Chubb Tempest Reinsurance Ltd. and its subsidiaries

(Incorporated in Bermuda)

Consolidated Financial Statements

December 31, 2019 and 2018

(in thousands of U.S. dollars)

Report of Independent Auditors

To the Board of Directors of Chubb Tempest Reinsurance and its subsidiaries:

We have audited the accompanying consolidated financial statements of Chubb Tempest Reinsurance and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and comprehensive income, of shareholder's equity and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chubb Tempest Reinsurance and its subsidiaries 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 accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

April 1, 2020

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Chubb Tempest Reinsurance Ltd. and its subsidiaries
Consolidated Balance Sheets
As at December 31, 2019 and 2018

(in thousands of U.S. dollars, except par value)

	2019 $	2018 $
Assets		
Fixed maturities available for sale, at fair value (amortized cost $10,541,155 and $10,298,372)	10,904,216	10,188,201
Fixed maturities held to maturity, at amortized cost (fair value $5,854 and $7,299)	5,519	7,080
Equity securities, at fair value	599	427
Short-term investments, at cost and fair value	681,979	333,192
Other investments, at fair value	4,102,735	3,131,977
Cash	228,769	77,248
Restricted cash	11,003	15,747
Total investments and cash	15,934,820	13,753,872
Securities lending collateral	142,787	302,614
Accrued investment income	97,405	95,758
Reinsurance balances receivable	835,650	500,967
Prepaid reinsurance premiums	182,482	166,096
Reinsurance recoverable	1,104,653	1,047,989
Value of reinsurance business assumed	137,501	160,965
Deferred policy acquisition costs	449,359	435,527
Goodwill	364,958	364,958
Amounts due from affiliates	352,118	445,050
Loan due from affiliate	250,000	300,000
Funds withheld	470,720	370,582
Other assets	29,276	264,238
Total assets	20,351,729	18,208,616
Liabilities		
Unpaid losses and loss expenses	6,510,589	6,530,063
Future policy benefits	341,748	318,972
Unearned premiums	1,195,575	1,070,689
Reinsurance balances payable	860,053	295,098
Securities lending payable	142,849	302,678
Accounts payable, accrued expenses and other liabilities	173,021	158,625
Repurchase agreements	101,994	556,664
Amounts due to affiliates	9,653	54,543
Total liabilities	9,335,482	9,287,332
Shareholder's equity		
Chubb Tempest Reinsurance Ltd. shareholder's equity		
Common shares ($10 par value, 10,000,000 authorized 280,000 issued and outstanding)	2,800	2,800
Additional paid-in capital	2,546,935	2,546,935
Retained earnings	7,514,624	5,977,974
Accumulated other comprehensive income (AOCI)	63,628	(382,608)
Total Chubb Tempest Reinsurance Ltd. shareholder's equity	10,127,987	8,145,101
Non-controlling interest	888,260	776,183
Total shareholder's equity	11,016,247	8,921,284
Total liabilities and shareholder's equity	20,351,729	18,208,616

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

Chubb Tempest Reinsurance Ltd. and its subsidiaries
Consolidated Statements of Operations and Comprehensive Income
For the years ended December 31, 2019 and 2018

(in thousands of U.S. dollars)

	2019 $	2018 $
Revenues		
Gross premiums written		
Property and casualty premiums	4,137,695	2,934,340
Life and annuity premiums	161,256	551,894
	4,298,951	3,486,234
Reinsurance premiums ceded	(517,744)	(474,482)
Net premiums written	3,781,207	3,011,752
Change in unearned premiums	(97,684)	392,313
Net premiums earned	3,683,523	3,404,065
Net investment income	463,666	551,426
Other income, net	502,668	315,705
Net realized gains (losses):		
Other-than-temporary impairment (OTTI) losses gross	(9,141)	(8,336)
Portion of OTTI losses recognized in other comprehensive income	2,721	207
Net OTTI losses recognized in income	(6,420)	(8,129)
Net realized gains (losses) excluding OTTI losses	(42,221)	(122,513)
Total net realized gains (losses) (includes ($2,346) and ($46,181) reclassified from AOCI)	(48,641)	(130,642)
Total revenues	4,601,216	4,140,554
Expenses		
Losses and loss expenses	1,736,485	1,899,608
Future policy benefits	71,324	132,163
Policy acquisition costs	968,029	1,103,003
Administrative expenses	18,023	18,721
Interest expense	9,769	40,910
Total expenses	2,803,630	3,194,405
Net income	1,797,586	946,149
Less: Net income attributable to the non-controlling interest	112,077	87,041
Net income attributable to Chubb Tempest Reinsurance Ltd.	1,685,509	859,108
Other comprehensive income		
Unrealized appreciation (depreciation) on investments	468,121	(389,998)
Reclassification adjustments for net realized losses included in net income	2,346	46,181
	470,467	(343,817)
Change in:		
Cumulative translation adjustments	(24,231)	(66,783)
Other comprehensive income / (loss)	446,236	(410,600)
Comprehensive income	2,243,822	535,549
Less: Comprehensive income attributable to the non-controlling interest	112,077	87,041
Comprehensive income attributable to Chubb Tempest Reinsurance Ltd.	2,131,745	448,508

Chubb Tempest Reinsurance Ltd. and its subsidiaries
Consolidated Statements of Shareholder’s Equity
For the years ended December 31, 2019 and 2018

(in thousands of U.S. dollars)

	2019 $	2018 $
Common shares		
Balance – beginning and end of year	2,800	2,800
Additional paid-in capital		
Balance – beginning of year	2,546,935	2,546,935
Change in year	-	-
Balance – end of year	2,546,935	2,546,935
Retained earnings		
Balance – beginning of year, as reported	5,977,974	4,879,035
Cumulative effect of adoption of accounting standards	1,141	239,831
Balance – beginning of year, as adjusted	5,979,115	5,118,866
Net income	1,685,509	859,108
Dividends declared	(150,000)	-
Balance - end of year	7,514,624	5,977,974
Accumulated other comprehensive income (loss)		
Net unrealized appreciation (depreciation) on investments		
Balance – beginning of year	(212,039)	371,609
Cumulative effect of adoption of accounting standards	-	(239,831)
Balance – beginning of year, as adjusted	(212,039)	131,778
Change in year, before reclassification from AOCI to net income	468,121	(389,998)
Amounts reclassified from AOCI to net income	2,346	46,181
Balance - end of year	258,428	(212,039)
Cumulative Translation Adjustments		
Balance – beginning of year	(170,569)	(103,786)
Change in year	(24,231)	(66,783)
Balance - end of year	(194,800)	(170,569)
Accumulated other comprehensive income (loss)	63,628	(382,608)
Total Chubb Tempest Reinsurance Ltd. shareholder’s equity	10,127,987	8,145,101
Non-controlling interest		
Balance - beginning of year	776,183	791,142
Distributions to holder of non-controlling interest	-	(102,000)
Net income	112,077	87,041
Total non-controlling interest	888,260	776,183

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

Chubb Tempest Reinsurance Ltd. and its subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018

(in thousands of U.S. dollars)

	2019 $	2018 $
Cash flows from (used in) operating activities		
Net income	1,797,586	946,149
Adjustments to reconcile net income to net cash flows from operating activities:		
Net realized (gains) losses	48,641	130,642
Amortization of premiums/discounts on fixed maturities	5,615	11,432
Unpaid losses and loss expenses, net of reinsurance recoverable	(93,594)	(463,161)
Future policy benefits, net of reinsurance recoverable	25,671	(691,237)
Unearned premiums	117,471	(362,057)
Reinsurance balances payable	624,507	(43,702)
Accounts payable, accrued expenses, other liabilities and funds withheld	(20,028)	21,388
Reinsurance balances receivable	(403,347)	344,924
Prepaid reinsurance premiums	(18,685)	(27,918)
Accrued investment income	(1,964)	8,855
Interest on intercompany loans	1,225	(7,350)
Deferred policy acquisition costs	(13,761)	36,433
Value of reinsurance business assumed	23,464	22,719
Amounts (paid to) received from parent and affiliates	40,670	(77,422)
Equity earnings	(503,229)	(397,149)
Other	(106,105)	(52,801)
Net cash flows from (used in) operating activities	1,524,137	(600,255)
Cash flows from (used in) investing activities		
Purchases of fixed maturities (available for sale and held to maturity)	(3,341,423)	(3,542,713)
Purchases of equity securities	-	(2,167)
Sales of fixed maturities available for sale	2,194,471	2,824,184
Sales of equity securities	-	2,212
Maturities and redemptions of fixed maturities available for sale	1,145,013	1,393,953
Net change in short-term investments	(347,127)	(15,422)
Net derivative instruments settlements	(23,447)	8,021
Private equity contributions	(1,042,264)	(1,202,127)
Private equity distributions	556,282	762,222
Other	(486)	(848)
Net cash flows from (used in) investing activities	(858,981)	227,315
Cash flows from (used in) financing activities		
Repayment of repurchase agreements	(450,000)	(556,629)
Proceeds from issuance of repurchase agreements	-	561,453
Proceeds from repayment (issuance) of intercompany loans	50,000	(300,000)
Dividends paid	(150,000)	-
Net cash flows (used in) financing activities	(550,000)	(295,176)
Effect of foreign currency rate change on cash and restricted cash	31,621	(6,830)
Net increase in cash and restricted cash	146,777	(674,946)
Cash and restricted cash- beginning of year	92,995	767,941
Cash and restricted cash - end of year	239,772	92,995
Supplemental cash flow information		
Interest paid	12,590	35,181

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

Chubb Tempest Reinsurance Ltd. and its subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2019 and 2018

1. General

Chubb Tempest Reinsurance Ltd. ("the Company" or "CTR") was incorporated under the laws of Bermuda and is a wholly-owned subsidiary of Chubb Tempest Life Reinsurance Ltd. ("CTLR"). The Company's ultimate parent company is Chubb Limited ("Chubb").

Effective November 1, 2017, a reorganization was completed whereby 100 percent of the shares of ACE European Life Limited (UK) (AELL), a party under common control of Chubb Limited, were transferred to CTR from CTLR (the Transfer). The accounts of AELL have been consolidated with those of the Company effective on the date of the Transfer.

Effective April 9, 2018, AELL changed its name from ACE Europe Life Limited to ACE Europe Life Plc (AELP) and on July 19, 2018, changed its name to ACE Europe Life SE (AELS).

On November 27, 2018, second shareholders were appointed for AELS as part of preparations to re-domicile to France on January 1, 2019. Chubb Group Management and Holdings Ltd. now hold one share of AELS.

Effective November 28, 2019, Chubb Life Insurance Myanmar Limited (CLIM), a newly established wholly owned subsidiary of CTR, acquired a license to write life business in Myanmar. This was one of five 100% foreign owned subsidiary licenses issued as a result of the opening of the Myanmar life insurance market in 2019. CLIM is based in Yangon, Myanmar.

Oasis Investments Limited and Oasis Investments 2 Ltd are consolidated in these financial statements as the Company owns 66.6%. There has been no change in the ownership percentages held during 2019.

The Company provides property catastrophe, property, casualty, accident and health and life reinsurance for a diverse group of customers worldwide.

2. Significant accounting policies

(a) **Basis of presentation**

The accompanying consolidated financial statements, which include the accounts of the Company and its subsidiaries, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and, in the opinion of management, reflect all adjustments necessary for a fair statement of the results and financial position for such periods. All significant intercompany accounts and transactions, including internal reinsurance transactions have been eliminated. Certain items in the prior year financial statements have been reclassified to conform to the current year presentation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Amounts included in the consolidated financial statements reflect the Company's best estimates and assumptions; actual amounts could differ materially from these estimates. The Company's principal estimates include:

- unpaid loss and loss expense reserves and future policy benefits reserves;
- the amortization of deferred policy acquisition costs;
- value of reinsurance business assumed;
- reinsurance recoverable, including a provision for uncollectible reinsurance;
- the assessment of risk transfer for certain reinsurance contracts;
- the valuation of the investment portfolio and assessment of other-than-temporary impairments (OTTI);

- the valuation of certain derivatives including those related to guaranteed living benefits (GLB); and
- the assessment of goodwill for impairment.

(b) **Premiums**

Premiums are generally recorded as written upon inception of the policy. For multi-year policies for which premiums written are payable in annual installments, only the current annual premium is included as written at policy inception due to the ability of the insured/reinsured to commute or cancel coverage within the term of the policy. The remaining annual premiums are recorded as written at each successive anniversary date within the multi-year term.

For property and casualty (P&C) reinsurance products, premiums written are primarily earned on a pro-rata basis over the terms of the policies to which they relate. Unearned premiums represent the portion of premiums written applicable to the unexpired portion of the policies in force. For retrospectively-rated policies, written premiums are adjusted to reflect expected ultimate premiums consistent with changes to incurred losses, or other measures of exposure as stated in the policy, and earned over the policy coverage period.

Reinsurance premiums from traditional life and annuity policies with life contingencies are generally recognized as revenue when due from policyholders. Traditional life policies include those contracts with fixed and guaranteed premiums and benefits. Benefits and expenses are matched with such income to result in the recognition of profit over the life of the contracts.

Mandatory reinstatement premiums assessed on reinsurance policies are earned in the period of the loss event that gave rise to the reinstatement premiums. All remaining unearned premiums are recognized over the remaining coverage period.

Premiums from long duration contracts such as certain long duration personal accident and health (A&H) policies are generally recognized as revenue when due from policyholders. Benefits and expenses are matched with such income to result in the recognition of profit over the life of the contracts.

Retroactive loss portfolio transfer (LPT) contracts in which the insured loss events occurred prior to the inception of the contract are evaluated to determine whether they meet the established criteria for reinsurance accounting. If reinsurance accounting is appropriate, written premiums are fully earned and corresponding losses and loss expenses recognized at the inception of the contract. The contracts can cause significant variances in gross premiums written, net premiums written, net premiums earned, and net incurred losses in the years in which they are written.

Reinsurance premiums assumed are based on information provided by ceding companies supplemented by the Company’s own estimates of premium when the Company has not received ceding company reports. The information used in establishing these estimates is reviewed and adjustments are recorded in the period in which they are determined. Premiums are earned over the coverage terms of the related reinsurance contracts and range from one to three years.

(c) **Deferred policy acquisition costs**

Policy acquisition costs consist of commissions, premium taxes, and certain underwriting costs related directly to the successful acquisition of new or renewal insurance contracts. Policy acquisition costs are deferred and amortized. Amortization is recorded in Policy acquisition costs in the consolidated statements of operations. Policy acquisition costs on P&C contracts are generally amortized rateably over the period in which premiums are earned. Policy acquisition costs are reviewed to determine if they

are recoverable from future income, including investment income. Unrecoverable policy acquisition costs are expensed in the period identified.

(d) **Reinsurance**

The Company assumes and cedes reinsurance with other insurance companies to provide greater diversification of business and minimize the net loss potential arising from large risks. Ceded reinsurance contracts do not relieve the Company of its primary obligation to its policyholders.

For both ceded and assumed reinsurance, risk transfer requirements must be met in order to obtain reinsurance status for accounting purposes, principally resulting in the recognition of cash flows under the contract as premiums and losses. To meet risk transfer requirements, a reinsurance contract must include insurance risk, consisting of both underwriting and timing risk, and a reasonable possibility of a significant loss for the assuming entity. To assess risk transfer for certain contracts, the Company generally develops expected discounted cash flow analyses at contract inception.

Reinsurance recoverable includes the balances due from reinsurance companies for paid and unpaid losses and loss expenses and future policy benefits that will be recovered from reinsurers, based on contracts in force. The method for determining the reinsurance recoverable on unpaid losses and loss expenses incurred but not reported (IBNR) involves actuarial estimates consistent with those used to establish the associated liability for unpaid losses and loss expenses as well as a determination of the Company's ability to cede unpaid losses and loss expenses under the terms of the reinsurance agreement.

Reinsurance recoverable is presented net of a provision for uncollectible reinsurance determined based upon a review of the financial condition of the reinsurers and other factors. The provision for uncollectible reinsurance is based on an estimate of the amount of the reinsurance recoverable balance that the Company will ultimately be unable to recover due to reinsurer insolvency, a contractual dispute, or any other reason. The valuation of this provision includes several judgments including certain aspects of the allocation of reinsurance recoverable on IBNR claims by reinsurer and a default analysis to estimate uncollectible reinsurance. The primary components of the default analysis are reinsurance recoverable balances by reinsurer, net of collateral, and default factors used to determine the portion of a reinsurer's balance deemed uncollectible. The definition of collateral for this purpose requires some judgment and is generally limited to assets held in trust, letters of credit, and liabilities held by the Company with the same legal entity for which it believes there is a contractual right of offset. The determination of the default factor is principally based on the financial strength rating of the reinsurer. Default factors require considerable judgment and are determined using the current financial strength rating, or rating equivalent, of each reinsurer as well as other key considerations and assumptions. The more significant considerations include, but are not necessarily limited to, the following:

- For reinsurers that maintain a financial strength rating from a major rating agency, and for which recoverable balances are considered representative of the larger population (i.e., default probabilities are consistent with similarly rated reinsurers and payment durations conform to averages), the financial rating is based on a published source and the default factor is based on published default statistics of a major rating agency applicable to the reinsurer's particular rating class. When a recoverable is expected to be paid in a brief period of time by a highly rated reinsurer, such as certain property catastrophe claims, a default factor may not be applied;

- For balances recoverable from reinsurers that are both unrated by a major rating agency and for which management is unable to determine a credible rating equivalent based on a parent, affiliate, or peer company, the Company determines a rating equivalent based on an analysis of the reinsurer that considers an assessment of the creditworthiness of the particular entity, industry benchmarks, or other factors as considered appropriate. The Company then applies the applicable default factor

for that rating class. For balances recoverable from unrated reinsurers for which the ceded reserve is below a certain threshold, the Company generally applies a default factor of 34 percent, consistent with published statistics of a major rating agency;

- For balances recoverable from reinsurers that are either insolvent or under regulatory supervision, the Company establishes a default factor and resulting provision for uncollectible reinsurance based on reinsurer-specific facts and circumstances. Upon initial notification of an insolvency, the Company generally recognizes expense for a substantial portion of all balances outstanding, net of collateral, through a combination of write-offs of recoverable balances and increases to the provision for uncollectible reinsurance. When regulatory action is taken on a reinsurer, the Company generally recognizes a default factor by estimating an expected recovery on all balances outstanding, net of collateral. When sufficient credible information becomes available, the Company adjusts the provision for uncollectible reinsurance by establishing a default factor pursuant to information received; and

- For other recoverables, management determines the provision for uncollectible reinsurance based on the specific facts and circumstances of that dispute.

The methods used to determine the reinsurance recoverable balance and related provision for uncollectible reinsurance are regularly reviewed and updated and any resulting adjustments are reflected in earnings in the period identified.

Prepaid reinsurance premiums represent the portion of premiums ceded to reinsurers applicable to the unexpired coverage terms of the reinsurance contracts in force.

The value of reinsurance business assumed represents the excess of estimated ultimate value of the liabilities assumed under retroactive reinsurance contracts over consideration received. The value of reinsurance business assumed is amortized and recorded to losses and loss expenses based on the payment pattern of the losses assumed and ranges between 9 and 40 years. The unamortized value is reviewed regularly to determine if it is recoverable based upon the terms of the contract, estimated losses and loss expenses, and anticipated investment income. Unrecoverable amounts are expensed in the period identified.

(e) **Investments**

Fixed maturities, equity securities, and short-term investments

Fixed maturities are classified as either available for sale or held to maturity.

- Available for sale (AFS) portfolio is reported at fair value with changes in fair value recorded as a separate component of AOCI in Shareholder's equity.

- Held to maturity portfolio includes securities for which the Company has the ability and intent to hold to maturity or redemption and is reported at amortized cost.

Equity securities are reported at fair value with changes in fair value recorded in net realized gains (losses) on the Consolidated statement of operations. Prior to January 1, 2018, changes in fair value were recorded as a separate component of AOCI in Shareholder's equity.

Short-term investments comprise securities due to mature within one year of the date of purchase and are recorded at fair value which typically approximates cost.

Interest, dividend income, amortization of fixed maturity market premiums and discounts related to these securities are recorded in Net investment income, net of investment management and custody fees, in the Consolidated statement of operations.

For mortgage-backed securities and any other holdings for which there is a prepayment risk, prepayment assumptions are evaluated and revised as necessary. Any adjustments required due to the resultant change in effective yields and maturities are recognized prospectively. Prepayment fees or call premiums that are only payable when a security is called prior to its maturity are earned when received and reflected in Net investment income.

The Company regularly reviews its investments for OTTI. Refer to Note 3 for additional information. With respect to securities where the decline in value is determined to be temporary and the security's value is not written down, a subsequent decision may be made to sell that security and realize a loss. Subsequent decisions on security sales are the result of changing or unforeseen facts and circumstances (e.g., arising from a large insured loss such as a catastrophe), deterioration of the credit-worthiness of the issuer or its industry, or changes in regulatory requirements. The Company believes that subsequent decisions to sell such securities are consistent with the classification of the majority of the portfolio as available for sale.

Other investments

Other investments principally comprise investment funds, limited partnerships, partially-owned investment companies, partially-owned insurance companies and policy loans.

Investment funds and limited partnerships

Investment funds, limited partnerships and all other investments over which the Company cannot exercise significant influence are accounted for as follows. Generally, we own less than three percent of the investee's shares.

- Income and expenses from these funds are reported within Net investment income.
- These funds are carried at net asset value which approximates fair value with changes in fair value recorded in net realized gains (losses) on the Consolidated statement of operations. Refer to Note 9 for a further discussion on net asset value. Prior to January 1, 2018, changes in fair value were recorded as a separate component of AOCI in Shareholder's equity.
- As a result of the timing of the receipt of valuation data from the investment managers, these investments are generally reported on a three month lag.
- Sales of these investments are reported within Net realized gains (losses).

Partially-owned investment companies

Partially-owned investment companies where our ownership interest is in excess of three percent are accounted for under the equity method because the Company exerts significant influence. These investments apply investment company accounting to determine operating results, and the Company retains the investment company accounting in applying the equity method.

- This means that investment income, realized gains or losses, and unrealized gains or losses are included in the portion of equity earnings reflected in Other (income) expense.
- As a result of the timing of the receipt of valuation data from the investment managers, these investments are generally reported on a three month lag.

Investments in partially-owned insurance companies

Investments in partially-owned insurance companies primarily represent direct investments in which the Company has significant influence and as such, meet the requirements for equity accounting. The company reports its share of the net income or loss of the partially-owned insurance companies in Other (income) expense.

Derivative instruments

The Company recognizes all derivatives at fair value in the Consolidated balance sheets in either Accounts payable, accrued expenses, and other liabilities or Other assets. Changes in fair value are included in Net realized gains (losses) in the Consolidated statements of operations. We did not designate any derivatives as accounting hedges during 2019 or 2018. The Company participates in derivative instruments in two principal ways:

(i) To sell protection to customers as an insurance or reinsurance contract that meets the definition of a derivative for accounting purposes. The reinsurance of GLBs was our primary product falling into this category; and

(ii) To mitigate financial risks and manage certain investment portfolio risks and exposures, including assets and liabilities held in foreign currencies. We use derivative instruments including futures, swaps, and foreign currency forward contracts. Refer to Note 7 for additional information.

Collateral held by brokers equal to a percentage of the total value of open futures contracts is included in the investment portfolio.

Securities lending programs

The Company participates in a securities lending program operated by a third party banking institution whereby certain assets are loaned to qualified borrowers and from which the Company earns an incremental return which is recorded within Net investment income in the Consolidated statement of operations.

Borrowers provide collateral, in the form of either cash or approved securities, at a minimum of 102 percent of the fair value of the loaned securities. Each security loan is deemed to be an overnight transaction. Cash collateral is invested in a collateral pool which is managed by the banking institution. The collateral pool is subject to written investment guidelines with key objectives which include the safeguard of principal and adequate liquidity to meet anticipated redemptions. The fair value of the loaned securities is monitored on a daily basis, with additional collateral obtained or refunded as the fair value of the loaned securities changes.

The collateral is held by the third party banking institution, and the collateral can only be accessed in the event that the institution borrowing the securities is in default under the lending agreement. As a result of these restrictions, the Company considers its securities lending activities to be non-cash investing and financing activities. An indemnification agreement with the lending agent protects the Company in the event a borrower becomes insolvent or fails to return any of the securities on loan. The fair value of the securities on loan is included in fixed maturities and equity securities in the Consolidated balance sheets. The securities lending collateral is reported as a separate line in the Consolidated balance sheets with a related liability reflecting the Company's obligation to return the collateral plus interest.

Repurchase agreements

Similar to securities lending arrangements, securities sold under repurchase agreements, whereby the Company sells securities and repurchases them at a future date for a predetermined price, are accounted for as collateralized investments and borrowings and are recorded at the contractual repurchase amounts plus accrued interest. Assets to be repurchased are the same or substantially the same as the assets transferred and the transferor, through right of substitution, maintains the right and ability to redeem the

collateral on short notice. The fair value of the underlying securities is included in fixed maturities. In contrast to securities lending programs, the use of cash received is not restricted. The Company reports the obligation to return the cash as Repurchase agreements in the Consolidated balance sheets and record the fees under these repurchase agreements within Interest expense on the Consolidated statement of operations.

Refer to Note 9 for a discussion on the determination of fair value for the Company's various investment securities.

(f) **Cash**

Cash includes cash on hand and deposits with an original maturity of three months or less at time of purchase. Cash held by external money managers is included in Short-term investments.

Chubb has agreements with a third party bank provider which implemented two international multi-currency notional cash pooling programs. In each program, participating Chubb entities establish deposit accounts in different currencies with the bank provider and each day the credit or debit balances in every account are notionally translated into a single currency (U.S. dollars) and then notionally pooled. The bank extends overdraft credit to any participating Chubb entity as needed, provided that the overall notionally-pooled balance of all accounts in each pool at the end of each day is at least zero. Actual cash balances are not physically converted and are not commingled between legal entities. Any overdraft balances incurred under this program by a Chubb entity would be guaranteed by Chubb Limited (up to $300 million in the aggregate). The syndicated letter of credit facility allows for same day drawings to fund a net pool overdraft should participating Chubb entities overdraw contributed funds from the pool. The Company is a participating Chubb entity.

Restricted cash

Restricted cash in the Consolidated balance sheets represents amounts held for the benefit of third parties and is legally or contractually restricted as to withdrawal or usage.

(g) **Goodwill**

Goodwill represents the excess of the cost of acquisitions over the fair value of net assets acquired and is not amortized. Goodwill is assigned at acquisition to the applicable reporting unit of the acquired entities giving rise to the goodwill. Goodwill impairment tests are performed annually, or more frequently if circumstances indicate a possible impairment. For goodwill impairment testing, the Company uses a qualitative assessment to determine whether it is more likely than not (i.e., more than a 50 percent probability) that the fair value of a reporting unit is greater than its carrying amount. If assessment indicates less than a 50 percent probability that fair value exceeds carrying value, the Company quantitatively estimates a reporting unit's fair value.

(h) **Unpaid losses and loss expenses**

A liability is established for the estimated unpaid losses and loss expenses under the terms of, and with respect to, the Company's policies and agreements. Similar to premiums that are recognized as revenues over the coverage period of the policy, a liability for unpaid losses and loss expenses is recognized as expense when insured events occur over the coverage period of the policy. These amounts include provision for both reported claims (case reserves) and incurred but not reported (IBNR) claims. IBNR reserve estimates are generally calculated by first projecting the ultimate cost of all losses that have occurred (expected losses), and then subtracting paid losses, case reserves, and loss expenses. The methods of determining such estimates and establishing the resulting liability are reviewed regularly and any adjustments are reflected in operations in the period in which they become known. Future developments may result in losses and loss expenses materially greater or less than the recorded amounts. The Company does not discount its property and casualty loss reserves.

Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves first reported in previous calendar years and excludes the effect of losses from the development of earned premiums from previous accident years.

For purposes of analysis and disclosure, management views prior period development to be changes in the nominal value of loss estimates from period to period, net of premium and profit commission adjustments on loss sensitive contracts. Prior period development generally excludes changes in loss estimates that do not arise from the emergence of claims, such as those related to uncollectible reinsurance, interest, unallocated loss adjustment expenses, or foreign currency. Accordingly, specific items excluded from prior period development include the following: gains/losses related to foreign currency remeasurement; losses recognized from the early termination or commutation of reinsurance agreements that principally relate to the time value of money; changes in the value of reinsurance business assumed reflected in losses incurred but principally related to the time value of money; and losses that arise from changes in estimates of earned premiums from prior accident years. Except for foreign currency remeasurement, which is included in Net realized gains (losses), these items are included in current year losses.

(i) **Future policy benefits**

The valuation of long-duration contract reserves requires management to make estimates and assumptions regarding expenses, mortality, persistency, and investment yields. Estimates are primarily based on historical experience and information provided by ceding companies and include a margin for adverse deviation. Interest rates used in calculating reserves range from less than 1.0 percent to 5.5 percent for both December 31, 2019 and 2018. Actual results could differ materially from these estimates. Management monitors actual experience and where circumstances warrant, will revise assumptions and the related reserve estimates. Revisions are recorded in the period they are determined.

Effective October 1, 2018, this balance was reduced by a settlement of reserves of $868.1 million, as a result of the commutation of North American affiliated A&H business.

(j) **Assumed reinsurance programs involving minimum benefit guarantees under annuity contracts**

The Company reinsures various living benefit guarantees (GLB) associated with variable annuities issued in the United States. The Company generally receives a monthly premium during the accumulation phase of the covered annuities (in-force) based on a percentage of the underlying accumulated guaranteed values. Depending on an annuitant's age, the accumulation phase can last many years. To limit our exposure under these programs, all reinsurance treaties include annual or aggregate claim limits and many include an aggregate deductible.

Under reinsurance programs covering GLBs, the Company assumes the risk of guaranteed minimum income benefits (GMIB) associated with variable annuity contracts. The GMIB risk is triggered if, at the time the contract holder elects to convert the accumulated account value to a periodic payment stream (annuitize), the accumulated account value is not sufficient to provide a guaranteed minimum level of monthly income. The GLB reinsurance product meets the definition of a derivative for accounting purposes and is carried at fair value with changes in fair value recognized in income. Refer to Note 7 and Note 9 for additional information.

(k) **Foreign currency remeasurement and translation**

The functional currency for each of our foreign operations is generally the currency of the local operating environment. Transactions in currencies other than a foreign operation’s functional currency are remeasured into the functional currency and the resulting foreign exchange gains and losses are reflected in Net realized gains (losses) in the consolidated statements of operations. Functional currency assets

and liabilities are translated into the reporting currency, U.S. dollars, using period end exchange rates and the related translation adjustments are recorded as a separate component of AOCI – in Shareholder's Equity. Functional statement of operations amounts expressed in functional currencies are translated using average exchange rates.

(l) **Administrative expenses**

Administrative expenses generally include all operating costs other than policy acquisition costs.

(m) **Cash flow information**

Premiums received and losses paid associated with the GLB reinsurance products, which as discussed previously meet the definition of a derivative instrument for accounting purposes, are included within Cash flows from operating activities. Cash flows, such as settlements and collateral requirements, associated with other derivative instruments are included on a net basis within Cash flows from investing activities. Purchases, sales, and maturities of short-term investments are recorded on a net basis within Cash flows from investing activities.

(n) **Share-based compensation**

The Company receives an allocation of share-based compensation costs from its ultimate parent, Chubb Limited. Chubb Limited measures and records compensation cost for all share-based payment awards at grant-date fair value. Compensation costs are recognized for vesting of share-based payment awards with only service conditions on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award were, in substance, multiple awards. For retirement-eligible participants, compensation costs for certain share-based payment awards are recognized immediately at the date of grant.

(o) **New accounting pronouncements**

Adopted in 2019

Premium Amortization on Purchased Callable Debt Securities

Effective January 1, 2019, we adopted new guidance on accounting for premium amortization on purchased callable debt securities for bonds held at a premium on a modified retrospective basis. The guidance requires the premium to be amortized to the earliest call date. As a result, we recorded a cumulative effect adjustment to increase beginning retained earnings by $1.1 million. Securities held at a discount did not require an accounting change.

Changes to the Disclosure Requirements for Fair Value Measurements

In August 2018, the FASB issued amendments to modify the disclosure requirements on fair value measurements. The amendments allow for the removal of: (i) the amount and reasons for transfer between Level 1 and Level 2 of the fair value hierarchy; (ii) the policy for timing of transfers between levels; and (iii) the valuation processes for Level 3 fair value measurements. This update also requires additional disclosure including an expanded discussion on unobservable inputs that are significant to the fair value measurement. We early adopted the amendments that allow the removal of certain disclosures in 2018 and added the expanded discussion on unobservable inputs in the fourth quarter of 2019, as permitted. The guidance changes disclosure only and did not have an impact on our financial condition or results of operations.

Adopted in 2020

Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments

Effective January 1, 2020, we adopted, on a modified retrospective basis, new guidance on the accounting for credit losses of financial instruments that are measured at amortized cost, including held to maturity securities, reinsurance recoverables, and high deductible receivables, by applying an approach based on the current expected credit losses (CECL). The estimate of expected credit losses considers historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. In addition, the guidance also amended the current available for sale (AFS) debt security other-than-temporary impairment model by requiring an estimate of the expected credit loss (ECL) only when the fair value is below the amortized cost of the asset. The length of time the fair value of an AFS security has been below the amortized cost no longer impacts the determination of whether a potential credit loss exists. The AFS security model also requires the use of a valuation allowance as compared to the current practice of writing down the asset.

During the first quarter of 2020, we established a valuation allowance for credit losses and recognized a cumulative effect adjustment and decreased beginning retained earnings by approximately $6.8 million.

Accounting guidance not yet adopted

Targeted Improvements to the Accounting for Long-Duration Contracts

In August 2018, the FASB issued guidance to improve the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The amendments in this update require more frequent updating of assumptions and a standardized discount rate for the future policy benefit liability, a requirement to use the fair value measurement model for policies with market risk benefits, simplified amortization of deferred acquisition costs, and enhanced disclosures. This standard will be effective for us in the first quarter of 2022 with early adoption permitted. We are currently assessing the effect of adopting this guidance on our financial condition and results of operations. We will be better able to quantify the effect of adopting this standard as we progress in our implementation process and draw nearer to the date of adoption.

3. *Investments*

(a) **Fixed maturities**

The following tables present the fair values and amortized costs of fixed maturities as well as OTTI recognized in AOCI at December 31, 2019 and 2018.

	December 31, 2019				
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value	OTTI Recognized in AOCI
	(in thousands of U.S. dollars)				
Available for sale					
U.S. Treasury and agency	$ 338,350	$ 11,746	$ (71)	$ 350,025	$ -
Foreign	2,965,120	139,114	(8,895)	3,095,339	(2,719)
Corporate securities	4,430,715	162,288	(15,830)	4,577,173	(183)
Mortgage-backed securities	2,616,241	70,957	(2,118)	2,685,080	(74)
States, municipalities, and political subdivisions	190,729	9,143	(3,273)	196,599	-
	$ 10,541,155	$ 393,248	$ (30,187)	$ 10,904,216	$ (2,976)
Held to maturity					
Corporate securities	$ 1,461	$ 58	$ -	$ 1,519	$ -
Mortgage-backed securities	4,058	277	-	4,335	-
	$ 5,519	$ 335	$ -	$ 5,854	$ -

	December 31, 2018				
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value	OTTI Recognized in AOCI
	(in thousands of U.S. dollars)				
Available for sale					
U.S. Treasury and agency	$ 660,320	$ 4,912	$ (5,941)	$ 659,291	$ -
Foreign	2,822,174	63,276	(54,811)	2,830,639	-
Corporate securities	4,036,196	24,556	(115,547)	3,945,205	(1,149)
Mortgage-backed securities	2,599,451	15,123	(41,525)	2,573,049	(95)
States, municipalities, and political subdivisions	180,231	4,263	(4,477)	180,017	-
	$ 10,298,372	$ 112,130	$ (222,301)	$ 10,188,201	$ (1,244)
Held to maturity					
Corporate securities	$ 2,046	$ 72	$ -	$ 2,118	$ -
Mortgage-backed securities	5,034	152	(5)	5,181	-
	$ 7,080	$ 224	$ (5)	$ 7,299	$ -

As discussed in Note 3 (c), if a credit loss is incurred on an impaired fixed maturity, an OTTI is considered to have occurred and the portion of the impairment not related to credit losses (non-credit

OTTI) is recognized in Other comprehensive income (OCI). Included in the "OTTI Recognized in AOCI" columns above are the cumulative amounts of non-credit OTTI recognized in OCI adjusted for subsequent sales, maturities, and redemptions. OTTI recognized in AOCI does not include the impact of subsequent changes in fair value of the related securities. In periods subsequent to a recognition of OTTI in OCI, changes in the fair value of the related fixed maturities are reflected in Net unrealized appreciation (depreciation) on investments in the Consolidated statements of shareholder's equity. For the years ended December 31, 2019 and 2018, $0.5 million and $nil net unrealized depreciation, respectively, related to such securities are included in OCI. At December 31, 2019 and 2018, AOCI included net unrealized appreciation of $nil and $0.5 million, respectively, related to securities remaining in the investment portfolio for which a non-credit OTTI was recognized.

Mortgage-backed securities issued by U.S. government agencies are combined with all other "to be announced" mortgage backed securities held (refer to Note 9 (a)) and are included in the category, "Mortgage-backed securities". Approximately 79 percent and 81 percent of the total mortgage-backed securities at December 31, 2019 and 2018 are represented by investments in U.S. government agency bonds. The remainder of the mortgage exposure consists of collateralized mortgage obligations and non-government mortgage-backed securities, the majority of which provide a planned structure for principal and interest payments and carry a rating of AAA by the major credit rating agencies.

The following table presents fixed maturities by contractual maturity at December 31, 2019 and 2018.

	2019		2018	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
	(in thousands of U.S. dollars)			
Available for sale; maturity period				
Due in 1 year or less	$ 532,802	$ 528,760	$ 548,869	$ 546,417
Due after 1 year through 5 years	2,920,950	2,849,771	2,922,116	2,921,660
Due after 5 years through 10 years	3,515,800	3,381,716	3,070,271	3,166,911
Due after 10 years	1,249,584	1,164,667	1,073,896	1,063,933
	8,219,136	7,924,914	7,615,152	7,698,921
Mortgage-backed securities	2,685,080	2,616,241	2,573,049	2,599,451
	$ 10,904,216	$ 10,541,155	$ 10,188,201	$ 10,298,372
Held to maturity; maturity period				
Due in 1 year or less	$ -	$ -	$ 407	$ 403
Due after 1 year through 5 years	1,107	1,055	1,140	1,085
Due after 10 years	412	406	571	558
	1,519	1,461	2,118	2,046
Mortgage-backed securities	4,335	4,058	5,181	5,034
	$ 5,854	$ 5,519	$ 7,299	$ 7,080

Expected maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

(b) **Gross unrealized loss**

At December 31, 2019, there were 572 fixed maturities out of a total of 4,310 fixed maturities in an unrealized loss position. The largest single unrealized loss in the fixed maturities was $1.9 million. Fixed maturities in an unrealized loss position at December 31, 2019, comprised both investment grade and

below investment grade securities for which fair value declined primarily due to widening credit spreads since the date of purchase.

The following tables present, for all securities in an unrealized loss position at December 31, 2019, and 2018 (including securities on loan), the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position.

(in thousands of U.S. dollars)	**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. Treasury and agency	$ 30,094	(71)	-	-	30,094	(71)
Foreign bonds	282,229	(3,348)	161,700	(5,547)	443,929	(8,895)
Corporate securities	337,147	(6,652)	207,156	(9,178)	544,303	(15,830)
Mortgage-backed securities	192,308	(1,452)	114,760	(666)	307,068	(2,118)
States, municipalities, and political subdivisions	5,534	(31)	21,044	(3,242)	26,578	(3,273)
Total fixed maturities	$ 847,312	(11,554)	504,660	(18,633)	1,351,972	(30,187)

(in thousands of U.S. dollars)	**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. Treasury and agency	$ 231,115	(998)	197,391	(4,943)	428,506	(5,941)
Foreign bonds	675,789	(24,328)	548,248	(30,483)	1,224,037	(54,811)
Corporate securities	2,616,656	(98,727)	309,918	(16,820)	2,926,574	(115,547)
Mortgage-backed securities	718,691	(11,801)	828,686	(29,724)	1,547,377	(41,525)
States, municipalities, and political subdivisions	57,459	(572)	57,255	(3,905)	114,714	(4,477)
Total fixed maturities	$ 4,299,710	(136,426)	1,941,498	(85,875)	6,241,208	(222,301)

(c) **Net realized gains (losses)**

OTTI related to fixed maturities
In accordance with guidance related to the recognition and presentation of OTTI, when an impairment related to a fixed maturity has occurred, OTTI is required to be recorded in Net income if management has the intent to sell the security or it is more likely than not that the Company will be required to sell the security before the recovery of its amortized cost. Further, in cases where the Company does not intend to sell the security and it is more likely than not that the Company will not be required to sell the security, the Company must evaluate the security to determine the portion of the impairment, if any, related to credit losses. If a credit loss is incurred, an OTTI is considered to have occurred and any portion of the OTTI related to credit losses must be reflected in Net income while the portion of OTTI related to all other factors is recognized in OCI. For fixed maturities held to maturity, OTTI recognized in OCI is accreted from AOCI to the amortized cost of the fixed maturity prospectively over the remaining term of the securities.

Each quarter, securities in an unrealized loss position (impaired securities), including fixed maturities and securities lending collateral, are reviewed to identify impaired securities to be specifically evaluated for a potential OTTI.

Evaluation of potential credit losses related to fixed maturities

The Company reviews each fixed maturity in an unrealized loss position to assess whether the security is a candidate for credit loss. Specifically, the Company consider credit rating, market price, and issuer-specific financial information, among other factors, to assess the likelihood of collection of all principal and interest as contractually due. Securities for which the Company determine that credit loss is likely are subjected to further analysis to estimate the credit loss recognized in Net income, if any. In general, credit loss recognized in Net income equals the difference between the security's amortized cost and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security. All significant assumptions used in determining credit losses are subject to change as market conditions evolve.

U.S. Treasury and agency obligations (including agency mortgage-backed securities), foreign government obligations, and states, municipalities, and political subdivisions obligations

U.S. Treasury and agency obligations (including agency mortgage-backed securities), foreign government obligations, and states, municipalities, and political subdivisions obligations represent $8 million of gross unrealized loss at December 31, 2019. These securities were evaluated for credit loss primarily using qualitative assessments of the likelihood of credit loss considering credit rating of the issuers and level of credit enhancement, if any. The Company concluded that the high level of creditworthiness of the issuers coupled with credit enhancement, where applicable, supports recognizing no credit loss in Net income.

Corporate and foreign securities

Projected cash flows for corporate and foreign securities (principally senior unsecured bonds) are driven primarily by assumptions regarding probability of default and also the timing and amount of recoveries associated with defaults. The Company developed projected cash flows for corporate and foreign securities using market observable data, issuer-specific information, and credit ratings. We use historical default data by Moody's Investors Service (Moody's) rating category to calculate a 1-in-100 year probability of default, which results in a default assumption in excess of the historical mean default rate. Consistent with management's approach, the Company assumed a 32 percent recovery rate (the par value of a defaulted security that will be recovered) across all rating categories rather than using Moody's historical mean recovery rate of 42 percent. The Company believes that use of a default assumption in excess of the historical mean is conservative.

The following table presents default assumptions by Moody's rating category (historical mean default rate provided for comparison).

Moody's Rating Category	1-in-100 Year Default Rate	Historical Mean Default Rate
Investment Grade:		
Aaa-Baa	0.0-1.3%	0.0-0.3%
Below Investment Grade:		
Ba	4.8%	1.0%
B	12.0%	3.1%
Caa-C	36.3%	10.4%

Application of the methodology and assumptions described above resulted in credit losses recognized in Net income for corporate securities for the years ended December 31, 2019 and 2018 of $2.6 million and $4.0 million, respectively.

Mortgage-backed securities

For mortgage-backed securities, credit impairment is assessed using a cash flow model that estimates the cash flows on the underlying mortgages, using the security-specific collateral and transaction structure. The model estimates cash flows from the underlying mortgage loans and distributes those cash flows to various tranches of securities, considering the transaction structure and any subordination and credit enhancements that exist in that structure. The cash flow model incorporates actual cash flows on the mortgage-backed securities through the current period and then projects the remaining cash flows using a number of assumptions, including default rates, prepayment rates, and loss severity rates (the par value of a defaulted security that will not be recovered) on foreclosed properties.

The Company develops specific assumptions using market data, where available, and includes internal estimates as well as estimates published by rating agencies and other third-party sources. The Company projects default rates by mortgage sector considering current underlying mortgage loan performance, generally assuming lower loss severity for Prime sector bonds versus ALT-A and Sub-prime bonds.

These estimates are extrapolated along a default timing curve to estimate the total lifetime pool default rate. Other assumptions used contemplate the actual collateral attributes, including geographic concentrations, rating agency loss projections, rating actions, and current market prices. If cash flow projections indicate that losses will exceed the credit enhancement for a given tranche, then the Company does not expect to recover the Company's amortized cost basis and the Company recognizes an estimated credit loss in Net income.

There were no credit losses recognized in Net income for mortgage-backed securities for the years ended December 31, 2019 and 2018.

The following table presents, for the years ended December 31, 2019 and 2018, a roll-forward of pre-tax credit losses related to fixed maturities for which a portion of OTTI was recognized in OCI.

(in thousands of U.S. dollars)	2019	2018
Balance of credit losses related to securities still held-beginning of year	$ 7,356	$ 4,228
Additions where no OTTI was previously recorded	1,744	3,682
Additions where an OTTI was previously recorded	1,125	307
Reductions for securities sold during the period	(7,206)	(861)
Balance of credit losses related to securities still held-end of year	$ 3,019	$ 7,356

The following table presents, for the years ended December 31, 2019 and 2018, the components of Net realized gains (losses) and the change in net unrealized appreciation (depreciation) of investments.

(in thousands of U.S. dollars)	2019	2018
Fixed maturities		
OTTI on fixed maturities, gross	$ (9,141)	$ (8,336)
OTTI on fixed maturities recognized in OCI (pre-tax)	2,721	207
OTTI on fixed maturities, net	(6,420)	(8,129)
Gross realized gains excluding OTTI	35,533	22,001
Gross realized losses excluding OTTI	(31,258)	(60,335)
Total fixed maturities	(2,145)	(46,463)
Equity securities	(201)	282
Other investments	(10,716)	(7,017)
Foreign exchange gains (losses)	4,717	(3,458)
Derivative instruments	(40,295)	(73,941)
Other	(1)	(45)
Net realized gains (losses)	(48,641)	(130,642)
Change in net unrealized appreciation (depreciation) on investments:		
Fixed maturities available for sale	474,362	(344,136)
Fixed maturities held to maturity	(423)	(393)
Equity securities	-	81
Other	(3,472)	631
Change in net unrealized appreciation (depreciation) on investments	470,467	(343,817)
Total net realized gains (losses) and change in net unrealized appreciation (depreciation) on investments	$ 421,826	$ (474,459)

Realized gains and losses from equity securities and other investments include both sales of securities and unrealized gains and losses as follows:

	Year Ended December 31, 2019			Year Ended December 31, 2018		
(in thousands of U.S. dollars)	**Equity securities**	**Other investments**	**Total**	**Equity securities**	**Other investments**	**Total**
Net gains (losses) recognized during the period	$ (201)	$ (10,716)	$ (10,917)	$ 282	$ (6,309)	$ (6,027)
Less: Net gains recognized from sales of securities	-	(2,584)	(2,584)	76	122,831	122,907
Unrealized gains (losses) recognized for securities still held at reporting date	$ (201)	$ (8,132)	$ (8,333)	$ 206	$ (129,140)	$ (128,934)

(d) **Other investments**

The following table presents Other Investments at December 31, 2019 and 2018.

(in thousands of U.S. dollars)	2019	2018
	Fair value/Cost	Fair Value/Cost
Alternative investments		
Partially-owned investment company	$ 3,093,157	$ 2,312,520
Limited partnerships	377,313	394,897
Investment funds	271,441	82,185
Alternative investments	3,741,911	2,789,602
Other	30,008	30,000
Total	$ 3,771,919	$ 2,819,602

Alternative investments

Alternative investments include investment funds, limited partnerships, and partially-owned investment companies measured at fair value using NAV as a practical expedient.

The following table presents, by investment category, the expected liquidation period, fair values of and maximum future funding commitments related to these investments.

	December 31, 2019			December 31, 2018	
	Expected Liquidation Period	Fair Value	Maximum Future Funding Commitments	Fair Value	Maximum Future Funding Commitments
		(in thousands of U.S. dollars)			
Financial	2 to 9 Years	$ 392,951	272,504	$ 350,134	$ 124,226
Real Assets	2 to 11 Years	139,323	76,667	110,891	104,738
Distressed	2 to7 Years	231,880	74,526	253,230	94,701
Private Credit	3 to 8 Years	167,050	266,927	164,456	297,063
Traditional	2 to 14 Years	2,521,664	2,078,124	1,812,667	2,582,391
Vintage	1 to 2 Years	17,602	-	16,039	-
Investment funds	Not Applicable	271,441	-	82,185	-
		$ 3,741,911	2,768,748	$ 2,789,602	$ 3,203,119

Included in all categories in the above table except for investment funds are investments for which the Company will never have the contractual option to redeem but receives distributions based on the liquidation of the underlying assets. Included in the "Expected Liquidation Period" column above is the range in years over which the Company expects the majority of underlying assets in the respective categories to be liquidated. Further, for all categories except for Investment funds, the Company does not have the ability to sell or transfer the investments without the consent from the general partner of individual funds.

Investment Category	Consists of investments in private equity funds:
Financial	targeting financial services companies such as financial institutions and insurance services worldwide
Real Assets	targeting investments related to hard physical assets such as real estate, infrastructure and natural resources
Distressed	targeting distressed debt/credit and equity opportunities in the U.S.
Private Credit	targeting privately originated corporate debt investments including senior secured loans and subordinated bonds
Traditional	employing traditional private equity investment strategies such as buyout growth equity globally
Vintage	made before 2002 and where the funds' commitment periods had already expired

Included in limited partnerships and partially-owned investment company are 68 individual limited partnerships covering a broad range of investment strategies including large cap buyouts, specialist buyouts, growth capital, distressed, mezzanine, real estate, and co-investments. The underlying portfolio consists of various public and private debt and equity securities of publicly traded and privately held companies and real estate assets. The underlying investments across various partnerships, geographies, industries, asset types, and investment strategies provide risk diversification within the limited partnership portfolio and the overall investment portfolio.

The Company's investment funds employ various investment strategies such as long/short equity and arbitrage/distressed. Included in this category are investments for which the Company has the option to redeem at agreed upon value as described in each investment fund's subscription agreement. Depending on the terms of the various subscription agreements, investment fund investments may be redeemed monthly, quarterly, semi-annually, or annually. If the Company wishes to redeem an investment fund investment, it must first determine if the investment fund is still in a lock-up period (a time when the Company cannot redeem its investment so that the investment fund manager has time to build the portfolio). If the investment fund is no longer in its lock-up period, the Company must then notify the investment fund manager of its intention to redeem by the notification date prescribed by the subscription agreement. Subsequent to notification, the investment fund can redeem the company's investment within several months of the notification. Notice periods for redemption of the investment funds range between 5 and 120 days. The Company can redeem its investment funds without consent from the investment fund managers.
Investment funds include one highly diversified fund investment as well as several direct funds that employ a variety of investment styles such as long/short equity and arbitrage/distressed.

(e) **Investments in partially-owned insurance companies**

The following table presents Investments in partially-owned insurance companies:

(in thousands of U.S. dollars)	2019		2018		
	Carrying value	Ownership Percentage	Carrying value	Ownership Percentage	Domicile
Huatai Group	$ 230,505	9.9%	$ 221,133	9.9%	China
ABR reinsurance LTD	100,311	12.2%	91,242	11.7%	Bermuda
Total	$ 330,816		$ 312,375		

(f) **Net investment income**

The following table presents the source of net investment income for the years ended December 31, 2019 and 2018.

(in thousands of U.S. dollars)	2019	2018
Fixed maturities	$432,154	$453,448
Short-term investments	17,870	49,719
Equity securities	-	162
Other investments	27,369	60,622
Investment income from affiliates	12,272	13,864
Gross investment income	489,665	577,815
Investment expenses	(25,999)	(26,389)
Net investment income	$463,666	$551,426

(g) **Restricted Assets**

The Company is required to maintain assets on deposit with various regulatory authorities to support its reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. The assets on deposit are available to settle reinsurance liabilities. The Company is also required to pledge assets under repurchase agreements, which represent the Company's agreement to sell securities and repurchase them at a future date for a predetermined price. The Company also utilizes trust funds in certain transactions where the trust funds are set up for the benefit of the ceding companies and generally take the place of Letter of Credit (LOC) requirements. The Company has investments in segregated portfolios primarily to provide collateral or guarantees for LOCs

and derivative transactions. Included in restricted assets at December 31, 2019 and 2018, are fixed maturities totaling $5,215.6 million and $5,687.7 million and cash of $11.0 million and $15.7 million, respectively.

The following table presents the components of the restricted assets at December 31, 2019 and 2018.

(in thousands of U.S. dollars)	2019	2018
Deposits with regulatory authorities	$7,878	$6,232
Trust funds	5,115,660	5,115,353
Assets pledged under repurchase agreements	103,038	581,868
	$5,226,576	$5,703,453

In addition, the Company also utilizes a floating charge over certain assets for the benefit of a ceding company. Under the agreement, the Company would be required to secure assets in a trust for the benefit of the ceding company upon certain triggering events, including a rating downgrade below “A” by Standard and Poor’s. Although there have been no triggering events, in 2015 the Company elected to fund a trust for the benefit of the ceding company with a balance at December 31, 2019 and 2018 of $823.4 million and $781.3 million, respectively, and therefore the maximum amount of the floating charge as at December 31, 2019 and 2018 are $nil and $nil, respectively.

4. Unpaid losses and loss expenses

The Company establishes reserves for the estimated unpaid ultimate liability for losses and loss expenses under the terms of its policies and agreements. Reserves include estimates for both claims that have been reported and for IBNR claims, and include estimates of expenses associated with processing and settling these claims. Reserves are recorded in Unpaid losses and loss expenses in the consolidated balance sheets. While the Company believes that its reserves for unpaid losses and loss expenses at December 31, 2019 are adequate, new information or trends may lead to future developments in incurred losses and loss expenses significantly greater or less than the reserves provided. Any such revisions could result in future changes in estimates of losses or reinsurance recoverable and would be reflected in the Company’s results of operations in the period in which the estimates are changed.

The following table presents a reconciliation of unpaid losses and loss expenses for the years ended December 31, 2019 and 2018.

(in thousands of U.S. dollars)	2019	2018
Gross unpaid losses and loss expenses at beginning of year	$ 6,530,063	$ 7,178,491
Reinsurance recoverable[1]	(926,753)	(1,061,478)
Net unpaid losses and loss expenses at beginning of year	5,603,310	6,117,013
Net losses and loss expenses incurred in respect of losses occurring in:		
Current year	1,646,174	1,865,994
Prior years[2]	90,311	33,614
Total	1,736,485	1,899,608
Net losses and loss expenses paid in respect of losses occurring in:		
Current year	(421,452)	(639,689)
Prior years	(1,436,711)	(1,671,066)
Total	(1,858,163)	(2,310,755)
Foreign currency revaluation and other	15,766	(102,556)
Net unpaid losses and loss expenses at end of year	5,497,398	5,603,310
Reinsurance recoverable[1]	1,013,191	926,753
Gross unpaid losses and loss expenses at end of year	$ 6,510,589	$ 6,530,063

(1) Net of provision for uncollectible reinsurance
(2) Relates to prior period loss reserve development only and excludes prior period development related to reinstatement premiums, expense adjustments, and earned premium.

Net losses and loss expenses incurred includes $90.3 million and $33.6 million of net unfavorable prior period development in the years ended December 31, 2019 and 2018, respectively.

In 2019, $70.1 million of net unfavorable prior period development ($86.3 million of net unfavorable prior period development in 2018) was attributable to long-tailed business across a number of lines and accident years due to higher than expected claims emergence and unfavorable claim settlements. In addition, there was unfavorable development of $20.2 million ($52.7 million of net favorable prior period development in 2018) in short-tailed lines primarily related to various accident years, due to higher than expected emergence of newly reported claims and adverse development on known claims. In 2018, favorable development followed a detailed review by the actuaries and reflected lower reported claim development than previously anticipated.

Much of the business written or assumed by the Company is long-tailed in nature (e.g., Workers' Compensation and Professional Lines) and can exhibit a high degree of variability. Furthermore, many of the lines of business written by the Company have grown significantly over the past several years as compared to the volume of business written in the early- to mid-2000's. The nature of the business written coupled with the relative immaturity of the business can expose the reserves to a higher-than-normal degree of uncertainty and the ultimate losses may be materially different.

The following table presents a reconciliation of the loss development tables to the liability for unpaid losses and loss expenses in the consolidated balance sheet as at December 31, 2019:

(in thousands of U.S. dollars)		2019
Net unpaid loss and allocated loss adjustment expense:		
North America P& C – Casualty	$	2,289,426
North America P& C – Non-Casualty		145,264
Overseas General P&C – Casualty		1,388,981
Overseas General P&C – Non-Casualty		830,411
Global Reinsurance – Casualty		497,617
Global Reinsurance – Non-Casualty		136,525
Excluded from the loss development tables		
Other [1]		61,715
Net unpaid loss and allocated loss adjustment expense	$	5,349,939
Ceded unpaid loss and allocated loss adjustment expense:		
North America P& C – Casualty	$	-
North America P& C – Non-Casualty		-
Overseas General P&C – Casualty		247,022
Overseas General P&C – Non-Casualty		687,459
Global Reinsurance – Casualty		-
Global Reinsurance – Non-Casualty		78,992
Other [1]		(282)
Ceded unpaid loss and allocated loss adjustment expense	$	1,013,191
Unpaid loss and loss expense on other than short-duration contracts [2]	$	147,459
Unpaid unallocated loss adjustment expenses		-
Unpaid losses and loss expenses	$	6,510,589

[1] This is comprised of businesses not included in the loss development tables from various lines of businesses none of which are significant.

[2] Primarily includes the claims reserve of our international A&H business and Life Insurance segment reserves.

(a) Description of Reserving Methodologies

Our recorded reserves represent management's best estimate of the provision for unpaid claims as of the balance sheet date. The process of establishing loss and loss expense reserve can be complex and is subject to considerable uncertainty as it requires the use of estimate and judgments based on circumstances underlying the insured loss at the date of accrual. The reserves for our various product lines each require different qualitative and quantitative assumptions and judgments to be made. Management's best estimate is developed after collaboration with actuarial, underwriting, claims, legal, and finance departments and culminates with the input of reserve committees. Each reserve committee includes the participation of the relevant parties from actuarial, finance, claims, and unit senior management and has the responsibility for finalizing, recommending and approving the estimate to be used as management's best estimate. Reserves are further reviewed by Chubb's Chief Actuary and senior management. The objective of such a process is to determine a single estimate that we believe represents a better estimate than any other and which is viewed by management to be the best estimate of ultimate loss settlements.

This estimate is based on a combination of exposure and experience-based actuarial methods (described below) and other considerations such as claims reviews, reinsurance recovery assumptions and/or input from other knowledgeable parties such as underwriting. Exposure-based methods are most commonly used on relatively immature origin years (i.e., the year in which the losses were incurred — "accident year" or "report year"), while experience-based methods provide a view based on the projection of loss experience that has emerged as of the valuation date. Greater reliance is placed upon experience-based methods as the pool of emerging loss experience grows and where it is deemed sufficiently credible and reliable as the basis for the estimate. In comparing the held reserve for any given origin year to the actuarial projections, judgment is required as to the credibility, uncertainty and inherent limitations of applying actuarial techniques to historical data to project future loss experience. Examples of factors that impact such judgments include, but are not limited to, the following:

- nature and complexity of underlying coverage provided and net limits of exposure provided;
- segmentation of data to provide sufficient homogeneity and credibility for loss projection methods;
- extent of credible internal historical loss data and reliance upon industry information as required;
- historical variability of actual loss emergence compared with expected loss emergence;
- reported and projected loss trends;
- extent of emerged loss experience relative to the remaining expected period of loss emergence;
- rate monitor information for new and renewal business;
- changes in claims handling practice;
- inflation;
- the legal environment
- facts and circumstances of large claims;
- terms and conditions of the contracts sold to our insured parties;
- impact of applicable reinsurance recoveries; and
- nature and extent of underlying assumptions.

We have actuarial staff who analyze loss reserves (including loss expenses) and regularly project estimates of ultimate losses and the corresponding indications of the required IBNR reserve. Our reserving approach is a comprehensive ground-up process using data at a detailed level that reflects the specific types and coverages of our diverse product offering. The data presented in this disclosure was prepared on a more aggregated basis and with a focus on changes in incurred loss estimates over time as well as associated cash flows. We note that data prepared on this basis may not demonstrate the full spectrum of characteristics that are evident in the more detailed level studied internally.

We perform an actuarial reserve review for each product line at least once a year. For most product lines, one or more standard actuarial reserving methods may be used to determine estimates of ultimate losses and loss expenses, and from these estimates, a single actuarial central estimate is selected. The actuarial central estimate is an input to the reserve committee process described above.

(b) Standard actuarial reserving methods

The process of establishing loss and loss expense reserve can be complex and is subject to considerable uncertainty as it requires the use of estimate and judgments based on circumstances underlying the insured loss at the date of accrual. The reserves for our various product lines each require different qualitative and quantitative assumptions and judgments to be made. Standard actuarial reserving methods include, but are not limited to, expected loss ratio, paid and reported loss development, and Bornhuetter-Ferguson methods. A general description of these methods is provided below. In addition to these standard methods, depending upon the product line characteristics and available data, we may use other recognized actuarial methods and approaches. Implicit in the standard actuarial methods that we generally utilize is the need for two fundamental assumptions: first, the pattern by which losses are expected to emerge over time for each origin year, and second the expected loss ratio for each origin year.

The expected loss ratio for any particular origin year is selected after consideration of a number of factors, including historical loss ratios adjusted for rate changes, premium and loss trends, industry benchmarks, the results of policy level loss modeling at the time of underwriting, and/or other more subjective considerations for the product line (e.g., terms and conditions) and external environment as noted above. The expected loss ratio for a given origin year is initially established at the start of the origin year as part of the planning process. This analysis is performed in conjunction with underwriters and management. The expected loss ratio method arrives at an ultimate loss estimate by multiplying the expected ultimate loss ratio by the corresponding premium base. This method is most commonly used as the basis for the actuarial central estimate for immature origin periods on product lines where the actual paid or reported loss experience is not yet deemed sufficiently credible to serve as the principal basis for the selection of ultimate losses. The expected loss ratio for a given origin year may be modified over time if the underlying assumptions differ from the original assumptions (e.g., the assessment of prior year loss ratios, loss trend, rate changes, actual claims, or other information).

Our selected paid and reported development patterns provide a benchmark against which the actual emerging loss experience can be monitored. Where possible, development patterns are selected based on historical loss emergence by origin year. For product lines where the historical data is viewed to have low statistical credibility, the selected development patterns also reflect relevant industry benchmarks and/or experience from similar product lines written elsewhere within Chubb. This most commonly occurs for relatively new product lines that have limited historical data or for high severity/low frequency portfolios where our historical experience exhibits considerable volatility and/or lacks credibility. The paid and reported loss development methods convert the selected loss emergence pattern to a set of multiplicative factors which are then applied to actual paid or reported losses to arrive at an estimate of ultimate losses for each period. Due to their multiplicative nature, the paid and reported loss development methods will leverage differences between actual and expected loss emergence. These methods tend to be utilized for more mature origin periods and for those portfolios where the loss emergence has been relatively consistent over time.

The Bornhuetter-Ferguson method is a combination of the expected loss ratio method and the loss development method, where the loss development method is given more weight as the origin year matures. This approach allows a logical transition between the expected loss ratio method which is generally utilized at earlier maturities and the loss development methods which are typically utilized at later maturities. We usually apply this method using reported loss data although paid data may also be used.

Short-tail business

Short-tail business generally describes product lines for which losses are typically known and paid shortly after the loss actually occurs. This would include, for example, most property, personal accident, and automobile physical damage policies that we write. Due to the short reporting and development pattern for these product lines, the uncertainty associated with our estimate of ultimate losses for any particular accident period diminishes relatively quickly as actual loss experience emerges. We typically assign credibility to methods that incorporate actual loss emergence, such as the paid and reported loss development and Bornhuetter-Ferguson methods, sooner than would be the case for long-tail lines at a similar stage of development for a given origin

year. The reserving process for short-tail losses arising from catastrophic events typically involves an assessment by the claims department, in conjunction with underwriters and actuaries, of our exposure and estimated losses immediately following an event and then subsequent revisions of the estimated losses as our insureds provide updated actual loss information.

Long-tail business

Long-tail business describes lines of business for which specific losses may not be known/reported for some period and for which claims can take significant time to settle/close. This includes most casualty lines such as general liability, D&O, and workers' compensation. There are various factors contributing to the uncertainty and volatility of long-tail business. Among these are:

- The nature and complexity of underlying coverage provided and net limits of exposure provided;
- Our historical loss data and experience is sometimes too immature and lacking in credibility to rely upon for reserving purposes. Where this is the case, in our reserve analysis we may utilize industry loss ratios or industry benchmark development patterns that we believe reflect the nature and coverage of the underwritten business and its future development, where available. For such product lines, actual loss experience may differ from industry loss statistics as well as loss experience for previous underwriting years;
- The difficulty in estimating loss trends, claims inflation (e.g., medical and judicial) and underlying economic conditions;
- The need for professional judgment to estimate loss development patterns beyond that represented by historical data using supplemental internal or industry data, extrapolation, or a blend of both;
- The need to address shifts in business mix or volume over time when applying historical paid and reported loss development patterns from older origin years to more recent origin years. For example, changes over time in the processes and procedures for establishing case reserves can distort reported loss development patterns or changes in ceded reinsurance structures by origin year can alter the development of paid and reported losses;
- Loss reserve analyses typically require loss or other data be grouped by common characteristics in some manner. If data from two combined lines of business exhibit different characteristics, such as loss payment patterns, the credibility of the reserve estimate could be affected. Additionally, since casualty lines of business can have significant intricacies in the terms and conditions afforded to the insured, there is an inherent risk as to the homogeneity of the underlying data used in performing reserve analyses; and
- The applicability of the price change data used to estimate ultimate loss ratios for most recent origin years.

As described above, various factors are considered when determining appropriate data, assumptions, and methods used to establish the loss reserve estimates for long-tail product lines. These factors may also vary by origin year for given product lines. The derivation of loss development patterns from data and the selection of a tail factor to project ultimate losses from actual loss emergence require considerable judgment, particularly with respect to the extent to which historical loss experience is relied upon to support changes in key reserving assumptions.

(c) Loss Development Tables

The tables were designed to present business with similar risk characteristics which exhibit like development patterns and generally similar trends, in order to provide insight into the nature, amount, timing and uncertainty of cash flows related to our claims liabilities.

Each table follows a similar format and reflects the following:

- The incurred loss triangle includes both reported case reserves and IBNR liabilities.
- Both the incurred and paid loss triangles include allocated loss adjustment expense (i.e., defense and investigative costs particular to individual claims) but exclude unallocated loss adjustment expense (i.e., the costs associated with internal claims staff and third party administrators).
- The amounts in both triangles for the years ended December 31, 2010, to December 31, 2019 and average annual percentage payout of net incurred claims by age as of December 31, 2019, are presented as supplemental information.
- All data presented in the triangles is net of reinsurance recoverables.
- The IBNR reserves shown to the right of each incurred loss development exhibit reflect the net IBNR recorded as of December 31, 2019.

Historical dollar amounts are presented in this footnote on a constant-dollar basis, which is achieved by assuming constant foreign exchange rates for all periods in the loss triangles, translating prior period amounts using the same local currency exchange rates as the current year end. The impact of this conversion is to show the change between periods exclusive of the effect of fluctuations in exchange rates, which would otherwise distort the change in incurred loss and cash flow patterns shown. The change in incurred loss shown will differ from other GAAP disclosures of incurred prior period reserve development amounts, which include the effect of fluctuations in exchanges rates.

We provided guidance above on key assumptions that should be considered when reviewing this disclosure and information relating to how loss reserve estimates are developed. We believe the information provided in the "Loss Development Tables" section of the disclosure is of limited use for independent analysis or application of standard actuarial estimations.

<u>North America P&C - Casualty - Long-tail</u>

This product line is comprised of various long-tail lines of business including Workers Compensation, Liability, and Other Casualty coverages.

Workers Compensation has a substantial geographic spread and a broad mix across industries. Types of coverage include risk management business predominantly with high deductible policies, loss sensitive business (i.e., retrospectively-rated policies), business fronted for captives, as well as excess and primary guaranteed cost coverages.

Liability consists of primary and excess liability exposures, including medical liability, and professional lines, including directors and officers (D&O) liability, errors and omissions (E&O) liability, employment practices liability (EPL), fidelity bonds, and fiduciary liability. This line also consists of automobile liability, marine, and aviation.

The primary and excess liability business represents the largest part of these exposures. The former includes both monoline and commercial package liability. The latter includes a substantial proportion of commercial umbrella, excess and high excess business, where loss activity can produce significant volatility in the loss triangles at later ages within an accident year (and sometimes across years) due to the size of the limits afforded and the complex nature of the underlying losses.

This line includes management and professional liability products provided to a wide variety of clients, from national accounts to small firms along with private and not-for-profit organizations, distributed through brokers, agents, wholesalers and MGAs. Many of these coverages, particularly D&O and E&O, are typically written on a claims-made form. While most of the coverages are underwritten on a primary basis, there are significant amounts of large line and excess exposure as well.

Other Casualty consists of the remaining commercial casualty coverages such as automobile liability and aviation. There is also a small portion of commercial multi-peril (CMP) business in accident years 2014 and prior. The paid and reported data are impacted by some catastrophe loss activity primarily on the CMP exposures just noted.

AY 2018 data in the following tables reflects the impact of CTRL non-renewing the 15% quota share reinsurance treaty with the affiliated Chubb North American (NA) Pool ("the NA Pool") companies on a cut-off basis, effective January 1, 2018.

AY 2019 data in the following tables reflects the impact of CTRL writing a stop-loss treaty with the affiliated Chubb North American (NA) Pool ("the NA Pool") companies effective January 1, 2019.

Net Incurred Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars) Years ended December 31

	Unaudited										Net IBNR reserves
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019
2010	$468,430	$457,428	$460,849	$464,869	$463,125	$433,161	$423,408	$434,603	$427,811	$428,277	$50,565
2011		$441,159	$429,342	$433,956	$437,511	$435,995	$427,545	$429,679	$421,301	$419,441	$64,531
2012			$444,771	$451,816	$465,841	$469,756	$465,435	$456,817	$464,491	$463,582	$74,230
2013				$530,754	$530,220	$541,704	$540,711	$518,657	$509,109	$501,327	$99,134
2014					$443,687	$449,923	$464,576	$472,026	$458,349	$438,369	$109,548
2015						$493,452	$501,586	$519,644	$555,984	$561,110	$162,574
2016							$542,918	$550,292	$572,317	$579,300	$214,041
2017								$583,962	$603,280	$611,358	$310,941
2018									$81,961	$89,626	$56,143
2019										$212,201	$198,704
Total										$4,304,591	

Net Cumulative Paid Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars) Years ended December 31

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	$48,997	$103,129	$157,191	$200,764	$242,446	$285,832	$307,702	$322,286	$347,204	$358,314
2011		$58,232	$112,561	$158,056	$208,256	$251,062	$284,092	$300,077	$318,081	$333,437
2012			$52,650	$126,055	$181,824	$241,492	$298,534	$332,377	$355,802	$359,240
2013				$49,246	$123,804	$202,389	$260,223	$314,653	$346,854	$363,819
2014					$49,942	$116,554	$183,844	$240,582	$275,241	$296,705
2015						$59,807	$143,455	$219,355	$294,246	$349,641
2016							$63,673	$155,167	$232,922	$302,416
2017								$76,917	$168,266	$245,924
2018									$7,064	$20,025
2019										$5,958
Total										$2,635,479

Chubb Tempest Reinsurance Ltd. and its subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2019 and 2018

Net Liabilities for Loss and Allocated Loss Adjustment Expenses as at December 31, 2019

(in thousands of U.S. dollars)	2019
Accident years prior to 2010	$620,314
All Accident years	$2,289,426

Supplementary Information: Average Annual Percentage Payout of Net Incurred Claims by Age, as at December 31, 2019

Age in Years	1	2	3	4	5	6	7	8	9	10
Percentage	11%	15%	13%	12%	10%	7%	4%	3%	5%	3%

North America P&C – Non-Casualty - Short-tail

This product line represents first party personal and commercial product lines that are short-tailed in nature. Chubb provides personal lines coverage for high-net-worth individuals and families in North America including homeowners, automobile, valuable articles (including fine art), umbrella liability, and recreational marine insurance offered through independent regional agents and brokers. Commercial include a wide diversity of products including property, inland marine, ocean marine, surety, and A&H on both a primary and excess basis, and various policy sizes. Some years may be impacted by natural catastrophe losses.

Net Incurred Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars)	Years ended December 31									Net IBNR reserves
	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019
2010	$182,762	$190,058	$187,051	$182,014	$180,861	$181,164	$178,461	$178,288	$177,914	$177,034	$636
2011		$480,655	$480,365	$475,021	$472,563	$471,676	$470,027	$469,082	$469,038	$468,812	$689
2012			$552,681	$533,904	$524,728	$522,661	$523,839	$522,199	$520,282	$520,167	$119
2013				$508,145	$523,009	$511,455	$510,068	$507,766	$506,981	$506,687	$1,289
2014					$344,178	$337,847	$329,717	$328,388	$328,679	$327,780	$918
2015						$343,332	$325,130	$313,348	$312,666	$309,941	$4,982
2016							$272,443	$267,482	$260,295	$252,834	$4,800
2017								$380,981	$377,293	$369,728	$6,710
2018									$124,849	$124,941	$7,994
2019										$132,498	$45,952
Total										$3,190,422	

Chubb Tempest Reinsurance Ltd. and its subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2019 and 2018

Net Cumulative Paid Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars) Years ended December 31

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	$100,069	$159,288	$168,731	$172,776	$174,917	$177,972	$177,751	$177,960	$178,182	$177,626
2011		$330,346	$440,676	$457,836	$464,848	$465,675	$467,166	$467,704	$467,542	$467,652
2012			$391,840	$491,673	$504,867	$511,778	$517,293	$517,609	$518,880	$519,247
2013				$329,538	$481,237	$494,977	$501,459	$503,656	$503,780	$504,967
2014					$188,656	$301,719	$315,878	$320,541	$324,533	$325,901
2015						$186,779	$278,496	$295,032	$302,594	$303,852
2016							$129,685	$213,891	$229,809	$240,443
2017								$166,891	$304,858	$342,294
2018									$61,759	$105,585
2019										$60,674
Total										$3,048,241

Net Liabilities for Loss and Allocated Loss Adjustment Expenses as at December 31, 2019

(in thousands of U.S. dollars)	2019
Accident years prior to 2010	$3,083
All Accident years	$145,264

Supplementary Information: Average Annual Percentage Payout of Net Incurred Claims by Age, as at December 31, 2019

Age in Years	1	2	3	4	5	6	7	8	9	10
Percentage	61%	29%	5%	2%	2%	1%	0%	0%	0%	0%

<u>Overseas General –Casualty - Long-tail</u>

This product line is comprised of D&O liability, E&O liability, financial institutions (including crime/fidelity coverages), and non-U.S. general liability as well as aviation and political risk. Exposures are located around the world, including Europe, Latin America, and Asia.

There is some U.S. exposure in Casualty from multinational accounts. The financial lines coverages are typically written on a claims-made form, while general liability coverages are typically on an occurrence basis and include a mix of primary and excess business.

Net Incurred Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars) Years ended December 31

	Unaudited										Net IBNR reserves
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019
2010	$133,317	$166,558	$163,356	$168,459	$158,237	$150,660	$146,114	$144,115	$148,018	$138,028	$2,433
2011		$148,574	$154,426	$151,949	$161,431	$153,165	$143,928	$150,123	$137,048	$137,802	$3,106
2012			$158,049	$176,042	$197,764	$209,925	$217,914	$231,581	$246,558	$219,873	$10,597
2013				$148,928	$168,870	$175,346	$155,824	$141,173	$143,456	$143,737	$14,389
2014					$160,707	$160,990	$180,081	$183,166	$170,215	$169,598	$27,180
2015						$170,413	$152,485	$155,886	$166,226	$220,075	$42,754
2016							$175,211	$161,637	$199,652	$259,410	$76,674
2017								$311,728	$311,541	$325,402	$62,966
2018									$323,138	$308,783	$190,369
2019										$377,269	$334,885
Total										$2,299,977	

Net Cumulative Paid Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars) Years ended December 31

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	$6,677	$16,957	$41,051	$56,004	$72,040	$81,648	$93,754	$103,313	$108,981	$110,530
2011		$9,431	$19,806	$23,644	$42,668	$46,874	$57,473	$78,501	$82,870	$103,528
2012			$11,605	$36,488	$53,430	$81,708	$90,889	$143,613	$160,529	$157,192
2013				$11,736	$31,811	$55,821	$67,477	$80,816	$97,093	$107,531
2014					$11,539	$29,305	$50,249	$68,971	$89,529	$111,109
2015						$7,219	$23,051	$54,429	$81,098	$101,045
2016							$18,855	$42,850	$100,461	$120,431
2017								$15,082	$68,122	$133,331
2018									$12,811	$66,576
2019										$9,962
Total										$1,021,235

Net Liabilities for Loss and Allocated Loss Adjustment Expenses as at December 31, 2019

(in thousands of U.S. dollars)	2019
Accident years prior to 2010	$ 110,239
All Accident years	$ 1,388,981

Supplementary Information: Average Annual Percentage Payout of Net Incurred Claims by Age, as at December 31, 2019

Age in Years	1	2	3	4	5	6	7	8	9	10
Percentage	5%	12%	15%	11%	8%	14%	9%	5%	4%	1%

Overseas General – Non-Casualty - Short-tail

This product line is comprised of commercial fire, marine (predominantly cargo), surety, personal automobile, personal cell phones, personal residential (including high net worth), energy and construction. In general, these lines have relatively stable payment and reporting patterns although some years may be impacted by natural catastrophes.

Net Incurred Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars)	Years ended December 31										Net IBNR reserves
	Unaudited										
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019
2010	$280,594	$291,639	$276,003	$291,936	$303,480	$304,306	$300,925	$286,205	$288,345	$295,273	$1,105
2011		$393,307	$409,909	$378,717	$376,203	$383,916	$383,945	$387,364	$381,895	$378,747	$1,700
2012			$265,778	$257,059	$252,846	$244,477	$238,905	$233,014	$233,837	$232,346	$1,304
2013				$302,333	$293,013	$270,901	$264,895	$251,742	$253,009	$255,063	$1,812
2014					$325,243	$348,155	$316,412	$301,553	$306,437	$311,456	$2,910
2015						$387,873	$379,137	$361,105	$364,608	$369,990	$4,283
2016							$526,829	$562,913	$550,016	$549,746	$9,197
2017								$754,365	$696,613	$693,591	$11,985
2018									$603,338	$690,038	$26,710
2019										$686,662	$135,824
Total										$4,462,912	

Net Cumulative Paid Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars)	Years ended December 31									
	Unaudited									
Accident Year	20010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	$96,795	$195,260	$225,446	$249,327	$261,871	$262,542	$262,932	$263,150	$265,453	$287,123
2011		$136,116	$296,782	$329,711	$340,128	$351,004	$348,878	$351,377	$354,383	$351,920
2012			$82,239	$181,302	$215,897	$226,806	$228,860	$229,217	$229,810	$229,364
2013				$75,442	$178,272	$230,321	$230,443	$236,594	$245,121	$248,154
2014					$81,937	$224,613	$281,170	$288,871	$290,728	$292,553
2015						$107,294	$242,202	$314,305	$340,696	$346,481
2016							$215,438	$414,530	$494,849	$517,890
2017								$257,560	$516,678	$617,646
2018									$246,356	$488,158
2019										$270,293
Total										$3,649,582

Net Liabilities for Loss and Allocated Loss Adjustment Expenses as at December 31, 2019

(in thousands of U.S. dollars)	2019
Accident years prior to 2010	$ 17,081
All Accident years	$ 830,411

Supplementary Information: Average Annual Percentage Payout of Net Incurred Claims by Age, as at December 31, 2019

Age in Years	1	2	3	4	5	6	7	8	9	10
Percentage	35%	38%	15%	4%	3%	2%	1%	1%	1%	0%

Global Reinsurance

Global reinsurance analyzes its business on a treaty year basis rather than on an accident year basis. Treaty year data was converted to an accident year basis for the purposes of this disclosure. Mix shifts are an important consideration in these product line groupings. As proportional business and excess of loss business have different earning and loss reporting and payment patterns, this change in mix will affect the cash flow patterns across the accident years. In addition, the shift from excess to proportional business over time will make the cash flow patterns of older and more recent years difficult to compare. In general, the proportional business will pay out more quickly than the excess of loss business, as such, using older years development patterns may overstate the ultimate loss estimates in more recent years.

Global Reinsurance –Casualty - Long-tail

This product line includes proportional and excess coverages in general, automobile liability, professional liability, medical malpractice, workers' compensation and aviation, with exposures located around the world. In general, reinsurance exhibits less stable development patterns than primary business. In particular general casualty reinsurance and excess coverages are long-tailed and can be very volatile.

Net Incurred Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars) Years ended December 31

	Unaudited										Net IBNR reserves
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019
2010	$92,477	$96,724	$92,813	$92,493	$88,143	$83,270	$78,599	$78,019	$74,861	$66,482	$4,783
2011		$94,266	$91,818	$90,441	$88,718	$84,618	$76,903	$76,664	$75,125	$72,218	$3,475
2012			$78,246	$72,004	$72,214	$72,425	$67,799	$56,922	$55,985	$60,993	$819
2013				$62,272	$60,729	$60,556	$58,922	$60,352	$58,310	$54,198	$3,621
2014					$66,513	$61,277	$60,999	$63,518	$61,403	$58,595	$7,624
2015						$69,444	$67,773	$69,277	$71,962	$75,071	$13,926
2016							$81,101	$84,260	$85,518	$87,838	$19,305
2017								$91,354	$88,031	$93,253	$24,647
2018									$72,619	$73,327	$12,545
2019										$41,144	$17,651
Total										$683,119	

Chubb Tempest Reinsurance Ltd. and its subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2019 and 2018

Net Cumulative Paid Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars) Years ended December 31

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	$7,708	$12,929	$18,934	$26,061	$32,904	$38,604	$42,984	$48,472	$50,370	$50,884
2011		$8,681	$12,367	$16,426	$22,389	$28,397	$33,389	$40,408	$44,742	$46,426
2012			$9,861	$16,800	$21,742	$26,984	$34,077	$34,984	$40,599	$47,003
2013				$8,759	$14,145	$18,338	$23,810	$29,040	$34,552	$37,469
2014					$9,866	$18,480	$24,369	$29,764	$34,345	$37,924
2015						$12,732	$20,405	$28,447	$32,869	$38,456
2016							$14,243	$28,887	$37,058	$41,984
2017								$16,198	$32,457	$39,400
2018									$12,308	$17,811
2019										$484
Total										$357,841

Net Liabilities for Loss and Allocated Loss Adjustment Expenses as at December 31, 2019

(in thousands of U.S. dollars)	2019
Accident years prior to 2010	$172,339
All Accident years	$497,617

Supplementary Information: Average Annual Percentage Payout of Net Incurred Claims by Age, as at December 31, 2019

Age in Years	1	2	3	4	5	6	7	8	9	10
Percentage	15%	12%	8%	8%	9%	8%	8%	8%	3%	1%

<u>Global Reinsurance – Non-Casualty - Short-tail</u>

This product line includes property, property catastrophe, marine, credit/surety, A&H and energy and some years may be impacted by natural catastrophes.

Net Incurred Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars) Years ended December 31

	Unaudited										Net IBNR reserves
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019
2010	$104,480	$122,911	$118,831	$119,584	$121,809	$121,545	$121,817	$122,338	$122,147	$122,939	$778
2011		$173,137	$179,457	$176,622	$171,751	$171,669	$171,745	$171,129	$172,277	$172,024	$736
2012			$101,694	$97,367	$91,887	$85,990	$83,463	$82,238	$80,290	$80,384	$533
2013				$65,885	$58,822	$56,344	$54,622	$52,997	$51,333	$50,777	$594
2014					$64,291	$65,442	$68,243	$70,370	$70,291	$68,855	$2,862
2015						$44,930	$44,041	$47,091	$49,321	$46,269	$953
2016							$105,811	$103,008	$105,468	$103,384	$5,014
2017								$302,898	$329,517	$365,686	$7,140
2018									$204,607	$210,167	-$12,693
2019										$46,915	$28,050
Total										$1,267,400	

Net Cumulative Paid Loss and Allocated Loss Adjustment Expenses as at

(in thousands of U.S. dollars) Years ended December 31

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	$16,004	$84,995	$100,801	$107,996	$109,669	$115,846	$115,492	$117,962	$117,792	$121,788
2011		$55,108	$110,004	$129,609	$149,104	$163,007	$165,458	$167,587	$168,585	$168,881
2012			$19,159	$51,226	$64,917	$70,689	$73,031	$76,072	$77,073	$77,977
2013				$12,349	$34,072	$43,292	$47,973	$48,853	$50,046	$50,141
2014					$19,941	$42,706	$54,321	$60,362	$63,596	$64,538
2015						$12,675	$27,602	$36,609	$40,733	$41,900
2016							$23,118	$66,960	$86,195	$92,183
2017								$159,274	$256,786	$326,040
2018									$64,610	$186,957
2019										$4,400
Total										$1,134,805

Net Liabilities for Loss and Allocated Loss Adjustment Expenses as at December 31, 2019

(in thousands of U.S. dollars)	2019
Accident years prior to 2010	$3,930
All Accident years	$136,525

Supplementary Information: Average Annual Percentage Payout of Net Incurred Claims by Age, as at December 31, 2019

Age in Years	1	2	3	4	5	6	7	8	9	10
Percentage	31%	35%	17%	7%	3%	2%	1%	1%	1%	1%

5. *Reinsurance*

The Company purchases reinsurance to manage various exposures including catastrophic risks. Although reinsurance agreements contractually obligate the Company's reinsurers to reimburse it for the agreed upon portion of its gross paid losses, they do not discharge the primary liability of the Company. The amounts for net premiums written and net premiums earned in the Consolidated statements of operations are net of reinsurance.

The following table presents assumed, and ceded premiums for the years ended December 31, 2019 and 2018.

(in thousands of U.S. dollars)	2019	2018
Premiums written		
Assumed	$ 4,298,951	$ 3,486,234
Ceded	(517,744)	(474,482)
Net	3,781,207	3,011,752
Premiums earned		
Assumed	4,181,067	3,884,474
Ceded	(497,544)	(480,409)
Net	$ 3,683,523	$ 3,404,065

The following table presents the composition of the Company's reinsurance recoverable at December 31, 2019 and 2018.

(in thousands of U.S. dollars)	2019	2018
Reinsurance recoverable on paid losses and loss expenses, net of a provision for uncollectible reinsurance	$ 87,296	$ 114,823
Reinsurance recoverable on unpaid losses and loss expenses, net of a provision for uncollectible reinsurance	1,013,191	926,753
Reinsurance recoverable on future policy benefits	4,166	6,413
Net reinsurance recoverable	$ 1,104,653	$ 1,047,989

The Company evaluates the financial condition of its reinsurers and potential reinsurers on a regular basis and also monitors concentrations of credit risk with reinsurers. The provision for uncollectible reinsurance is required principally due to the potential failure of reinsurers to indemnify the Company, primarily because of disputes under reinsurance contracts and insolvencies. Provisions have been established for amounts estimated to be uncollectible. At December 31, 2019 and 2018, the Company carried a provision for uncollectible reinsurance of $17.2 million and $16.2 million, respectively.

The following tables present a listing, at December 31, 2019 and 2018, of the categories of the Company's reinsurers. The first category, largest reinsurers, represents all groups of reinsurers where the gross recoverable exceeds one percent of the Company's total shareholder's equity. The provision for uncollectible reinsurance is principally based on an analysis of the credit quality of the reinsurer and collateral balances.

(in thousands of U.S. dollars)	**2019**	**2018**
Largest reinsurers	$ 307,657	$ 324,735
Other reinsurers balances rated A- or better	688,871	612,820
Other reinsurers with ratings lower than A-	108,125	110,434
Total	$ 1,104,653	$ 1,047,989

Largest Reinsurers

ABR Reinsurance Capital Holdings Ltd
HDI Haftpflichtverband Der Deutschen Industrie VAG (Hannover)

6. *Related party business*

The Company reinsures a number of affiliates for property, casualty, marine, accident and health risks. Also, the company cedes or has ceded certain business to affiliates, including CTLR. The business has been ceded on an excess of loss and a quota share basis.

The related statement of operations and balance sheet account balances for the years ended December 31, 2019 and 2018 have been affected by these intercompany reinsurance agreements as follows:

(in thousands of U.S. dollars)	**2019**	**2018**
Gross premiums written	$4,047,347	$3,231,163
Reinsurance premiums ceded	(45,642)	(48,050)
Net premiums earned	3,896,879	3,538,805
Losses and loss expenses	1,706,621	1,707,715
Future policy benefits	(6,775)	76,970
Policy acquisition costs	922,323	1,049,931
Reinsurance balances receivable	763,187	440,109
Prepaid reinsurance premiums	16,712	12,425
Reinsurance recoverable	10,666	10,211
Deferred policy acquisition costs	432,423	420,885
Value of reinsurance business assumed	137,501	160,965
Unpaid losses and loss expenses	6,389,110	6,275,741
Future policy benefits	77,021	87,818
Unearned premiums	1,144,843	1,029,063
Reinsurance balances payable	888,055	297,143

There are amounts due from related parties of $352.1 million and $445.1 million and due to related parties of $9.7 million and $54.5 million as at December 31, 2019 and 2018, respectively. Included in amounts due from related parties at December 31, 2019 and 2018, is a net receivable from our parent company of $336.9 million and $320.0 million, respectively. The non-controlling interest in Oasis Investments is held by a related party.

Effective March 15, 2018, the Company entered into a loan agreement with CTLR, its parent company (the Loan Agreement). Under the Loan Agreement, the Company agreed to lend CTLR $300 million, at an interest

rate of 3.15 percent. Interest on the loan is payable annually and the principal is payable on March 15, 2023. CTLR prepaid $50 million principal balance of the loan during 2019.

7. *Commitments, contingencies and guarantees*

(a) **Derivative Instruments**

The Company maintains positions in derivative instruments such as futures, options, and foreign currency forward contracts for which the primary purposes are to manage duration and foreign currency exposure, yield enhancement, or to obtain an exposure to a particular financial market. Investment derivative instruments are recorded in either Other assets (OA) or Accounts payable, accrued expenses, and other liabilities (AP), in the Consolidated balance sheets. These are the most numerous and frequent derivative transactions. In addition, the Company from time to time purchases to be announced mortgage-backed securities (TBAs) as part of its investing activities.

The Company carries all derivative instruments at fair value with changes in fair value recorded in Net realized gains (losses) in the consolidated statements of operations. None of the derivative instruments are designated as hedges for accounting purposes.

The following table presents the balance sheet locations, fair values in an asset or (liability) position, and notional values/payment provisions of the Company's derivative instruments at December 31, 2019 and 2018.

(in thousands of U.S. dollars)	2019				2018			
		Fair Value				Fair Value		
	Consolidated Balance Sheet Location[(1)]	Derivative Asset	Derivative (Liability)	Notional Value/ Payment Provision	Consolidated Balance Sheet Location	Derivative Asset	Derivative (Liability)	Notional Value/ Payment Provision
Investment and embedded derivative instruments								
Foreign currency forward contracts	OA/(AP)	$ 6,705	(5,548)	507,601	OA/(AP)	$ 2,309	$ (4,178)	$ 311,718
Futures contracts on notes and bonds	OA/(AP)	2,394	(839)	124,300	OA/(AP)	1,320	(5,715)	271,335
		9,099	(6,387)	631,901		3,629	(9,893)	$ 583,053
GLB[(2)]	(AP)/ (FPB)	$ -	$ (180,789)	$ 685,214	(AP)/(FPB)	$ -	$ (120,373)	$ 741,556

(1) Other assets (OA), Accounts payable (AP),Fixed maturities available for sale (FM AFS) and Equity securities (ES)
(2) Includes both future policy (FPB) benefits reserves and fair value derivative adjustment. Note that the payment provision related to GLB is the net amount at risk. The concept of a notional value does not apply to the GLB reinsurance contracts.

At December 31, 2019 and 2018, derivative asset of $2.7 million and derivative liability of $6.3 million, respectively, included in the table above were subject to a master netting agreement. The remaining derivatives included in the table above were not subject to a master netting agreement.

(b) **Derivative instrument objectives**

(i) **Foreign currency exposure management**

A foreign currency forward contract (forward) is an agreement between participants to exchange specific foreign currencies at a future date. The Company uses forwards to minimize the effect of fluctuating foreign currencies.

(ii) **Duration management and market exposure**

Futures

Futures contracts give the holder the right and obligation to participate in market movements, determined by the index or underlying security on which the futures contract is based. Settlement is made daily in cash by an amount equal to the change in value of the futures contract times a multiplier that scales the size of the contract. Exchange-traded futures contracts on money market instruments, notes and bonds are used in fixed maturity portfolios to more efficiently manage duration, as substitutes for ownership of the money market instruments, bonds and notes without significantly increasing the risk in the portfolio. Investments in futures contracts may be made only to the extent that there are assets under management not otherwise committed.

(iii) **To be announced mortgage-backed securities (TBA)**

By acquiring a TBA, the Company makes a commitment to purchase a future issuance of mortgage-backed securities. For the period between purchase of the TBA and issuance of the underlying security, the Company accounts for the position as a derivative in the Consolidated financial statements. The Company purchases TBAs both for their total return and for the flexibility they provide related to the mortgage-backed security strategy.

(iv) **GLB**

Under the GLB program, as the assuming entity, the Company is obligated to provide coverage until the expiration or maturity of the underlying deferred annuity contracts or the expiry of the reinsurance treaty. Premiums received under the reinsurance treaties are classified as premium. Expected losses allocated to premiums received are classified as Future policy benefits. Other changes in fair value, principally arising from changes in expected losses allocated to expected future premiums, are classified as Net realized gains (losses). Fair value represents management's estimate of exit price and thus, includes a risk margin. The Company may recognize a realized loss for other changes in fair value due to adverse changes in the capital markets (e.g., declining interest rates and/or declining equity markets) and changes in actual or estimated future policyholder behavior (e.g., increased annuitization or decreased lapse rates). The Company believes this presentation provides the most meaningful disclosure of changes in the underlying risk within the GLB reinsurance programs for a given reporting period.

(c) **Secured borrowings**

The Company participates in a securities lending program operated by a third-party banking institution whereby certain assets are loaned to qualified borrowers and from which we earn an incremental return. At December 31, 2019 and 2018, the Company's securities lending payable, reflecting our obligation to return the collateral plus interest, was $142.8 million and $302.7 million, respectively, and the Company's securities lending collateral was $142.8 million and $302.6 million, respectively. The securities lending collateral can only be drawn down by the Company in the event that the institution borrowing the securities is in default under the lending agreement. An indemnification agreement with the lending agent protects us in the event a borrower becomes insolvent or fails to return any of the securities on loan. The collateral is recorded in Securities lending collateral and the liability is recorded in Securities lending payable in the consolidated balance sheets.

The following table presents the carrying value of collateral held under securities lending agreements by investment category and maturity date of the underlying agreements:

(in thousands of U.S. dollars)	Remaining contractual maturity Overnight and Continuous	
	2019	2018
Collateral held under securities lending agreements:		
Cash	$ 142,787	$ 292,234
U.S. Treasury and agency	-	10,380
	142,787	302,614
Gross amount of recognized liabilities for securities lending payable	142,849	302,678
Difference [(1)]	$ (62)	$ (64)

(1) The carrying value of the securities lending collateral held is lower than the securities lending payable due to accrued interest recorded in the securities lending payable.

The Company has executed repurchase agreements with certain counterparties under which the Company agreed to sell securities and repurchase them at a future date for a predetermined price. At December 31, 2019 and 2018, there was $102.0 million and $556.7 million, respectively of repurchase agreements outstanding with a weighted average interest rate of 2.62 percent and 2.53 percent, respectively. These agreements were fully collateralized.

In contrast to securities lending programs, the use of cash received is not restricted for the repurchase obligations. The fair value of the underlying securities sold remains in Fixed maturities available for sale and the repurchase agreement obligation is recorded in Repurchase agreements in the Consolidated balance sheets.

The following table presents the carrying value of collateral pledged under repurchase agreements by investment category and maturity date of the underlying agreements as at December 31, 2019 and 2018:

December 31, 2019 (in thousands of U.S. dollars)	Remaining contractual maturity Up to 30 Days	30 - 90 Days	Greater than 90 Days	Total
Collateral pledged under repurchase agreements:				
U.S. Treasury and agency	$ 103,038	$ -	$ -	$ 103,038
Mortgage-backed securities	-	-	-	-
	$ 103,038	$ -	$ -	$ 103,038
Gross amount of recognized liabilities for repurchase agreements				$ 101,994
Difference [(1)]				$ 1,044

(1) Per the repurchase agreements, the amount of collateral posted is required to exceed the amount of gross liability.

December 31, 2018 (in thousands of U.S. dollars)	Remaining contractual maturity Up to 30 Days	30 - 90 Days	Greater than 90 Days	Total
Collateral pledged under repurchase agreements:				
U.S. Treasury and agency	$ -	$ -	$ 249,730	$ 249,730
Mortgage-backed securities	-	-	332,138	332,138
	$ -	$ -	$ 581,868	$ 581,868
Gross amount of recognized liabilities for repurchase agreements				$ 556,664
Difference [(1)]				$ 25,204

(1) Per the repurchase agreements, the amount of collateral posted is required to exceed the amount of gross liability.

Potential risks exist in our secured borrowing transactions due to market conditions and counterparty exposure. With collateral that we pledge, there is a risk that the collateral may not be returned at the expiration of the agreement. If the counterparty fails to return the collateral, the Company will have free use of the borrowed funds until our collateral is returned. In addition, we may encounter the risk that the Company may not be able to renew outstanding borrowings with a new term or with an existing counterparty due to market conditions including a decrease in demand as well as more restrictive terms from banks due to increased regulatory and capital constraints. Should this condition occur, the Company may seek alternative borrowing sources or reduce borrowings. Additionally, increased margins and collateral requirements due to market conditions would increase our restricted assets as we are required to provide additional collateral to support the transaction.

The following table presents net realized gains (losses) related to derivative instrument activity in the Consolidated statements of operations:

(in thousands of U.S. dollars)	**2019**	**2018**
Investment and embedded derivative instruments		
Foreign exchange forward contracts	$ (15)	$ 396
Options/Futures contracts on notes, bonds, and equities	(10,298)	1,013
Convertible securities	-	46
Total investment and embedded derivative instruments	(10,313)	1,455
GLB[(1)]	(29,982)	(75,396)
Total	$ (40,295)	$ 73,941)

(1) Excludes foreign exchange gains (losses) related to GLB.

(d) **Concentrations of credit risk**

The Company's investment portfolio is managed following prudent standards of diversification. Specific provisions limit the allowable holdings of a single issue and issuer. The Company believes that there are no significant concentrations of credit risk associated with the investment portfolio. The Company's three largest exposures by issuer at December 31, 2019, were Wells Fargo & Co., Bank of America Corp, and JP Morgan Chase & Co.. Our largest exposure by industry at December 31, 2019 was financial services.

As discussed in Note 13, we committed to purchase an additional 22.4 percent interest in Huatai Group. In connection with these purchase agreements, in January 2020, we paid collateralized deposits totaling $1.550 billion. There is credit exposure with the current selling shareholders until the obligations under the purchase agreements are satisfied, which is expected by the end of 2021.

(e) **Other investments**

At December 31, 2019, included in Other investments in the Consolidated balance sheet are investments in limited partnerships and partially-owned investment companies with a carrying value of $3.5 billion. In connection with these investments, we have commitments that may require funding of up to $2.8 billion over the next several years.

(f) **Letters of credit**

On October 25, 2017, Chubb entered into a credit facility that provides for up to $1.0 billion of availability. Chubb and its participating subsidiaries (including the Company) may use the facility for the issuance of letters of credit and for revolving loans. Chubb has the ability to increase the capacity under their existing credit facility to $2.0 billion under certain conditions, but any such increase would not raise the sub-limit for revolving loans above $1.0 billion. The Company's existing credit facility has a remaining term expiring in October 2022. At December 31, 2019, outstanding LOCs issued under this facility were $567 million.

(g) **Guarantee**

During October 2007, the Company placed $200 million in a trust account for the benefit of an affiliated company, ACE Property and Casualty Insurance Company, to secure the affiliate's reinsurance amounts due from other reinsurance companies. This arrangement was terminated in December 2019.

In 2011, the Company entered into a funds withheld security arrangement with Chubb Insurance Limited (Chubb Australia), under which the Company agreed to provide collateral to support reinsurance balances recoverable that Chubb Australia carries in connection with business reinsured from CTR and other Chubb affiliates. The agreement requires collateral to be provided in connection with reinsurance balances recoverable from events that occurred at least two years prior. At December 31, 2019 the funds withheld balance totaled AUD$546.5 million ($375.8 million) of which a maximum of AUD$65.0 million ($44.7 million) could be used to support affiliate balances. At December 31, 2018 the funds withheld balance totaled AUD $393.3 million ($277.0 million) of which a maximum of AUD$66.6 million ($46.9 million) could be used to support affiliate balances.

(h) **Fixed maturities**

At December 31, 2019, we no have commitments to purchase fixed income securities.

(i) **Claims and Other Litigation**

The Company may be subject to litigation involving disputed interpretations of treaty coverages. These lawsuits, involving claims on treaties issued by our subsidiaries which are typical to the reinsurance industry in general and in the normal course of business, are considered in our loss and loss expense reserves. In addition to claims litigation, we are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties. This category of business litigation typically involves, among other things, regulatory activity or disputes arising from our business ventures. In the opinion of management, our ultimate liability for these matters could be, but we believe is not likely to be, material to our consolidated financial condition and results of operations.

8. *Shareholder's equity*

The Company's authorized share capital is $100,000,000 consisting of 10,000,000 Common Shares of $10 par value. The Company's issued share capital is $2,800,000 consisting of 280,000 Common Shares of $10 par value.

During the years ended December 31, 2019 and 2018 dividends amounting to $150 million and $0 million respectively, were declared and paid.

9. *Fair value measurements*

(a) **Fair value hierarchy**

Fair value of financial assets and financial liabilities is estimated based on the framework established in the fair value accounting guidance. The guidance defines fair value as the price to sell an asset or transfer a liability (an exit price) in an orderly transaction between market participants and establishes a three-level valuation hierarchy based on the reliability of the inputs. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data.

The three levels of the hierarchy are as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Includes, among other items, inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves, quoted prices for similar assets and liabilities in active markets, and quoted prices for identical or similar assets and liabilities in markets that are not active; and

Level 3 – Inputs that are unobservable and reflect management's judgments about assumptions that market participants would use in pricing an asset or liability.

The Company categorizes financial instruments within the valuation hierarchy at the balance sheet date based upon the lowest level of inputs that are significant to the fair value measurement.

The Company uses pricing services to obtain fair value measurements for the majority of the Company's investment securities. Based on management's understanding of the methodologies used, these pricing services only produce an estimate of fair value if there is observable market information that would allow them to make a fair value estimate. Based on the Company's understanding of the market inputs used by the pricing services, all applicable investments have been valued in accordance with GAAP. The Company does not adjust prices obtained from pricing services. The following is a description of the valuation techniques and inputs used to determine fair values for financial instruments carried at fair value, as well as the general classification of such financial instruments pursuant to the valuation hierarchy.

Fixed maturities

The Company uses pricing services to estimate fair value measurements for the majority of the Company's fixed maturities. The pricing services use market quotations for fixed maturities that have quoted prices in active markets; such securities are classified within Level 1. For fixed maturities other than U.S. Treasury securities that generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements using their pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Additional valuation factors that can be taken into account are nominal spreads, dollar basis,

and liquidity adjustments. The pricing services evaluate each asset class based on relevant market and credit information, perceived market movements, and sector news. The market inputs used in the pricing evaluation, listed in the approximate order of priority include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic events. The extent of the use of each input is dependent on the asset class and the market conditions. Given the asset class, the priority of the use of inputs may change or some market inputs may not be relevant. Additionally, fixed maturities valuation is more subjective when markets are less liquid due to the lack of market based inputs (i.e., stale pricing), which may increase the potential that an investment's estimated fair value is not reflective of the price at which an actual transaction would occur. The overwhelming majority of fixed maturities are classified within Level 2 because the most significant inputs used in the pricing techniques are observable. For a small number of fixed maturities, the Company obtains a single broker quote (typically a market maker). Due to the disclaimers on the quotes that indicate that the price is indicative only, the Company include these fair value estimates in Level 3.

Equity securities

Equity securities with active markets are classified within Level 1 as fair values are based on quoted market prices. For equity securities in markets which are less active, fair values are based on market valuations and are classified within Level 2. Equity securities for which pricing is unobservable are classified within Level 3.

Short-term investments

Short-term investments, which comprise securities due to mature within one year of the date of purchase that are traded in active markets, are classified within Level 1 as fair values are based on quoted market prices. Securities such as commercial paper and discount notes are classified within Level 2 because these securities are typically not actively traded due to their approaching maturity and, as such, their cost approximates fair value. Short-term investments for which pricing is unobservable are classified within Level 3.

Other investments

Fair values of Other investments including investments in partially-owned investment companies and investment funds are based on their respective net asset values or equivalent (NAV) and are excluded from the fair value hierarchy table below. Other investments for which pricing is unobservable are classified within Level 3.

Securities lending collateral

The underlying assets included in Securities lending collateral in the Consolidated balance sheets are fixed maturities which are classified in the valuation hierarchy on the same basis as other fixed maturities. Excluded from the valuation hierarchy is the corresponding liability related to the Company’s obligation to return the collateral plus interest as it is reported at contract value and not fair value in the Consolidated balance sheets.

Investment derivative instruments

Actively traded investment derivative instruments, including futures, options, and exchange-traded forward contracts, are classified within Level 1 as fair values are based on quoted market prices. Investment derivative instruments are recorded in either Other assets, Accounts payable, accrued expenses, and other liabilities in the Consolidated balance sheets.

Other derivative instruments

The Company maintains positions in exchange-traded equity futures designed to limit exposure to a severe equity market decline. The Company’s positions in exchange-traded equity futures contracts are

classified within Level 1. Further, the Company's positions in the foreign currency forward contract are valued based on significant observable inputs and are therefore classified within Level 2.

Guaranteed living benefits

The GLB arises from life reinsurance programs covering living benefit guarantees whereby we assume the risk of guaranteed minimum income benefits (GMIB) associated with variable annuity contracts. GLB's are recorded in Accounts payable, accrued expenses, and other liabilities and Future policy benefits in the Consolidated balance sheets. For GLB reinsurance, the Company estimates fair value using an internal valuation model which includes current market information and estimates of policyholder behavior. All of the treaties contain claim limits, which are factored into the valuation model. The fair value depends on a number of factors, including interest rates, equity markets, credit risk, current account value, market volatility, expected annuitization rates and other policyholder behavior, and changes in policyholder mortality. Because of the significant use of unobservable inputs including policyholder behavior, GLB reinsurance is classified within Level 3.

The following tables present, by valuation hierarchy, the financial instruments measured at fair value on a recurring basis, at December 31, 2019 and 2018.

December 31, 2019		**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:			**(in thousands of U.S. dollars)**		
Fixed maturities available for sale					
U.S. Treasury and agency	$	239,622	110,403	-	350,025
Foreign		-	3,086,239	9,100	3,095,339
Corporate securities		-	4,531,036	46,137	4,577,173
Mortgage-backed securities		-	2,634,474	50,606	2,685,080
States, municipalities, and political subdivisions		-	196,599	-	196,599
		239,622	10,558,751	105,843	10,904,216
Equity securities		393	-	206	599
Short-term investments		610,593	71,386	-	681,979
Securities lending collateral		-	142,787	-	142,787
Investment derivative instruments		9,099	-	-	9,099
Total assets measured at fair value	$	859,707	10,772,924	106,049	11,738,680
Liabilities:					
Investment derivative instruments		6,387	-	-	6,387
GLB(2)		-	-	33,466	33,466
Total liabilities measured at fair value	$	6,387	-	33,466	39,853

(1) Excluded from the table above are partially-owned investment companies, limited partnerships and investment funds of $3.8 billion at December 31, 2019 measured using NAV as a practical expedient.

(2) The GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the Consolidated balance sheets.

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:		(in thousands of U.S. dollars)		
Fixed maturities available for sale				
U.S. Treasury and agency	$ 518,255	$ 141,036	$ -	$ 659,291
Foreign	-	2,813,211	17,428	2,830,639
Corporate securities	-	3,895,867	49,338	3,945,205
Mortgage-backed securities	-	2,521,906	51,143	2,573,049
States, municipalities, and political subdivisions	-	180,017	-	180,017
	518,255	9,552,037	117,909	10,188,201
Equity securities	281	-	146	427
Short-term investments	188,300	144,892	-	333,192
Securities lending collateral	-	302,614	-	302,614
Investment derivative instruments	3,629	-	-	3,629
Total assets measured at fair value (1)	$ 710,465	$ 9,999,543	$ 118,055	$ 10,828,063
Liabilities:				
Investment derivative instruments	9,893	-	-	9,893
GLB(2)	-	-	3,373	3,373
Total liabilities measured at fair value	$ 9,893	$ -	$ 3,373	$ 13,266

(1) Excluded from the table above are partially-owned investment companies and investment funds of $2.8billion at December 31, 2018 measured using NAV.

(2) The GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the Consolidated balance sheets.

b) Level 3 financial instruments

The following table presents the significant unobservable inputs used in the Level 3 valuations. Excluded from the table below are inputs used to fair value Level 3 assets which are based on single broker quotes or net asset value and contain no quantitative unobservable inputs developed by management. The majority of our fixed maturities classified as Level 3 used external pricing when markets are less liquid due to the lack of market inputs (i.e., stale pricing, broker quotes).

(in thousands of U.S. dollars)	Fair Value at December 31, 2019	Valuation Technique	Significant Unobservable Inputs	Ranges	Weighted Average[1]
GLB[1]	$ 33,466	Actuarial model	Lapse rate	4% - 23%	4.1%
			Annuitization rate	0% - 52%	1.8%

(1) The weighted average lapse and annuitization rates are determined by weighing each treaty's rates by the GLB contracts fair value.

The most significant policyholder behavior assumptions include lapse rates and the GMIB annuitization rates. Assumptions regarding lapse rates and GMIB annuitization rates differ by treaty, but the underlying methodologies to determine rates applied to each treaty are comparable.

A lapse rate is the percentage of in-force policies surrendered in a given calendar year. All else equal, as lapse rates increase, ultimate claim payments will decrease. In general, the base lapse function assumes low lapse rates during the surrender charge period of the GMIB contract, followed by a “spike” lapse rate in the year immediately following the surrender charge period, and then reverting to an ultimate lapse rate, typically over a 2-year period. This base rate is adjusted downward for policies with more valuable guarantees (policies with guaranteed values far in excess of their account values). Partial withdrawals and the impact of older policyholders with tax-qualified contracts are also reflected in our modeling.

The GMIB annuitization rate is the percentage of policies for which the policyholder will elect to annuitize using the guaranteed benefit provided under the GMIB. All else equal, as GMIB annuitization rates increase, ultimate claim payments will increase, subject to treaty claim limits. All GMIB reinsurance treaties include claim limits to protect the Company in the event that actual annuitization behavior is significantly higher than expected. In general, the Company assumes that GMIB annuitization rates will be higher for policies with more valuable guarantees (policies with guaranteed values far in excess of their account values). The Company also assumes that GMIB annuitization rates increases as policyholders get older.

The effect of changes in key market factors on assumed lapse and annuitization rates reflect emerging trends using data available from cedants. The model and related assumptions are regularly re-evaluated by management and enhanced, as appropriate, based upon additional experience obtained related to policyholder behavior and availability of updated information such as market conditions, market participant assumptions, and demographics of in-force annuities.

In the fourth quarter of 2019, we completed a review of policyholder behavior related to annuitizations, partial withdrawals, lapses, and mortality for our variable annuity reinsurance business.

- As annuitization experience continued to emerge, we refined our annuitization assumptions including age-based behavior. Additionally, for policies with highly valuable guarantees we increased our annuitization assumptions to reflect recent trends. These refinements resulted in a net increase to the fair value of GLB liabilities generating a realized loss of approximately $55 million.
- We refined our mortality assumptions based on additional emerging experience. We also updated our reference mortality table to a more recent industry table. The updated mortality rates increased the fair value of GLB liabilities generating a realized loss of approximately $5 million.
- Lapse and partial withdrawal assumptions were also refined based on additional emerging experience. The change in lapse and partial withdrawal assumptions had an insignificant impact on the fair value of GLB liabilities.

During the year ended December 31, 2019, we also made routine model refinements to the internal valuation model which resulted in a net increase in the fair value of GLB liabilities generating a realized loss of approximately $7 million.

The following tables present a reconciliation of the beginning and ending balances of financial instruments measured at fair value using significant unobservable inputs (Level 3):

	Year Ended December 31, 2019 (in thousands of U.S. dollars)				
	Assets				Liability
	Available-for-Sale Debt Securities				
	Foreign	Corporate securities	MBS	Equity securities	GLB[1]
Balance-Beginning of year	$ 17,428	49,338	51,143	146	$ 3,373
Transfers into (out of) Level 3	(8,107)	-	-	-	-
Change in Net Unrealized Gains (Losses) included in OCI	435	875	(8)	-	-
Net Realized Gains/Losses	(242)	(1,578)	-	(311)	30,093
Purchases	2,476	20,570	-	371	-
Sales	(2,775)	(1,692)	-	-	-
Settlements	(115)	(21,376)	(529)	-	-
Balance-End of year	$ 9,100	46,137	50,606	206	$ 33,466
Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date	$ (24)	-	-	5	$ 30,093
Change in Net Unrealized Gain/Losses included in OCI at the Balance Sheet Date	$ 222	897	10	-	$ -

(1) The Company's GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the Consolidated balance sheets.

Year Ended December 31, 2018 (in thousands of U.S. dollars)					
	Assets				Liability
	Available-for-Sale Debt Securities				
	Foreign	Corporate securities	MBS	Equity securities	GLB[(1)]
Balance-Beginning of year	$ 3,325	$ 42,680	$ 50,114	$ 48	$ (71,864)
Transfers into (out of) Level 3	-	13,107	(3,436)	-	
Change in Net Unrealized Gains (Losses) included in OCI	(3,548)	(838)	(47)	-	-
Net Realized Gains/Losses	(24)	(167)	-	28	75,237
Purchases	18,004	9,921	5,201	2,168	-
Sales	(77)	(8,696)	(86)	(2,098)	-
Settlements	(252)	(6,669)	(603)	-	-
Balance-End of year	$ 17,428	$ 49,338	$ 51,143	$ 146	$ 3,373
Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date	$ (24)	$ -	$ -	$ 5	$ 75,237

(1) The Company's GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the Consolidated balance sheets.

c) Financial instruments disclosed, but not carried, at fair value

The Company uses various financial instruments in the normal course of its business. The Company's reinsurance contracts are excluded from fair value of financial instruments accounting guidance and, therefore, are not included in the amounts discussed below.

The carrying values of cash, other assets, other liabilities, and other financial instruments not included below approximated their fair values.

Investments in partially-owned insurance companies

The fair values of the Company's investments in partially-owned insurance companies are based on the share of the net assets based on the financial statements provided by those companies and are excluded from the valuation hierarchy tables below.

Repurchase agreements

Where practical, fair values of repurchase agreements are estimated using discounted cash flow calculations based principally on observable inputs including incremental borrowing rates, which reflect our credit rating, for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

The following tables present fair value, by valuation hierarchy, and carrying value of the financial instruments not measured at fair value:

December 31, 2019	Fair Value				Carrying Value
(in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Total	
Assets:					
Fixed Maturities held to maturity:					
Corporate securities	-	1,519	-	1,519	1,461
Mortgage-backed securities	-	4,335	-	4,335	4,058
Total assets	-	5,854	-	5,854	5,519
Liabilities:					
Repurchase Agreements	-	101,994	-	101,994	101,994

December 31, 2018	Fair Value				Carrying Value
(in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Total	
Assets:					
Fixed Maturities held to maturity:					
Corporate securities	-	2,118	-	2,118	2,046
Mortgage-backed securities	-	5,181	-	5,181	5,034
Total assets	-	7,299	-	7,299	7,080
Liabilities:					
Repurchase Agreements	-	556,664	-	556,664	556,664

10. Taxation

Under current Bermuda law, the Company and its Bermuda subsidiaries are not required to pay any taxes on income or capital gains. If a Bermuda law were enacted that would impose taxes on income or capital gains, Chubb Limited and the Bermuda subsidiaries have received an undertaking from the Minister of Finance in Bermuda that would exempt such companies from Bermudian taxation until March 2035.

The Company does not consider itself to be engaged in trade or business in the United States and, accordingly, does not expect to be subject to United States taxation.

The Company does conduct business through subsidiaries domiciled in tax jurisdictions.

11. Statutory financial information

The Company is registered under The Insurance Act 1978 (Bermuda), amendments thereto and related regulations (the Act) as a Class 4E insurer. Effective January 1, 2016, Bermuda implemented a new solvency and risk management regime which has been deemed equivalent to the EU's Solvency II regime. Bermuda statutory reporting rules have been amended to introduce an economic balance sheet (EBS) framework. The Company calculates statutory capital using the Bermuda Statutory Capital Requirement (BSCR) model.

Statutory capital and surplus of the Company was approximately $10.6 billion and $8.6 billion at December 31, 2019 and 2018, respectively.

A Class 4 insurer is prohibited from declaring or paying a dividend if in breach of its ECR, solvency margin or minimum liquidity ratio or if the declaration or payment of such dividend would cause such a breach. Where an insurer fails to meet its solvency margin or minimum liquidity ratio on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the approval of the Bermuda Monetary Authority (the Authority). Further, a Class 4 insurer is prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the Authority an affidavit signed by at least two directors and the insurer's principal representative stating that the declaration of such dividends has not caused the insurer to fail to meet its solvency margin or minimum liquidity ratio. Class 4 insurers must obtain the Authority's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's statutory financial statements.

12. Condensed Financial Information of Parent Company Only

The following tables present condensed financial information for the parent company only at December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018 presented on the equity method of accounting.

BALANCE SHEETS (Parent Company Only)

(in millions of U.S. dollars)	2019	2018
Assets		
Investments	$ 14,807	$ 13,027
Investments in subsidiaries and affiliates on equity basis	79	68
Total investments	14,886	13,095
Cash	140	63
Reinsurance balances receivables	884	541
Reinsurance recoverable	1,100	1,039
Loan due from affiliate	250	300
Other assets	2,230	2,386
Total assets	$ 19,490	$ 17,424
Liabilities		
Reserves	$ 6,837	$ 6,830
Unearned premiums	1,196	1,071
Reinsurance balances payable	906	333
Due to subsidiaries and affiliates, net	10	55
Accounts payable, accrued expenses, and other liabilities	413	990
Total liabilities	9,362	9,279
Shareholders' equity		
Common Shares	3	3
Additional paid-in capital	2,531	2,531
Retained earnings	7,293	5,748
Accumulated other comprehensive income (loss)	302	(136)
Total shareholders' equity	10,128	8,145
Total liabilities and shareholders' equity	$ 19,490	$ 17,424

The condensed financial information should be read in conjunction with the consolidated financial statements and notes thereto.

Chubb Tempest Reinsurance Ltd. and its subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2019 and 2018

STATEMENTS OF OPERATIONS (Parent Company Only)

(in millions of U.S. dollars)	2019	2018
Revenues		
Net earned premiums	$ 3,681	$ 3,402
Investment income	434	488
Equity in net income of subsidiaries and affiliates	406	278
	4,521	4,168
Expenses		
Reserve expense	1,806	2,030
Policy acquisition costs	967	1,103
Administrative expenses and other	24	52
Net realized (gains) losses	38	124
	2,835	3,309
Net income	$ 1,686	$ 859

The condensed financial information should be read in conjunction with the consolidated financial statements and notes thereto.

STATEMENTS OF CASH FLOWS (Parent Company Only)

	Year Ended December 31	
(in millions of U.S. dollars)	2019	2018
Net cash flows from operating activities	$ 1,518	$ (594)
Cash flows from investing activities		
Purchases of fixed maturities available for sale	$ (3,330)	$ (3,310)
Purchases of equity securities	-	(2)
Sales of fixed maturities available for sale	1,963	2,819
Sales of equity securities	-	2
Maturities and redemptions of fixed maturities available for sale	1,143	1,393
Net change in short-term investments	(347)	(15)
Net derivative instruments settlements	(23)	8
Private equity contributions	(884)	(1,158)
Private equity distributions	556	762
Other	-	1
Net cash flows from (used for) investing activities	$ (922)	$ 500
Cash flows from financing activities		
Repayment of repurchase agreements	$ (450)	$ (557)
Proceeds from issuance of repurchase agreements	-	561
Proceeds from repayment (issuance) of intercompany loans	50	(300)
Capital Contribution	(4)	-
Dividends paid	(150)	-
Net cash flows from (used for) financing activities	$ (554)	$ (296)
Effects of foreign currency rate change on cash and restricted cash	$ 31	$ (5)
Net increase (decrease) in cash and restricted cash	$ 73	$ (395)
Cash and restricted cash – beginning of year	78	473
Cash and restricted cash – end of year	$ 151	$ 78

The condensed financial information should be read in conjunction with the consolidated financial statements and notes thereto.

13. *Subsequent events*

The Company has performed an evaluation of subsequent events through April 1, 2020, which is the date that the financial statements were issued.

During 2019, the Company entered into agreements to acquire a 22.4 percent ownership in Huatai Insurance Group Company Limited (Huatai Group) for approximately $1.6 billion through two separate purchases, a 15.3 percent ownership interest for approximately $1.1 billion and a 7.1 percent ownership interest for approximately $493 million. Huatai Group is the parent company of, and owns 100 percent of, Huatai Property & Casualty Insurance Co., Ltd. (Huatai P&C) and approximately 80 percent of Huatai Life Insurance Co., Ltd. (Huatai Life). These purchases are contingent upon Chinese insurance regulatory approval and other important conditions that are expected to be completed by the end of 2021. The purchase of the 7.1 percent ownership stake is also contingent upon the receipt of Chinese insurance regulatory approval of the 15.3

percent purchase. In connection with these purchase agreements, in January 2020, we paid collateralized deposits totaling $1.550 billion.

During the first quarter of 2020, Bermuda, U.S. and worldwide social and economic activity became severely impacted by the spread and threat of the novel coronavirus (COVID-19). CTR is taking actions to minimize risk to our employees, including restricting travel and instituting extensive work from home protocols. We seek to minimize any disruption to our clients and operations while ensuring the safety of our employees. The Company is unable to estimate the amount of losses, if any at this time. However, the Company anticipates that these events could adversely impact 2020 financial statements due to incurrence of losses and the impact of economic slowdown, including realized losses in our variable annuity programs and realized and unrealized losses in our investment portfolio.

No other significant subsequent events were identified.