Aspen Bermuda Limited

Financial Statements

(With Independent Auditor's Report Thereon)

December 31, 2018 and 2017

KPMG Audit Limited
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of
Aspen Bermuda Limited

We have audited the accompanying financial statements of Aspen Bermuda Limited, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of income and comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Aspen Bermuda Limited as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Management has omitted certain disclosures related to short-duration contracts that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 29, 2019

Aspen Bermuda Limited

Balance Sheets

As At December 31, 2018 and 2017
(Expressed in thousands of United States dollars)

	2018 US$	2017 US$
Assets		
Investments:		
Fixed income maturities, available for sale (amortized cost- $2,445,479 and $2,527,781)	2,416,097	2,551,014
Fixed income maturities, trading (amortized cost -$1,032,975 and $1,367,094)	1,017,768	1,383,360
Short term investments, trading (amortized cost -$9,261 and $23,913)	9,260	23,938
Equity securities, trading (cost- $0 and $282,656)	—	336,750
Other Investments	102,509	—
Total Investments (Notes 3 and 4)	3,545,634	4,295,062
Cash and cash equivalents (Note 10)	213,979	168,342
Loss reserves recoverable (Note 11)	487,806	308,895
Premium receivable (Note 11)	135,401	166,827
Funds withheld (Note 8)	741,246	752,269
Deferred policy acquisition costs	55,196	99,141
Due from related party (Note 8)	135,543	60,622
Other assets (Note 4 and 5)	99,506	94,113
Total Assets	5,414,311	5,945,271
Liabilities		
Loss and loss adjustment expense reserves (Note 6)	3,410,304	3,458,146
Unearned premium	275,870	406,530
Reinsurance premiums payable	127,841	187,459
Deferred gain (Note 8)	22,260	17,900
Other liabilities (Note 4 and 5)	12,541	17,448
Total Liabilities	3,848,816	4,087,483
Shareholder's Equity		
Ordinary shares, $1 par value, 1,000,000 authorized, issued and fully paid (Note 9)	1,000	1,000
Additional paid-in capital (Note 9)	1,229,000	1,159,000
Retained earnings	364,877	674,555
Accumulated other comprehensive (loss) / income	(29,382)	23,233
Total Shareholder's Equity	1,565,495	1,857,788
Total Liabilities and Shareholder's Equity	5,414,311	5,945,271

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

Signed on behalf of the Board

Director

Director

Aspen Bermuda Limited

Statements of Income and Comprehensive Income

For the years ended December 31, 2018 and 2017
(Expressed in thousands of United States dollars)

	2018	2017
	US$	US$
Revenues		
Gross premiums written (Note 7)	1,019,553	1,554,493
Premiums ceded (Note 7)	(250,823)	(256,464)
Net premiums written	768,730	1,298,029
Change in net unearned premiums	136,873	109,131
Net premiums earned	905,603	1,407,160
Other underwriting income (Note 8)	7,436	25,858
Net investment income (Note 3)	114,727	118,706
Net foreign exchange losses	(234)	(8,582)
Net realized and unrealized investment (losses) / gains (Note 3)	(60,696)	94,648
Total Revenues	966,836	1,637,790
Expenses		
Loss and loss adjustment expenses (Note 6 and 7)	635,385	1,274,237
Amortization of deferred policy acquisition costs	270,197	394,484
Change in fair value of derivatives (Note 5)	(6,432)	1,613
General and administrative expenses	39,114	44,145
Total Expenses	938,264	1,714,479
Net Income (Loss)	28,572	(76,689)
Other Comprehensive Income		
Net Income / (Loss)	28,572	(76,689)
Net change in other comprehensive loss during the year	(52,615)	(1,733)
Total Comprehensive (Loss) / Income	(24,043)	(78,422)

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

Aspen Bermuda Limited

Statements of Changes in Shareholder's Equity

For the years ended December 31, 2018 and 2017
(Expressed in thousands of United States dollars)

	2018	2017
	US$	US$
Shareholder's Equity		
Common shares:		
Beginning and end of year	1,000	1,000
Additional paid-in capital:		
Beginning of year	1,159,000	1,159,000
Additional paid in capital	70,000	—
End of Year	1,229,000	1,159,000
Retained earnings:		
Beginning of year	674,555	1,111,244
Net income / (loss) for the year	28,572	(76,689)
Dividends paid	(338,250)	(360,000)
End of Year	364,877	674,555
Unrealized appreciation on investments:		
Beginning of year	23,233	24,966
Holding losses on investments arising during the year	(54,200)	(557)
Reclassification for net realized (losses) / gains included in net income	1,585	(1,176)
End of Year	(29,382)	23,233
Total accumulated other comprehensive (Loss) / income	(29,382)	23,233
Total Shareholder's Equity	1,565,495	1,857,788

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

Aspen Bermuda Limited

Statements of Cash Flows

For the years ended December 31, 2018 and 2017
(Expressed in thousands of United States dollars)

	2018	2017
	US$	US$
Operating Activities		
Net Income	28,572	(76,689)
Adjustment to reconcile net income to net cash flows provided by operating activities:		
Amortization of premium on investments	8,396	10,351
Net realized (gains) - available for sale	1,586	(1,176)
Net unrealized and realized gains - trading	59,110	(93,472)
Change in fair value of other investments	(2,509)	—
Change in assets and liabilities:		
Loss reserves recoverable	(178,911)	(252,845)
Premium receivable	31,426	38,730
Funds withheld	11,023	(48,525)
Deferred Policy acquisition costs	43,945	30,837
Due from related party	(32,921)	15,391
Other assets	(5,393)	(37,090)
Loss and loss adjustment expense reserves	(47,842)	520,312
Unearned premium reserves	(130,660)	(76,777)
Reinsurance balances payable	(59,618)	54,556
Deferred gain	4,360	(1,821)
Other liabilities	(4,907)	2,913
Net Cash flows (used in) provided by Operating Activities	(274,343)	84,695
Investing Activities		
Purchases of fixed maturity investments - available for sale	(632,347)	(671,795)
Purchases of fixed maturity investments - trading	(1,099,462)	(1,103,645)
Purchases of equity investments - trading	(15,032)	(98,909)
Net purchases of short-term investments - available for sale	15	3,280
Net purchases of short-term investments - trading	13,725	40,427
Proceeds from sales of fixed maturity investments - available for sale	514,617	641,687
Proceeds from sales of fixed maturity investments - trading	1,357,700	896,833
Proceeds from redemptions/maturities of fixed maturity investments - available for sale	193,219	243,297
Proceeds from redemptions/maturities of fixed maturity investments - trading	51,756	28,960
Proceeds from sales of equity investments - trading	346,039	290,404
Purchases of other investments	(100,000)	—
Net loans to affiliated companies	(42,000)	32,000
Net Cash flows provided by Investing Activities	588,230	302,539

Aspen Bermuda Limited

Statements of Cash Flows (continued)

For the years ended December 31, 2018 and 2017
(Expressed in thousands of United States dollars)

	2018	2017
	US$	US$
Financing Activities		
Additional Paid in Capital	70,000	—
Dividends paid	(338,250)	(360,000)
Net Cash flows used in Financing Activities	(268,250)	(360,000)
Net Increase in cash and cash equivalents	45,637	27,234
Cash and cash equivalents, beginning of year	168,342	141,108
Cash and Cash Equivalents, End of Year	213,979	168,342

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

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

1. History and organization

Aspen Bermuda Limited ("the Company"), formerly Aspen Insurance Limited, was incorporated under the laws of Bermuda, and is a wholly owned subsidiary of Aspen Insurance Holdings Limited ("Holdings"). The Company is licensed under the Insurance Act 1978, amendments thereto and related regulations to write general business as a Class 4 insurer with effect from December 9, 2002.

The Company writes various shares of excess of loss reinsurance contracts and pro rata treaties. The excess of loss contracts are mainly property catastrophe policies reinsuring non-affiliated insurers located mainly in the United States of America, Europe and Asia Pacific. The pro rata treaties cover mainly property risks reinsuring non-affiliated insurers located in the United States of America, Europe and Asia Pacific. The Company also writes various direct insurance lines including, but not limited to, excess casualty, management liability and credit and political risk.

The Company assumes certain risks of Aspen Insurance UK Limited ("Aspen UK"), a UK corporation, Aspen Specialty Insurance Company ("ASIC"), a North Dakota corporation, Aspen American Insurance Company ("AAIC"), a Texas corporation, Aspen Underwriting Limited ("AUL"), a UK corporation and Aspen Syndicate 4711 at Lloyds, all of which are wholly-owned subsidiaries of Holdings. The Company also participates in quota share arrangements with Aspen UK and Silverton Re Limited in relation to its property reinsurance business, financial and political risks insurance and multiple quota share arrangements with Peregrine Re Limited, mainly in relation to its property reinsurance business. Peregrine Reinsurance Ltd operates through 5 fully collateralized segregated cells. One of these cells is funded by Aspen Cat Fund (an affiliated company) and is included in the Aspen Group consolidated accounts. The other cells are funded by external 3rd parties and are not included in the Aspen Group consolidation.

Business Combination. On August 27, 2018, Holdings entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Highlands Holdings, Ltd., a Bermuda exempted company ("Highlands"), and Highlands Merger Sub, Ltd., a Bermuda exempted company and wholly owned subsidiary of Highlands ("Merger Sub"). Under the Merger Agreement, subject to the satisfaction or waiver of certain conditions set forth therein, and in the related statutory merger agreement, Holdings will merge with and into Merger Sub in accordance with the Bermuda Companies Act (the "Merger"), with Holdings surviving the Merger as a wholly-owned subsidiary of Highlands. Highlands and Merger Sub are affiliates of certain investment funds managed by affiliates of Apollo Global Management, LLC, a leading global alternative investment manager. On February 15, 2019, all required regulatory approvals in connection with the Merger were obtained and the Merger was completed.

2. Basis of preparation and significant accounting policies

The accompanying financial statements are prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP").

(a) Use of estimates

Assumptions and estimates made by Management have a significant effect on the amounts reported within the financial statements. The most significant of these relate to loss and loss adjustment expense reserves, loss reserves recoverable, gross premiums written and commissions which have not been reported to the Company such as those relating to proportional treaty reinsurance contracts and the fair value of derivative financial instruments. All material assumptions and estimates are regularly reviewed and adjustments made as necessary, in the period in which they are determined, but actual results could be significantly different from those expected when the assumptions or estimates were made.

2. Basis of preparation and significant accounting policies (continued)

(b) Accounting for Reinsurance Operations

Premiums Earned. Premiums are recorded as written on the inception date of a policy. Premiums are primarily recognized as revenues proportionately over the coverage period. Premiums earned are recorded in the statements of operations, net of the cost of purchased reinsurance. Premiums written which are not yet recognized as earned premium are recorded in the balance sheet as unearned premiums, gross of any ceded unearned premiums. Written and earned premiums and the related costs include estimates for premiums which have not been finally determined. These relate mainly to contractual provisions for the payment of adjustment or additional premiums, premiums payable under proportional treaties and delegated underwriting authorities, and reinstatement premiums.

Adjustment and additional premiums are premiums charged which relate to experience during the policy term. The proportion of adjustable premiums included in the premium estimates varies between business lines with the largest adjustment premiums being in property and casualty reinsurance, marine, aviation and energy insurance and the smallest in property and casualty insurance.

Premiums payable under proportional treaty contracts and delegated underwriting authorities are generally not reported to the Company until after the reinsurance coverage is in force. As a result, an estimate of these "pipeline" premiums is recorded. The Company estimates pipeline premiums based on projections of ultimate premium taking into account reported premiums and expected development patterns.

Reinstatement premiums on assumed excess of loss reinsurance contracts are provided based on experience under such contracts. Reinstatement premiums are the premiums charged for the restoration of the reinsurance limit of an excess of loss contract to its full amount after payment by the reinsurer of losses as a result of an occurrence. Reinstatement premiums are recognized as revenue in full at the date of loss, triggering the payment of the reinstatement premiums. The payment of reinstatement premiums provides future insurance cover for the remainder of the initial policy term. An allowance for uncollectible premiums is established for possible non-payment of premium receivables, as deemed necessary.

Outward reinsurance premiums, which are paid when the Company purchases reinsurance or retrocessional coverage, are accounted for using the same accounting methodology as the Company uses for inwards premiums. Premiums payable under reinsurance contracts that operate on a "losses occurring during" basis are accounted for in full over the period of coverage while those arising from "risks attaching during" policies are expensed over the earnings period of the premiums receivable from the reinsured business. Premiums payable for retroactive reinsurance coverage and meeting the conditions of reinsurance accounting, are reported as reinsurance recoverables to the extent that those amounts do not exceed recorded liabilities relating to underlying reinsurance contracts. To the extent that recorded liabilities on an underlying reinsurance contract exceed premiums payable for retroactive coverage, a deferred gain is recognized.

Losses and Loss Adjustment Expenses. Losses represent the amount paid or expected to be paid to claimants in respect of events that have occurred on or before the balance sheet date. The costs of investigating, resolving and processing these claims are known as loss adjustment expenses ("LAE"). The statement of operations records these losses net of reinsurance, meaning that gross losses and loss adjustment expenses incurred are reduced by the amounts recovered or expected to be recovered under reinsurance contracts.

Reinsurance. Written premiums, earned premiums, incurred claims, LAE and the amortization of deferred policy acquisition costs all reflect the net effect of assumed and ceded reinsurance transactions. Assumed reinsurance refers to the Company's acceptance of certain insurance risks that other insurance companies have underwritten. Ceded reinsurance arises from contracts under which other insurance companies agree to share certain risks with the Company.

Reinsurance accounting is followed when there is significant timing risk, significant underwriting risk and a reasonable possibility of significant loss. Reinsurance and retrocession does not isolate the ceding company from its obligations to

2. Basis of preparation and significant accounting policies (continued)

(b) Accounting for Reinsurance Operations (continued)

policyholders. In the event that a reinsurer or retrocessionaire fails to meet its obligations, the ceding company's obligations remain. The Company regularly evaluates the financial condition of its reinsurers and retrocessionaires and monitors the concentration of credit risk to minimize its exposure to financial loss from reinsurers' and retrocessionaires' insolvency. Where it is considered required, appropriate provision is made for balances deemed irrecoverable from reinsurers.

Reserves. Insurance reserves are established for the total unpaid cost of claims and LAE in respect of events that have occurred by the balance sheet date, including the Company's estimates of the total cost of claims incurred but not yet reported ("IBNR"). Claim reserves are reduced for estimated amounts of salvage and subrogation recoveries. Estimated amounts recoverable from reinsurers on unpaid losses and LAE are reflected as assets.

For reported claims, reserves are established on a case-by-case basis within the parameters of coverage provided in the insurance policy or reinsurance agreement. For IBNR claims, reserves are estimated using a number of established actuarial methods to establish a range of estimates from which a management best estimate is selected. Both case and IBNR reserve estimates consider variables such as past loss experience, changes in legislative conditions, changes in judicial interpretation of legal liability, policy coverages and inflation.

As many of the coverages underwritten involve claims that may not be ultimately settled for many years after they are incurred, subjective judgments as to the ultimate exposure to losses are an integral and necessary component of the loss reserving process. The Company regularly reviews its reserves, using a variety of statistical and actuarial techniques to analyze current claims costs, frequency and severity data, and prevailing economic, social and legal factors. Reserves established in prior periods are adjusted as claim experience develops and new information becomes available. Adjustments to previously estimated reserves are reflected in the financial results of the period in which the adjustments are made.

The process of estimating required reserves does, by its very nature, involve considerable uncertainty. The level of uncertainty can be influenced by factors such as the existence of coverage with long duration payment patterns and changes in claims handling practices, as well as the factors noted above. Ultimate actual payments for claims and LAE could turn out to be significantly different from the Company's estimates.

Amortization of Deferred Policy Acquisition Costs. The costs directly related to writing an insurance policy are referred to as policy acquisition expenses and include commissions, premium taxes and profit commissions. With the exception of profit commissions, these expenses are incurred when a policy is issued, and only the costs directly related to the successful acquisition of new and renewal insurance and reinsurance contracts are deferred and amortized over the same period as the corresponding premiums are recorded as revenues. Profit commissions are estimated based on the related performance criteria evaluated at the balance sheet date, with subsequent changes to those estimates recognized when they occur.

On a regular basis a recoverability analysis is performed of the deferred policy acquisition costs in relation to the expected recognition of revenues, including anticipated investment income, and adjustments, if any, are reflected as period costs. Should the analysis indicate that the acquisition costs are unrecoverable, further analyses are performed to determine if a reserve is required to provide for losses which may exceed the related unearned premium.

General and Administrative Expenses. These costs represent the expenses incurred in running the business and include, but are not limited to compensation costs for employees, rental costs, IT development and operating costs and professional and consultancy fees. General, policy and administrative costs directly attributable to the successful acquisition of business are deferred and amortized over the same period as the corresponding premiums are recorded as revenues.

2. Basis of preparation and significant accounting policies (continued)

(c) Accounting for Investments, Cash and Cash Equivalents

Fixed Income Securities. The fixed income securities portfolio comprises securities issued by governments and government agencies, corporate bonds, mortgage and other asset-backed securities . Investments in fixed income securities are classified as available for sale or trading and are reported at estimated fair value in the balance sheet. Investment transactions are recorded on the trade date with balances pending settlement reflected in the balance sheet under other assets and other liabilities, respectively. Fair values are based on quoted market prices and other data provided by third-party pricing services and index providers.

Equity Securities. The Company's equity securities comprise U.S. and foreign equity securities. They are classified as trading and are carried on the balance sheet at estimated fair value. The fair values are based on quoted market prices in active markets from independent pricing sources.

Short-term Investments. Short-term investments primarily comprise highly liquid debt securities with a maturity greater than three months but less than one year from the date of purchase and are held as part of the investment portfolio of the Company. Short-term investments are classified as either trading or available for sale and carried at estimated fair value.

Gains and Losses. Realized gains or losses on the sale of investments are determined on the basis of the first in first out cost method and, for fixed income available for sale securities, include adjustments to the cost basis of investments for declines in value that are considered to be other-than-temporary. Unrealized gains and losses represent the difference between the cost, or the cost as adjusted by amortization of any difference between its cost and its redemption value ("amortized cost"), of the security and its fair value at the reporting date and are included within other comprehensive income for securities classified as available for sale and in realized and unrealized investment gains or losses in the statement of operations for securities classified as trading.

Other investments. Other investments represent the Company's investment in a real estate fund. Adjustments to the fair value are made based on the net asset value of the investment.

Cash and Cash Equivalents. Cash and cash equivalents are carried at fair value. Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments due to mature within three months from the date of purchase and which are subject to insignificant risk of change in fair value.

Other-than-temporary Impairment of Investments. A security is impaired when its fair value is below its cost or amortized cost. The Company reviews its investment portfolio each quarter on an individual security basis for potential other-than-temporary impairment ("OTTI") based on criteria including issuer-specific circumstances, credit ratings actions and general macro-economic conditions.

OTTI is deemed to occur when there is no objective evidence to support recovery in value of a security and (i) the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its cost or adjusted amortized cost basis or (ii) it is deemed probable that the Company will be unable to collect all amounts due according to the contractual terms of the individual security. In the first case, the entire unrealized loss position is taken as an OTTI charge to realized losses in earnings. In the second case, the unrealized loss is separated into the amount related to credit loss and the amount related to all other factors. The OTTI charge related to credit loss is recognized in realized losses in earnings and the amount related to all other factors is recognized in other comprehensive

2. Basis of preparation and significant accounting policies (continued)

(c) Accounting for Investments, Cash and Cash Equivalents (continued)

income. The cost basis of the investment is reduced accordingly and no adjustments to the cost basis are made for subsequent recoveries in value.

Although the Company reviews each security on a case by case basis, it has also established parameters focusing on the extent and duration of impairment to help identify securities in an unrealized loss position which are other-than-temporarily impaired. For fixed income securities in the available for sale portfolio, the Company considers securities which have been in an unrealized loss position for 12 months or more which currently have a market value of more than 20% below cost should be other-than-temporarily impaired.

Investment Income. Investment income includes amounts received and accrued in respect of periodic interest ("coupons") payable to the Company by the issuer of fixed income securities, equity dividends and interest credited on cash and cash equivalents. It also includes amortization of premium and accretion of discount in respect of fixed income securities. Investment management and custody fees are charged against net investment income reported in the statement of operations.

(d) Accounting for Derivative Financial Instruments

The Company enters into derivative instruments such as interest rate swaps and forward exchange contracts in order to manage certain market and credit risks. The Company records derivative instruments at fair value on the Company's balance sheet as either assets or liabilities, depending on their rights and obligations.

The accounting for the gain or loss due to the changes in the fair value of these instruments is dependent on whether the derivative qualifies as a hedge. If the derivative does not qualify as a hedge, the gains or losses are reported in earnings when they occur. If the derivative does qualify as a hedge, the accounting treatment varies based on the type of risk being hedged.

(e) Accounting for Foreign Currencies Translation

The reporting and functional currency of the Company is the U.S. Dollar. Transactions in currencies other than the functional currency are measured in the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in non-functional currencies are remeasured at the exchange rate prevailing at the balance sheet date and any resulting foreign exchange gains or losses are reflected in the statement of operations.

(f) Accounting Pronouncements

Accounting Pronouncements Adopted in 2018

On January 5, 2016, the FASB issued ASU 2016-1, "Financial Instruments - Overall (Subtopic 825-10)" which enhances the reporting model for financial instruments. Included within the requirements of this ASU are the following: a) equity investments to be measured at fair value with changes in fair value recognized in net income; b) a simplification of the impairment assessment of equity investments without readily determinable fair values; c) public business entities to use the exit price concept when measuring the fair value of financial instruments for disclosure purposes; and d) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments required as a result of this ASU are effective for fiscal years beginning after December 15, 2017. Adoption of this ASU did not have a material impact on the Company's financial statements because the Company's equity portfolio, prior to being sold, was classified as held for trading with changes in fair value recognized through net income.

2. Basis of preparation and significant accounting policies (continued)

(f) Accounting Pronouncements (continued)

Accounting Pronouncements Adopted in 2018 (continued)

On August 26, 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)" which standardizes the presentation and classification of certain cash receipts and cash payments in the statement of cash flows under Topic 230 Statement of Cash Flows. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Adoption of this ASU did not have a material impact on the Company's statement of cash flows. The 2018 year end statement of cash flows has been prepared in conformity with the presentation guidance in this ASU.

Accounting Pronouncements Not Yet Adopted

On February 25, 2016, the FASB issued ASU 2016-2, "Leases (Topic 842)" which supersedes the leases requirements in Topic 840 and establishes the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The amendments of this ASU are effective for fiscal years beginning after December 15, 2018. This ASU is expected to have a material impact on the Company's financial statements, specifically increasing the Company's assets and liabilities by $2.9 million and $2.9 million, respectively as all leases greater than twelve months will be recognized on the balance sheet as a right of use asset and lease liability, together with $nil effect on opening retained earnings.

On June 16, 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326)" which introduces a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new credit loss model, the Company would recognize an allowance for its estimate of expected credit losses and this would apply to most debt instruments (other than those measured at fair value), trade receivables, lease receivables, reinsurance receivables, financial guarantee contracts and loan commitments. Available-for-sale debt securities are outside the model's scope and this ASU made limited amendments to the impairment model for available-for-sale debt securities. There are other amendments required as a result of this ASU that are effective for fiscal years beginning after December 15, 2019. The Company is currently assessing the impact the adoption of this ASU will have on future financial statements and disclosures.

On August 28, 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815)" enabling entities to better align their hedge accounting and risk management activities, while also simplifying the application of hedge accounting in certain situations. This ASU is effective for fiscal years beginning after 15 December, 2018 using a modified retrospective approach for cash flow and net investment hedge relationships that exist on the date of adoption. The Company has evaluated the provisions of ASU 2017-12 to determine how it will be affected, and no material impact is expected on the financial statements.

Other accounting pronouncements were issued during the year ended December 31, 2018 which were either not relevant to the Company or did not impact the Company's financial statements.

3. Investments

The Company's Board of Directors establishes investment guidelines in accordance with the Investment Committee of the Board of Directors of Holdings and supervises the Company's investment activity. The investment guidelines specify minimum criteria on the overall credit quality and liquidity characteristics of the portfolio. They include limitations on the size of certain holdings as well as restrictions on purchasing certain types of securities. Management and the Investment Committee review the Company's investment performance, its compliance with investment objectives and guidelines, and assess credit and market risk concentrations and exposures to issuers.

3. Investments (continued)

Income Statements

Investment Income. The following table summarizes investment income for the twelve months ended December 31, 2018 and 2017:

	2018	2017
Fixed maturity investments	113,297	114,972
Short term investments	343	329
Cash and cash equivalents	2,234	799
Equity dividends	1,915	9,608
Other Investments	2,509	—
Investment income before expenses	120,298	125,708
Investment expenses	(5,571)	(7,002)
Net investment income	**114,727**	**118,706**

The following table summarizes the net realized and unrealized investment gains and losses recorded in the statement of operations for the twelve months ended December 31, 2018 and 2017:

	2018	2017
Available for sale short term investments and fixed maturities:		
Gross realized gains	4,167	4,589
Gross realized (losses)	(5,752)	(3,413)
Trading portfolio short term investments and fixed maturities:		
Gross realized gains	4,350	12,536
Gross realized (losses)	(23,630)	(4,531)
Net change in gross unrealized (losses) / gains	(35,580)	15,066
Trading equity investments:		
Gross realized gains	64,219	55,149
Gross realized (losses)	(15,651)	(12,206)
Net change in gross unrealized (losses) / gains	(54,229)	26,158
Trading cash & cash equivalents		
Gross realized gains	1,675	1,300
Gross realized (losses)	(265)	—
Net realized and unrealized investment (losses) /gains	(60,696)	94,648

3. Investments (continued)

Balance Sheet

Fixed Income Securities and Short-Term Investments — Available For Sale. The following tables present the cost or amortized cost, gross unrealized gains and losses and estimated fair market value of available for sale investments in fixed income securities and short-term investments as at December 31, 2018 and December 31, 2017:

2018	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	641,592	3,975	(6,795)	638,772
U.S. Agency Securities	10,551	5	(92)	10,464
Municipal Securities	30,264	949	(429)	30,784
Corporate Securities	1,134,836	5,740	(23,977)	1,116,599
Non-U.S. Government-backed Corporates	6,154	9	—	6,163
Non-U.S. governments	7,140	44	—	7,184
Asset-backed Securities	11,914	—	(134)	11,780
Agency Mortgage-backed Securities	603,028	3,765	(12,442)	594,351
Total Fixed Income Maturities, Available for Sale	2,445,479	14,487	(43,869)	2,416,097

2017	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	452,244	1,751	(4,780)	449,215
U.S. Agency Securities	11,980	142	(16)	12,106
Municipal Securities	24,966	2,027	(149)	26,844
Corporate Securities	1,347,067	26,345	(6,903)	1,366,509
Non-U.S. governments	11,947	323	(16)	12,254
Asset-backed Securities	19,653	46	(49)	19,650
Agency Mortgage-backed Securities	659,924	10,109	(5,597)	664,436
Total Fixed Income Maturities, Available for Sale	2,527,781	40,743	(17,510)	2,551,014

3. Investments (continued)

Fixed Income Securities, Short Term Investments, Equities — Trading. The following tables present the cost or amortized cost, gross unrealized gains and losses, and estimated fair market value of trading investments in fixed income securities, short-term investments and equity securities as at December 31, 2018 and December 31, 2017:

2018	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	64,303	1,332	(263)	65,372
Corporate Securities	671,202	2,496	(14,942)	658,756
Non-U.S. governments	270,042	1,936	(5,178)	266,800
Asset-backed Securities	2,425	2	(44)	2,383
Agency Mortgage-backed Securities	25,003	38	(584)	24,457
Total Fixed Income Maturities, Trading	1,032,975	5,804	(21,011)	1,017,768
Total Short-term Investments, Trading	9,261	2	(3)	9,260
Total	1,042,236	5,806	(21,014)	1,027,028

2017	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	112,490	420	(380)	112,530
Municipal Securities	25,658	14	(212)	25,460
Corporate Securities	893,286	13,675	(3,186)	903,775
Non-U.S. Government-backed Corporate	999	—	(3)	996
Non-U.S. governments	194,864	6,945	(537)	201,272
Asset-backed Securities	9,886	20	(25)	9,881
Agency Mortgage-backed Securities	129,911	232	(697)	129,446
Total Fixed Income Maturities, Trading	1,367,094	21,306	(5,040)	1,383,360
Total Short-term Investments, Trading	23,913	25	—	23,938
Total Equity Securities, Trading	282,656	58,644	(4,550)	336,750
Total	1,673,663	79,975	(9,590)	1,744,048

The Company classifies the financial instruments listed above as held for trading because this most closely reflects the facts and circumstances of the investments held.

3. Investments (continued)

Other Investments. On December 20, 2017, the Company committed $100.0 million as a limited partner to a real estate fund. The Investment objectives of the fund is to achieve attractive risk-adjusted returns through the acquisition of income producing, high quality assets in gateway cities located in the U.S. and Canada in the office, retail, industrial and multifamily sectors of the real estate market. On May 1, 2018, the Company received a demand for an initial capital call of $86.2 million and paid the capital call on May 10, 2018. On September 19, 2018, the Company received a demand for the final capital call of $13.8 million and paid the capital on September 28, 2018.

Fixed Income Securities. The scheduled maturity distribution of the Company's available for sale fixed income securities as at December 31, 2018 and December 31, 2017 is set forth below. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

2018	Amortized cost	Fair value	Weighted average rating by maturity
Due within one year	117,674	117,501	A+
Due after one year through five years	1,065,531	1,053,351	AA-
Due after five years through ten years	553,793	541,611	AA-
Due after ten years	93,539	97,503	AA-
	1,830,537	1,809,966	
Asset-backed Securities	11,914	11,780	AAA
Agency Mortgage-backed Securities	603,028	594,351	AA+
Total	2,445,479	2,416,097	

2017	Amortized cost	Fair value	Weighted average rating by maturity
Due within one year	149,315	149,590	A+
Due after one year through five years	1,028,499	1,033,660	AA-
Due after five years through ten years	589,148	590,667	A+
Due after ten years	81,242	93,011	A+
	1,848,204	1,866,928	
Asset-backed Securities	19,653	19,650	AAA
Agency Mortgage-backed Securities	659,924	664,436	AA+
Total	2,527,781	2,551,014	

3. Investments (continued)

Gross Unrealized Losses. The following tables summarize, by type of security, the aggregate fair value and gross unrealized loss by length of time the security has been in an unrealized loss position for the Company's available for sale portfolio as at December 31, 2018 and December 31, 2017:

2018	0-12 months		Over 12 months		Total	
	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss
U.S. Government Securities	43,589	(233)	309,479	(6,562)	353,068	(6,795)
U.S Agency Securities	5,389	(63)	3,670	(29)	9,059	(92)
Municipal Securities	11,133	(105)	10,084	(324)	21,217	(429)
Corporate Securities	506,234	(8,687)	381,021	(15,290)	887,255	(23,977)
Asset-backed Securities	3,745	(29)	8,035	(105)	11,780	(134)
Agency Mortgage-backed Securities	127,697	(1,754)	289,934	(10,688)	417,631	(12,442)
Total Fixed Income Maturities, Available for sale	697,787	(10,871)	1,002,223	(32,998)	1,700,010	(43,869)

2017	0-12 months		Over 12 months		Total	
	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss	Fair value	Gross unrealized loss
U.S. Government Securities	271,477	(2,300)	70,132	(2,480)	341,609	(4,780)
U.S Agency Securities	5,115	(16)	—	—	5,115	(16)
Municipal Securities	10,803	(149)	—	—	10,803	(149)
Corporate Securities	327,502	(1,852)	186,973	(5,051)	514,475	(6,903)
Non-U.S. governments	—	—	2,483	(16)	2,483	(16)
Asset-backed Securities	10,711	(38)	5,119	(11)	15,830	(49)
Agency Mortgage-backed Securities	150,947	(1,033)	207,772	(4,564)	358,719	(5,597)
Total Fixed Income Maturities, Available for sale	776,555	(5,388)	472,479	(12,122)	1,249,034	(17,510)

As at December 31, 2018, the Company held 525 fixed maturities (2017 - 323 fixed maturities) in an unrealized loss position with a fair value of $1,700.0 million (2017 - $1,249.0 million) and gross unrealized losses of $43.9 million (2017 - $17.5 million). The Company believes that the gross unrealized losses for fixed maturities are attributable mainly to a combination of widening credit spreads and interest rate movements. The Company believes that the period during which the fixed maturities will remain in an unrealized loss position is temporary.

3. Investments (continued)

Other-than-temporary impairments. A security is potentially impaired when its fair value is below its cost or amortized cost. The Company reviews its available for sale fixed income portfolios on an individual security basis for potential OTTI each quarter based on criteria including issuer-specific circumstances, credit ratings actions and general macro-economic conditions. The total OTTI charge for the twelve months ended December 31, 2018 was $Nil (2017 — $Nil).

4. Fair Value Measurements

The Company's estimates of fair value for financial assets and liabilities are based on the framework established in the fair value accounting guidance included in ASC Topic 820, "Fair Value Measurements and Disclosures." The framework prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels.

The Company considers prices for actively traded securities to be derived based on quoted prices in an active market for identical assets, which are Level 1 inputs in the fair value hierarchy. The majority of these securities are valued using prices supplied by index providers.

The Company considers prices for other securities that may not be as actively traded which are priced via pricing services, index providers, vendors and broker-dealers, or with reference to interest rates and yield curves, to be derived based on inputs that are observable for the asset, either directly or indirectly, which are Level 2 inputs in the fair value hierarchy. The majority of these securities are also valued using prices supplied by index providers.

The Company considers securities, other financial instruments and derivative insurance contracts subject to fair value measurement whose valuation is derived by internal valuation models to be based largely on unobservable inputs, which are Level 3 inputs in the fair value hierarchy.

4. Fair Value Measurements (continued)

The following tables present the level within the fair value hierarchy at which the Company's financial assets and liabilities are measured on a recurring basis as at December 31, 2018 and December 31, 2017:

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Available for sale financial assets, at fair value				
U.S. government	638,772	—	—	638,772
U.S. agency	—	10,464	—	10,464
Municipal	—	30,784	—	30,784
Corporate	—	1,116,599	—	1,116,599
Non-U.S. government-backed corporate	—	6,163	—	6,163
Non-U.S. governments	—	7,184	—	7,184
Asset-backed	—	11,780	—	11,780
Agency mortgage-backed	—	594,351	—	594,351
Total fixed income securities available for sale, at fair value	638,772	1,777,325	—	2,416,097
Held for trading financial assets, at fair value				
U.S. government	65,372	—	—	65,372
Corporate	—	658,756	—	658,756
Non-U.S. governments	68,234	198,566	—	266,800
Asset-backed	—	2,383	—	2,383
Agency Mortgage-backed securities	—	24,457	—	24,457
Total fixed income securities trading, at fair value	133,606	884,162	—	1,017,768
Short-term investments trading, at fair value	4,461	4,799	—	9,260
Other investments (1)	—	—	—	102,509
Other financial assets, at fair value				
Derivatives at fair value- foreign exchange contracts	—	4,256	—	4,256
Liabilities under derivatives contracts - foreign exchange contracts	—	(281)	—	(281)
Total	776,839	2,670,261	—	3,549,609

(1) Other investments represents our investment in a real estate fund and is measured at fair value using the net asset value per share practical expedient. As a result this has not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

Transfers of assets into or out of a particular level are recorded at their fair values as of the end of each reporting period consistent with the date of the determination of fair value. During the twelve months ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2.

4. Fair Value Measurements (continued)

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Available for sale financial assets, at fair value				
U.S. government	449,215	—	—	449,215
U.S. agency	—	12,106	—	12,106
Municipal	—	26,844	—	26,844
Corporate	—	1,366,509	—	1,366,509
Non-U.S. governments	—	12,254	—	12,254
Asset-backed	—	19,650	—	19,650
Agency mortgage-backed	—	664,436	—	664,436
Total fixed income securities available for sale, at fair value	449,215	2,101,799	—	2,551,014
Held for trading financial assets, at fair value				
U.S. government	112,530	—	—	112,530
Municipal	—	25,460	—	25,460
Corporate	—	903,775	—	903,775
Non-U.S. government-backed corporate	—	996	—	996
Non-U.S. governments	24,504	176,768	—	201,272
Asset-backed	—	9,881	—	9,881
Agency Mortgage-backed securities	—	129,446	—	129,446
Total fixed income securities trading, at fair value	137,034	1,246,326	—	1,383,360
Short-term investments trading, at fair value	23,938	—	—	23,938
Equity investments trading, at fair value	336,750	—	—	336,750
Other financial assets, at fair value				
Derivatives at fair value- foreign exchange contracts	—	313	—	313
Liabilities under derivatives contracts - foreign exchange contracts	—	(45)	—	(45)
Total	946,937	3,348,393	—	4,295,330

Valuation of Fixed Income Securities. The Company's fixed income securities are classified as either available for sale or trading and are carried at fair value. As at December 31, 2018 and December 31, 2017, the Company's fixed income securities were valued by pricing services, index providers or broker-dealers using standard market conventions. The market conventions utilize market quotations, market transactions in comparable instruments and various relationships between instruments including, but not limited to, yield to maturity, dollar prices and spread prices in determining value.

Independent Pricing Services and Index Providers. The underlying methodology used to determine the fair value of securities in the Company's available for sale and trading portfolios by the pricing services and index providers the Company uses is very similar. Pricing services will gather observable pricing inputs from multiple external sources, including buy and sell-side contacts and broker-dealers, in order to develop their internal prices. Index providers are those firms which provide prices for a range of securities within one or more asset classes, typically using their own in-house market makers (traders) as the primary pricing source for the indices, although ultimate valuations may also rely on other observable data inputs to derive a dollar price for all index-eligible securities. Index providers without in-house trading desks will function similarly to a pricing service in that they will gather their observable pricing inputs from multiple external sources. All prices for the Company's securities attributed to index providers are for an individual security within the respective indices.

4. Fair Value Measurements (continued)

Pricing services and index providers provide pricing for less complex, liquid securities based on market quotations in active markets. Pricing services and index providers supply prices for a broad range of securities including those for actively traded securities, such as Treasury and other Government securities, in addition to those that trade less frequently or where valuation includes reference to credit spreads, pay down and pre-pay features and other observable inputs. These securities include Government agency, municipals, corporate and asset-backed securities.

For securities that may trade less frequently or do not trade on a listed exchange, these pricing services and index providers may use matrix pricing consisting of observable market inputs to estimate the fair value of a security. These observable market inputs include: reported trades, benchmark yields, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic factors. Additionally, pricing services and index providers may use a valuation model such as an option adjusted spread model commonly used for estimating fair values of mortgage-backed and asset-backed securities. Neither the Company, nor its index providers, derives dollar prices using an index as a pricing input for any individual security.

Broker-Dealers. The Company obtains quotes from broker-dealers who are active in the corresponding markets when prices are unavailable from independent pricing services or index providers. Generally, broker-dealers value securities through their trading desks based on observable market inputs. Their pricing methodologies include mapping securities based on trade data, bids or offers, observed spreads and performance of newly issued securities. They may also establish pricing through observing secondary trading of similar securities. Quotes from broker-dealers are non-binding.

The Company obtains prices for all of its fixed income investment securities via its third-party accounting service provider, and in the majority of cases receiving a number of quotes so as to obtain the most comprehensive information available to determine a security's fair value. A single valuation is applied to each security based on the vendor hierarchy maintained by the Company's third-party accounting service provider.

The Company, in conjunction with its third-party accounting service provider, obtains an understanding of the methods, models and inputs used by the third-party pricing service and index providers to assess the ongoing appropriateness of vendors' prices. The Company and its third-party accounting service provider also have controls in place to validate that amounts provided represent fair values. Processes to validate and review pricing include, but are not limited to:

- quantitative analysis (e.g., comparing the quarterly return for each managed portfolio to its target benchmark, with significant differences identified and investigated);
- comparison of market values obtained from pricing services, index providers and broker-dealers against alternative price sources for each security where further investigation is completed when significant differences exist for pricing of individual securities between pricing sources;
- initial and ongoing evaluation of methodologies used by outside parties to calculate fair value; and
- comparison of the fair value estimates to the Company's knowledge of the current market.

Prices obtained from pricing services, index providers and broker-dealers are not adjusted by us; however, prices provided by a pricing service, index provider or broker-dealer in certain instances may be challenged based on market or information available from internal sources, including those available to the Company's third-party investment accounting service provider. Subsequent to any challenge, revisions made by the pricing service, index provider or broker-dealer to the quotes are supplied to the Company's investment accounting service provider.

Management reviews the vendor hierarchy maintained by the Company's third-party accounting service provider in order to determine which price source provides the most appropriate fair value (i.e., a price obtained from a pricing service with more seniority in the hierarchy will be used over a less senior one in all cases). The hierarchy level assigned to each security in the Company's available for sale and trading portfolios is based upon its assessment of the transparency and reliability of the inputs used in the valuation as of the measurement date. The hierarchy of index providers and pricing services is determined using various qualitative and quantitative points arising from reviews of the vendors conducted by the Company's

4. Fair Value Measurements (continued)

third-party accounting service provider. Vendor reviews include annual onsite due diligence meetings with index providers and pricing services vendors covering valuation methodology, operational walkthroughs and legal and compliance updates. Index providers are assigned the highest priority in the pricing hierarchy due primarily to availability and reliability of pricing information.

Fixed Income Securities. Fixed income securities are traded on the over-the-counter ("OTC") market based on prices provided by one or more market makers in each security. Securities such as U.S. Government, U.S. Agency, Foreign Government and investment grade corporate bonds have multiple market makers in addition to readily observable market value indicators such as expected credit spread, except for Treasury securities, over the yield curve. The Company uses a variety of pricing sources to value fixed income securities including those securities that have pay down/prepay features such as mortgage-backed securities and asset-backed securities in order to ensure fair and accurate pricing. The fair value estimates for the investment grade securities in the Company's portfolio do not use significant unobservable inputs or modeling techniques.

U.S. Government and Agency Securities. U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and corporate debt issued by agencies such as the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal Home Loan Bank. As the fair values of U.S. Treasury securities are based on unadjusted market prices in active markets, they are classified within Level 1. The fair values of U.S. government agency securities are priced using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of U.S. government agency securities are classified within Level 2.

Municipal Securities. The Company's municipal portfolio consist of bonds issued by U.S. domiciled state and municipality entities. The fair value of these securities is determined using spreads obtained from broker-dealers, trade prices and the new issue market which are Level 2 inputs in the fair value hierarchy. Consequently, these securities are classified within Level 2.

Non-U.S. Government. The issuers for securities in this category are non-U.S. governments and their agents including, but not limited to, the U.K., Australia, Canada, France and Germany. The fair values of certain non-U.S. government bonds, primarily sourced from international indices, are based on unadjusted market prices in active markets and are therefore classified within Level 1. The remaining non-U.S government bonds are classified within level 2 as they are not actively traded. The fair values of the non-U.S. agency securities, again primarily sourced from international indices, are priced using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of non-U.S. agency securities are classified within Level 2. In addition, foreign government securities include a portion of the Emerging Market Debt ("EMD") portfolio which is also classified within Level 2.

Corporate. Corporate securities consist primarily of short-term, medium-term and long-term debt issued by U.S. and foreign corporations covering a variety of industries and are generally priced by index providers and pricing vendors. Some issuers may participate in government programs which guarantee timely payment of principal and interest in the event of a default. The fair values of these securities are generally determined using the spread above the risk-free yield curve. Inputs used in the evaluation of these securities include credit data, interest rate data, market observations and sector news, broker-dealer quotes and trade volumes. In addition, corporate securities include a portion of the EMD portfolio. The Company classifies all of these securities within Level 2.

Mortgage-backed Securities. Residential and commercial mortgage-backed securities consist of bonds issued by the Government National Mortgage Association, the FNMA and the FHLMC as well as private non-agency issuers. The fair values of these securities are determined through the use of a pricing model (including Option Adjusted Spread) which uses prepayment speeds and spreads to determine the appropriate average life of the mortgage-backed security. These spreads are generally obtained from broker-dealers, trade prices and the new issue market. As the significant inputs used to price mortgage-backed securities are observable market inputs, these securities are classified within Level 2.

4. Fair Value Measurements (continued)

Asset-backed Securities. Asset-backed securities are securities backed by notes or receivables against assets other than real estate. The underlying collateral for the Company's asset-backed securities consists mainly of student loans, automobile loans and credit card receivables. These securities are primarily priced by index providers and pricing vendors. Inputs to the valuation process include broker-dealer quotes and other available trade information, prepayment speeds, interest rate data and credit spreads. The Company classifies these securities within Level 2.

Short-term Investments. Short-term investments consist of highly liquid debt securities with a maturity greater than three months but less than one year from the date of purchase. Short-term investments are classified as either trading or available for sale according to the facts and circumstances of the investment held. Short-term investments are valued in a manner similar to the Company's fixed maturity investments and are classified within Levels 1 and 2.

Equity Securities. Equity securities consisted of U.S. and foreign common stocks and were classified as trading and carried at fair value. These securities were classified within Level 1 as their fair values were based on quoted market prices in active markets from independent pricing sources.

Foreign Exchange Contracts. The foreign exchange contracts which the Company uses to mitigate currency risk are characterized as OTC due to their customized nature and the fact that they do not trade on a major exchange. These instruments trade in a very deep liquid market, providing substantial price transparency and accordingly are classified as Level 2.

Other investments. The Company's other investments represent our investment in a real estate fund. Adjustments to the fair value are made based on the net asset value of the investment. The net valuation criteria established by the manager of such investments are established in accordance with the governing documents and the asset manager's valuation guidelines, which consider a two part approach: the discounted cash flows approach and the performance multiple approach, which uses a multiple/capitalization rate derived from market metrics from comparable companies or assets to produce operating performance metrics. Alternative valuation methodologies may be employed for investments with unusual characteristics.

(All amounts expressed in United States dollars - amounts in tables expressed in thousands of United States dollars)

5. Derivative Financial Instruments

The following table summarizes information on the location and amounts of derivative fair values on the balance sheets as at December 31, 2018 and 2017:

		December 31, 2018		December 31, 2017	
Derivatives not designated as Hedging Instruments under ASC 815	**Balance Sheet Location**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Foreign Exchange Contracts	Derivatives at Fair Value	136,500	4,256	30,100	313
Foreign Exchange Contracts	Liabilities under Derivative Contracts	23,800	(281)	71,600	(45)

The following table provides the total unrealized and realized gains (losses) recorded in earnings for the twelve months ended December 31, 2018 and 2017:

		Amount of Gain/(Loss) recognized in Income	
Derivatives not designated as Hedging Instruments under ASC 815	**Location of Gain/(Loss) Recognized in Income**	**Year Ended December 31, 2018**	**Year Ended December 31, 2017**
Currency Forward contracts	Change in fair value of derivatives	6,432	(1,613)

Currency forward contracts. The Company uses currency forward contracts to manage foreign currency risk. A foreign currency forward contract involves an obligation to purchase or sell a specified currency at a future date at a price set at the time of the contract. Foreign currency forward contracts will not eliminate fluctuations in the value of the Company's assets and liabilities denominated in foreign currencies, but rather allow it to establish a rate of exchange for a future point in time. The currency forward contracts purchased in the twelve months ended December 31, 2018 and the twelve months ended December 31, 2017 served to mitigate the Company's exposure to foreign currency losses.

At December 31, 2018, the Company held four foreign currency derivative contracts (2017 – four) to purchase $160.3 million of foreign currencies (2017 - $101.7 million). The fair value of foreign currency forward contracts are recorded as other assets or other liabilities in the balance sheets, with changes recorded as change in fair value of derivatives in the statements of income. For the twelve months ended December 31, 2018, the impact of foreign currency forward contracts on net income was a gain of $6.4 million. (2017 — $(1.6) million).

6. Reserve for losses and loss adjustment expenses

The following table summarizes the activity in the reserves for losses and loss adjustment expenses for the years ended December 31, 2018 and 2017:

	2018	2017
Gross reserves as at January 1	3,458,146	2,937,834
Loss reserves recoverable as at January 1	308,895	56,050
Net reserves as at January 1	3,149,251	2,881,784
Net losses incurred related to:		
Current year	710,405	1,249,317
Prior years	(75,020)	24,920
Total net incurred losses	635,385	1,274,237
Net paid losses related to:		
Current year	(160,143)	(225,457)
Prior years	(670,723)	(562,252)
Total net paid losses	(830,866)	(787,709)
Foreign exchange and other	(31,272)	(219,061)
Total net reserves as at December 31	2,922,498	3,149,251
Loss recoverable as at December 31	487,806	308,895
Total gross reserves as at December 31	3,410,304	3,458,146

For the twelve months ended December 31, 2018, there was net favorable prior year loss development of $75.0 million. Prior years development was attributable to various lines of business . For the twelve months ended December 31, 2017, there was net adverse loss development of $24.9 million.

6. Reserve for losses and loss adjustment expenses (continued)

Short Duration Contracts

The Company adopted ASU 2015-09, which makes targeted improvements to disclosure requirements for Insurance companies that issue short-duration contracts. The ASU requires enhanced disclosures, on an annual basis, related to the reserves for losses and loss expenses which include (1) net incurred and paid claims development information by accident year, (2) a reconciliation of incurred and paid claims development information to the aggregate carrying amount of the reserves for losses and LAE, (3) for each accident year presented of incurred claims development, information about claim frequency (unless impracticable), and the amount of IBNR liabilities, including expected development on reported claims, included in the reserve for losses and LAE, (4) a description of, and any significant changes to the methods for determining both IBNR and expected claims development on reported claims. While the adoption of this guidance impacted our disclosures, it did not have an impact on our financial statements.

All of the business contained within the Company's Reinsurance segment represents treaty business that is assumed from other insurance and reinsurance companies, for which the Company does not have access to the underlying claim counts. Further, this business includes both quota share and excess of loss treaty reinsurance, through which only a portion of each reported claim results in losses to the Company. As such, the Company has excluded claim count information from the claims development tables. Information about the average annual percentage payout of incurred claims, has also been omitted as management believes the information to be immaterial to the financial statements and would be inaccurate due to the quota share and excess of loss treaty business previously mentioned.

The Company has also revalued all historical data using exchange rates at December 31, 2018 in order to mitigate the effect of foreign exchange on the development throughout the triangles. Due to currency mix changes from one year-end to the next, revaluation of incurred losses will result in different year-on-year movements within the triangles with each annual presentation. This approach for handling foreign exchange movements within the triangles differs somewhat from the underlying calculation of prior year development in the Company's financial statements due to the inclusion of the historical loss payments as well as reserves and the level of granularity used in the calculation. The differences have been deemed not to be material.

Management has determined that the appropriate level of disaggregation for the Incurred paid and paid claims development information best falls into three categories : Property Reinsurance, Casualty Reinsurance and Specialty Reinsurance.

The following tables show an analysis of incurred claims and allocated loss adjustment expenses, net of reinsurance and cumulative paid claims and allocated claims adjustment expenses, as at December 31, 2018, 2017, 2016, 2015, 2014 and 2013.

6. Reserve for losses and loss adjustment expenses (continued)

Property Reinsurance

Incurred Claims, IBNR and Loss Adjustment Expenses, Net of Reinsurance

Accident Year	For the year ended December 31, 2013	2014	2015	2016	2017	2018	December 31, 2018 IBNR
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2013	328,245	501,702	503,514	509,354	516,601	519,255	2,222
2014		321,164	368,185	357,952	353,115	343,306	13,184
2015			382,347	385,905	372,059	346,984	11,453
2016				426,058	498,091	499,038	22,427
2017					631,702	664,800	40,288
2018						376,098	319,284
Total						2,749,481	

Cumulative Paid Claims and Allocated Adjustment Expenses Net of Reinsurance

Accident Year	For the year ended December 31, 2013	2014	2015	2016	2017	2018
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2013	67,012	327,964	401,692	438,749	464,210	473,531
2014		71,028	162,829	242,445	266,757	283,460
2015			70,455	193,647	255,674	272,206
2016				92,965	295,501	364,748
2017					189,747	487,397
2018						141,890
Total						2,023,232

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	726,248
All outstanding liabilities before 2013	117,330
Liabilities for claims and claims adjustment expenses, net of reinsurance	843,578

6. Reserve for losses and loss adjustment expenses (continued)

Casualty Reinsurance

Incurred Claims, IBNR and Loss Adjustment Expenses, Net of Reinsurance

Accident Year	For the year ended December 31, 2013	2014	2015	2016	2017	2018	December 31, 2018 IBNR
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2013	328,826	474,825	450,458	435,071	415,968	427,610	14,921
2014		328,986	319,352	298,961	275,264	288,020	29,852
2015			375,316	342,623	306,980	344,803	41,181
2016				442,192	354,738	388,782	73,418
2017					431,531	328,453	88,043
2018						243,548	91,359
Total						2,021,216	

Cumulative Paid Claims and Allocated Expenses Net of Reinsurance

Accident Year	For the year ended December 31, 2013	2014	2015	2016	2017	2018
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2013	10,881	249,304	264,969	289,653	321,043	343,905
2014		15,550	54,089	90,831	122,439	155,246
2015			21,046	55,170	104,653	152,617
2016				33,373	87,921	133,499
2017					24,646	55,034
2018						14,181
Total						854,482

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	1,166,734
All outstanding liabilities before 2013	431,080
Liabilities for claims and claims adjustment expenses, net of reinsurance	1,597,814

6. Reserve for losses and loss adjustment expenses (continued)

Specialty Reinsurance

Incurred Claims, IBNR and Loss Adjustment Expenses, Net of Reinsurance

Accident Year	For the year ended December 31, 2013	2014	2015	2016	2017	2018	December 31, 2018 IBNR
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2013	103,953	157,838	154,394	154,990	154,746	154,253	812
2014		97,574	101,385	99,024	98,165	99,501	18
2015			139,639	152,890	152,014	136,162	16,145
2016				130,991	153,428	167,552	46,704
2017					167,965	163,167	44,628
2018						129,192	36,614
Total						849,827	

Cumulative Paid Claims and Allocated Adjustment Expenses Net of Reinsurance

Accident Year	For the year ended December 31, 2013	2014	2015	2016	2017	2018
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2013	17,182	124,686	133,352	139,297	141,596	141,566
2014		8,809	34,434	59,721	68,718	79,242
2015			6,250	30,492	72,321	89,003
2016				4,612	34,022	60,677
2017					9,614	53,333
2018						14,253
Total						438,074

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	411,753
All outstanding liabilities before 2013	41,725
Liabilities for claims and claims adjustment expenses, net of reinsurance	453,478

6. Reserve for losses and loss adjustment expenses (continued)

Reconciliation of Incurred and Paid Claims Development to total Provision for Losses and LAE

	Twelve Months Ended December 31, 2018
Net outstanding liabilities	
Property Reinsurance	843,578
Casualty Reinsurance	1,597,814
Specialty Reinsurance	453,478
Insurances lines	22,574
Reinsurance recoverable on unpaid claims	487,806
Unallocated claims incurred	5,054
Provision for losses and LAE at the end of the year	3,410,304

7. Reinsurance

The Company purchases retrocession and reinsurance to limit and diversify the Company's risk exposure and to increase its own insurance and reinsurance underwriting capacity. These agreements provide for recovery of a portion of losses and loss adjustment expenses from reinsurers. As is the case with most reinsurance contracts, the Company remains liable to the extent that reinsurers do not meet their obligations under these agreements. In line with its risk management objectives, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.

The effect of assumed and ceded reinsurance on premiums written, premiums earned and insurance losses and loss adjustment expenses for the twelve months ended December 31, 2018 and 2017 was as follows:

	2018	**2017**
Premiums written:		
Assumed	1,019,553	1,554,493
Ceded	(250,823)	(256,464)
Net Premiums written	768,730	1,298,029
Premiums earned:		
Assumed	1,152,214	1,628,524
Ceded	(246,611)	(221,364)
Net Premiums earned	905,603	1,407,160
Incurred losses:		
Assumed	958,594	1,594,817
Ceded	(323,209)	(320,580)
Net Incurred losses	635,385	1,274,237

8. Related party transactions

As discussed in Note 1, in 2018 and 2017 the Company participated in a number of reinsurance agreements with affiliated companies. Balances relating to these contracts, various intercompany loan arrangements and intercompany recharges, are incorporated in the statements of income for the years ended December 31, 2018 and 2017 and in the balance sheets as at December 31, 2018 and 2017 as follows:

	2018	2017
Balance sheets:		
Loss reserves recoverable	135,015	121,839
Premium receivable	34,522	43,585
Funds withheld	739,677	748,760
Deferred acquisition costs	52,742	92,511
Due from related party	135,543	60,622
Other assets	3,626	2,304
Loss and loss adjustment expense reserves	(2,789,156)	(2,931,781)
Unearned premium reserves	(166,893)	(274,029)
Reinsurance balances payable	(3,603)	(140,989)
Deferred gain	(22,260)	(17,900)
Statements of Income:		
Gross premiums written	756,286	1,245,231
Premiums ceded	(61,381)	(88,273)
Net premiums earned	803,226	1,242,527
Loss and loss adjustment expenses	(530,153)	(1,042,443)
Acquisition costs	(265,071)	(382,699)
Other underwriting income	7,374	26,936

9. Share capital and additional paid-in capital

Share capital consists of 1,000,000 authorized, issued and fully paid common shares with a par value of $1 each.

Additional paid-in capital represents amounts contributed in cash by the shareholder in addition to the subscription to the issued share capital.

10. Commitments and Contingent Liabilities

(a) Restricted assets

The following table details the forms and value of Company's material restricted assets as at December 31, 2018 and 2017:

	2018	2017
Regulatory trusts and deposits		
Affiliated transactions	937,646	1,230,625
Third party	643,089	526,533
Letters of credit / guarantees	577,266	538,101
Unfunded investment commitments	—	100,000
Real Estate Fund	102,509	—
Total Restricted Assets	**2,260,510**	**2,395,259**
Cash and invested assets	3,788,431	4,485,378
Percentage of cash and invested assets	**59.7%**	**53.4%**

As at December 31, 2018, the Company had pledged funds of $577.3 million (December 31, 2017 — $538.1 million) as collateral for the secured letters of credit.

Investable assets comprise total investments, cash and cash equivalents, accrued interest, receivables for securities sold and payables for securities purchased.

On December 20, 2017, the Company committed $100.0 million as a limited partner to a real estate fund. The investment objective of the fund is to achieve attractive risk-adjusted returns through the acquisition of income producing, high quality assets in gateway cities located in the U.S. and Canada in the office, retail, industrial and multifamily sectors of the real estate market. On May 1, 2018, the Company received a demand for an initial capital call of $86.2 million and the capital call on May 10, 2018. On September 19, 2018, the Company received a demand for the final capital call of $13.8 million and paid the capital on September 28, 2018.

Investments in the real estate fund may be redeemed on a quarterly basis with 90 days' notice subject to available cash in the fund once the lock-up period ends two years after the capital call. If sufficient cash is not available then all requested redemptions will be made on a pro rata basis. If a redemption request has not been met in full, as of such calendar quarter, the remaining portion of the request will be redeemed in subsequent quarters. There are no assurances as to when the Company may be able to withdraw, in whole or in part, its redemption request from the fund. A lock-up period is the initial amount of time an investor is contractually required to remain invested before having the ability to redeem.

10. Commitments and Contingent Liabilities (continued)

(a) Restricted assets (continued)

The Company has established and must retain a multi-beneficiary U.S. trust fund for the benefit of its U.S. cedants so that they may take financial statement credit without the need to post cedant-specific security. The minimum trust fund amount is $20.0 million plus an amount equal to 100% of Aspen Bermuda's liabilities to its U.S. cedants which was $647.8 million and $895.5 million as at December 31, 2018 and 2017, respectively.

(b) Operating leases

The Company leases office space under an operating lease. Future rental commitments for the following five year period are $3.1 million (2017- $4.2 million).

(c) Contingent liabilities

In common with the rest of the insurance and reinsurance industry, the Company is also subject to litigation and arbitration in the ordinary course of business. Pursuant to insurance and reinsurance arrangements, many of these disputes are resolved by arbitration or other forms of alternative dispute resolution. Such legal proceedings are considered in connection with estimating the Company's Insurance Reserves — Loss and Loss Adjustment Expenses, as provided on the Company's balance sheet.

As at December 31, 2018, it was the opinion of the Company's management based on available information that the probability of the ultimate resolution of pending or threatened litigation or arbitrations having a material effect on the Company's financial condition, results of operations or liquidity would be remote.

11. Concentration of Credit Risk

The Company is potentially exposed to concentrations of credit risk in respect of amounts recoverable from reinsurers, investments, cash and cash equivalents and insurance and reinsurance balances owed by the brokers with whom the Company transacts business. Holding's Reinsurance Credit Committee defines credit risk tolerances in line with the risk appetite set by our Board and they, together with the group's risk management function, monitor exposures to individual counterparties. Any exceptions are reported to senior management and the Risk Committee of the Holdings Board of Directors.

Reinsurance Recoverables. The total amount recoverable by the Company from reinsurers as at December 31, 2018 was $487.8million (2017 — $308.9 million) of which $189.1 million was uncollateralized (2017 — $136.2 million). As at December 31, 2018, of the Company's uncollateralized reinsurance recoverables 50.6% (2017 — 41.4%) were with Aspen Insurance UK Limited which is rated A by A.M. Best and A by S&P, 8.2% (2017 — 15.7%) were with Everest Re which is rated A- by A.M. Best and A- by S&P and 6.6% (2017 —0%) were with MS&AD Insurance Group which is rated A+ by A.M Best and A+ by S&P. These are the Company's largest exposures to individual reinsurers. The Company has made no provision for doubtful debts from any of its reinsurers as at December 31, 2018 or December 31, 2017.

Underwriting premium receivable. The total underwriting premium receivable by the Company as at December 31, 2018 was $135.4 million (2017 — $166.8 million). As at December 31, 2018 and 2017, there were no premium receivable balances due for settlement for more than one year. The Company assesses the recoverability of premium receivables through a review of policies and the concentration of receivables by broker.

11. Concentration of Credit Risk (continued)

Investment and cash and cash equivalents. The Company's investment policies include specific provisions that limit the allowable holdings of a single issue and issuer. As at December 31, 2018 and 2017, there were no investments in any single issuer, other than the U.S. government and the Canadian government in excess of 2% of the aggregate investment portfolio.

Balances owed by brokers. The Company underwrites a significant amount of its business through brokers and a credit risk exists should any of these brokers be unable to fulfill their contractual obligations in respect of insurance or reinsurance balances due to the Company. The following table shows the largest brokers that the Company transacted business within the two years ended December 31, 2018 and 2017 and the proportion of external gross written premiums from each of those brokers.

	December 31, 2018	December 31, 2017
Aon Corporation	43.3%	38.2%
Guy Carpenter	28.3%	27.1%
Willis Group Holdings, Ltd.	17.9%	23.6%

12. Shareholder's Equity and Regulation

The Insurance Act 1978, as amended (the "Insurance Act"), regulates insurance companies and insurance intermediaries in Bermuda, and it provides that no person may carry on any insurance business in or from within Bermuda unless registered as an insurer or intermediary by the Bermuda Monetary Authority (the "BMA") under the Insurance Act. The Insurance Act applies to both insurance and reinsurance business. The Company is registered as a Class 4 insurer under the Insurance Act.

On March 25, 2016, Bermuda's prudential framework for (re)insurance and group supervision was confirmed as being fully equivalent to the regulatory standards applied to European reinsurance companies and insurance groups in accordance with the requirements of the Solvency II Directive. Bermuda was granted this full 'Solvency II equivalence' for an unlimited period by the European Commission based on an assessment conducted by the European Insurance and Occupational Pensions Authority, and the equivalence decision was applied retroactively to January 1, 2016.

Annual Capital and Solvency Return. Class 4 insurers are required to file a capital and solvency return in respect of their general business which must consist of the following documents: a CSR declaration, the BSCR and associated schedules, a Commercial Insurer's Solvency Self-Assessment ("CISSA"), a Financial Condition Report and an opinion of a BMA approved Loss Reserve Specialist on the economic balance sheet technical provisions. The Insurance (Prudential Standards) (Class 4 and 3B Solvency Requirement) Rules 2008 require that the insurer perform the CISSA, which provides a determination of both the quality and quantity of the capital required to adequately cover material risks, at least annually. The CISSA allows the BMA to obtain an insurer's view of the capital resources required to achieve its business objectives and to assess the company's governance, risk management and controls surrounding this process.

Enhanced Capital Requirements and Minimum Solvency Margin. The BSCR employs a standard mathematical model that correlates the risk underwritten by Bermuda insurers to the capital that is dedicated to their business. The BSCR applies a standard measurement format to the risk associated with an insurer's assets, liabilities and premiums, including a formula to take account of the catastrophe risk exposure. The Company must maintain available capital and surplus in an amount equal to or exceeding its ECR calculated using the BSCR model.

12. Shareholder's Equity and Regulation (continued)

In order to minimize the risk of a shortfall in capital arising from an unexpected adverse deviation, the BMA expects that insurers operate at or above a threshold capital level (termed the target capital level ("TCL")), which exceeds an insurer's ECR. The TCL for a Class 4 insurer is set at 120% of ECR. The Company holds capital in excess of its TCL as at December 31, 2018.

As a Class 4 Insurer, the Company is also required to meet a minimum margin of solvency, which is the minimum amount by which the value of the general business assets of the insurer must exceed its general business liabilities, being equal to the greater of: (i) $100,000,000; or (ii) 50% of net premiums written (being gross premiums written less any premiums ceded by the insurer (not exceeding 25% of gross premiums)) in its current financial year; or (iii) 15% of net losses and loss expense provisions and other insurance reserves; or (iv) 25% of the ECR reported at the end of its relevant year.

Minimum Liquidity Ratio. The Insurance Act provides a minimum liquidity ratio for general business insurers, like the Company. An insurer engaged in general business is required to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. Relevant assets include, but are not limited to, cash and time deposits, quoted investments, unquoted bonds and debentures, investments in mortgage loans on real estate, investment income due and accrued, accounts and premiums receivable, reinsurance balances receivable and funds held by ceding reinsurers. The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax, sundry liabilities (by interpretation, those not specifically defined), and letters of credit and guarantees.

Restrictions on Dividends, Distributions and Reduction of Capital. The ability of the Company to pay Holdings dividends or other distributions is subject to the laws and regulations applicable to Bermuda, as well as the need to maintain capital requirements adequate to maintain our insurance and reinsurance operations and our financial strength ratings issued by independent rating agencies.

The Company must comply with the provisions of the Companies Act regulating the payment of dividends and distributions. There were no significant restrictions under company law on the ability of the Company to pay dividends funded from its accumulated balances of retained income as at December 31, 2018. The Company may not in any financial year pay dividends which would exceed 25% of its total statutory capital and surplus, as shown on its statutory balance sheet in relation to the previous financial year, unless it files with the BMA a solvency affidavit at least seven days in advance. As at December 31, 2018, 25% of the Company's statutory capital and surplus amounted to $391.2 million. The Company must also obtain the prior approval of the BMA before reducing its total statutory capital as set out in its previous year's financial statements by 15% or more.

Actual and required statutory capital and surplus for the Company, as at December 31, 2018 and December 31, 2017 were estimated as follows:

	2018	2017
Required statutory capital and surplus	782,840	1,049,933
Actual statutory capital and surplus	1,564,866	1,633,613

13. Taxation

Under current Bermuda law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an assurance from the Minister of Finance of Bermuda under The Exempted Undertakings Tax Protection Act, 1966 of Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

14. Subsequent Events

On January 16, 2019, the Company entered into a number of standard fixed for floating interest swaps with a total notional amount of $3,318.0 million due to mature between January 18, 2021 and January 18, 2034. The Company entered into swaps in the ordinary course of its investment activities to partially mitigate any negative impact of rise in interest rates on the market value of our fixed income portfolio.

The Company completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2018, through April 29, 2019 the date the financial statements were available for issuance.