Aspen Bermuda Limited

Financial Statements

(With Independent Auditor's Report Thereon)

December 31, 2019 and 2018

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 (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, 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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Aspen Bermuda Limited as of December 31, 2019 and 2018, 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
May 28, 2020

Aspen Bermuda Limited

Balance Sheets

As At December 31, 2019 and 2018
(Expressed in thousands of United States dollars)

	2019	**2018**
	US$	US$
Assets		
Investments:		
Fixed income maturities, available for sale (amortized cost - $1,817,263 and $2,445,479)	1,878,559	2,416,097
Fixed income maturities, trading at fair value (amortized cost - $853,489 and $1,032,975)	872,091	1,017,768
Short term investments, trading at fair value (amortized cost - $59,440 and $9,261)	59,440	9,260
Privately-held investments, trading at fair value (amortized cost - $275,393 and $0)	275,327	—
Other investments	111,421	102,509
Total investments (Notes 3 and 4)	3,196,838	3,545,634
Cash and cash equivalents (Note 10)	294,767	213,979
Loss reserves recoverable (Note 11)	444,416	487,806
Ceded unearned premiums	45,115	64,628
Premiums receivable (Note 11)[1]	154,657	140,795
Funds withheld	654,540	741,246
Deferred policy acquisition costs	33,156	55,196
Derivatives at fair value (Note 5)	937	4,256
Right-of-use operating lease assets (Notes 2 and 10)	1,853	—
Due from related party (Note 8)[1]	72,506	124,446
Other assets	20,325	30,623
Total Assets	4,919,110	5,408,609

[1] Premiums receivable, Due from related party, and Reinsurance premiums payable have been restated by $5.4 million, -$11.1 million, and $2.9 million, respectively, from January 1, 2017 to account for additional ceded premiums on excess of loss ceded reinsurance contracts for periods December 31, 2016 and prior (Note 2(h)).

	2019	2018
	US$	US$
Liabilities		
Loss and loss adjustment expense reserves (Note 6)	3,020,325	3,410,304
Unearned premium reserves	202,417	275,870
Reinsurance premiums payable[1]	201,847	130,762
Operating lease liabilities (Notes 2 and 10)	1,853	—
Liabilities under derivative contracts (Note 5)	84,224	281
Deferred gain (Note 8)	14,459	22,260
Other liabilities	12,788	12,260
Total Liabilities	3,537,913	3,851,737
Shareholder's Equity		
Common 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	1,229,000
Retained earnings[1]	89,908	356,254
Accumulated other comprehensive income	61,289	(29,382)
Total Shareholder's Equity	1,381,197	1,556,872
Total Liabilities and Shareholder's Equity	4,919,110	5,408,609

[1] Premiums receivable, Due from related party, and Reinsurance premiums payable have been restated by $5.4 million, -$11.1 million, and $2.9 million, respectively, from January 1, 2017 to account for additional ceded premiums on excess of loss ceded reinsurance contracts for periods December 31, 2016 and prior (Note 2(h)).

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, 2019 and 2018
(Expressed in thousands of United States dollars)

	2019	2018
	US$	US$
Revenues		
Gross premiums written	871,732	1,019,553
Premiums ceded (Note 7)	(203,592)	(250,823)
Net premiums written	668,140	768,730
Change in net unearned premiums	54,854	136,873
Net earned premium	722,994	905,603
Other underwriting (loss) income	(3,821)	7,436
Net investment income (Note 3)	107,582	114,727
Net realized and unrealized foreign exchange losses	(6,267)	(234)
Net realized and unrealized investment gains (losses) (Note 3)	76,190	(60,696)
Total Revenues	896,678	966,836
Expenses		
Losses and loss adjustment expenses (Notes 6 and 7)	515,142	635,385
Amortization of deferred policy acquisition costs	201,583	270,197
Change in fair value of derivatives (Note 5)	137,025	(6,432)
General, administrative and corporate expenses (Note 8)	39,274	39,114
Total Expenses	893,024	938,264
Net Income	3,654	28,572
Other Comprehensive Income		
Net Income	3,654	28,572
Net change in other comprehensive loss during the year	90,671	(52,615)
Total Comprehensive Income	94,325	(24,043)

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, 2019 and 2018
(Expressed in thousands of United States dollars)

	2019	2018
	US$	US$
Shareholder's Equity		
Ordinary shares:		
Beginning and end of the year	1,000	1,000
Additional paid-in capital:		
Beginning of the year	1,229,000	1,159,000
Additional paid-in capital	—	70,000
End of the year	1,229,000	1,229,000
Retained earnings:		
Beginning of the year[2]	356,254	665,932
Net income for the year	3,654	28,572
Dividends on ordinary shares	(270,000)	(338,250)
End of the year	89,908	356,254
Unrealized appreciation on investments:		
Beginning of the year	(29,382)	23,233
Change for the year	94,752	(54,200)
Reclassification for net realized (losses) / gains included in net income	(4,081)	1,585
End of the year	61,289	(29,382)
Total accumulated other comprehensive income / (loss)	61,289	(29,382)
Total Shareholder's Equity	1,381,197	1,556,872

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

[2] Retained earnings have been restated by $8.6 million from January 1, 2017 to account for additional ceded premiums on excess of loss ceded reinsurance contracts for periods December 31, 2016 and prior (Note 2(h)).

Aspen Bermuda Limited

Statements of Cash Flows

For the years ended December 31, 2019 and 2018
(Expressed in thousands of United States dollars)

	2019	2018
	US$	US$
Cash flows from / (used in) operating activities:		
Net income	3,654	28,572
Adjustment to reconcile net income to net cash flows provided by operating activities:		
Amortization of premium on investments	2,907	8,396
Net realized investment (gains) / losses - available for sale	(4,081)	1,586
Net unrealized and realized investment (gains) / losses - trading[3]	(70,864)	59,110
Change in fair value of other investments	(8,912)	(2,509)
Change in assets and liabilities:		
Loss reserves recoverable	43,390	(178,911)
Ceded unearned premiums	19,513	(4,212)
Premiums receivable	(13,861)	31,426
Funds withheld	86,706	11,023
Deferred policy acquisition costs	22,040	43,945
Derivatives at fair value	3,319	(3,988)
Right-of-use operating lease assets	(1,853)	—
Due from related party	22,804	(32,921)
Other assets	10,298	3,088
Loss and loss adjustment expense reserves	(389,979)	(47,842)
Unearned premium reserves	(73,453)	(130,660)
Reinsurance premiums payable	71,085	(59,618)
Operating lease liabilities	1,853	—
Liabilities under derivative contracts	83,943	(281)
Deferred gain	(7,801)	4,360
Other liabilities	528	(4,907)
Net Cash flows used in Operating Activities	(198,764)	(274,343)

[3] Net unrealized and realized investment (gains) / losses - trading, includes unrealized and realized foreign exchange (gains) / losses

Aspen Bermuda Limited

Statements of Cash Flows (continued)

For the years ended December 31, 2019 and 2018
(Expressed in thousands of United States dollars)

	2019	2018
	US$	US$
Investing Activities		
Purchases of fixed maturity investments - available for sale	(462,736)	(632,347)
Purchases of fixed maturity investments - trading	(1,061,293)	(1,099,462)
Proceeds from sales of fixed maturity investments - available for sale	1,090,815	707,836
Proceeds from sales of fixed maturity investments - trading	1,275,255	1,409,456
Purchases of equity investments - trading	—	(15,032)
Proceeds from sales of equity investments - trading	—	346,039
Net (purchases) sales of short-term investments - available for sale	(14,589)	15
Net (purchases) sales of short-term investments - trading	(33,374)	13,725
Purchases of private assets	(279,871)	—
Proceeds from sale of private assets	6,209	—
Purchases of other investments	—	(100,000)
Net Cash flows provided by Investing Activities	520,416	630,230
Financing Activities		
Net loans to affiliated companies	29,136	(42,000)
Additional Paid in Capital	—	70,000
Dividends paid	(270,000)	(338,250)
Net Cash flows used in Financing Activities	(240,864)	(310,250)
Net Increase in cash and cash equivalents	80,788	45,637
Cash and cash equivalents, beginning of year	213,979	168,342
Cash and Cash Equivalents, End of Year	294,767	213,979

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. In October 2019, the Company established a branch in Zurich, Switzerland to write prospective business effective January 1, 2020.

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 and professional 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 multiple quota share arrangements with Peregrine Re Limited, mainly in relation to its property reinsurance business.

Business Combination. On February 15, 2019, Holdings completed its merger with Highlands Merger Sub, Ltd. ("Merger Sub"), a wholly owned subsidiary of Highlands Holdings, Ltd. ("Parent"). Merger Sub merged with and into Holdings (the "Merger"), with Holdings continuing as the surviving company and as a wholly owned subsidiary of Parent. Parent, a Bermuda exempted company, is an affiliate of certain investments funds managed by affiliates of Apollo Global Management, Inc., a leading global investment manager (collectively with its subsidiaries, "Apollo").

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 losses and loss adjustment expenses, reinsurance recoverables, gross written premiums and commissions which have not been reported to the Company such as those relating to proportional treaty reinsurance contracts, the fair value of derivatives and the fair value of other and privately-held investments. All material assumptions and estimates are regularly reviewed and adjustments made as necessary 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 Insurance and 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 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. Reinstatement premiums provide 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 underlying premiums receivable from the reinsured business. Adjustment premiums and reinstatement premiums in relation to outward reinsurance are accrued when it is determined that the ultimate losses will trigger a payment and recognized within premiums payable. 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.

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

(b) Accounting for Insurance and Reinsurance Operations (continued)

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 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.

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

General, Administrative and Corporate 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. When reporting the results for its business segments, the Company includes expenses which are directly attributable to the segment plus an allocation of central administrative costs. Corporate expenses are not allocated to the Company's business segments as they typically do not fluctuate with the levels of premium written and are related to the Company's operations which include group executive costs, group finance costs, group legal and actuarial costs and certain strategic and non-recurring costs.

(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 and bank loans. 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 receivables for securities sold and accrued expenses and other payables for securities purchased, respectively. Fair values are based on quoted market prices and other data provided by third-party pricing services.

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.

Privately-held Investments. The Company's privately-held investments primarily comprise commercial mortgage loans and middle market loans. These investments are classified as trading and are carried on the balance sheet at estimated fair value. Privately-held investments are initially valued at cost or transaction value which approximates fair value. In subsequent measurement periods, the fair values of these securities are primarily determined using internally developed discounted cash flow models. Interest income is accrued on the principal amount of the loan based on its contractual interest rate subject to it being probable that we will receive interest on that particular underlying loan. Interest income, amortization of premiums and discounts, and prepayment fees are reported in net investment income on the statements of income.

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.

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.

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

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

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 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 Right-of-Use Operating Lease Assets

Right-of-use operating lease assets comprise primarily of leased office real estate and other assets. For all office real estate leases, rent incentives, including reduced-rent and rent free periods and contractually agreed rent increases during the lease term, have been included when determining the present value of future cash flows. Right-of-use operating leased assets are carried at cost less accumulated depreciation. Right-of-use operating leased assets are depreciated over the lease term.

(f) Accounting for Foreign Currencies Translation

Transactions in currencies other than the functional currency are measured in the functional currency of that operation 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.

(g) Accounting Pronouncements

Accounting Pronouncements Adopted in 2019

On February 25, 2016, the Financial Accounting Standards Board ("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. As per ASU 842, the Company has chosen to adopt a modified retrospective transition method with an effective application date being the beginning of the period of adoption (i.e., January 1, 2019) and as a result prior comparative periods would not be adjusted under this method.

Following the adoption of this standard, the Company recognized right-of-use operating leased assets of $2.8 million, consisting of leased office real estate and motor vehicles, and an operating lease liability of $2.8 million on the balance sheet as of January 1, 2019. The interest rate assumption applied in determining the present value of future cash flows of 5% was determined based on the Company's weighted average incremental borrowing rate. As at December 31, 2019, right-of-use operating leased assets of $2.8 million and a corresponding operating lease liability of $1.9 million have been recognized on the balance sheet which include new and renewed lease agreements during the year. An operating lease charge of $1.9 million was incurred during the year ended December 31, 2019, consisting of an amortization charge of $0.9 million on right-of-use operating leases assets and a $0.9 million finance charge on the operating lease liability. For further details refer to Note 10(b), "Operating Leases."

On March 5, 2019, the FASB issued ASU 2019-01, "Codification Improvements (Topic 842)" which amended lessor accounting guidance in ASC 842 and clarifies exemption from certain interim period transitional disclosure requirements. The amendments of this ASU are effective for fiscal years beginning after December 15, 2018. Adoption of this ASU did not have a material impact on the Company's 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 December 15, 2018 using a modified retrospective approach for cash flow and net investment hedge relationships that exist on the date of adoption. Adoption of this ASU did not have a material impact on the Company's financial statements and disclosures.

On August 28, 2018, the FASB issued ASU 2018-13, *"Fair Value Measurement (Topic 820) Disclosure Framework)"* allowing entities to modify the disclosure requirements on fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2019, however early adoption is permitted. The Company has chosen to early adopt and has therefore not disclosed information regarding the effect of unobservable inputs on earnings for the period.

Accounting Pronouncements Not Yet Adopted

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

(g) Accounting Pronouncements (continued)

receivables, lease receivables, reinsurance receivables, financial guarantee contracts and loan commitments. This ASU also made limited amendments to the impairment model for available-for-sale debt securities, requiring an allowance for credit losses to be recognized. There are other amendments required as a result of this ASU that are effective for fiscal years beginning after December 15, 2019. Additionally, on May 15, 2019, the FASB issued ASU 2019-05, "Financial Instruments - Credit Losses (Topic 326)" which allows an entity, upon adoption of ASU 2016-13, to irrevocably elect the fair value option on an instrument-by-instrument basis (except for existing held-to-maturity securities). If an entity elects the fair value option, the difference between the instrument's fair value and carrying amount is recognized as a cumulative-effect adjustment. This ASU will be effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. These ASUs are not expected to have a material impact on the Company's financial statements, specifically reducing the Company's available-for-sale investment portfolio and reinsurance recoverables by an estimated $0.05 million and $0.88 million respectively, a result of recognizing current expected credit losses, together with a cumulative effect adjustment of $0.93 million through opening retained earnings.

On April 4, 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments - Credit *Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*" amending guidance on credit losses, hedging, and recognizing and measuring financial instruments in response to questions raised by stakeholders and to correct unintended application. This ASU will be effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years for both Topic 326 and Topic 825, whereas for Topic 815 the amendments are effective as of the beginning of the entity's next annual period for entities that have already adopted the hedge accounting standard. The Company is currently evaluating the provisions of ASU 2019-04 to determine how it will be affected, but no material impact is expected on the financial statements.

Other accounting pronouncements were issued during the year ended December 31, 2019 which were either not relevant to the Company or did not impact the Company's financial statements.

(h) Correction of Immaterial Error

During the fourth quarter of 2019, the Company identified the need for recording additional adjustment premiums for a limited number of historical excess of loss ceded reinsurance contracts for periods December 31, 2016 and prior. This error individually is immaterial to the prior periods financial statements and therefore the Company will not be amending previously filed financial statements. In the 2018 comparatives, the recognition of additional ceded premiums constituted a $8.6 million cumulative adjustment to opening retained earnings, a $5.4 million addition to prior year premium receivable, a $11.1m reduction to prior year amounts due from related party, and a $2.9 million increase in prior year reinsurance balances payable. Management have determined that the restatement is immaterial when considering both qualitative and quantitative measures.

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

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.

Income Statements

Investment Income. The following table summarizes investment income for the twelve months ended December 31, 2019 and 2018:

	2019	2018
Fixed maturity investments	96,452	115,212
Short term investments	1,939	343
Cash and cash equivalents	3,340	2,234
Privately-held investments	3,159	—
Other Investments	8,912	2,509
Investment income before expenses	113,802	120,298
Investment expenses	(6,220)	(5,571)
Net investment income	107,582	114,727

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

3. Investments (continued)

The following table summarizes the net realized and unrealized investment gains and losses recorded in the statement of operations and the change in unrealized gains and losses on investments recorded in other comprehensive income for the twelve months ended December 31, 2019, and 2018:

	2019	2018
Available for sale short term investments and fixed maturities:		
Gross realized gains	8,471	4,167
Gross realized (losses)	(4,390)	(5,752)
Trading portfolio short term investments and fixed maturities:		
Gross realized gains	33,517	4,350
Gross realized (losses)	(2,723)	(23,630)
Net change in gross unrealized gains /(losses)	41,719	(35,580)
Trading equity investments:		
Gross realized gains	59	9,990
Gross realized (losses)	—	(15,651)
Trading cash & cash equivalents		
Gross realized gains	2	1,675
Gross realized (losses)	(284)	(265)
Privately-held investments - Trading		
Gross realized gains	2	—
Gross realized (losses)	(250)	—
Trading Net change in gross unrealized gains	67	—
Net realized and unrealized investment gains	76,190	(60,696)

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

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, 2019 and December 31, 2018:

2019	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	497,605	17,161	(316)	514,450
U.S. Agency Securities	5,452	274	—	5,726
Municipal Securities	23,248	2,119	(2)	25,365
Corporate Securities	754,373	29,900	(81)	784,192
Non-agency commercial mortgage-backed securities	1,544	—	(31)	1,513
Foreign Government Securities	2,296	128	—	2,424
Asset-backed Securities	—	—	—	—
Agency Mortgage-backed Securities	526,589	12,574	(508)	538,655
Bond Backed by Foreign Government	6,156	78	—	6,234
Total Fixed Income Maturities, Available for Sale	1,817,263	62,234	(938)	1,878,559
Total Short-term Investments, Available for Sale	—	—	—	—
Total Fixed Income Maturities, Available for Sale	1,817,263	62,234	(938)	1,878,559

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

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

3. Investments (continued)

Fixed Income Securities, Short Term Investments, and Privately-held Investments — 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 privately-held investments as at December 31, 2019 and December 31, 2018:

2019	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government Securities	21,981	907	—	22,888
Corporate Securities	171,873	9,384	(148)	181,109
Foreign Government Securities	143,490	7,402	(89)	150,803
Asset-backed Securities	491,826	2,383	(1,707)	492,502
Agency Mortgage-backed Securities	24,319	470	—	24,789
Total Fixed Income Maturities, Trading	853,489	20,546	(1,944)	872,091
Total Short-term Investments, Trading	59,440	—	—	59,440
Privately-held Investments, Trading				—
Commercial Mortgage Loans	156,330	49	(4)	156,375
Middle Market Loans	107,663	62	(173)	107,552
Asset-backed Securities	8,750	—	—	8,750
Equities Securities	2,650	—	—	2,650
Total Privately-held Investments, Trading	275,393	111	(177)	275,327
Total	1,188,322	20,657	(2,121)	1,206,858

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

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.

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

3. Investments (continued)

As at December 31, 2019, the Company had a 7.9% (2018: 0.0%) position in Privately-held Investments, a 6.9% (2018: 9.1%) position in weighted average BBB Emerging Market Debt and a 3.2% (2018: 2.7%) position in a real estate fund totaling 18.0% (2018: 11.9%) of our Managed Portfolio.

Privately-held investments. The Company has invested in privately-held investments, which primarily include commercial mortgage loans of $156.4 million and middle market loans of $107.5 million as at December 31, 2019 (December 31, 2018 – privately-held investments of $Nil).

Commercial Mortgage Loans. The commercial mortgage loans are related to investments in properties including apartments, hotels, office and retail buildings, other commercial properties and industrial properties. The commercial mortgage loan portfolio is diversified by property type, geographic region and issuer to reduce risks. As part of our investment process, we evaluate factors such as size, property type, and security to determine that properties are performing at a consistent and acceptable level to secure the related debt. The following table presents the type of commercial mortgage loans and geographic region as at December 31, 2019:

Commercial mortgage loans

	As at December 31, 2019	
Property type	**Fair Value**	**Percentage of Total**
Apartment	48,163	31%
Hotels	47,626	30%
Office building	21,856	14%
Other commercial	16,962	11%
Retail	15,232	10%
Industrial	6,536	4%
Total commercial mortgage loans	156,375	100%
Geographic Region		
U.S Region	85,376	55%
International Region	70,999	45%
Total commercial mortgage loans	156,375	100%

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

3. Investments (continued)

The primary credit quality indicator of commercial mortgage loans is loan performance. Non-performing commercial mortgage loans are generally 90 days or more past due. As of December 31, 2019, all of our commercial mortgage loans were performing. Loan-to-value and debt service coverage ratios are measures we use to assess the risk and quality of commercial mortgage loans. The loan-to-value ratio is expressed as a percentage of the value of the loan relative to the value of the underlying property. A loan-to-value ratio in excess of 100% indicates the unpaid loan amount exceeds the underlying collateral. The following table represents the loan-to-value ratio of the commercial mortgage loan portfolio as at December 31, 2019:

Loan-to-value ratio	**As at December 31, 2019**
50% to 60%	80,357
61% to 70%	35,531
71% to 80%	40,487
Total commercial mortgage loans	156,375

The debt-service coverage ratio is measured by a property's net operating income as a multiple of its debt re-payments. A ratio of less than 1.0 reflects a property's operations is not sufficient to cover its debt payments. The following table represents the debt-service coverage ratio of the commercial mortgage loan portfolio as at December 31, 2019:

Debt-service coverage ratio	**As at December 31, 2019**
Greater than 1.20x	94,498
1.00 - 1.20x	48,162
Less than 1.00x	13,715
Total commercial mortgage loans	156,375

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

3. Investments (continued)

Middle Market Loans. The middle market loans are investments in senior secured loan positions with full covenants, focused on the middle market in both U.S. and Europe. The middle market loan portfolio is diversified by industry type, geographic region and issuer to reduce risks. As part of our investment process, we evaluate factors such as size, industry and security to determine that loans are performing at a consistent and acceptable level to secure the related debt. The following table presents the type of middle market loans and geographic region as at December 31, 2019:

Middle market loans

	As at December 31, 2019	
Industry Type	**Fair Value**	**Percentage of Total**
Materials	29,446	27%
Financials	22,105	20%
Industrials	14,791	14%
Consumer Discretionary	14,219	13%
Health Care	8,225	8%
Energy	7,414	7%
Consumer Staples	6,423	6%
Information Technology	4,929	5%
Total middle market loans	107,552	100%
Geographic Region		
U.S. Region	87,696	82%
International Region	19,856	18%
Total middle market loans	107,552	100%

The primary credit quality indicator of middle market loans is loan performance. Non-performing middle market loans are generally 90 days or more past due. As of December 31, 2019, all of our middle market loans were performing. Loan-to-enterprise-value and fixed charge coverage ratios are measures we use to assess the risk and quality of middle market loans. The loan-to-enterprise-value ratio is expressed as a percentage of the value of the loan relative to the value of the business. A loan-to-enterprise-value ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying business. The following table represents the loan-to-enterprise-value ratio of the middle market loan portfolio as at December 31, 2019:

Loan-to-enterprise-value ratio	**As at December 31, 2019**
Less than 50%	86,472
50% to 60%	21,080
Total middle market loans	107,552

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

3. Investments (continued)

The fixed charge coverage ratio, based upon the most recent financial statements, is expressed as a percentage of a firm's earnings plus fixed charges to its fixed charges. Fixed charges include debt repayments, interest and equipment lease expenses. A fixed charge coverage ratio of less than 1.0 indicates a firm's operations do not generate enough income to cover its fixed charges. The following represents the fixed charge coverage ratio of the middle market loan portfolio as at December 31, 2019:

Fixed charge coverage ratio	As at December 31, 2019
Greater than 1.20x	68,380
1.00 - 1.20x	25,491
Less than 1.00x	13,681
Total middle market loans	107,552

Asset-backed securities. Our asset-backed securities portfolio of privately-held investments consists of a single non-U.S. based issuer that issues fixed rate notes that are backed by future flows from international credit card companies and this security is performing.

Equity securities. Our equity securities portfolio of privately-held investments consists of a single non-U.S. based issuer that is a special purpose vehicle designed to grant a first lien right to the underlying senior notes within the structure. The underlying issuer is a financial services lender to middle market companies and this security is performing.

Other Investments. 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 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.

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

3. Investments (continued)

Fixed Income Securities. The scheduled maturity distribution of the Company's available for sale fixed income securities as at December 31, 2019 and December 31, 2018 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.

2019	Amortized cost	Fair value	Weighted average rating by maturity
Due within one year	126,557	126,971	AA-
Due after one year through five years	692,847	709,584	AA-
Due after five years through ten years	386,020	402,553	AA-
Due after ten years	83,706	99,283	AA-
	1,289,130	1,338,391	
Agency Mortgage-backed Securities	526,589	538,655	AA+
Non-agency Commercial Mortgage-backed Securities	1,544	1,513	AA+
Total	1,817,263	1,878,559	

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	

Guaranteed Investments. As at December 31, 2019 and December 31, 2018, the Company held no investments which are guaranteed by mono-line insurers, excluding those with explicit government guarantees. The Company's exposure to other third-party guaranteed debt is primarily to investments backed by non-U.S. government guaranteed issuers.

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

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, 2019 and December 31, 2018:

2019	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	28,331	(265)	19,106	(51)	47,437	(316)
Municipal Securities	223	(2)	—	—	223	(2)
Non-agency commercial mortgage-backed securities	1,513	(31)	—	—	1,513	(31)
Corporate Securities	18,161	(68)	6,476	(13)	24,637	(81)
Agency Mortgage-backed Securities	26,854	(100)	36,379	(408)	63,233	(508)
Total Fixed Income Maturities, Available for Sale	75,082	(466)	61,961	(472)	137,043	(938)

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)

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 and equity 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, 2019 was $Nil (2018 — $Nil). For a more detailed description of accounting policies for OTTI, refer to Note 2(c), "Basis of Preparation and Significant Accounting Policies – Accounting for Investments, Cash and Cash Equivalents" of these financial statements.

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 pricing services.

The Company considers prices for other securities that may not be as actively traded which are priced via pricing services, 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 pricing services.

The Company considers privately-held investments 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.

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

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, 2019 and December 31, 2018:

	December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Available for sale financial assets, at fair value				
U.S. government	514,450	—	—	514,450
U.S. agency	—	5,726	—	5,726
Municipal	—	25,365	—	25,365
Corporate	—	784,192	—	784,192
Non-U.S. government-backed corporate	—	6,234	—	6,234
Foreign government	—	2,424	—	2,424
Asset-backed	—	—	—	—
Non-agency commercial mortgage-backed	—	1,513	—	1,513
Agency mortgage-backed	—	538,655	—	538,655
Total fixed income securities available for sale, at fair value	514,450	1,364,109	—	1,878,559
Held for trading financial assets, at fair value				
U.S. government	22,888	—	—	22,888
Corporate	—	181,109	—	181,109
Foreign government	48,312	102,491	—	150,803
Asset-backed	—	492,502	—	492,502
Agency mortgage-backed	—	24,789	—	24,789
Total fixed income securities trading, at fair value	71,200	800,891	—	872,091
Short-term investments trading, at fair value	59,440	—	—	59,440
Other Investment (1)	—	—	—	111,421
Privately held investments trading, at fair value	—	—	275,327	275,327
Total investments held for trading, at fair value	130,640	800,891	275,327	1,318,279
Other financial assets, at fair value				—
Derivatives at fair value - foreign exchange contracts	—	937	—	937
Liabilities under derivative contracts- foreign exchange contracts	—	(5,904)	—	(5,904)
Derivatives at fair value - Interest rate swaps	—	(78,320)	—	(78,320)
Total	645,090	2,081,713	275,327	3,113,551

Notes to Financial Statements
December 31, 2019 and 2018

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

4. Fair Value Measurements (continued)

	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
Total investments trading, at fair value	138,067	888,961	—	1,129,537
Other financial assets and liabilities, at fair value				—
Derivatives at fair value - foreign exchange contracts	—	4,256	—	4,256
Liabilities under derivative 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 sheet. The investment in the real estate fund is subject to restrictions as detailed in Note 10(a), "Commitments and Contingencies."

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, 2019 and December 31, 2018, there were no transfers between Level 1, Level 2 and Level 3.

As at December 31, 2019, there were privately-held investments worth $275.3 million (December 31, 2018 — $Nil) classified as Level 3.

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

4. Fair Value Measurements (continued)

The following table presents a reconciliation of the beginning and ending balances for all assets and liabilities ($Nil) measured at fair value on a recurring basis using Level 3 inputs for the twelve months ended December 31, 2019:

Twelve Months Ended December 31, 2019	Balance at beginning of year	Purchases and issuances	Settlements and sales	Increase / (decrease) in fair value included net income	Balance at end of year	Change in unrealized investment gains (losses) relating to assets held at end of year
Assets						
Privately-held investments - trading						
Commercial mortgage loans	—	160,617	(5,991)	1,749	156,375	45
Middle market loans	—	107,854	(218)	(84)	107,552	(111)
Asset-backed securities	—	8,750	—	—	8,750	—
Equity securities	—	2,650	—	—	2,650	—
Total Level 3 Assets	—	279,871	(6,209)	1,665	275,327	(66)

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, 2019 and December 31, 2018, the Company's fixed income securities were valued by pricing services 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. The underlying methodology used to determine the fair value of securities in the Company's available for sale and trading portfolios is by the pricing services. 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.

Pricing services provide pricing for less complex, liquid securities based on market quotations in active markets. Pricing services 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 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 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. The Company does not derive 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

4. Fair Value Measurements (continued)

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.

As at December 31, 2019, the Company obtained an average of 2.4 quotes per fixed income investment compared to 2.2 quotes at December 31, 2018. 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 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 and broker-dealers are not adjusted by us; however, prices provided by a pricing service, 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 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 pricing services is determined using various qualitative and quantitative points arising from reviews of the vendors conducted by the Company's 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.

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.

4. Fair Value Measurements (continued)

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 riskfree 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.

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.

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

4. Fair Value Measurements (continued)

Privately-Held Investments. Privately-held investments are initially valued at cost or transaction value which approximates fair value. In subsequent measurement periods, the fair values of these securities are determined using internally developed discounted cash flow models. These models include inputs that are specific to each investment. The inputs used in the fair value measurements include dividend or interest rates and 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 securities. A significant increase (decrease) in this input in isolation could result in significantly lower (higher) fair value measurement for privately-held investments. In order to assess the reasonableness of the inputs the Company uses in the discounted cash flow models, the Company maintains an understanding of current market conditions, issuer specific information that may impact future cash flows as well as collaboration with independent vendors for most securities to assess the reasonableness of the discount rate being used.

The following table summarizes the quantitative inputs and assumptions used for financial assets and liabilities categorized as Level 3 under the fair value hierarchy as at December 31, 2019:

December 31, 2019	Fair Value	Valuation Techniques	Unobservable (U) Inputs	Ranges	Weighted Average
Privately-held investments - Trading					
Commercial Mortgage Loans	125,483	Discounted cash flow	Discount rate	5.0% - 6.3%	5.8%
Commercial Mortgage Loans	30,892	Transaction Value	n/a	n/a	n/a
Middle Market Loans	107,552	Discounted cash flow	Discount rate	6.8% -10.1%	7.8%
Asset-backed securities	8,750	Discounted cash flow	Discount rate	6.4%	6.4%
Equity securities	2,650	Transaction Value	n/a	n/a	n/a
Total	275,327				

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.

Interest Rate Swaps. The interest rate swaps which the Company uses to mitigate interest risk are characterized as OTC and are valued by the counterparty using quantitative models with multiple market inputs. The market inputs, such as interest rates and yield curves, are observable and the valuation can be compared for reasonableness with third-party pricing services. Consequently, these instruments 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, 2019 and 2018:

		December 31, 2019		December 31, 2018	
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	178,300	937	136,500	4,256
Foreign Exchange Contracts	Liabilities under derivative contracts	394,500	(5,904)	23,800	(281)
Interest Rate Swaps	Liabilities under derivative contracts	1,800,000	(78,320)	—	—

The following table provides the total unrealized and realized gains (losses) recorded in earnings for the twelve months ended December 31, 2019 and 2018:

		Amount of (Loss) / Gain Recognized in Income	
Derivatives not designated as Hedging Instruments under ASC 815	**Location of (Loss) / Gain Recognized in Income**	**Year Ended December 31, 2019**	**Year Ended December 31, 2018**
Foreign Exchange Contracts	Change in fair value of derivatives	(6,666)	6,432
Interest Rate Swaps	Change in fair value of derivatives	(130,359)	—

Foreign Exchange Contracts. The Company uses foreign exchange contracts to manage foreign currency risk associated with our operating expenses but also foreign exchange risk associated with net assets or liabilities in currencies other than the U.S. dollar. A foreign exchange 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 exchange 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.

As at December 31, 2019, the Company held foreign exchange contracts that were not designated as hedging under ASC 815 with an aggregate nominal amount of $572.8 million (2018 — $160.3 million). The foreign exchange contracts are recorded as derivatives at fair value in the balance sheet with changes recorded as a change in fair value of derivatives in the statement of operations. For the twelve months ended December 31, 2019, the impact of foreign exchange contracts on net income was a loss of $6.7 million (December 31, 2018 — gain of $6.4 million).

Interest Rate Swaps. In the first quarter of 2019, the Company entered into fixed for floating interest rate swaps with a total notional amount of $3,318.0 million due to mature between January 18, 2021 and January 18, 2034. The total notional amount as at December 31, 2019 was $1,800.0 million. The interest rate swaps are used in the ordinary course of the Company's investments activities to partially mitigate any negative impact of rises in interest rates on the market value of the Company's fixed income portfolio. For the twelve months ended December 31, 2019, there was a loss of $130.4 million (December 31, 2018 — $Nil).

As at December 31, 2019, initial and variation margin with a fair value of $111.1 million was posted to a Futures Commission Merchant to support the current valuation of the interest rate swaps (December 31, 2018 — $Nil). As at

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

5. Derivative Financial Instruments (continued)

December 31, 2019, no non-cash collateral was transferred to the Company by its counterparties (December 31, 2018 — $Nil). Transfers of margin are recorded on the balance sheet within Derivatives at Fair Value, while transfers in respect of non-cash collateral are disclosed but not recorded. As at December 31, 2019, no amount was recorded in the balance sheet for the pledged assets.

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, 2019 and 2018:

	2019	2018
Gross reserves as at January 1	3,410,304	3,458,146
Loss reserves recoverable as at January 1	487,806	308,895
Net reserves as at January 1	2,922,498	3,149,251
Net losses incurred related to:		
Current year	529,569	710,405
Prior years	(14,427)	(75,020)
Total net incurred losses	515,142	635,385
Net paid losses related to:		
Current year	(71,216)	(160,143)
Prior years	(690,975)	(670,723)
Total net paid losses	(762,191)	(830,866)
Foreign exchange and other	(99,540)	(31,272)
Total net reserves as at December 31	2,575,909	2,922,498
Loss recoverable as at December 31	444,416	487,806
Total gross reserves as at December 31	3,020,325	3,410,304

For the twelve months ended December 31, 2019, there was net favorable prior year loss development of $14.4 million. Prior years development was attributable to various lines of business. For the twelve months ended December 31, 2018, there was net favourable loss development of $75.0 million.

Short Duration Contracts

In 2017, 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

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

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

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, 2019 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, 2019, 2018, 2017, 2016, 2015, 2014 and 2013.

Property Reinsurance

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

	For the year ended December 31,							December 31, 2019
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**IBNR**
	Unaudited	Unaudited	Unaudited	Unaudited				
2013	328,257	482,795	504,003	509,841	517,085	519,742	510,802	1,521
2014		319,534	368,342	358,110	353,288	343,482	344,560	44,457
2015			382,611	386,073	372,246	346,836	364,055	36,834
2016				405,729	477,758	478,796	469,872	29,588
2017					652,625	682,159	669,873	41,144
2018						337,087	345,984	32,546
2019							196,476	205,435
Total							2,901,622	

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

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

Cumulative Paid Claims and Allocated Adjustment Expenses Net of Reinsurance

	For the year ended December 31,						
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
	Unaudited	Unaudited	Unaudited	Unaudited			
2013	67,008	328,207	402,073	439,214	464,693	474,014	475,363
2014		71,044	162,905	242,557	266,900	283,530	294,799
2015			70,463	193,699	255,824	272,381	310,477
2016				93,024	295,636	364,173	401,803
2017					189,727	477,737	540,077
2018						64,445	288,327
2019							36,187
Total							2,347,033

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	554,589
All outstanding liabilities before 2013	33,828
Liabilities for claims and claims adjustment expenses, net of reinsurance	588,417

Casualty Reinsurance

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

	For the year ended December 31,							December 31, 2019
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**IBNR**
	Unaudited	Unaudited	Unaudited	Unaudited				
2013	328,826	474,825	450,459	435,071	415,968	427,610	419,151	11,159
2014		328,986	319,352	298,961	275,264	288,017	285,647	64,677
2015			375,316	342,624	306,980	344,803	361,504	132,614
2016				428,166	340,713	374,744	382,012	155,269
2017					445,557	342,656	353,554	173,306
2018						243,724	262,315	186,876
2019							212,086	297,778
Total							2,276,269	

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

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

Cumulative Paid Claims and Allocated Expenses Net of Reinsurance

	For the year ended December 31,						
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
	Unaudited	Unaudited	Unaudited	Unaudited			
2013	10,882	249,304	264,969	289,653	321,044	343,905	345,821
2014		15,550	54,089	90,831	122,603	155,246	192,447
2015			21,046	55,170	104,653	152,617	199,009
2016				33,373	87,921	133,499	197,734
2017					24,646	55,034	109,084
2018						14,181	51,771
2019							12,065
Total							1,107,931

Outstanding liabilities for 2013 and subsequent years, net of reinsurance	1,168,338
All outstanding liabilities before 2013	400,099
Liabilities for claims and claims adjustment expenses, net of reinsurance	1,568,437

Specialty Reinsurance

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

	For the year ended December 31,							December 31, 2019
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**IBNR**
	Unaudited	Unaudited	Unaudited	Unaudited				
2013	103,953	157,838	154,393	154,990	154,746	154,253	151,319	(1,725)
2014		97,584	101,438	99,060	98,200	99,588	99,067	12,909
2015			139,750	153,193	152,343	136,510	136,481	21,405
2016				125,742	150,329	161,396	150,614	44,294
2017					168,394	169,173	169,596	90,832
2018						129,402	133,393	55,694
2019							98,420	125,637
Total							938,890	

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

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

Cumulative Paid Claims and Allocated Adjustment Expenses Net of Reinsurance

	For the year ended December 31,						
Accident Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
	Unaudited	Unaudited	Unaudited	Unaudited			
2013	17,182	124,686	133,352	139,297	141,596	141,566	141,407
2014		8,810	34,443	59,780	68,782	79,316	84,531
2015			6,250	30,570	72,529	89,271	109,343
2016				4,613	34,040	60,710	72,916
2017					9,614	53,850	79,493
2018						14,252	48,904
2019							21,606
Total							558,200
Outstanding liabilities for 2013 and subsequent years, net of reinsurance							380,690
All outstanding liabilities before 2013							30,356
Liabilities for claims and claims adjustment expenses, net of reinsurance							411,046

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

	Twelve Months Ended December 31, 2019
Net outstanding liabilities	
Property Reinsurance	588,417
Casualty Reinsurance	1,568,437
Specialty Reinsurance	411,046
Insurances lines	4,028
Reinsurance recoverable on unpaid claims	444,416
Unallocated claims incurred	3,981
Provision for losses and LAE at the end of the year	3,020,325

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

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.

Balances pertaining to reinsurance transactions are reported "gross" on the balance sheet, meaning that reinsurance recoverable on unpaid losses and ceded unearned premiums are not deducted from insurance reserves but are recorded as assets. For more information on reinsurance recoverables, refer to Note 11, "Concentrations of Credit Risk – Reinsurance recoverables" and Note 6, "Reserves for Losses and Loss Adjustment Expenses" of these financial statements.

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, 2019, and 2018 was as follows:

	2019	2018
Premiums written:		
Assumed	871,732	1,019,553
Ceded	(203,592)	(250,823)
Net Premiums written	668,140	768,730
Premiums earned:		
Assumed	944,283	1,152,214
Ceded	(221,289)	(246,611)
Net Premiums earned	722,994	905,603
Incurred losses:		
Assumed	747,844	958,594
Ceded	(232,702)	(323,209)
Net Incurred losses	515,142	635,385

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

8. Related party transactions

As discussed in Note 1, in 2019 and 2018 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, 2019 and 2018 and in the balance sheets as at December 31, 2019 and 2018 as follows:

	2019	2018
Balance sheets:		
Loss reserves recoverable	86,328	135,015
Premium receivable	35,386	39,916
Funds withheld	651,833	739,677
Deferred acquisition costs	20,816	52,742
Due from related party	72,506	124,446
Other assets	4,018	3,626
Loss and loss adjustment expense reserves	(2,481,019)	(2,789,156)
Unearned premium reserves	(73,316)	(166,893)
Reinsurance balances payable	(128,852)	(6,524)
Deferred gain on LPT	(14,459)	(22,260)
Statements of Income:		
Gross premiums written	545,389	756,286
Premiums ceded	(58,168)	(61,381)
Net premiums earned	582,957	803,226
Loss and loss adjustment expenses	(446,116)	(530,153)
Acquisition costs	(187,267)	(265,071)
Other underwriting income	(3,791)	7,374

Relationships and Related Party Transactions with Apollo or its Affiliates

Apollo's indirect subsidiary, Apollo Asset Management Europe PC LLP ("AAME"), serves as the investment manager for the Company.

A description of relationships we have with Apollo and its affiliates and transactions that have existed or that we have entered into with Apollo and its affiliates are described below.

Investment Management Relationships

AAME serves as the investment manager and provides centralized asset management investment advisory and risk services for the portfolio of investments pursuant to the investment management agreement ("IMA") that have been entered into with AAME. AAME is integrated into the Apollo investment platform and provides the Company with access to Apollo's investment expertise and fully-built infrastructure without the burden of incurring the development and maintenance costs of building an in-house investment asset manager with the capabilities of Apollo/AAME.

8. Related party transactions (continued)

AAME is registered in England and Wales and is authorized and regulated by the Financial Conduct Authority in the United Kingdom under the Financial Services and Markets Act 2000 and the rules promulgated thereunder for the primary purpose of providing a centralized asset management and risk function to European clients in the financial services and insurance sectors. AAME has necessary permissions to engage in certain specified regulated activities including providing investment advice, undertaking discretionary investment management and arranging deals in relation to certain types of investment.

In addition, pursuant to the IMA, AAME may engage sub-advisors or delegates to provide certain of the investment advisory and management services. In this regard, AAME is able to leverage its relationships with other Apollo-affiliated investment advisors in a sub-advisory capacity, pursuant to which AAME has mandated its affiliates, Apollo Management International LLP (“AMI”) and Apollo Capital Management L.P. (“AMC”), to invest in asset classes in which they have investment expertise and sourcing capabilities, such as middle market loans, commercial mortgage loans, structured products and short term secured investments. Pursuant to the IMA, all sub-advisors and delegates are ultimately overseen by AAME to ensure they are appropriate for the business and consistent with the investment strategy of the Company and such sub-advisory delegations are revocable by AAME.

IMA

In April 2019, following the completion of the Merger, AAME was engaged as the investment advisor. The Company's assets are managed by AAME and certain affiliates of AAME through a sub-advisory arrangement.

Under the IMA, AAME will be paid an annual investment management fee (the “Management Fee”) which will be based on a cost-plus structure. The “cost” is comprised of the direct and indirect fees, costs, expenses and other liabilities arising in or otherwise connected with the services provided under the IMA. The “plus” component will be a mark-up in an amount of up to 25% determined based on an applicable transfer pricing study. The Management Fee will be subject to certain maximum threshold levels, including an annual fee cap of 15 bps of the total amount of investable assets. Affiliated sub-advisors, including AMI and AMC, will also earn additional fees for sub-advisory services rendered.

Termination of Investment Management or Advisory Agreements with AAME

The IMA has no stated term and may be terminated by either AAME or the relevant subsidiary, as applicable, upon 60 days’ notice at any time or when required by such party’s regulator or by applicable law. In addition, AAME may terminate the IMA immediately upon notice if the implementation of any amendments to the applicable investment guidelines is impossible for, or cannot reasonably be expected of, AAME. Such termination rights may adversely affect the Company’s investment results.

Third Party Sub-Advisory Agreements

In the limited instances in which AAME desires to invest in asset classes for which neither AAME nor Apollo possesses the investment expertise or sourcing abilities required to manage the assets, or in instances in which AAME makes the determination that it is more effective or efficient to do so, AAME may mandate third-party sub-advisors to invest in such asset classes. Pursuant to the IMA, the Company will be responsible for fees paid to such sub-advisors.

2019 IMA and Management Consulting Fees

During the year ended December 31, 2019, the Company recognized IMA fees of $2.6 million, of which $1.2 million remains payable to AAME and AMI at year end.

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

Privately-held investments

All investments in privately-held investments, disclosed within Note 4, “Investments”, have either been placed via the AAME structures mentioned above, or are investments directly or indirectly in Companies or funds affiliated with Apollo.

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, 2019 and 2018:

	2019	2018
Regulatory trusts and deposits		
Affiliated transactions	687,858	937,646
Third party	822,488	643,089
Letters of credit / guarantees	435,779	577,266
Unfunded investment commitments	—	—
Real Estate Fund	111,421	102,509
Total Restricted Assets	**2,057,546**	**2,260,510**
Cash and invested assets	3,510,028	3,788,431
Percentage of cash and invested assets	**58.6%**	**59.7%**

Real Estate Fund. 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.

The Company’s current arrangements with our bankers for the issue of letters of credit require us to provide collateral in the form of cash and investments for the full amount of all secured and undrawn letters of credit that are outstanding. We monitor the proportion of our otherwise liquid assets that are committed to trust funds or to the collateralization of letters

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

10. Commitments and Contingent Liabilities (continued)

(a) Restricted assets (continued)

of credit. As at December 31, 2019 and 2018, these funds amounted to approximately 58.6% of the $3.5 billion and approximately 59.7% of the $3.8 billion of investable assets held by the Company, respectively. We do not consider that this unduly restricts our liquidity at this time.

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 The Company's liabilities to its U.S. cedants which was $427.7 million and $647.8 million as at December 31, 2019 and 2018, respectively.

(b) Operating Leases

As at December 31, 2019, the Company has recognized right-of-use operating lease assets of $2.8 million, and lease liabilities of $2.8 million. Right-of-use lease assets comprises of leased office real estate globally. For all office real estate leases, rent incentives, including reduced-rent and rent free periods and contractually agreed rent increases during the lease term, have been included when determining the present value of future cash flows.

The Company believes its office space is sufficient to conduct its operations for the foreseeable future in these locations. The Company has no lease transactions between related parties. Comparatives have not been presented due to 2019 being the first year of adoption of ASU 2016-2, "*Leases (Topic 842)*" *Operating lease charge.*

The following table summarizes the operating lease charge for the twelve months ended December 31, 2019:

	For the Twelve Months Ended December 31, 2019
Amortization charge on right-of-use operating leased assets	942
Interest on operating lease liabilities	942
Operating lease charge	1,884

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

10. Commitments and Contingent Liabilities (continued)

(b) Operating Leases (continued)

Lease Liabilities. The following table summarizes the maturity of lease liabilities under non-cancellable leases as of December 31, 2019:

	December 31, 2019
Operating leases — maturities	
2020	1,060
2021	883
Total minimum lease payments	1,943
Less imputed interest	(90)
Total lease liabilities	1,853

(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. The Company's Operating Subsidiaries are regularly engaged in the investigation, conduct and defense of disputes, or potential disputes, resulting from questions of insurance or reinsurance coverage or claims activities. 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, 2019, 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 and cash and cash equivalents, and insurance and reinsurance balances owed by the brokers with whom the Company transacts business.

The Company 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 Board of Directors.

Reinsurance Recoverables

The total amount recoverable by the Company from reinsurers as at December 31, 2019 was $444.4 million (2018 — $487.8 million) of which $179.3 million was uncollateralized (2018 — $189.1 million). As at December 31, 2019, of the Company's uncollateralized reinsurance recoverables 41.5% (2018 — 50.6%) were with Aspen Insurance UK Limited which is rated A by A.M. Best and A by S&P, 14.8% (2018 — 10.2%) were with Munich Re which is rated A+ by A.M. Best and AA- by S&P, 14.5% (2018 —8.2%) were with Everest Re 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, 2019 or December 31, 2018.

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

11. Concentration of Credit Risk (continued)

Underwriting premium receivables

The total underwriting premium receivable by the Company as at December 31, 2019 was $154.7 million (2018 — $135.4 million). As at December 31, 2019, $Nil of the total premiums receivable balance has been 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. A bad debt provision was included of $Nil million as at December 31, 2019 (2018 — $Nil million) for underwriting premiums unlikely to be collected.

Investments 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, 2019, there were no investments in any single issuer, other than the U.S. government, U.S. government agencies, U.S. government sponsored enterprises, the Canadian government and the U.K. 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 three years ended December 31, 2019 and the proportion of gross written premiums from each of those brokers.

	December 31, 2019	December 31, 2018
Aon Corporation[4]	37.4%	43.3%
Guy Carpenter	26.9%	28.3%
Willis Group Holdings, Ltd.	18.9%	17.9%

12. Shareholder's Equity and Regulation

The Company is regulated by the Bermuda Monetary Authority ("BMA") and is licensed as a Class 4 insurer under the Insurance Act 1978 of Bermuda as amended (the "Insurance Act"). The Insurance Act imposes solvency and liquidity standards as well as auditing and reporting requirements on Bermuda insurers and reinsurers, and it empowers the BMA to supervise, investigate, require information and intervene in the affairs of Bermuda registered insurance companies. There are a number of remedial actions the BMA can take to protect the public interest if it determines that a Bermuda insurer or reinsurer may become insolvent or that a breach of the Insurance Act or of a registration condition has occurred or is about to occur. The BMA also acts as group supervisor of the Aspen group of companies ("Aspen Group") and has named The Company as the designated insurer.

In addition to requiring the appointment of a principal representative in Bermuda, the appointment of an independent auditor and the appointment of a loss reserve specialist, significant provisions of the Insurance Act applicable to The Company include:

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[4] On March 9, 2020, Aon plc and Willis Towers Watson announced a definitive agreement to combine, and expect the transaction to close in the first half of 2021.

12. Shareholder's Equity and Regulation (continued)

Annual Filings. On an annual basis, The Company is required to submit to the BMA: (i) a statutory financial return; (ii) audited financial statements including notes to the financial statements, in accordance with GAAP Standards; and (iii) a capital and solvency return ("CSR"), which includes the Bermuda Solvency Capital Requirement ("BSCR"), a risk-based capital adequacy model, and associated schedules, a Commercial Insurer Solvency Self-Assessment ("CISSA"), a Financial Condition Report (the "FCR") and an opinion of a BMA approved loss reserve specialist on the economic balance sheet technical provisions. The CISSA is a self-assessment of our risk and solvency requirements that allows the BMA to obtain our view of the capital resources required to achieve our business objectives and to assess our governance, risk management and controls surrounding this process. The audited financial statements are published by the BMA on its website. The FCR is submitted by Aspen Group and published on our website, and includes information pertaining to The Company.

Enhanced Capital Requirements. The Company must maintain available statutory capital and surplus in an amount equal to or exceeding its Enhanced Capital Requirement ("ECR"). The ECR is determined either by reference to the BSCR model or an approved internal capital model. The Company currently relies on the BSCR model to establish its ECR. The BMA also expects Class 4 insurers such as The Company to operate at or above a Target Capital Level ("TCL"), which the BMA has set at 120% of the ECR. The Company holds capital in excess of its TCL as at December 31, 2019.

Minimum Solvency Margin and Minimum Liquidity Ratio. The Company is also required to comply with a minimum solvency margin and minimum liquidity ratio in respect of its business. The minimum solvency margin is the greater of: (i) $100,000,000; or (ii) 50% of net premiums written (being gross premiums written less any premiums ceded (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. The minimum liquidity ratio requires that the value of relevant assets not be less than 75% of the amount of relevant liabilities.

Restrictions on Dividends, Distributions and Reduction of Capital. The Company may not declare or pay any dividends during any financial year if it would cause the insurer to fail to meet its relevant solvency margins, capital requirements or liquidity ratio, and an insurer which fails to meet its relevant requirements on the last day of any financial year may not, without the approval of the BMA, declare or pay any dividends during the next financial year. In addition, as a Class 4 insurer, 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. Further, The Company must obtain the prior approval of the BMA before reducing by 15% or more its total statutory capital as set out in its previous year's financial statements.

The Insurance Amendment (No. 2) Act 2018 amended the Insurance Act to provide for the prior payment of policyholders' liabilities ahead of general unsecured creditors in the event of the liquidation or winding up of an insurer. The amendments provide among other matters that, subject to certain statutorily preferred debts, the insurance debts of an insurer must be paid in priority to all other unsecured debts of the insurer. Insurance debt is defined as a debt to which an insurer is or may become liable pursuant to an insurance contract excluding debts owed to an insurer under an insurance contract where the insurer is the person insured.

In addition, The Company must comply with the provisions of the Bermuda Companies Act 1981, as amended (the "Companies Act"), regulating the payment of dividends and distributions. A Bermuda company may not declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that: (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the company's assets would thereby be less than its liabilities.

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

12. Shareholder's Equity and Regulation (continued)

Actual and required statutory capital and surplus for The Company, as at December 31, 2019 and December 31, 2018 were estimated as follows:

	2019	2018
Required statutory capital and surplus	788,479	782,840
Actual statutory capital and surplus	1,380,619	1,556,242

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 March 31, 2035.

14. Subsequent Events

Reinsurance Agreement. On March 2, 2020, Holdings and its operating subsidiaries entered into an adverse development reinsurance agreement with a wholly-owned subsidiary of Enstar Group Limited.

Under this agreement, these entities will cede to the wholly-owned subsidiary of Enstar Group Limited, losses incurred on or prior to December 31, 2019 on a diversified mix of property, liability and specialty lines business across the U.S., U.K and Europe, in excess of $3.8 billion, up to an aggregate limit of $4.6 billion (coverage of $0.8 billion). The reinsurance agreement also provides for $0.3 billion of cover in excess of $4.8 billion.

The consideration for this agreement is $0.8 billion plus interest at 3.75% per annum, compounding daily, from the effective date January 1, 2020 to the closing date. Completion of the transaction is subject to regulatory approvals and satisfaction of various other closing conditions. The transaction is expected to close in the first half of 2020.

COVID-19. We continue to closely monitor developments related to the outbreak of COVID-19, also known as coronavirus, to assess any potential impact on our business. Like many property and casualty (re)insurers, we have possible exposure to the contingency market and cancellation losses stemming from the COVID-19 outbreak and could also face COVID-19 related claims from credit and surety lines and potential exposure from business interruption. Whether the virus could trigger coverage is dependent on specific policy language, terms and exclusions. There is a risk, however, that legislative, regulatory, judicial or social influences may extend coverage beyond our intended contractual obligations or result in an increase in the frequency or severity of claims beyond expected levels. The volatility in the financial markets resulting from the outbreak may also impact our investment portfolio. Our investment portfolio comprises primarily government and other fixed income securities and we are not significantly exposed to equity markets. However, our corporate bond portfolio could be subject to default risk in the event of extended disruption to trade, and our strategic asset allocation includes middle market loans, commercial and other mortgage loan arrangements which may be adversely affected by the outbreak. In addition, existing and potential future travel bans, preventative or government mandated closures of our offices or the offices of our outsource providers may affect our ability to conduct our business. A prolonged period of commercial disruption, reduced economic activity and other consequences of the outbreak could have a material impact on our results of operations, financial condition or liquidity. Because this is an evolving and highly uncertain situation it is not possible to provide an estimate of potential insurance or reinsurance exposure or the indirect effects the outbreak may have on our results of operations, financial condition or liquidity.

Recent Changes to Ratings. On March 26, 2020, S&P downgraded the financial strength and issuer credit ratings of the Company to “A-” (Strong) from “A” (Strong). The outlook assigned to this ratings is stable.

14. Subsequent Events (continued)

Although the Company is still assessing the impact of this recent downgrade by S&P, we do not believe that this change in rating will materially impact the Company's business operations. However, the downgrade may impair our ability to sell insurance policies and could materially and adversely affect our competitive position in the insurance industry, future financial condition and operating results.

The Company completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2019 through to May 27, 2020, the date the financial statements were available for issuance.