering, agriculture, as well as marine and other and accident and health lines of business.

The catastrophe line of business provides protection for most catastrophic losses that are covered in the underlying insurance policies written by the Company's cedants. The underlying policies principally cover property-related exposuree but other exposures including workers compensation, personal accident are also covered. The principal perils covered by policies in this portfolio include hurricane and windstorm, earthquake, flood, tornado, hail and fire. In some instances, terrorism may be a covered peril or the only peril. The Company underwrites this business on a proportional and on an excess of loss basis.

The property line of business provides protection for property damage and related losses resulting from natural and man-made perils contained in underlying personal and commercial lines insurance policies written by the Company's cedants. The predominant exposure is to property damage, but other risks, including business interruption and other non-property losses, may also be covered when arising from a covered peril. The most significant perils covered by policies in this portfolio include windstorm, tornado and earthquake, but other perils such as freezes, riots, floods, industrial explosions, fires, hail and a number of other loss events are also included. The Company underwrites this business on a proportional and excess of loss basis.

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

The agriculture line of business provides protection for risks associated with the production of food and fiber on a global basis for primary insurance companies writing multi-peril crop insurance, crop hail, and named peril covers, as well as custom risk transfer mechanisms for agricultural dependent industries with exposures to crop yield and/or price deviations. The Company underwrites this business on a proportional and aggregate stop loss reinsurance basis.

The engineering line of business provides protection for all types of construction risks and risks associated with erection, testing and commissioning of machinery and plants during the construction stage. This line of business also includes coverage for losses arising from operational failures of machinery, plant and equipment and electronic equipment as well as business interruption.

The marine and other line of business includes marine, aviation and personal accident reinsurance.

The accident and health line of business includes specialty health, accidental death, travel, life and disability reinsurance products which are offered on a proportional and catastrophic or per life excess of events loss basis.

In general, reporting and payment patterns are relatively short-tailed and can be volatile due to the incidence of catastrophe events such as hurricanes and earthquakes.

Reinsurance Property and Other

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2018
	For the Years Ended December 31,										Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	
2009	$ 293,370	$ 240,379	$ 205,122	$ 193,052	$ 187,321	$ 169,778	$ 164,643	$ 166,339	$ 163,953	$ 164,269	$ 1,524
2010		558,973	548,124	517,062	531,043	534,049	528,893	521,151	519,373	518,538	5,017
2011			1,040,299	1,049,403	1,056,432	1,020,298	1,005,911	981,617	979,859	981,304	9,727
2012				470,617	444,006	428,798	402,071	388,524	383,626	384,683	6,241
2013					427,861	409,757	385,177	368,770	363,890	363,065	3,872
2014						367,963	377,573	358,621	349,064	346,715	41,461
2015							335,577	320,822	317,739	313,875	11,101
2016								422,993	430,635	421,941	23,736
2017									773,859	765,816	95,360
2018										499,019	262,052
									Total	$ 4,759,225	

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Property and Other

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

For the Years Ended December 31,

Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ 45,737	$ 106,110	$ 132,389	$ 148,292	$ 157,566	$ 156,816	$ 158,801	$ 160,321	$ 159,157	$ 157,794
2010		102,588	280,628	365,496	392,285	434,862	462,552	487,579	492,674	495,472
2011			239,886	548,168	743,331	837,910	867,978	940,051	953,483	956,375
2012				99,936	242,241	306,744	326,362	338,214	346,162	348,130
2013					77,245	228,712	316,366	339,381	346,574	347,647
2014						74,542	222,240	273,475	287,042	291,479
2015							53,648	179,240	249,412	274,821
2016								90,515	253,513	345,837
2017									181,284	492,985
2018										83,025
									Total	3,793,565
						All outstanding liabilities before 2009, net of reinsurance				8,933
						Liabilities for claims and claim adjustment expenses, net of reinsurance				$ 974,593

Reinsurance Property and Other

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
22.0%	38.1%	19.0%	6.8%	3.9%	2.9%	2.0%	0.7%	(0.1)%	(0.8)%

Reinsurance Credit and Surety

This reserve class includes the credit and surety line of business which provides reinsurance of trade credit insurance products and includes both proportional and excess of loss structures. The underlying insurance indemnifies sellers of goods and services in the event of a payment default by the buyer of those goods and services. The Company provides credit insurance cover to mortgage guaranty insurers and government sponsored entities. Coverages for losses arising from a broad array of surety bonds issued by insurers to satisfy regulatory demands or contract obligations in a variety of jurisdictions around the world are also offered.

Initial and most recent underwriting year loss projections are generally based on the ELR method, with consideration given to qualitative factors. Given that there is a quicker and more stable reporting pattern for trade credit business, the Company generally commences the transition to experience-based methods sooner for trade credit business than for the surety business.

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Credit and Surety

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2018
	For the Years Ended December 31,										Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	
2009	$ 103,072	$ 88,162	$ 76,783	$ 76,418	$ 76,112	$ 71,414	$ 69,254	$ 68,919	$ 67,728	$ 66,908	$ 932
2010		85,726	73,114	68,837	66,840	63,787	58,276	57,262	55,827	54,883	3,067
2011			86,138	76,103	75,579	81,110	79,420	73,042	71,608	71,002	4,320
2012				113,583	106,904	108,968	106,761	100,440	94,314	91,591	6,533
2013					119,264	110,786	105,002	102,413	98,642	90,333	6,137
2014						96,957	98,580	104,443	101,957	93,762	8,083
2015							115,883	120,666	116,712	113,566	18,954
2016								102,477	101,883	106,500	27,754
2017									91,236	89,836	26,190
2018										67,301	29,658
									Total	$ 845,682	

Reinsurance Credit and Surety

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	For the Years Ended December 31,									
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ 22,825	$ 55,141	$ 56,368	$ 58,110	$ 60,931	$ 62,861	$ 63,036	$ 62,978	$ 63,245	$ 62,978
2010		21,083	36,065	43,995	44,399	45,657	46,538	47,606	48,361	48,610
2011			16,260	38,102	50,161	55,734	58,738	60,344	61,991	62,910
2012				35,795	61,249	70,850	74,935	77,403	78,675	79,608
2013					23,965	55,519	66,108	71,027	76,211	77,646
2014						26,529	44,945	62,934	69,643	75,424
2015							24,630	59,924	72,934	85,355
2016								31,423	53,647	66,267
2017									24,393	49,386
2018										26,172
									Total	634,356
							All outstanding liabilities before 2009, net of reinsurance			9,893
							Liabilities for claims and claim adjustment expenses, net of reinsurance			$ 221,219

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Credit and Surety

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
30.7%	29.0%	12.2%	5.6%	4.2%	2.0%	1.4%	0.9%	0.5%	(0.4)%

Reinsurance Professional Lines

This reserve class includes the professional line of business which provides cover for directors' and officers' liability, employment practices liability, medical malpractice, professional indemnity, environmental liability and miscellaneous errors and omissions insurance risks. The underlying business is predominantly written on a claims-made basis. Business is written on both a proportional and excess of loss basis. Typically, this reserve class is anticipated to exhibit medium to long-tail claim reporting and payment patterns.

With respect to key actuarial assumptions, the Company is progressively giving more weight to its own experience when establishing expected loss ratios and selected loss development patterns, though it continues to consider industry benchmarks. Loss reporting patterns for professional lines business tend to be volatile, causing instability in actuarial indications based on incurred loss data until an accident year matures. Consequently, initial loss reserves for an accident year or underwriting year are generally based upon an ELR method and the consideration of relevant qualitative factors. As accident and underwriting years mature, the Company increasingly gives more weight to methods that reflect its actual experience until its selections are based almost exclusively on experience-based methods. The Company evaluates the appropriateness of the transition to experience-based methods at the reserve class level, commencing this transition when it believes that its incurred loss development is sufficient to produce meaningful actuarial indications. The rate at which the Company transitions fully to sole reliance on experience-based methods can vary by reserve class and by year, depending on its assessment of the stability and relevance of such indications.

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Professional Lines

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2018
	For the Years Ended December 31,										Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	
2009	$ 109,519	$ 109,419	$ 111,699	$ 112,979	$ 108,205	$ 109,179	$ 101,329	$ 98,455	$ 93,869	$ 93,489	$ 2,350
2010		109,312	109,403	110,174	111,793	112,139	102,741	97,742	92,559	85,261	5,064
2011			106,056	106,222	106,750	111,103	109,660	108,972	103,327	91,236	12,035
2012				110,374	113,611	116,629	117,574	116,710	111,861	111,891	17,795
2013					110,482	112,841	113,254	112,204	111,808	107,939	35,889
2014						115,086	114,824	114,617	114,393	121,292	25,363
2015							111,498	111,614	113,036	119,296	43,937
2016								98,324	99,057	100,921	41,091
2017									67,902	68,626	47,818
2018										20,519	17,617
									Total	$ 920,470	

Reinsurance Professional Lines

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance									
	For the Years Ended December 31,									
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ —	$ 3,697	$ 15,650	$ 31,424	$ 42,318	$ 55,669	$ 65,989	$ 71,344	$ 74,361	$ 78,054
2010		883	6,060	15,796	26,331	39,129	54,670	62,975	66,615	70,370
2011			756	5,953	15,332	29,142	43,010	52,453	61,057	66,236
2012				396	5,543	15,584	27,790	44,320	55,813	68,542
2013					538	6,378	15,902	33,435	41,869	54,002
2014						1,184	6,910	25,359	38,469	56,439
2015							1,640	7,053	21,824	41,200
2016								1,063	10,423	26,695
2017									1,445	6,577
2018										397
									Total	468,512
	All outstanding liabilities before 2009, net of reinsurance									27,131
	Liabilities for claims and claim adjustment expenses, net of reinsurance									$ 479,089

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Professional Lines

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1.0%	5.8%	12.0%	14.1%	13.2%	12.9%	10.4%	5.2%	3.8%	4.0%

Reinsurance Motor

This reserve class includes the motor line of business which provides cover to insurers for motor liability and motor property damage losses arising from any one occurrence. A loss occurrence can involve one or many claimants where the ceding insurer aggregates the claims from the occurrence. The Company offers traditional proportional and non-proportional reinsurance as well as structured solutions predominantly relating to European exposures. The business written on a proportional basis has expanded significantly since 2010 and now represents the majority of the premium written within this line of business. Most of the premium relates to a relatively small number of large United Kingdom ("U.K.") and, to a lesser extent, Greek quota share treaties. The motor proportional class generally has a significantly shorter reported and payment pattern relative to the motor non-proportional class. In 2017, the U.K. Ministry of Justice announced a decrease in the discount rate to be used to calculate lump sum awards in U.K. bodily injury cases, known as the Ogden Rate. Effective March 20, 2017, the Ogden rate changed from plus 2.5% to minus 0.75%. This resulted in an increase in projected ultimate losses, particularly related to recent accident years.

The motor non-proportional business consists of standard excess of loss contracts written for cedants in several European countries with most of the premium related to two major markets, U.K. and France. Since 2009/2010, an increasing number of large bodily injury settlements in the U.K. market were settled using indexed annuities (Periodical Payment Orders "PPOs"). This led to a materially longer development tail on the older accident years for the U.K. non-proportional motor book. This also resulted in a move towards generally lower treaty attachment points and the inclusion of capitalization clauses on a number of U.K. motor treaties to help mitigate the lengthening of the development tail on more recent accident years. Despite the trend toward a greater number of claims settlements using PPOs, there has been a trend towards generally quicker and more adequate reporting of losses in recent years.

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Motor

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

	For the Years Ended December 31,										At December 31, 2018
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims
2009	$ 60,940	$ 59,541	$ 65,272	$ 66,727	$ 68,277	$ 69,010	$ 62,557	$ 58,232	$ 59,927	$ 58,146	$ 13,221
2010		74,404	79,634	79,935	79,095	74,486	70,608	63,402	60,921	58,931	14,995
2011			117,513	119,463	122,301	126,567	123,625	116,961	109,111	105,143	18,313
2012				133,936	126,154	117,560	111,964	108,123	101,076	98,768	16,921
2013					122,208	119,079	110,395	103,271	100,650	98,311	16,410
2014						137,204	136,990	133,181	130,843	127,332	6,981
2015							167,248	162,682	165,451	166,487	22,318
2016								184,460	196,062	197,379	32,680
2017									249,586	251,637	58,301
2018										260,134	125,816
									Total	$ 1,422,268	

Reinsurance Motor

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

	For the Years Ended December 31,									
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ 1,766	$ 4,857	$ 5,743	$ 6,877	$ 9,434	$ 14,034	$ 15,761	$ 19,167	$ 21,592	$ 23,472
2010		5,306	8,964	12,799	15,290	17,666	20,824	23,232	24,011	24,812
2011			17,841	35,234	45,982	53,748	58,651	63,050	66,472	67,214
2012				21,872	39,552	50,441	57,656	62,424	65,433	67,119
2013					25,355	39,479	49,589	56,899	61,041	65,124
2014						32,494	55,179	69,541	75,455	82,922
2015							43,357	69,583	84,438	97,246
2016								45,622	78,257	95,978
2017									52,347	98,717
2018										62,906
									Total	685,510
All outstanding liabilities before 2009, net of reinsurance										116,110
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 852,868

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Motor

Average annual percentage payout of incurred claims by age, net of reinsurance									
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
19.7%	14.3%	8.6%	5.8%	4.7%	4.9%	3.0%	2.6%	2.8%	3.2%

Reinsurance Liability

This reserve class includes the liability line of business which provides cover to insurers of standard casualty business, excess and surplus casualty business and specialty casualty programs. The primary focus of the underlying business is general liability, although workers' compensation and auto liability are also covered.

Claim reporting and payment patterns are typically long-tail in nature and, therefore, subject to increased uncertainty surrounding future loss development. In particular, claims can be subject to inflation from a number of sources including, but not limited to, economic and medical inflation, judicial inflation and changing social trends.

Reinsurance Liability

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										At December 31, 2018
	For the Years Ended December 31,										Total of Incurred-But-Not-Reported Liabilities Plus Expected Development on Reported Claims
Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018	
2009	$ 106,870	$ 108,571	$ 114,875	$ 111,737	$ 115,894	$ 130,982	$ 123,042	$ 113,690	$ 107,300	$ 112,724	$ 8,072
2010		104,622	102,031	111,795	113,374	125,909	119,591	113,362	103,618	98,652	8,383
2011			100,909	101,441	103,842	115,241	119,296	116,366	115,855	114,808	14,666
2012				89,842	87,998	90,241	92,440	93,047	91,248	86,116	15,929
2013					93,843	95,358	98,573	99,547	99,570	94,574	31,364
2014						107,707	108,951	109,709	107,714	107,044	41,807
2015							114,784	114,879	115,306	115,265	53,619
2016								120,699	123,202	126,159	67,157
2017									117,466	114,860	76,861
2018										27,795	22,642
									Total	$ 997,997	

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Reinsurance Liability

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

For the Years Ended December 31,

Accident Year	2009 Unaudited	2010 Unaudited	2011 Unaudited	2012 Unaudited	2013 Unaudited	2014 Unaudited	2015 Unaudited	2016 Unaudited	2017	2018
2009	$ 536	$ 10,922	$ 29,613	$ 35,299	$ 46,061	$ 65,107	$ 78,129	$ 80,935	$ 84,449	$ 86,570
2010		1,302	9,345	28,434	39,233	52,645	60,984	68,526	75,119	80,002
2011			2,614	13,138	24,400	42,832	55,311	66,144	72,707	79,725
2012				1,837	6,473	14,341	29,893	39,836	51,581	58,915
2013					3,100	11,489	26,689	35,090	44,844	52,091
2014						3,647	14,428	24,363	35,772	45,545
2015							3,695	13,869	27,847	41,157
2016								5,657	17,298	33,107
2017									5,561	17,236
2018										551
									Total	494,899
All outstanding liabilities before 2009, net of reinsurance										29,860
Liabilities for claims and claim adjustment expenses, net of reinsurance										$ 532,958

Reinsurance Liability

Average annual percentage payout of incurred claims by age, net of reinsurance

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2.7%	8.8%	13.1%	11.6%	10.8%	11.2%	8.4%	5.1%	4.0%	1.9%

(In thousands of U.S. dollars)

6. Reserve for Losses and Loss Expenses (continued)

Reconciliation of Development Tables to Consolidated Balance Sheet

The following table reconciles the reserves for loss and loss expenses as of December 31, 2018 as reported in the Consolidated Balance Sheet to the reserves for loss and loss expenses included in the development tables:

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

	December 31, 2018		
	Net outstanding liabilities	**Reinsurance recoverable on unpaid claims**	**Gross outstanding liabilities**
Insurance Operations			
Property and Other	$ 296,004	$ 1,776	$ 297,780
Marine	146,841	39,787	186,628
Aviation	61,243	1,297	62,540
Credit and Political Risk	52,540	—	52,540
Professional Lines	811,773	22,509	834,282
Liability	262,142	76,971	339,113
Total Insurance Operations	1,630,543	142,340	1,772,883
Reinsurance Operations			
Property and Other	974,593	220,103	1,194,696
Credit and Surety	221,219	8,492	229,711
Professional Lines	479,089	40,123	519,212
Motor	852,868	93,835	946,703
Liability	532,958	65,992	598,950
Total Reinsurance Operations	3,060,727	428,545	3,489,272
Total	$ 4,691,270	$ 570,885	5,262,155
Unallocated claims adjustment expenses			66,599
Foreign exchange and other[1]			(54,254)
(Ceded)/ assumed reserves related to retroactive transactions			(72,824)
Total liability for unpaid claims and claims adjustment			$ 5,201,676

(1) Non-U.S. dollar denominated loss data is converted to U.S dollar at the rates of exchange in effect at the balance sheet date for material underlying currencies. Fluctuations in currency exchange rates cause material shifts in loss development. Reserves for losses and loss expenses, disclosed on our Consolidated Balance Sheets, are also revalued using the exchange rate at the balance sheet date.

(In thousands of U.S. dollars)

7. Reinsurance

In the ordinary course of business, the Company purchases treaty and facultative reinsurance to reduce exposure to significant losses. Facultative reinsurance provides coverage for all or a portion of the losses incurred for a single policy and each facultative contract is negotiated separately.

Treaty reinsurance provides coverage for a specified type or category of risks. Treaty reinsurance agreements provide this cover on either an excess of loss or a proportional basis. Excess of loss covers provide a contractually set amount of coverage after a specified loss amount has been reached. These treaties can provide cover for a number of lines of business within one contract. Under proportional reinsurance, the Company cedes an agreed proportion of the premiums and the losses and loss expenses on the policies it underwrites. These treaties provide a specified percentage of coverage from the first dollar of loss.

All of these reinsurance covers provide the Company the right to recover a portion of specified losses and loss expenses from reinsurers. However, to the extent that the reinsurers do not meet their obligations under these agreements due to solvency issues, contractual disputes or other reasons, the Company remains liable. The Company predominantly cedes business to reinsurers rated A- or better by A.M. Best Company, Inc. ("A.M. Best").

Gross and net premiums written and earned for the years ended December 31, 2018 and 2017 are as follows:

	2018		2017	
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned
Gross	$ 1,418,396	$ 2,006,030	$ 2,900,055	$ 2,925,334
Ceded	(236,530)	(337,203)	(407,182)	(365,428)
Net	$ 1,181,866	$ 1,668,827	$ 2,492,873	$ 2,559,906

During the year ended December 31, 2018, the Company recognized ceded losses and loss expenses of $240,275 (2017: $330,891).

The Company's provision for unrecoverable reinsurance was $1,877 at December 31, 2018 (2017: $1,415). At December 31, 2018, 72% of the Company's reinsurance balances recoverable were collectible from reinsurers rated A- or better by A.M. Best (2017: 72%) and 28% were fully collateralized (2017: 28%).

8. Financing Arrangements

Letter of Credit Facility

On November 20, 2013, the Company and certain of AXIS Capital's operating subsidiaries ("Participating Subsidiaries") entered into an amendment to extend the term of a secured $750 million letter of credit facility (the "LOC Facility") with Citibank Europe plc ("Citibank") pursuant to a Master Reimbursement Agreement and other ancillary documents (together, the "LOC Facility Documents"). Under the terms of the LOC Facility, letters of credit to a maximum aggregate amount of $750 million are available for issuance on behalf of the Participating Subsidiaries. These letters of credit will principally be used to support the reinsurance obligations of the Participating Subsidiaries. The LOC Facility is subject to certain covenants, including the requirement to maintain sufficient collateral, as defined in the LOC Facility Documents, to cover all of the obligations under the LOC Facility. Such obligations include contingent reimbursement obligations for outstanding letters of credit and fees payable to Citibank. In the event of default, Citibank may exercise certain remedies, including the exercise of control over pledged collateral and the termination of the availability of the LOC Facility to any or all of the Participating Subsidiaries.

On March 31, 2015, AXIS Capital entered into an amendment to reduce the maximum aggregate utilization capacity of the LOC Facility from $750 million to $500 million. All other material terms and conditions remained unchanged.

On December 18, 2015, the Participating Subsidiaries renewed the $500 million secured LOC Facility with Citibank (the "$500 Million Facility") for a four year term commencing December 31, 2015, pursuant to certain updates to the LOC Facility Documents. All other material terms and conditions remained unchanged.

On March 27, 2017, the Participating Subsidiaries amended the existing $500 Million Facility with Citibank to include an additional $250 million of secured letter of credit capacity (the "$250 Million Facility") pursuant to a Committed Facility Letter and an amendment to the Master Reimbursement Agreement. Under the terms of the $250 Million Facility, letters of credit to a maximum aggregate amount of $250 million are available for issuance on behalf of the Participating Subsidiaries. These letters of credit will principally be used to support the reinsurance obligations of the Participating Subsidiaries. The $250 Million Facility is subject to certain covenants, including the requirement to maintain sufficient collateral, as defined in the LOC Facility Documents, to cover all of the obligations under the LOC Facility. Such obligations include contingent reimbursement obligations for outstanding letters of credit and fees payable to the lender. In the event of default, the lender may exercise certain remedies, including the exercise of control over pledged collateral and the termination of the availability of the $250 Million Facility to any or all of the Participating Subsidiaries.

On March 28, 2018, the Participating Subsidiaries amended the $250 Million Facility under the aggregate $750 million secured letter of credit facility with Citibank Europe plc (the "$750 million Facility") to extend the expiration date to March 31, 2019. The terms and conditions of the $500 Million Facility remain unchanged. The $500 Million Facility expires December 31, 2019.

At December 31, 2018, the Company had $279,469 and nil letters of credit outstanding under the $500 Million Facility and $250 Million Facility, respectively. In addition, letters of credit of $128,068 issued on behalf of other Participating Subsidiaries under the $500 Million Facility for which the Company provides collateral were outstanding as at December 31, 2018. AXIS Capital and the Participating Subsidiaries were in compliance with all LOC Facility covenants at December 31, 2018.

9. Commitments and Contingencies

a) Concentrations of Credit Risk

Credit Risk Aggregation

The aggregation of credit risk is monitored and managed on an AXIS Capital group-wide basis by considering exposure management strategies for individual companies, countries, regions, sectors and any other relevant inter-dependencies. These credit exposures are aggregated based on the origin of risk. As part of the credit aggregation framework, aggregate credit limits are assigned by single counterparty (a group of companies or country). Limits are based on and adjusted for a variety of factors, including the prevailing economic environment and the nature of the underlying credit exposures. The credit aggregation measurement and reporting process is facilitated by a credit risk exposure database, which contains relevant information on counterparty details and credit risk exposures, and is supplemented by licensed third party tools which provide credit risk assessments.

Credit risk aggregation is also managed through minimizing overlaps in underwriting, financing and investing activities. These AXIS Capital group-wide processes include some entity level monitoring and limits.

The assets that potentially subject the Company to concentrations of credit risk consist principally of cash and investments, reinsurance recoverable and (re)insurance premiums receivable balances, as described below.

Cash and Investments

In order to mitigate concentration and operational risks related to cash and cash equivalents, the Company limits the maximum amount of cash that can be deposited with a single counterparty and limits acceptable counterparties based on current rating, outlook and other relevant factors.

The Company's investment portfolio is managed by external investment managers in accordance with its investment guidelines. The Company limits such credit risk through diversification, issuer exposure limitation graded by ratings and, with respect to custodians, through contractual and other legal remedies. Excluding U.S. government and agency securities, the Company limits its concentration of credit risk to any single corporate issuer to 2% or less of its investment grade fixed maturities portfolio for securities rated A- or above and 1% or less of its investment grade fixed maturities portfolio for securities rated below A-.

At December 31, 2018, the Company was in compliance with these limits.

9. Commitments and Contingencies (continued)

Reinsurance Recoverable Balances

The Company is exposed to the credit risk associated with reinsurance recoverable on unpaid and paid losses to the extent that any of its reinsurers fail to meet their obligations under reinsurance contracts. To help mitigate this risk, the Company's purchase of reinsurance is subject to financial security requirements specified by the AXIS Group Reinsurance Security Committee. This Committee maintains a list of approved reinsurers, performs credit risk assessments for potential new reinsurers, regularly monitors approved reinsurers with consideration for events which may have a material impact on their creditworthiness, recommends counterparty tolerance levels for different types of ceded business and monitors concentrations of credit risk. This assessment considers a wide range of individual attributes, including a review of the counterparty's financial strength, industry position and other qualitative factors. Generally, the Committee requires that reinsurers who do not meet specified requirements provide collateral.

At December 31, 2018, the top ten reinsurers with the largest balances recoverable accounted for 89% (2017: 84%) of reinsurance recoverable on unpaid and paid losses.

Premiums Receivable Balances

The diversity of the Company's client base limits the credit risk associated with its insurance and reinsurance premium balances receivable. In addition, for insurance contracts, the Company has contractual rights to cancel coverage for non-payment of premiums and for reinsurance contracts, it has contractual rights to offset premiums receivable balances against corresponding payments for losses and loss expenses.

Brokers and other intermediaries collect premiums from customers on behalf of the Company. The Company has procedures in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions.

These contractual rights contribute to the mitigation of credit risk, together with the monitoring of aged receivable balances. In light of these mitigating factors, and considering that a significant portion of premium balances receivable are not currently due based on the terms of the underlying contracts, the Company does not utilize specific credit quality indicators to monitor its premium balances receivable balance. At December 31, 2018, the Company recorded an allowance for estimated uncollectible premium balances receivable of $133 (2017: $77). The corresponding bad debt expense was negligible in 2018 and 2017.

b) Brokers

The Company produces its business through brokers and direct relationships with insurance companies. Excluding business assumed from affiliates, during 2018, three brokers accounted for 37% (2017: 16%) of the total gross premiums written by the Company. Aon plc accounted for 17% (2017: 7%), Marsh & McLennan Companies Inc. 13% (2017: 6%), and Willis Tower Watson PLC for 7% (2017: 4%). With the exception of reinsurance provided to other subsidiaries of AXIS Capital through quota share and stop loss agreements, no other broker and no one insured or reinsured accounted for more than 10% of gross premiums written in the years ended December 31, 2018 and 2017.

(In thousands of U.S. dollars)

9. Commitments and Contingencies (continued)

c) Lease Commitments

In the ordinary course of business, the Company renews and enters into new leases for office space which expire at various dates.The total rent expense with respect to these operating leases for the year ended December 31, 2018 was $3,435 (2017: $3,489).

Future minimum lease payments under the leases are expected to be as follows:

Year	Amount
2019	$ 3,409
2020	3,409
2021	2,850
2022	2,850
2023	2,850
Later years	4,988
Total	$ 20,356

d) Guarantees

During 2014, the Company entered into a Deed of Guarantee (the "Guarantee") with a policyholder of AXIS Specialty Europe SE ("ASE"), one of AXIS Capital's operating subsidiary following which the Company guarantees the obligations of ASE in the event of non-payment of balances owing to the policyholder following ASE's insolvency. The maximum limit of the guarantee is $250,000 and the amount outstanding which is based on in-force policies was $nil at December 31, 2018 (2017: $21,394).

On February 14, 2017, the Company entered into a Guaranty agreement (the "Guaranty") with AXIS Reinsurance Company ("ARC"), one of AXIS Capital's operating subsidiary following which the Company guarantees the book value of ARC's investment in a credit fund up to an amount of $75,000, in the event of ARC's insolvency or ARC's inability to pay a portion or all of its policyholder claims. The Guaranty expires on the maturity date of ARC's investment in the credit fund. The book value of ARC's investment in the credit fund at December 31, 2018 was $49,607 (2017: $53,469).

e) Credit Facility

On December 29, 2017, the Company provided an unsecured credit facility to the Novae Group Limited ("Novae") following which Novae may borrow up to $75,000 from the Company. The facility expires three hundred and sixty four days from the first draw down and provides for interest at a rate of 1.65% over LIBOR. Novae has not drawn down on this facility.

In February of 2018, the Company provided an unsecured credit facility to Novae's Lloyd's Syndicate 2007 ("Novae Syndicate 2007") following which Novae Syndicate 2007 may borrow up to $230,000 from the Company. The facility expires three hundred and sixty four days from the first draw down and provides for interest at a rate of 1.5% over LIBOR. Novae Syndicate 2007 drew down on this facility in 2018 and $85,873 remains outstanding as at December 31, 2018.

9. Commitments and Contingencies (continued)

In February of 2018, the Company provided an unsecured credit facility to AXIS Capital's Lloyd's Syndicate 1686 ("AXIS Syndicate 1686") following which AXIS Syndicate 1686 may borrow up to $85,000 from the Company. The facility expires three hundred and sixty four days from the first draw down and provides for interest at a rate of 1.5% over LIBOR. AXIS Syndicate 1686 drew down on this facility in 2018 and $24,479 remains outstanding as at December 31, 2018.

10. Shareholder's Equity

Share capital consists of 12,000,000 authorized common shares of a par value of $0.10 per share. As at December 31, 2018, 12,000,000 common shares were issued and fully paid (2017: 12,000,000 common shares).

11. Retirement Plans

The Company maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation.

During 2018, the Company's total pension expenses were $2,018 (2017: $1,489) for the above retirement benefits.

12. Share-Based Compensation

AXIS Capital adopted long-term equity compensation plans that provide for, among other things, the issuance of restricted stock units (share-settled awards and cash-settled awards), performance units (share-settled awards and cash-settled awards), stock options, stock appreciation rights and other equity-based awards to some of the Company's employees.

Share-Settled Restricted Stock Units

Restricted stock units either cliff vest at the end of a three year period, vest in accordance with a three year graded vesting schedule, or vest in accordance with a four year graded vesting schedule in four annual installments beginning on the grant date.

Cash-Settled Restricted Stock Units

Cash-settled restricted stock units granted are liability awards and generally cliff vest at the end of a three year period, or vest in accordance with a four year graded vesting schedule in four annual installments beginning on the grant date.

12. Share-Based Compensation (continued)

Performance-Vesting Restricted Stock Units

Performance-vesting restricted stock units ("PSUs") granted represent the right to receive a specified number of common shares in the future, based upon the achievement of established performance criteria and continued service during the applicable performance period. Awards granted pursuant to these plans generally cliff vest at the end of a three year period. Compensation expense is recognized on a straight-line basis over the applicable requisite service period and is subject to periodic adjustment based upon the achievement of established performance criteria during the applicable performance period. PSUs granted are either share-settled awards or cash-settled liability awards.

Acceleration Provisions

Grants provided generally allow for accelerated vesting provisions upon the employee's death, permanent disability, or certain terminations following a change in control of AXIS Capital occurring within two years of the change in control event. Notwithstanding these vesting provisions, the Compensation Committee of the AXIS Capital Board has broad authority to accelerate vesting at its own discretion.

Retirement Plan

In 2016, AXIS Capital established the AXIS Executive Restricted Stock Unit Retirement Plan (the "Plan") to reward certain eligible long-term employees for their dedicated service. The Plan was implemented in 2017. Subject to certain conditions being met, eligible employees will not forfeit all of their outstanding restricted stock units or cash settled restricted stock units on or following their retirement. Absent the Plan, outstanding restricted stock units are generally forfeited upon termination of employment.

At December 31, 2018, the liability for cash-settled restricted stock units, included in other liabilities in the Consolidated Balance Sheets, is $1,906 (2017: $2,322).

At December 31, 2018, there were $6,890 (2017: $7,925) of unrecognized compensation costs which are expected to be recognized over the weighted average period of 2.4 years (2017: 2.1 years).

During 2018, the Company incurred share-based compensation costs of $4,155 (2017: $5,685) related to restricted stock awards, share-settled restricted stock units, and cash-settled restricted stock units.

(In thousands of U.S. dollars)

13. Related Party Transactions

During the years ended December 31, 2018 and 2017, the Company entered into various transactions with AXIS Capital and its subsidiaries.

The following amounts relating to the quota share and stop loss agreements (see Note 1) are included in the Consolidated Statements of Operations for the years ended December 31, 2018 and 2017:

	2018	2017
Gross premiums written	$ 811,944	$ 2,370,630
Net premiums earned	1,409,084	2,391,613
Acquisition costs expensed	461,925	788,552
Losses and loss expenses	886,289	1,780,223

On January 1, 2018 the Company terminated all of its assumed affiliated reinsurance agreements with AXIS Capital's subsidiaries domiciled in the United States of America. The termination was done on a cut-off basis and was effective January 1, 2018. The Company returned unearned premiums of $589,116 as a result of this termination in 2018.

At December 31, 2018, amounts due from AXIS Capital and its subsidiaries were $1,967,351 (2017: $2,016,163). This balance includes $1,017,738 (2017: $1,145,715) of balances receivable under reinsurance arrangements that typically include quarterly settlement provisions. The balance also includes $494,929 (2017: $496,055) of loans and accrued interest receivable from AXIS Specialty Holdings, $294,214 (2017: $370,558) of unsecured, non-interest bearing advances to AXIS Capital and its subsidiaries that are payable on demand, $50,118 of loans and accrued interest receivable from AXIS Specialty U.S. Holdings, Inc. ("Specialty U.S. Holdings"), $85,873 receivable from Novae Syndicate 2007 under an unsecured credit facility (see Note 9e) and $24,479 (2017: $3,835) receivable from AXIS Syndicate 1686 under an unsecured credit facility (see Note 9e).

The loans and accrued interest balance due from AXIS Specialty Holdings are comprised of three loans:

- The first loan of $103,500 is unsecured, matures on June 23, 2026 and bears interest at an annual rate of 3.68%, which is payable semi-annually.
- The second loan of $4,365 is unsecured, matures on December 12, 2026 and bears interest at an annual rate of 4.17%, which is payable semi-annually.
- The third loan of $387,064 is unsecured, matures on December 6, 2027 and bears interest at an annual rate of 4.25%, which is payable semi-annually.

AXIS Specialty Holdings may prepay any or all amounts due under these loans at any time without penalty.

On November 15, 2018, the Company entered into a loan with Specialty U.S. Holdings for an amount up to $200,000 in two tranches. The loan is unsecured, matures on December 31, 2021 with interest payable semi-annually. Specialty U.S. Holdings borrowed the first tranche of $50,000 on November 15, 2018 at an annual interest rate of 2.70%.

13. Related Party Transactions (continued)

For the year ended December 31, 2018, the Company recognized $21,754 (2017: $5,118) of interest income in relation to the these loans and credit facilities.

At December 31, 2018, insurance and reinsurance balances payable included $183,982 (2017: $83,799) payable to affiliates under quota share agreements. Due to affiliates included $50,000 payable to AXIS Specialty U.S. Services, Inc. under a loan payable on or before January 18, 2019 bearing interest at an annual rate of 1.125%, $21,000 payable to Specialty U.S. Holdings under a loan payable on or before January 18, 2019 bearing interest at an annual rate of 1.125%, $13,148 (2017: $2,672) of unsecured, non-interest bearing amounts due to certain of AXIS Capital's subsidiaries that are payable on demand.

In 2016, Harrington Reinsurance Holdings Limited, the parent company of Harrington Re Ltd. ("Harrington Re"), an independent reinsurance company jointly sponsored by AXIS Capital and The Blackstone Group L.P., and Harrington Re commenced operations. In the normal course of business, the Company entered into certain reinsurance transactions with Harrington Re. For the year ended December 31, 2018, the Company returned reinsurance premiums of $42,665 (2017: ceded reinsurance premiums of $195,407) and ceded losses of $42,373 (2017: $109,026) to Harrington Re. In addition, Harrington Re paid certain acquisition costs and administrative fees to the Company. At December 31, 2018, the amount of reinsurance recoverable from Harrington Re on unpaid and paid losses was $249,461 (2017: $141,024) and the amount of ceded reinsurance payable to Harrington Re included in insurance and reinsurance balances payable was $23,658 (2017: $137,586) in the Consolidated Balance Sheets.

In November 2013, AXIS Capital formed AXIS Ventures Limited and its direct subsidiary AXIS Ventures Reinsurance Limited ("Ventures Re"), a Bermuda domiciled insurer, to develop AXIS Capital's third party capital capabilities. In the normal course of business, the Company enters into certain reinsurance contracts with Ventures Re. In 2018, the Company ceded premiums of $181,026 (2017: $106,594) to Ventures Re and ceded losses of $151,536 (2017: $126,142). In addition, Ventures Re also paid certain acquisition costs and administrative fees to the Company. At December 31, 2018, the amount of reinsurance recoverable from Ventures Re on unpaid and paid losses was $186,088 (2017: $131,285) and the amount of ceded reinsurance payable to Ventures Re included in insurance and reinsurance balances payable was $65,202 (2017: $28,037) in the Consolidated Balance Sheets.

A member of AXIS Capital's Board of Directors, Mr. Charles Davis, is the Chief Executive Officer of Stone Point Capital, LLC ("Stone Point"). In the ordinary course of business, the Company engages SKY Harbor Capital Management, LLC, an affiliate of Stone Point, to provide asset management services for certain short duration high yield debt portfolios. For the year ended December 31, 2018, total fees paid to SKY Harbor Capital Management, LLC, were $2,400 (2017: $1,846).

The Company has invested $17,651 in NXT Capital Senior Loan Fund II and $19,616 in NXT Capital Senior Loan Fund III. The manager of these funds is an indirect subsidiary of NXT Capital Inc. ("NXT Capital"). Investment funds managed by Stone Point indirectly owned approximately 43% of NXT Capital until this ownership interest was sold in August 2018. For the year ended December 31, 2018, fees paid to NXT Capital were $578 (2017: $859).

The Company's investments portfolio includes certain investments where the Company is considered to have the ability to exercise significant influence over the operating and financial policies of the investee. Significant influence is generally deemed to exist where the Company has an investment of 20%

(In thousands of U.S. dollars)

13. Related Party Transactions (continued)

or more in the common stock of a corporation or an investment of 3% or more in closed end funds, limited partnerships, LLCs or similar investment vehicles. At December 31, 2018, the Company had $282,093 (2017: $286,733) of investments where it is deemed to have the ability to exercise such significant influence. The Company generally pays management and performance fees to the investment managers of these investments. The Company considers all fees paid to the investment managers to be at market rates consistent with negotiated arms-length contracts.

14. Taxation

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on income or capital gains. The Company has received an assurance from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until March 2035. The Branch is subject to taxes in Singapore. The Branch is not under examination in this tax jurisdiction, but remains subject to examination for the tax years 2015 through 2018.

At December 31, 2018, the total operating loss carry forwards for the Branch were $79,445 (2017: $77,467). Such operating losses are currently available to offset future taxable income of the Branch and may be carried forward indefinitely. At December 31, 2018 and 2017, the Company established a full valuation allowance on these operating loss carry forwards due to the cumulative losses historically.

15. Other Comprehensive Income (Loss)

Reclassifications out of AOCI into net income were as follows:

Details About AOCI Components	Consolidated Statements of Operations Line Item That Includes Reclassification	Amount Reclassified from AOCI[(1)] Year ended December 31, 2018	2017
Unrealized gains (losses) on available for sale investments			
	Other realized investment gains (losses)	$ (70,010)	$ 46,313
	OTTI losses	(7,589)	(10,862)
	Total before tax	**(77,599)**	**35,451**
	Income tax expenses	—	—
	Net of tax	**$ (77,599)**	**$ 35,451**

(1) Amounts in parentheses are charges to net income

(In thousands of U.S. dollars)

16. Statutory Financial Information

The Company is licensed under the Bermuda Insurance Act 1978, amendments thereto and Related Regulations (the "Act") and is required to comply with various provisions of the Act regarding solvency and liquidity. Under the Act, the Company is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin ("MSM") and an Enhanced Capital Requirement ("ECR"). The MSM is the greater of $100 million, 50% of net written premiums, 15% of the net reserve for losses and loss adjustment expenses or 25% of the ECR. The ECR is calculated based on either an internally developed risk-based capital model or a standard risk-based capital model developed by the Bermuda Monetary Authority ("BMA"). In 2016, the BMA implemented an Economic Balance Sheet ("EBS") framework, which is used as the basis to determine the ECR. Actual and required minimum statutory capital and surplus at December 31, 2018 and 2017 were as follows:

	2018	2017
Required minimum statutory capital and surplus	$ 1,470,392	$ 1,800,231
Actual statutory capital and surplus	$ 3,513,342	$ 3,641,279

Under the Act, the Company is restricted as to the payment of dividends for amounts greater than 25% of the prior year's statutory capital and surplus, whereby a signed affidavit by at least two members of the Board of Directors attesting that a dividend in excess of this amount would not cause the company to fail to meet its relevant margins is required. The maximum dividend the Company could pay, without a signed affidavit, having met minimum levels of statutory capital and surplus requirements, was approximately $864,158 (2017: $935,924).

In accordance with the Company's license under the Act, loss reserves are certified annually by an independent loss reserve specialist.

The Branch is licensed under the Insurance Act of Singapore and is required to comply with various provisions of the Act regarding solvency.

17. Subsequent Events

On January 18, 2019, the Company repaid the $50,000 loan payable to AXIS Specialty U.S. Services and the $21,000 loan payable to Specialty U.S. Holdings.

On November 15, 2018, the Company entered into a loan with Specialty U.S. Holdings for an amount up to $200,000 in two tranches. The loan is unsecured, matures on December 31, 2021 with interest payable semi-annually. Specialty U.S. Holdings borrowed the second tranche of $96,000 on February 1, 2019 at an annual interest rate of 2.57%.

On February 15, 2019, the Company entered into a loan with AXIS Specialty Holdings Ireland Limited ("ASHIL") for an amount of $60,000. The loan is unsecured, matures on or before February 14, 2020 with interest payable at maturity at an annual interest rate of 3.50%. ASHIL may prepay any or all amounts due at any time without penalty.

17. Subsequent Events (continued)

On February 26, 2019, the $85,000 unsecured credit facility with AXIS Syndicate 1686 matured. On February 26, 2019, the Company provided an unsecured credit facility to AXIS Syndicate 1686 for an amount of up to $85,000 ("Bridge Credit Facility") for a period of 91 days.

The $75,000 unsecured credit facility with Novae, the $230,000 unsecured credit facility with Novae Syndicate 2007 and the $85,000 Bridge Credit Facility with AXIS Syndicate 1686 were terminated on April 18, 2019.

On April 18, 2019, AXIS Specialty Finance PLC ("AXIS Finance PLC"), a company affiliated through common ownership, executed a deed following which it can issue up to $390,000 of fixed rate unsecured loan notes maturing on or before April 22, 2022 ("2022 Notes"). The 2022 Notes bear interest at LIBOR plus 1.50% with interest payable semi-annually on June 30 and December 31.The Company holds $158,939 of 2022 Notes with an interest rate of 4.08%.