Transatlantic Reinsurance Company

Statutory-Basis Financial Statements
For the Years Ended December 31, 2021 and 2020

TRANSATLANTIC REINSURANCE COMPANY
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Report of Independent Auditors

Audit Committee and Management of Transatlantic Reinsurance Company

Opinion

We have audited the statutory-basis financial statements of Transatlantic Reinsurance Company (the Company), which comprise the statement of admitted assets, liabilities and policyholders' surplus as of December 31, 2021 and 2020, and the related statements of operations, changes in policyholders' surplus and cash flow for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company at December 31, 2021 and 2020, or the results of its operations or its cash flows for the years then ended.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices described in Note 2 and accounting principles generally accepted in the

United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

May 12, 2022

Transatlantic Reinsurance Company
Statements of Admitted Assets, Liabilities and Policyholders' Surplus
(in thousands, except share data)

	As of December 31, 2021	2020
Admitted Assets:		
Investments:		
Bonds, at carrying value (fair value: 2021 - $10,026,574; 2020 - $9,605,533)	$ 9,810,326	$ 9,136,509
Common and preferred stock, principally at fair value (cost: 2021 - $2,124,956; cost: 2020 - $1,907,025)	3,063,521	2,706,525
Other invested assets	301,018	284,715
Commercial mortgage loans	333,327	470,269
Receivables for securities	9,944	20,977
Real estate	830	1,379
Short-term investments, at amortized cost (approximates fair value)	39,995	1,748
Cash and cash equivalents	594,210	653,949
Total invested assets	14,153,171	13,276,071
Premium and considerations receivable	1,060,492	821,232
Funds held by or deposited with reinsured companies	694,548	907,067
Reinsurance recoverable on paid losses and loss adjustment expenses	74,817	30,840
Interest and dividends due and accrued	55,155	55,141
Net deferred tax asset	156,994	198,589
Federal and foreign income tax recoverable	-	-
Other assets	67,435	59,846
Total admitted assets	$ 16,262,612	$ 15,348,786
Liabilities and Policyholders' Surplus:		
Net unpaid losses and loss adjustment expenses	$ 8,893,589	$ 8,201,010
Net unearned premiums	1,604,910	1,702,902
Reinsurance payable on paid losses and loss adjustment expenses	199,798	182,023
Ceded reinsurance premiums payable	176,932	98,170
Funds held by company under reinsurance treaties	92,234	136,421
Provision for reinsurance	14,621	13,240
Payable for securities	14,668	13,134
Other liabilities	199,392	188,440
Total liabilities	11,196,144	10,535,340
Common stock, $5 par value; shares authorized, issued and outstanding: (2021 - 1,208,331; 2020 - 1,208,331)	6,042	6,042
Gross paid-in and contributed surplus	1,133,879	1,134,387
Unassigned surplus	3,926,547	3,673,017
Total policyholders' surplus	5,066,468	4,813,446
Total liabilities and policyholders' surplus	$ 16,262,612	$ 15,348,786

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

Transatlantic Reinsurance Company

Statements of Operations
(in thousands)

	For the Years Ended December 31, 2021	2020
Underwriting income:		
Income:		
Net premiums written	$ 5,013,533	$ 4,498,398
Change in net unearned premiums	97,992	(225,126)
Net premiums earned	5,111,525	4,273,272
Deductions:		
Losses and loss adjustment expenses	3,500,693	3,102,646
Other underwriting expenses	1,554,365	1,438,843
Total underwriting deductions	5,055,058	4,541,489
Net underwriting gain (loss)	56,467	(268,217)
Investment income:		
Net investment income	338,450	313,345
Net realized capital gains, net of tax	77,147	84,883
Net investment gain	415,597	398,228
Other (expense) income	37,520	(4,313)
Income before income taxes	509,584	125,698
Federal and foreign income taxes benefit (expense), excluding tax on net realized capital gains	63,763	38,286
Net income	$ 445,821	$ 87,412

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

Transatlantic Reinsurance Company

Statements of Changes in Policyholders' Surplus
(in thousands)

	For the Years Ended December 31, 2021	For the Years Ended December 31, 2020
Policyholders' surplus, beginning of year	$ 4,813,446	$ 4,904,132
Changes to policyholders' surplus:		
Net income	445,821	87,412
Dividends paid to Transatlantic Holdings, Inc.	(290,000)	(245,000)
Change in net unrealized capital appreciation, net of tax	113,968	4,411
Change in non-admitted assets	15,634	21,602
Change in net deferred income tax	(20,681)	28,810
Change in provision for reinsurance	(1,381)	149
Change in unrealized foreign exchange losses	7,834	8,719
Change in paid-in and contributed surplus	(508)	(224)
Change in retroactive reinsurance balances	(17,665)	3,435
Change in surplus, net	253,022	(90,686)
Policyholders' surplus, end of year	$ 5,066,468	$ 4,813,446

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

Transatlantic Reinsurance Company

Statements of Cash Flows
(in thousands)

	For the Years Ended December 31, 2021	2020
Cash provided by operations:		
Premiums collected, net of reinsurance	$ 4,852,691	$ 4,360,985
Net investment income	371,941	348,169
Miscellaneous income	231,390	42,267
	5,456,022	4,751,421
Cash used in operations:		
Benefit and loss related payments, net of reinsurance	(2,808,114)	(2,561,299)
Commissions (net of reinsurance), expenses paid and aggregate write-ins for deductions	(1,583,920)	(1,403,460)
Federal and foreign income taxes recovered (paid)	(54,528)	(46,392)
	(4,446,562)	(4,011,151)
Net cash provided by operations	1,009,460	740,270
Proceeds from investments sold, matured or repaid:		
Bonds	3,604,310	2,754,502
Stocks	235,904	759,568
Mortgage loans	154,339	24,068
Other invested assets	6,917	41,349
Other	12,568	-
	4,014,038	3,579,487
Cost of investments acquired:		
Bonds	(4,317,956)	(3,473,922)
Stocks	(394,455)	(527,644)
Commercial mortgage loans	(17,397)	(13,994)
Other invested assets	(18,955)	(12,579)
Other	-	(19,575)
	(4,748,763)	(4,047,714)
Net cash (used in) investments	(734,725)	(468,227)
Cash used in financing and other:		
Capital and paid-in surplus	(508)	(224)
Dividends paid to stockholder	(290,000)	(245,000)
Other, net	(5,719)	(118,655)
Net cash (used in) financing and other	(296,227)	(363,879)
Net change in cash, cash equivalents and short-term investments	(21,492)	(91,836)
Cash, cash equivalents and short-term investments, beginning of year	655,697	747,533
Cash, cash equivalents and short-term investments, end of year	$ 634,205	$ 655,697

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

1. Organization and Nature of Operations

Transatlantic Reinsurance Company ("TRC", or the "Company") is a New York domiciled property and casualty reinsurance company which is licensed or otherwise authorized as a reinsurer in all 50 states and the District of Columbia in the United States and in Puerto Rico and Guam. TRC is a wholly-owned subsidiary of Transatlantic Holdings, Inc ("TRH"), which is a wholly-owned subsidiary of Alleghany Corporation ("Alleghany"). Through its international locations, TRC has operations worldwide, including in: Africa, Australia, Bermuda, Canada, Asia, Central and South America and Europe. TRC is licensed in Bermuda, Canada, Japan, the United Kingdom, the Dominican Republic, the Hong Kong Special Administrative Region of the People's Republic of China, Singapore, Germany and Australia.

TRC is an admitted reinsurer in Brazil (where it maintains an office in Rio de Janeiro, TRC Escritorio de Representacao no Brasil Ltda.). In addition, TRC is registered and authorized as a foreign reinsurer in Argentina (where it maintains a representative office in Buenos Aires, Transatlantic Re (Argentina) S.A.), Panama (where it maintains a representative office, TransRe S.A. and a service company, Transatlantic International Services, S.A.), Bolivia, Chile, Colombia, Ecuador, El Salvador, France, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, Uruguay and Venezuela, and is authorized to maintain a representative office in Shanghai, the People's Republic of China.

TRC offers reinsurance capacity for a full range of property and casualty products to insurers and reinsurers on a treaty and facultative basis, with an emphasis on specialty classes. TRC's principal lines of business within property include fire, allied lines, auto physical damage and homeowners multiple peril lines, which include property catastrophe risks. Property reinsurance accounted for approximately 31.7% and 34.6% of TRC's net premiums written in 2021 and 2020, respectively. TRC's principal lines of business within casualty & other include liability includes directors' and officers' liability ("D&O"), errors and omissions liability ("E&O") general liability, medical malpractice, ocean marine and aviation, auto liability (including non-standard risks), accident and health, mortgage reinsurance, surety, and credit. Casualty reinsurance accounted for approximately 68.3% and 65.4% of TRC's net premiums written in 2021 and 2020, respectively.

TRC owns 100% of the outstanding stock of Fair American Insurance and Reinsurance Company ("FAIRCO"), a New York domiciled insurance company, Fair American Select Insurance Company ("FASIC"), a Delaware insurance company, TransRe Europe S.A ("TRESA"), an international reinsurance company based in Luxembourg and Calpe Insurance Company Limited ("Calpe"), a motor line insurer domiciled in Gibraltar and having permission to operate in the United Kingdom. TransRe London Ltd. ("TRLL"), formed in the United Kingdom, also is a wholly-owned subsidiary of TRC.

TRC purchased a 100% interest in Orien Risk Analysts, Inc. ("Orien") on July 30, 2017. Orien was established in October 2000 as a managing general underwriter ("MGU") of specific and aggregate stop loss insurance over self-insured employee benefit programs. Orien is incorporated in New York and its offices are in Ronkonkoma, New York. The transaction was accounted for as a statutory purchase. The investment in Orien is fully non-admitted in accordance with Statement of Statutory Accounting Principles ("SSAP") No. 97.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The financial statements of TRC are presented on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services (the "NYSDFS"), which differ in certain respects from U.S. generally accepted accounting principles ("GAAP"). The effect of these differences is material.

The NYSDFS recognizes only statutory accounting practices prescribed or permitted in the state of New York for reporting the financial condition and results of operations of an insurance company and for determining its solvency under the New York insurance law. The Superintendent of Financial Services has the right to permit other specific practices that deviate from prescribed practices. All material statutory accounting practices of TRC are prescribed in the authoritative literature described below.

The National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual, version effective January 1, 2001 ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the NYSDFS.

Wholly-owned subsidiaries of TRC that are not consolidated into TRC's financial statements but are included in the accompanying Statement of Admitted Assets, Liabilities and Policyholders' Surplus as common stock investments as of December 31, 2021 and 2020, respectively are as follows:

	2021	2020
	(in thousands)	
TRLL	$ 560,473	$ 590,789
TRESA	375,194	434,757
FAIRCO	209,286	209,879
FASIC	105,827	105,191
Calpe	43,929	50,519
	$ 1,294,709	$ 1,391,135

b. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could materially differ from those estimates and could have a material effect on net income.

TRC believes that its most critical accounting estimates are those with respect to loss reserves, fair value measurements of certain financial assets, and other-than-temporary impairments ("OTTI") of investments, as they require management's most significant exercise of judgment on both a quantitative and qualitative basis in the preparation of TRC's financial statements and footnotes.

c. Accounting Policies

Current significant accounting policies are as follows:

i. Investments are valued in accordance with the valuation procedures prescribed by the NAIC. Bonds are principally carried at amortized cost. Bonds which are NAIC rated 3 – 6 are carried at the lower of amortized cost or fair value with a credit or charge to unrealized investment gains or losses for the difference between amortized cost and fair value. Bonds that have not been filed with the NAIC's Security Valuation Office ("SVO") within one year of purchase receive a "6*" rating and are carried at zero, with a charge to unrealized investment loss. Bonds filed with the SVO which receive a 6* designation can carry a value greater than zero. The discount or premium on bonds is amortized using the effective yield method.

   Cash and Cash equivalents are valued in accordance with SSAP 100R: Fair Value.

   Loan-backed and structured securities are principally carried at amortized cost. The retrospective adjustment method is used to value all loan-backed and structured securities. Prepayment assumptions, consistent with the current interest rate and economic environments, for single class and multiclass mortgage-backed and asset-backed securities were obtained from independent third-party pricing services or internal estimates. TRC used independent pricing services and broker quotes to determine the market value of its loan-backed and structured securities.

   Common and nonredeemable preferred stocks, other than the common stock of TRC's wholly-owned unconsolidated subsidiaries, are primarily carried at fair value with a credit or charge to unrealized investment gains or losses for the difference between cost and fair value. The common stock of TRC's wholly-owned unconsolidated subsidiaries is carried at the respective subsidiary's net equity as determined on a statutory basis. Undistributed equity earnings of TRC's wholly-owned unconsolidated subsidiaries are included as a component of unrealized investment gains or losses. Dividends received from TRC's wholly-owned unconsolidated subsidiaries are recorded as investment income when receivable. Redeemable preferred stocks are principally carried at cost or amortized cost. All below investment grade preferred stocks are carried at the lower of cost, amortized cost or NAIC-designated fair value.

   Short-term investments are carried at amortized cost which approximates fair value and have original maturities of greater than three months and less than one year at the date of acquisition. Such highly liquid investments with original maturities of three months or less at the date of acquisition are classified as cash equivalents.

Commercial mortgage loans are carried at unpaid principal balance, less allowance for loan losses in conformity with SSAP No. 37. The allowance for loan losses is a valuation allowance for incurred credit losses when management believes the uncollectibility of a loan balance is probable. Subsequent recoveries, if any, are credited to the allowance. Interest income on loans is accrued as earned. The estimated fair value of commercial mortgage loans approximates the carrying value.

Other invested assets, which consist primarily of alternative investments, are carried primarily at TRC's share of stockholders' equity on the underlying GAAP financial statements of the entity, based on the most recently available financial information provided by the general partner or management of each of the investments. The financial information is for the period ended one to three months prior to the end of TRC's reporting period. The financial statements of these investees are audited on an annual basis. Undistributed accumulated earnings of such entities are included as a component of unrealized investment gains or losses. Distributions received that are not in excess of the undistributed accumulated earnings are recognized as investment income. Distributions in excess of the undistributed accumulated earnings are treated as a return of capital.

The reported value of investments carried at fair value is principally derived from market price data for identical assets from exchange or dealer markets and from market observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals. For certain bonds, including loan-backed and structured securities, for which market prices were not readily available, market values were principally estimated using values obtained from independent pricing services, broker quotes and internal estimates.

Investment income is recorded as earned. Amortization of bond premium and the accretion of bond discount are charged or credited to investment income using the effective yield method.

Investment income due and accrued over 90 days past due is not admitted.

Realized gains or losses on the sale of investments are determined based on specific identification. In addition, where the declines in the fair value of securities below cost or amortized cost are considered to be other than temporary, a realized loss is recorded for the difference between cost or amortized cost and estimated fair value of such securities. Estimates of fair value are subjective and realizations will be dependent upon future events. In the Statement of Operations, net realized capital gains are presented net of the related income tax effect.

Except in cases where OTTI has been recorded, changes in unrealized appreciation or depreciation of bonds with a NAIC 3 – 6 rating and common and nonredeemable preferred stocks and other invested assets are charged or credited, net of the related income tax effect, directly to unassigned surplus.

TRC monitors the difference between cost and the estimated fair value of its investments, which involves uncertainty as to whether declines in value are temporary in nature. The analysis of any individual security's decline in value is performed in its functional currency.

Management's assessment of equity securities initially involves an evaluation of all securities that are in an unrealized loss position, regardless of the duration or severity of the loss, as of the applicable balance sheet date. Such initial review consists primarily of assessing whether:

(1) there has been a negative credit or news event with respect to the issuer that could indicate the existence of an OTTI; and

(2) TRC has the ability and intent to hold an equity security for a period of time sufficient to allow for an anticipated recovery (generally considered to be less than one year from the balance sheet date).

To the extent that an equity security in an unrealized loss position is not impaired based on the initial review described above, TRC then further evaluates such equity security and deems it to be other-than-temporarily impaired if it has been in an unrealized loss position for twelve months or more or if its unrealized loss position is greater than 50% of its cost, absent compelling evidence to the contrary.

TRC then evaluates those equity securities where the unrealized loss is 20% or more of cost as of the balance sheet date or which have been in an unrealized loss position continuously for six months or more preceding the balance sheet date. This evaluation considers quantitative and qualitative factors in determining whether such securities are other-than-temporarily impaired including:

(1) market valuation metrics associated with the equity security (*e.g.*, dividend yield and price-to-earnings ratio);

(2) current views on the equity security, as expressed by TRC's third party stock analysts or rating agencies; and

(3) discrete credit or news events associated with a specific company, such as negative news releases and rating agency downgrades with respect to the issuer of the investment.

Debt securities in an unrealized loss position are evaluated for OTTI if they meet any of the following criteria:

(1) they are trading at a 20% discount to amortized cost for an extended period of time (nine consecutive months or longer);

(2) there has been a negative credit or news event with respect to the issuer that could indicate the existence of an OTTI; or

(3) TRC intends to sell or it is more likely than not that TRC will sell the debt security before recovery of its amortized cost basis.

If TRC intends to sell, or it is more likely than not that TRC will sell, a debt security before recovery of its amortized cost basis, the total amount of the unrealized loss position is recognized as an OTTI loss in earnings. To the extent that a debt security that is in an unrealized loss position is not impaired based on the preceding, TRC will consider a debt security to be impaired when it believes it to be probable that TRC will not be able to collect the entire amortized cost basis.

For debt securities in an unrealized loss position as of the end of each quarter, TRC determines if it will recover all amounts due according to the contractual terms of the security in effect at the date of acquisition, or develops a best estimate of the present value of expected cash flows. For debt securities, excluding loan-backed and structured securities, if TRC determines that it will not recover all amounts due according to the contractual terms of the debt security as of the date of acquisition, TRC records an OTTI loss in earnings equal to the entire difference between the fair value and the amortized cost basis of the security. For loan-backed and structured securities, if the results of the cash flow analysis indicate that TRC will not recover the full amount of its amortized basis in its investment, TRC records an OTTI loss in earnings equal to the difference between the present value of expected cash flows and the amortized cost basis of the security. If applicable, the difference between the total unrealized loss position on the security and the OTTI loss recognized in earnings is the non-credit related portion and is recorded as a component of unassigned surplus.

In developing the expected recovery analyses for debt securities, TRC considers various factors for the different categories of debt securities. For municipal bonds, TRC takes into account the taxing power of the issuer, source of revenue, credit risk and credit enhancements and pre-refunding. For mortgage and asset-backed securities, TRC discounts its best estimate of future cash flows at an effective rate equal to the original effective yield of the security or, in the case of floating rate securities, at the current coupon. TRC's models include assumptions about prepayment speeds, default and delinquency rates, and underlying collateral (if any), as well as credit ratings, credit enhancements and other observable market data. For corporate bonds, TRC reviews business prospects, credit ratings and available information from asset managers and rating agencies for individual securities.

If a loss is recognized from a sale subsequent to a balance sheet date pursuant to changes in circumstances, the loss is recognized in the period in which the intent to hold the securities to recovery no longer exists.

In periods subsequent to the recognition of OTTI loss for bonds, TRC generally accretes into income the discount or amortizes the reduced premium resulting from the reduction in cost basis over the remaining life of the security based on the amount and timing of estimated future cash flows.

Mortgage and asset-backed securities, where the collection of all contractual cash flows is probable, will be revalued at least quarterly, using currently estimated cash flows, employing either the prospective or retrospective adjustment methodologies. The retrospective adjustment methodology changes both the yield and the asset balance so that expected future cash flows produce a return on the investment equal to the return expected over the life of the investment as measured from the date of acquisition. For securities where the collection of all contractual cash flows is not probable, the excess of all cash flows expected at acquisition over the initial investment in the security is recognized as interest income on an effective yield basis over the life of the security. Any excess of contractually required cash flows over the cash flows expected to be collected is a non-accretable difference.

ii. Unpaid losses and loss adjustment expenses ("LAE") are principally based on reports and individual case estimates received from ceding companies. The incurred but not reported ("IBNR") portion of unpaid losses and LAE is based on past experience and other factors. The methods of making such estimates and for establishing the resulting reserves are continually reviewed and updated. Any resulting adjustments are reflected in income currently. Net losses and LAE incurred consists of the estimated ultimate cost of settling claims incurred within the reporting period (net of related reinsurance recoverable), including IBNR claims, plus changes in estimates of prior period losses.

The estimation of the liability for net unpaid losses and LAE is inherently difficult and subjective, especially in view of changes in the legal and economic environment which impact the development of net unpaid losses and LAE, and therefore quantitative techniques frequently have to be supplemented by subjective considerations and managerial judgment. In addition, trends that have affected development of liabilities in the past may not necessarily occur or affect liability development to the same degree in the future.

While the reserving process is difficult for the ceding companies, the inherent uncertainties of estimating loss reserves are even greater for the reinsurer, due primarily to the longer-term nature of much reinsurance business, the diversity of development patterns among different types of reinsurance treaties or facultative contracts, the necessary reliance on the ceding companies for information regarding reported claims and the differing reserving practices among ceding companies, which can be subject to change without notice. TRC writes a significant amount of non-proportional assumed casualty reinsurance as well as proportional assumed reinsurance of excess liability business for classes such as medical malpractice, D&O, E&O and general casualty. Claims from such classes can exhibit greater volatility over time than most other classes due to their low frequency, high severity nature and loss cost trends that are more difficult to predict.

Therefore, there can be no assurance that the ultimate liability will not materially differ from amounts reserved with a resulting material effect on the operating results of TRC.

TRC does not discount its loss reserves.

iii. For pro rata treaty contracts, premiums written and earned are based on reports received from ceding companies. For excess-of-loss treaty contracts, premiums are generally recorded as written based on contract terms. Premiums are earned ratably over the terms of the related coverages. Unearned premiums represent the portion of gross premiums assumed, net of reinsurance ceded, relating to the unexpired terms of such coverages. Premiums written and earned, along with related costs, for which data has not been reported by the ceding companies, are estimated based on historical patterns and other relevant information. These estimates are subject to change when actual data for such items estimated becomes available. In the Statements of Operations, premiums written, premiums earned and the change in unearned premiums are presented net of reinsurance ceded.

TRC anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, "Property Casualty Contracts – Premiums."

iv. In accordance with SSAP No. 23, “Foreign Currency Transactions and Translations,” assets and liabilities denominated in foreign currencies are translated into U.S. dollars at period-end exchange rates. Income and expense accounts are translated at average exchange rates for the year. The resulting translation adjustment for functional currencies is credited or charged to policyholders’ surplus.

    Transaction gains and losses on assets and liabilities denominated in foreign currencies are credited or charged to results of operations during the period in which they occur. The foreign exchange revaluation of beginning unpaid losses and LAE are adjusted in losses paid in the period. The foreign exchange revaluation of beginning unearned premium reserves is adjusted in premiums written in the period.

v. Acquisition costs, consisting primarily of commissions incurred on business assumed through reinsurance contracts or certificates, are charged to other underwriting expenses as incurred. In addition, commissions earned by TRC on reinsurance ceded are deducted from other underwriting expenses.

vi. Current income taxes are provided on taxable earnings at the appropriate statutory rate applicable to such earnings. Deferred federal income taxes are provided to reflect the net tax effects of temporary differences between the carrying amounts of statutory-basis assets and liabilities and the amounts used for federal income tax purposes. The change in net deferred taxes is charged or credited directly to surplus. Deferred Tax Assets (“DTAs”) in excess of certain defined limitations are excluded from the Statements of Admitted Assets, Liabilities and Policyholders’ Surplus and charged to surplus as a non-admitted asset.

vii. Certain assets, principally (1) deferred income taxes in excess of certain defined limitations; (2) investments that do not meet the requirements for recognition under SSAP No. 97; (3) reinsurance balances due from ceding companies which are over 90 days past due; (4) prepaid expenses; (5) a portion of electronic data equipment and software; and (6) leasehold improvements, equipment, furniture and fixtures, are designated as non-admitted assets and are excluded from the Statements of Admitted Assets, Liabilities and Policyholders’ Surplus by direct charges to unassigned surplus. Non-admitted assets were $43.2 million and $58.8 million (including $0 million and $9.4 million, respectively, relating to net DTAs) as of December 31, 2021 and 2020, respectively.

viii. A provision for reinsurance, representing a statutory reserve for reinsurance recoverable from unauthorized reinsurance companies (*i.e.*, not licensed in the state of New York) and overdue reinsurance recoverable balances from authorized reinsurance companies, has been established by a charge to unassigned surplus to the extent funds or letters of credit are not held by TRC.

Under GAAP:

(1) certain acquisition costs are deferred and amortized over the periods in which the related premiums are earned;
(2) provisions are made for deferred federal income taxes to reflect the net tax effect of temporary differences between the carrying amount of GAAP basis assets and liabilities and the amounts used for federal income tax purposes. The change in net deferred taxes, excluding the amounts relating to unrealized investment gains and losses and unrealized foreign exchange, is a component of net income;
(3) non-admitted assets and unauthorized and overdue authorized reinsurance changes are not recorded as they are statutory only requirements
(4) assets and liabilities relating to reinsurance contracts must be shown gross of the effects of reinsurance;
(5) the financial statements of TRC and its subsidiaries are consolidated and all intercompany balances are eliminated;
(6) bonds available for sale are carried at fair value;
(7) Cash equivalents are treated as short term investments;
(8) changes in the fair value of equity securities, other than those accounted for under the equity method, are recognized in net income and
(9) certain credit-related allowances are required under U.S. GAAP and are currently not required under statutory accounting practices. For item (3), the statutory provision for reinsurance is replaced by a credit allowance under U.S. GAAP.

d. Going Concern

As of December 31, 2021, and through the date the financial statements were available to be issued, there was no substantial doubt about the Company's ability to continue as a going concern. No conditions or events, considered in the aggregate, indicate that it is probable that the Company will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued.

e. COVID-19 global pandemic (the "Pandemic")

The Pandemic has significantly disrupted many aspects of society, as well as financial markets, and has caused widespread business interruption. The Company cannot reasonably estimate the length or severity of the Pandemic, or the extent to which the related disruption may adversely impact its results of operations, financial position and cash flows. Adverse impacts from the Pandemic in future periods may include reinsurance losses and realized and unrealized losses in the Company's investment portfolio and receivables.

3. Accounting Changes and Corrections of Errors

The Company did not have any corrections of errors in 2021 or 2020.

4. Fair Value Measurements

a. Fair Value

TRC assigns fair values to all financial instruments, but only measures and records certain financial instruments at fair value on the Statements of Admitted Assets, Liabilities and Policyholders' Surplus in accordance with statutory accounting practices. Financial instruments measured and recorded at fair value on the Statements of Admitted Assets, Liabilities and Policyholders' Surplus include unaffiliated common stocks and certain assets in which events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. These assets primarily include bonds, which are carried on the Statement of Admitted Assets, Liabilities and Policyholders' Surplus at amortized cost. TRC records bonds at fair value if they are classified as NAIC rated 3-6, and they will be carried at the lower of amortized cost or fair value.

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. In addition, a three-tiered hierarchy for inputs is used in management's determination of fair value of financial instruments that emphasizes the use of observable inputs over the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are market participant assumptions based on market data obtained from sources independent of the reporting entity. Unobservable inputs are the reporting entity's own assumptions about market participant assumptions based on the best information available under the circumstances. In assessing the appropriateness of using observable inputs in making fair value determinations, TRC considers whether the market for a particular security is "active" or not based on all the relevant facts and circumstances. A market may be considered to be inactive if there are relatively few recent transactions or if there is a significant decrease in market volume. Furthermore, TRC considers whether observable transactions are "orderly" or not. TRC does not consider a transaction to be orderly if there is evidence of a forced liquidation or other distressed condition, and as such, little or no weight is given to that transaction as an indicator of fair value.

Although TRC is responsible for the determination of the value of the financial assets and the supporting methodologies and assumptions, it employs third party valuation service providers to gather, analyze and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual instruments. When those providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either by requesting a quote, which is generally non-binding, from brokers who are knowledgeable about these securities or by employing widely accepted valuation models.

Valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of widely accepted internal valuation models, provide a single fair value measurement for individual securities. The inputs used by the valuation service providers include, but are not limited to, market prices from recently completed transactions and transactions of comparable securities, interest rate yield curves, credit spreads, currency rates, and other market observable information, as applicable. The valuation models take into account, among other things, market observable information as of the measurement date as well as the specific attributes of the security being valued including its term, interest rate, credit rating, industry sector, and when applicable, collateral quality and other issue or issuer specific information. When market transactions or other market observable data is limited, the extent to which judgment is applied in determining fair value is greatly increased.

b. Fair Value Hierarchy

Financial instruments are classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

- "Level 1" - Valuations are based on unadjusted quoted prices in active markets that TRC has the ability to access for identical, unrestricted assets, and do not involve any meaningful degree of judgment. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Assets classified as Level 1 principally include actively traded listed common stocks and mutual funds (which are included on the Statements of Admitted Assets, Liabilities and Policyholders' Surplus in common stocks).

- "Level 2" - Valuations are based on direct and indirect observable inputs other than quoted market prices included in Level 1. Level 2 inputs include quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset, such as the terms of the security and market-based inputs. Terms of the security include coupon, maturity date, and any special provisions that may, for example, enable the investor, at its election, to redeem the security prior to its scheduled maturity date. Market-based inputs include interest rates and yield curves that are observable at commonly quoted intervals and current credit rating(s) of the security. Assets classified as Level 2 principally include most bonds and short-term investments.

- "Level 3" - Valuations are based on techniques that use significant inputs that are unobservable. The valuation of Level 3 assets requires the greatest degree of judgment. These measurements may be made under circumstances in which there is little, if any, market activity for the asset. TRC's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. In making the assessment, TRC considers factors specific to the asset. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Some Level 3 valuations are based entirely on non-binding broker quotes. Assets classified as Level 3 principally include certain industrial and miscellaneous and loan-backed and structured bonds, partnership investments, non-marketable equity investments and commercial mortgage loans.

Mortgage and asset-backed securities are initially valued at the transaction price. Subsequently, TRC uses widely accepted valuation practices that produce a fair value measurement by comparison to transactions in similarly structured instruments, use of discounted cash flows, or option adjusted spread analyses. Unobservable inputs, significant to the measurement and valuation of mortgage and asset-backed securities, include assumptions about prepayment speed and collateral performance, including default, delinquency and loss severity rates. Significant changes to any one of these inputs, or combination of inputs, could significantly change the fair value measurement for these securities.

The impact of prepayment speeds on fair value is dependent on a number of variables including whether the securities were purchased at a premium or discount. A decrease in interest rates generally increases the assumed rate of prepayments, and an increase in interest rates generally decreases the assumed speed of prepayments. Increased prepayments increase the yield on securities purchased at a discount and reduce the yield on securities purchased at a premium. In a decreasing prepayment environment, yields on securities purchased at a discount are reduced but are increased for securities purchased at a premium. Changes in default assumptions on underlying collateral are generally accompanied by directionally similar changes in other collateral performance factors, but generally result in a directionally opposite change in prepayment assumptions.

Partnership and non-marketable equity investments are initially valued at the transaction price. Subsequently, fair value is based on the performance of the portfolio of investments or results of operations of the investee, as derived from their financial statements. Significant improvements or disruptions in the financial markets may result in directionally similar or opposite changes to the portfolio of the investee, depending on how management of the investee has correlated the portfolio of investments to the market. Also, any changes made by the investee to the investment strategy of the private equity investment could result in significant changes to fair value that have a positive or negative correlation to the performance observed in the equity markets. For those investments whose performance is based on the results of operations within a specific industry, significant events impacting that industry could materially impact fair value. Also, decisions and changes to strategy made by management of the investee could result in positive or negative outcomes, which could significantly impact the results of operations of the investee and subsequently fair value.

TRC employs specific control processes to determine the reasonableness of the fair values of its financial assets and liabilities. TRC's processes are designed to ensure that the values received or internally estimated are accurately recorded and that the data inputs and the valuation techniques utilized are appropriate, consistently applied, and that the assumptions are reasonable and consistent with the objective of determining fair value. TRC assesses the reasonableness of individual security values received from valuation service providers through various analytical techniques. In addition, TRC validates the reasonableness of fair values by comparing information obtained from TRC's valuation service providers to other third-party valuation sources for selected securities. TRC also validates prices obtained from brokers for selected securities through reviews by those who have relevant expertise and who are independent of those charged with executing investing transactions.

In addition to such procedures, TRC reviews the reasonableness of its classification of securities within the three-tiered hierarchy to ensure that the classification is consistent with statutory accounting practices.

c. Fair Value of Financial Instruments

The following tables present information about the fair values of all financial instruments as of December 31, 2021 and 2020 and indicate the level of the fair value measurement based on the levels of the inputs used or investment reported at NAV. Investments in common and preferred stocks of wholly-owned subsidiaries of the Company are excluded in the tables below:

	December 31, 2021				
Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	NAV	Total
			(in millions)		
Assets at Fair Value:					
Bonds:					
U.S. Government	$ -	$ 1,427.0	$ -	$ -	$ 1,427.0
All Other Governments	-	825.6	-	-	825.6
U.S. States, Territories & Possessions	-	222.8	-	-	222.8
Political subdivisions of states, territories and possessions	-	169.0	-	-	169.0
Special revenue and special assessment obligations of all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	-	1,099.1	-	-	1,099.1
Industrial and Miscellaneous	-	2,137.1	660.5	-	2,797.6
Loan-Backed and Structured	-	2,576.4	909.0	-	3,485.4
Total Bonds	-	8,457.0	1,569.5	-	10,026.5
Common and preferred stocks:					
Industrial and Miscellaneous	1,764.2	3.3	1.3	-	1,768.8
Total Common and Preferred Stocks	1,764.2	3.3	1.3	-	1,768.8
Total Short-term Investments	-	40.0	-	-	40.0
Total Other Invested Assets	-	-	146.4	154.7	301.1
Total Commercial Mortgage Loans	-	-	333.3	-	333.3
Total Assets at Fair Value	$ 1,764.2	$ 8,500.3	$ 2,050.5	$ 154.7	$ 12,469.7

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	NAV	Total
			December 31, 2020 (in millions)		
Assets at Fair Value:					
Bonds:					
U.S. Government	$ -	$ 985.8	$ -	$ -	$ 985.8
All Other Governments	-	886.7	-	-	886.7
U.S. States, Territories & Possessions	-	250.9	-	-	250.9
Political subdivisions of states, territories and possessions	-	152.7	-	-	152.7
Special revenue and special assessment obligations of all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	-	1,141.6	-	-	1,141.6
Industrial and Miscellaneous	-	2,240.2	649.3	-	2,889.5
Loan-Backed and Structured	-	2,716.4	581.9	-	3,298.3
Total Bonds	-	8,374.3	1,231.2	-	9,605.5
Common and preferred stocks:					
Industrial and Miscellaneous	1,244.5	-	4.3	66.6	1,315.4
Total Common and Preferred Stocks	1,244.5	-	4.3	66.6	1,315.4
Total Short-term Investments	-	1.7	-	-	1.7
Total Other Invested Assets	-	-	121.4	163.3	284.7
Total Commercial Mortgage Loans	-	-	470.3	-	470.3
Total Assets at Fair Value	$ 1,244.5	$ 8,376.0	$ 1,827.2	$ 229.9	$ 11,677.6

The investments reported at NAV include certain of the Company's investments in mutual funds and limited liability companies. As of December 31, 2021, the Company does not believe sales of these assets would occur at amounts different from the NAV per share.

TRC had no financial liabilities measured at or required to be disclosed at fair value as of December 31, 2021 and 2020.

The following tables present analyses of the changes during 2021 and 2020 in Level 3 assets measured or disclosed at fair value:

Year Ended December 31, 2021

Description	Beginning Balance at 01/01/2021	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2021
Assets				(in millions)						
Bonds										
Loan-Backed and Structured	$ 581.9	$ -	$ (32.6)	$ 0.4	$ 5.1	$ 522.7	$ -	$ -	$ (168.5)	$ 909.0
Industrial and Miscellaneous	649.3	-	(16.1)	(0.1)	(21.5)	137.7	-	(8.7)	(80.2)	660.5
Equities										
Common and Preferred Stocks	4.3	-	(3.3)	-	-	0.3	-	-	-	1.3
Other										
Other Invested Assets	121.4	-	-	-	13.0	18.9	-	-	(6.9)	146.4
Commercial Mortgage Loans	470.3	-	-	-	-	17.4	-	(154.3)	-	333.3
Total Assets	$ 1,827.2	$ -	$ (52.0)	$ 0.3	$ (3.4)	$ 697.0	$ -	$ (163.0)	$ (255.6)	$ 2,050.5

Year Ended December 31, 2020

Description	Beginning Balance at 01/01/2020	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2020
Assets				(in millions)						
Bonds										
Loan-Backed and Structured	$ 547.7	$ -	$ (9.9)	$ (6.7)	$ 3.6	$ 144.6	$ -	$ (37.5)	$ (59.9)	$ 581.9
Industrial and Miscellaneous	630.1	-	(4.5)	0.2	23.8	49.0	-	(4.7)	(44.6)	649.3
Equities										
Common and Preferred Stocks	11.7	-	-	(4.0)	(2.2)	0.9	-	(2.1)	-	4.3
Other										
Other Invested Assets	114.2	-	-	(2.8)	8.2	12.7	-	-	(10.9)	121.4
Commercial Mortgage Loans	480.3	-	-	-	-	14.1	-	-	(24.1)	470.3
Total Assets	$ 1,784.0	$ -	$ (14.4)	$ (13.3)	$ 33.4	$ 221.3	$ -	$ (44.3)	$ (139.5)	$ 1,827.2

In 2021, there were $52.0 million transfers out of Level 3. The transfers out of Level 3 were the result of an increase in the observability of significant valuation inputs.

In 2020, there were $14.4 million transfers out of Level 3. The transfers out of Level 3 were the result of an increase in the observability of significant valuation inputs.

5. Investments

a. Statutory Deposits

Investments with carrying values of $2.2 billion as of December 31, 2021 and December 31, 2020, were deposited with states, various financial institutions in connection with reinsurance trusts, letter of credit facilities, and various governmental authorities as required to comply with insurance laws. These deposits are primarily bonds and mutual funds. All statutory deposits are admitted assets.

b. Unrealized Gains and Losses

The carrying values of investments in bonds as recorded in the Statements of Admitted Assets, Liabilities and Policyholders' Surplus and the cost or amortized cost and fair values of investments in bonds as of December 31, 2021 and 2020 are as follows:

	2021				
	Cost or Amortized Cost	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)				
U.S. Government	$ 1,417,326	$ 1,417,326	$ 22,756	$ (13,084)	$ 1,426,998
All Other Governments	819,506	819,506	13,357	(7,251)	825,612
U.S. States, territories and possessions	214,715	214,715	8,356	(303)	222,768
Political subdivisions of states, territories and possessions	161,566	161,566	8,046	(569)	169,043
Special revenue and special assessment obligations of all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	1,040,594	1,040,594	60,015	(1,489)	1,099,120
Industrial and Miscellaneous	2,701,679	2,700,636	112,737	(16,775)	2,797,641
Loan-Backed and Structured	3,456,240	3,455,983	51,988	(22,836)	3,485,392
Total	$ 9,811,626	$ 9,810,326	$ 277,255	$ (62,307)	$ 10,026,574

	2020				
	Cost or Amortized Cost	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)				
U.S. Government	$ 952,601	$ 952,601	$ 34,375	$ (1,208)	$ 985,768
All Other Governments	848,315	848,315	38,843	(491)	886,667
U.S. States, territories and possessions	238,595	238,595	12,330	(43)	250,882
Political subdivisions of states, territories and possessions	142,930	142,930	9,798	(3)	152,725
Special revenue and special assessment obligations of all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	1,064,154	1,063,985	77,910	(426)	1,141,638
Industrial and Miscellaneous	2,676,593	2,676,336	215,791	(2,894)	2,889,490
Loan-Backed and Structured	3,215,773	3,213,747	100,365	(17,775)	3,298,363
Total	$ 9,138,961	$ 9,136,509	$ 489,412	$ (22,840)	$ 9,605,533

As of December 31, 2021, and 2020, pre-tax net unrealized gains and losses of total affiliated and unaffiliated common and preferred stocks included gross gains of $964.8 million and $825.7 million, respectively, and gross losses of $12.5 million and $9.3 million, respectively.

Pre-tax net unrealized gains included in unassigned surplus for invested assets totaled $981.3 million and $837.0 million for 2021 and 2020, respectively.

c. Contractual Maturities of Bonds

The carrying value and fair value of investments in bonds as of December 31, 2021, by contractual maturity, are shown in the following table. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying Value	Fair Value
	(in thousands)	
Due in one year or less	$ -	$ -
Due after one year through five years	2,141,287	2,177,257
Due after five years through ten years	2,278,008	2,324,408
Due after ten years	1,935,048	2,039,517
Loan-backed and Structured (1)	3,455,983	3,485,392
Total	$ 9,810,326	$ 10,026,574

(1) Loan-backed and structured securities by their nature do not generally have single maturity dates.

d. Net Investment Income

An analysis of net investment income of TRC follows:

	Years Ended December 31, 2021	2020
	(in thousands)	
Bonds	$ 225,464	$ 239,248
Common and preferred stocks	53,632	31,398
Other, net	78,912	61,208
Total investment income	358,008	331,854
Investment expenses	(19,558)	(18,509)
Net investment income	$ 338,450	$ 313,345

e. Investment Gains and Losses

Pre-tax net realized capital gains and losses for 2021 and 2020 are summarized below:

	Years Ended December 31,	
	2021	2020
	(in thousands)	
Gains on sales and redemptions of securities	$ 96,564	$ 175,943
OTTI write-downs	(242)	(72,615)
Pre-tax net realized capital gains (losses)	96,322	103,328
Income tax (expense) benefit	(19,175)	(18,445)
Net realized capital gains, net of tax	$ 77,147	$ 84,883

	Years Ended December 31,	
	2021	2020
	(in thousands)	
Bonds	$ 32,706	$ (48,264)
Common and preferred stocks	64,164	154,087
Other	(548)	(2,495)
Pre-tax net realized capital gains (losses)	96,322	103,328
Income tax (expense) benefit	(19,175)	(18,445)
Net realized capital gains, net of tax	$ 77,147	$ 84,883

Proceeds from sales of bonds during 2021 and 2020 were $2.3 billion and $1.8 billion, respectively. Gross gains of $40.4 million and $43.4 million and gross losses of $8.8 million and $19.3 million were realized on sales in 2021 and 2020, respectively.

Proceeds from sales of affiliated and unaffiliated common and preferred stocks during 2021 and 2020 were $0.2 billion and $0.8 billion, respectively. Gross gains of $67.0 million and $218.9 million and gross losses of $2.9 million and $64.8 million were realized on sales of common and preferred stocks in 2021 and 2020, respectively.

f. Admitted and Fair Values of Invested Assets

As of December 31, 2021, and 2020, such amounts are as follows:

	2021		2020	
	Admitted Value	Fair Value	Admitted Value	Fair Value
	(in thousands)			
Bonds	$ 9,810,326	$ 10,026,574	$ 9,136,509	$ 9,605,533
Common and preferred stocks	3,063,521	3,077,259	2,706,525	2,720,458
Other invested assets	301,018	301,018	284,715	284,715
Commercial mortgage loans	333,327	333,327	470,269	470,269
Receivables for securities	9,944	9,944	20,977	20,977
Real estate	830	830	1,379	1,379
Short-term investments	39,995	39,995	1,748	1,748
Cash and cash equivalents	594,210	594,210	653,949	653,949
Total invested assets	$ 14,153,171	$ 14,383,157	$ 13,276,071	$ 13,759,028

g. Aging of Gross Unrealized Losses

As of December 31, 2021, and 2020, the aging of the gross unrealized losses with respect to bonds and unaffiliated common and preferred stocks grouped by the number of months in a continuous unrealized loss position, was as follows:

As of December 31, 2021

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(in millions)			
Bonds						
U.S. Government	$ 742	$ (8)	$ 102	$ (5)	$ 844	$ (13)
All Other Governments	229	(4)	118	(3)	347	(7)
U.S. States, Territories and Possessions	35	-	-	-	35	-
Political subdivisions of states, territories and possessions	35	(1)	-	-	35	(1)
Special revenue and special assessment obligations of all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	97	(1)	1	-	98	(1)
Industrial and Miscellaneous	648	(12)	88	(5)	736	(17)
Loan-backed and Structured	1,606	(18)	225	(5)	1,831	(23)
Total fixed maturities	3,392	(44)	534	(18)	3,926	(62)
Common and preferred stock	160	(10)	15	-	175	(10)
Total	$ 3,552	$ (54)	$ 549	$ (18)	$ 4,101	$ (72)

As of December 31, 2020

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(in millions)			
Bonds						
U.S. Government	$ 185	$ (1)	$ -	$ -	$ 185	$ (1)
All Other Governments	106	(1)	-	-	106	(1)
U.S. States, Territories and Possessions	25	-	-	-	25	-
Political subdivisions of states, territories and possessions	4	-	-	-	4	-
Special revenue and special assessment obligations of all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	20	-	-	-	20	-
Industrial and Miscellaneous	136	(3)	18	-	154	(3)
Loan-backed and Structured	408	(11)	345	(7)	753	(18)
Total fixed maturities	884	(16)	363	(7)	1,247	(23)
Common and preferred stock	93	(9)	18	-	111	(9)
Total	$ 977	$ (25)	$ 381	$ (7)	$ 1,358	$ (32)

As of December 31, 2021, TRC held a total of 1,190 debt and equity securities that were in an unrealized loss position, of which 150 securities were in an unrealized loss position continuously for 12 months or more.

As of December 31, 2020, TRC held a total of 384 debt and equity securities that were in an unrealized loss position, of which 104 securities were in an unrealized loss position continuously for 12 months or more.

As of December 31, 2021, and 2020, the gross unrealized loss position for bonds and unaffiliated common and preferred stocks included the following concentrations:

Gross Unrealized Losses	**2021**
	(in millions)
Energy	$ -
Loan-backed and structured securities	(23)
Industrial	(14)
Financial	(8)
US Treasury securities	(13)
Muncipal bonds	(1)
Foreign Governments	(7)
Other	(6)
Total	$ (72)

Gross Unrealized Losses	**2020**
	(in millions)
Energy	$ -
Loan-backed and structured securities	(18)
Industrial	(10)
Financial	-
US Treasury securities	(1)
Muncipal bonds	-
Foreign Governments	-
Other	(3)
	$ (32)

The fair value of bonds in an unrealized loss position as of December 31, 2021 and 2020, by contractual maturity, are shown below:

	Fair Value 2021	Fair Value 2020
	(in millions)	
Due in one year or less	$ 672	$ 75
Due after one year through five years	1,021	116
Due after five years through ten years	402	232
Due after ten years	-	71
Loan-backed and structured securities (1)	1,831	753
Total	$ 3,926	$ 1,247

(1) Loan-backed and structured securities by their nature do not generally have a single maturity date.

h. Loan-Backed and Structured Securities

Quarterly, TRC assesses the projected cash flows for loan-backed securities in accordance with its accounting policy for other-than-temporary impairments, and records a realized capital loss on the Statement of Operations if the present value of projected cash flows for a security is less than the security's amortized cost. There were no recognized OTTI on loan-backed and structured securities including those with subprime exposure as of December 31, 2021 and 2020.

Impaired loan-backed and structured securities as of December 31, 2021 and 2020 are shown as below:

	2021		2020	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
	(in thousands)			
Less than 12 months	$ (18,064)	$ 1,606,056	$ (10,276)	$ 408,301
12 months or greater	(4,772)	225,225	(7,499)	345,328
Total	$ (22,836)	$ 1,831,281	$ (17,775)	$ 753,629

After adjusting the cost basis of loan-backed and structured securities for the recognition of OTTI losses, if any, the remaining gross unrealized investment losses for loan-backed and structured securities as of December 31, 2021 and 2020 were deemed to be temporary, based on, among other things:

(1) the duration of time and the relative magnitude to which fair values of these investments has been below cost was not indicative of an OTTI loss;

(2) the absence of evidence that would cause TRC to call into question the financial condition or near-term prospects of the issuer of the investment; and

(3) TRC's ability and intent to hold the investment for a period of time sufficient to allow for any

anticipated recovery.

TRC may ultimately record a realized loss after having originally concluded that the decline in value was temporary. Risks and uncertainties are inherent in the methodology TRC uses to assess other-than-temporary declines in value. Risks and uncertainties could include, but are not limited to, incorrect assumptions about financial condition, liquidity or future prospects, inadequacy of any underlying collateral, and unfavorable changes in economic conditions or social trends, interest rates or credit ratings.

TRC did not have any subprime exposure through loan-backed and structured securities as of December 31, 2021.

The following table has the number of CUSIPs sold, disposed, or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fees in 2021 (dollars in 000s):

	General Account
(1) Number of CUSIPs	126
(2) Aggregate Amount of Investment Income	$ 5,629

The following table has the number of CUSIPs sold, disposed or otherwise redeemed and the aggregate amount of investment income generated as a result of a prepayment penalty and/or acceleration fees in 2020 (dollars in 000s):

	General Account
(1) Number of CUSIPs	64
(2) Aggregate Amount of Investment Income	$ 3,848

i. Low Income Housing Tax Credit (LIHTC) Properties

As of December 31, 2021, TRC did not invest in a LIHTC.

In 2020, an impairment loss of $134 thousand was recognized on this asset during the first quarter of 2020. The investment was sold during first quarter of 2020 and a realized gain of $215 thousand was recognized. The Company recognized a tax benefit of $199 thousand in the first quarter of 2020. No balance was recorded in the statement of financial position as of December 31, 2020.

j. Commercial Mortgage Loans

As of December 31, 2021, and 2020, the carrying value of commercial mortgage loans was $333.3 million and $470.3 million, respectively. In 2021 and 2020, the lowest interest rate on any loan held was 1.51% and 1.56%, respectively and the highest rate was 4.53% in both 2021 and 2020. The highest percentage of loan value to underlying security value was 79% and 80% for 2021 and 2020, respectively.

There were no loans past due over 30 days as of December 31, 2021 and 2020.

There were eight borrowers where the loan balance was greater than 5% of the total loans in 2021. No single borrower accounted for more than approximately 5% of the total loans in 2020.

k. All Subsidiary, Controlled and Affiliated ("SCA") Investments

As of December 31, 2021, TRC had the following insurance SCA investments (in thousands, except percentages):

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Non-admitted Amount	Code*
a. SSAP No 97 8a Entities	None				
b. SSAP No 97 8b(ii) Entities	None				
c. SSAP No 97 8b(iii) Entities					
Orien Risk Analysts, Inc.	100%	$12,777	$0	$12,777	I
Total SSAP No 97 8b(iii) Entities		$12,777	$0	$12,777	
d. SSAP No 97 8b(iv) Entities					
TRESA	100%	$375,194	$375,194	$ -	I
TRLL	100%	560,473	560,473	-	I
Calpe	100%	43,929	43,929	-	I
El Sol Del Paraguay Cia De Seguros Y Reaseguros, S.A.	46%	961	-	961	I
Total SSAP No 97 8b(iv) Entities		$980,557	$979,596	$961	
e. Total SSAP No 97 8b Entities (except 8bi entities)		$993,334	$979,596	$13,738	I
f. Aggregate Total		$993,334	$979,596	$13,738	

* "I" – Immaterial changes in the reported SCA
"M" – Material changes in the reported SCA

As of December 31, 2020, TRC had the following insurance SCA investments (in thousands, except percentages):

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Non-admitted Amount	Code*
a. SSAP No 97 8a Entities	None				
b. SSAP No 97 8b(ii) Entities	None				
c. SSAP No 97 8b(iii) Entities					
Orien Risk Analysts, Inc.	100%	$12,973	$0	$12,973	I
Total SSAP No 97 8b(iii) Entities		$12,973	$0	$12,973	
d. SSAP No 97 8b(iv) Entities					
TRESA	100%	$434,757	$434,757	$ -	I
TRLL	100%	590,789	590,789	-	I
Calpe	100%	50,519	50,519	-	I
El Sol Del Paraguay Cia De Seguros Y Reaseguros, S.A.	46%	960	-	960	I
Total SSAP No 97 8b(iv) Entities		$1,077,025	$1,076,065	$960	
e. Total SSAP No 97 8b Entities (except 8bi entities)		$1,089,998	$1,076,065	$13,933	I
f. Aggregate Total		$1,089,998	$1,076,065	$13,933	
* "I" – Immaterial changes in the reported SCA					
"M" – Material changes in the reported SCA					

6. Federal and Foreign Income Taxes

For tax year 2021, the Company will file a consolidated tax return with Alleghany Corporation and its subsidiaries. The method of allocation among companies is subject to written agreement, approved by the Board of Directors, where allocation is made primarily on a separate return basis with current credit for net losses. However, the Company's allocation of current tax benefit related to tax attribute utilization is limited to the lesser of Transatlantic Holdings subgroup's utilization or the Alleghany consolidated group's utilization.

The components of the Deferred Tax Assets ("DTAs") and Deferred Tax Liabilities ("DTLs") and the change in admitted DTA are as follows:

	As of December 31,					
	2021			2020		
	(in thousands)					
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
Gross DTAs	$ 314,656	$ 3,272	$ 317,928	$316,045	$ 4,564	$ 320,609
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross DTAs	314,656	3,272	317,928	316,045	4,564	320,609
DTAs not admitted	-	-	-	(9,421)	-	(9,421)
Net Admitted DTAs	314,656	3,272	317,928	306,624	4,564	311,188
Gross DTLs	(5,997)	(154,937)	(160,934)	(7,116)	(105,483)	(112,599)
Net DTA after admissibility test	308,659	(151,665)	156,994	299,508	(100,919)	198,589
2(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	72,795	-	72,795	12,951	-	12,951
2(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	91,294	-	91,294	185,638	-	185,638
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	91,294	-	91,294	185,638	-	185,638
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	N/A	N/A	736,421	N/A	N/A	692,228
2(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) offset by Gross Deferred Tax Liabilities	150,567	3,272	153,839	108,035	4,564	112,599
2(d) Deferred Tax Assets Admitted as the result of application of SSAP No 101 Total (2(a) + 2(b) + 2(c))	$ 314,656	$ 3,272	$ 317,928	$306,624	$ 4,564	$ 311,188

	Change During 2021 (in thousands)		
	Ordinary	**Capital**	**Total**
Gross DTAs	$ (1,389)	$ (1,292)	$ (2,681)
Statutory valuation allowance	-	-	-
Adjusted gross DTAs	(1,389)	(1,292)	(2,681)
DTAs not admitted	9,421	-	9,421
Net Admitted DTAs	8,032	(1,292)	6,740
Gross DTLs	1,119	(49,454)	(48,335)
Net DTA after admissibility test	9,151	(50,746)	(41,595)
2(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks.	59,844	-	59,844
2(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2	(94,344)	-	(94,344)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(94,344)	-	(94,344)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.	N/A	N/A	44,193
2(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) offset by Gross Deferred Tax Liabilities	42,532	(1,292)	41,240
2(d) Deferred Tax Assets Admitted as the result of application of SSAP No 101			
Total (2(a) + 2(b) + 2(c))	$ 8,032	$ (1,292)	$ 6,740

	2021	**2020**
	(in thousands, except percentages)	
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	320%	332%
(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limit In 2(b)2 Above.	$ 4,909,474	$ 4,614,856

As of December 31, 2021, and 2020, TRC had no unrecognized DTLs. There is no impact of tax planning strategies on the determination of the adjusted DTAs. TRC has not availed itself of tax planning strategies involving reinsurance.

Federal and foreign income taxes incurred consist of the following major components:

	Years Ended December 31, 2021	2020	Change
		(in thousands)	
Current year tax expense (exclusive of tax on net realized capital gains)	$ 100,011	$ 54,057	$ 45,954
Tax credits	(36,248)	(15,771)	(20,477)
Tax charge on net realized capital gains	19,175	18,445	730
Total federal and foreign income taxes incurred	$ 82,938	$ 56,731	$ 26,207

Included in the 2021 and 2020 federal and foreign income taxes incurred are $23.1 million and $52.2 million, respectively, of foreign income taxes incurred by foreign operations of TRC.

The tax effects of temporary differences that gave rise to significant portions of DTAs and DTLs are as follows:

	As of December 31, 2021	2020	Change	Character
		(in thousands)		
DTAs arising from book/tax differences in:				
Loss & LAE reserves	$ 96,046	$ 87,714	$ 8,332	Ordinary
Unearned premium reserve	67,406	71,522	(4,116)	Ordinary
Investments	50,620	30,982	19,638	Ordinary
Investments	3,272	4,564	(1,292)	Capital
Fixed Assets	2,802	3,662	(860)	Ordinary
Compensation and benefits accrual	20,161	19,270	891	Ordinary
Pension accrual	3,127	2,221	906	Ordinary
Non-admitted receivables	673	625	48	Ordinary
Tax credit carry forward	55,187	76,668	(21,481)	Ordinary
Other	18,634	23,381	(4,747)	Ordinary
Gross DTAs	317,928	320,609	(2,681)	
Non-admitted DTAs	-	(9,421)	9,421	
Total DTAs admitted	$ 317,928	$ 311,188	$ 6,740	

	As of December 31, 2021	2020	Change	Character
	(in thousands)			
DTLs arising from book/tax differences in:				
Investments	$ 2,510	$ 3,855	$ (1,345)	Ordinary
Investments	149,231	99,777	49,454	Capital
Fixed Assets	3,487	3,216	271	Ordinary
Other	5,706	5,706	-	Capital
Other	-	45	(45)	Ordinary
Total DTLs	$ 160,934	$ 112,599	$ 48,335	

The change in net deferred income taxes in 2021 is comprised of the following (exclusive of non - admitted assets):

	As of December 31, 2021	2020	Change
	(in thousands)		
Total DTAs	$ 317,928	$ 320,609	$ (2,681)
Total DTLs	(160,934)	(112,599)	(48,335)
Net DTAs	156,994	208,010	(51,016)
Less:			
Tax effect of unrealized gains/(losses)			30,335
Unrealized translation adjustment			1,646
Change in net deferred income tax			$ (19,035)

Income tax expense from 2019 – 2021 that is available for recoupment in the event of future net losses is shown as follows:

	2021	2020	2019	Total
	(in thousands)			
Ordinary	$ 50,949	$ -	$ -	$ 50,949
Capital	19,052	2,794	-	21,846
Total	$ 70,001	$ 2,794	$ -	$ 72,795

As of December 31, 2021, TRC did not have any deposits admitted under IRC § 6603.

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference are as follows for the years ended December 31, 2021 and 2020:

	Year Ended December 31, 2021		
	Amount	Tax Effect	Effective Tax Rate
	(in thousands, except percentages)		
Income before taxes	$ 528,759	$ 111,039	21.00 %
Tax exempt interest	(27,397)	(5,753)	(1.09)
Dividends received deduction	(5,792)	(1,216)	(0.23)
Foreign taxes credits	-	(24,637)	(4.66)
Foreign taxes	-	23,113	4.37
Change in non-admitted assets	6,801	1,428	0.27
True-up of tax return	-	2,314	0.44
Interest on IRS audit	-	(170)	(0.03)
Intercompany Dividend	(15,000)	(3,150)	(0.60)
Low income housing tax credit	-	-	0.00
Effect of Tax Rate Change	-	-	0.00
Other	(4,732)	(995)	(0.18)
Total	$ 482,639	$ 101,973	19.29 %
Federal and foreign income taxes incurred (includes tax on net realized capital gains)		$ 82,938	15.69 %
Change in net deferred income tax		19,035	3.60
Total statutory income taxes		$ 101,973	19.29 %

	Year Ended December 31, 2020		
	Amount	**Tax Effect**	**Effective Tax Rate**
	(in thousands, except percentages)		
Income before taxes	$ 144,143	$ 30,270	21.00 %
Tax exempt interest	(27,805)	(5,839)	(4.05)
Dividends received deduction	(3,990)	(838)	(0.58)
Foreign taxes credits	-	(50,670)	(35.15)
Foreign taxes	-	52,195	36.21
Change in non-admitted assets	9,943	2,088	1.45
True-up of tax return	-	853	0.59
Interest on IRS audit	-	-	0.00
Intercompany Dividend	(17,200)	(3,612)	(2.51)
Low income housing tax credit	-	(171)	(0.12)
Effect of Tax Rate Change	-	-	0.00
Other	405	85	0.06
Total	$ 105,496	$ 24,361	16.90 %
Federal and foreign income taxes incurred (includes tax on net realized capital gains)		$ 56,731	39.36 %
Change in net deferred income tax		(32,370)	(22.46)
Total statutory income taxes		$ 24,361	16.90 %

As of December 31, 2021, and 2020, TRC had no liability for unrecognized tax benefits. TRC does not presently anticipate any material change in unrecognized tax benefits during the next twelve months.

Interest and penalties relating to unrecognized tax expenses are recognized in income tax expense, when applicable. There was no liability for interest or penalties accrued as of December 31, 2021 and 2020. In 2021, $171 thousand of interest was received on refunds and no interest was received in 2020.

The Company initially recorded a repatriation transition tax liability of $65.9 thousand of which $5.3 thousand was recorded as a §965 tax in years 2017 through 2020 and $44.8 thousand was paid in 2021. No repatriation transition tax liability exists at December 31, 2021.

As of December 31, 2021, TRC did not have net operating loss carry-forwards, capital loss carry-forwards, or AMT carry-forwards. As of December 31, 2021, TRC had $55.2 million of foreign tax credit carry-forwards expiring through the year 2031.

As of December 31, 2021, TRC did not have any general business tax credit carry-forwards.

There were $24.5 million income taxes recovered in 2021, and $29.7 million income taxes recovered in 2020. Income taxes paid, net, in 2021 and 2020 consisted of:

	Years Ended December 31, 2021	Years Ended December 31, 2020
	(in millions)	
Income taxes paid	$ 79.0	$ 76.1
Income taxes recovered	(24.5)	(29.7)
Income taxes (recovered) paid, net	$ 54.5	$ 46.4

The following table lists the tax years that remain subject to examination by major tax jurisdiction as of December 31, 2021:

Major Tax Jurisdiction	Open Tax Years
Australia	2016-2021
Canada	2017-2021
France	2018-2021
Germany	2019-2021
Hong Kong	2015-2021
Japan	2019-2021
Singapore	2017-2021
Switzerland	2018-2021
United Kingdom	2015-2021
United States	2018-2021

7. Liability for Unpaid Losses and LAE

Activity in the liability for unpaid losses and LAE is summarized as follows:

	Years Ended December 31, 2021	2020
	(in thousands)	
At beginning of year:		
Gross unpaid losses and LAE	$ 9,013,908	$ 8,850,851
Less reinsurance recoverable	812,898	1,191,188
Net unpaid losses and LAE	8,201,010	7,659,663
Net losses and LAE incurred in respect of losses occurring in:		
Current year	3,745,636	3,274,158
Prior years	(244,943)	(171,512)
Total	3,500,693	3,102,646
Net losses and LAE paid in respect of losses occurring in:		
Current year	801,502	690,081
Prior years	2,006,612	1,871,218
Total	2,808,114	2,561,299
At end of year:		
Net unpaid losses and LAE	8,893,589	8,201,010
Plus reinsurance recoverable	845,596	812,898
Gross unpaid losses and LAE	$ 9,739,185	$ 9,013,908

In 2021, incurred losses and loss adjustment expenses attributable to events of prior years decreased by $244.9 million. There was favorable prior-year development across almost all lines of business with the largest development in Special Property, Financial Guaranty / Mortgage Guaranty, and Non-Proportional Assumed Liability lines.

In 2020, incurred losses and loss adjustment expenses attributable to events of prior years decreased by $171.5 million. There was favorable prior-year development across almost all lines of business with the largest development in the Special Property, Non-Proportional Assumed Property and Non-Proportional Assumed Liability lines.

Net unpaid loss and LAE includes an anticipated salvage and subrogation recoverable of $91.6 million and $84.5 million as of December 31, 2021 and 2020, respectively.

8. Environmental and Asbestos-Related Claims

The liability for net unpaid losses and LAE (for which an analysis of activity is presented in Note 7) includes certain amounts for the reinsurance of risks relating to environmental impairment and asbestos-related illnesses. Reserves for losses occurring in 1985 and prior generally emanate from contracts underwritten specifically as environmental or asbestos-related coverages rather than from standard general liability coverages, where the environmental or asbestos-related liabilities were neither clearly defined nor specifically excluded.

All environmental and asbestos-related claims reserves carried at year-end for each of the two years in the period ended December 31, 2021, including IBNR, are based upon known facts and current law as of such dates. However, significant uncertainty exists in determining the amount of ultimate liability for environmental impairment and asbestos-related losses, particularly for those occurring in 1985 and prior. This uncertainty is due to inconsistent court resolutions and judicial interpretations with respect to underlying policy intent and coverage and uncertainties as to the allocation of responsibility for resultant damages, among other reasons. Further, possible changes in statutes, laws, regulations, theories of liability and other factors could have a material effect on these liabilities and, accordingly, future earnings. Although TRC is unable at this time to determine whether additional reserves which could have a material adverse effect upon our results of operations, may be necessary in the future, TRC believes that its asbestos related illness and environmental impairment reserves are adequate as of December 31, 2021.

TRC's environmental reserve activity for the years ended December 31, 2021 and 2020, relating to claims incurred in 1985 and prior years is set forth in the following tables:

	2021	2020
Environmental	(in thousands)	
Gross of reinsurance:		
Beginning reserve for unpaid losses and LAE	$ 5,612	$ 5,702
Incurred losses and LAE	(195)	714
Calendar-year payments for losses and LAE	(329)	(804)
Ending gross reserve for unpaid losses and LAE	$ 5,088	$ 5,612

	2021	2020
Environmental	(in thousands)	
Net of reinsurance:		
Beginning reserve for unpaid losses and LAE	$ 4,992	$ 5,054
Incurred losses and LAE	(98)	647
Calendar-year payments for losses and LAE	(314)	(709)
Ending net reserve for unpaid losses and LAE	$ 4,580	$ 4,992

As of December 31, 2021, ending reserves for IBNR included in the environmental reserves totaled \$2.5 million on a gross of reinsurance basis and \$2.2 million on a net of reinsurance basis. The amount of ending reserves for LAE included in the environmental reserves totaled \$0.04 million on a gross of reinsurance basis and \$0.04 million on a net of reinsurance basis.

TRC's asbestos-related reserve activity for the years ended December 31, 2021 and 2020, relating to claims incurred in 1985 and prior years arising principally from general liability coverages is set forth in the following tables:

	2021	2020
Asbestos	(in thousands)	
Gross of reinsurance:		
Beginning reserve for unpaid losses and LAE	$ 34,762	$ 33,693
Incurred losses and LAE	8,507	2,048
Calendar-year payments for losses and LAE	(7,508)	(979)
Ending gross reserve for unpaid losses and LAE	$ 35,761	$ 34,762

	2021	2020
Asbestos	(in thousands)	
Net of reinsurance:		
Beginning reserve for unpaid losses and LAE	$ 30,595	$ 29,596
Incurred losses and LAE	8,386	1,861
Calendar-year payments for losses and LAE	(6,630)	(862)
Ending net reserve for unpaid losses and LAE	$ 32,351	$ 30,595

As of December 31, 2021, ending reserves for IBNR included in the asbestos-related reserves totaled $19.2 million on a gross of reinsurance basis and $17.4 million on a net of reinsurance basis. The amount of ending reserves for LAE included in the asbestos-related reserves totaled $2.2 million on a gross of reinsurance basis and $1.8 million on a net of reinsurance basis.

9. Certain Employee Benefit Plans

Certain TRC employees participate in defined benefit pension, defined contribution pension and other postretirement benefit plans sponsored and maintained by TRH, TransRe London Services Limited, and TransRe Europe Services, Ltd. TRC has no direct obligation for benefits under these plans. For plans sponsored and maintained by TRH, TRC is charged for the expenses related to TRC's employees. For plans sponsored and maintained by TransRe London Services, Ltd. and TransRe Europe Services, Ltd., TRC is charged based on the management agreement with those companies.

The charges made to operations for these plans and plans sponsored and maintained by affiliates were $13.8 million and $13.9 million for 2021 and 2020, respectively.

10. Related Party Transactions

a. Transactions with FAIRCO

FAIRCO has a 90% quota share reinsurance agreement with TRC, of which TRC is the reinsurer. For the year ended December 31, 2021 and 2020, respectively, TRC assumed $137.5 million and $80.5 million in written premiums from FAIRCO under this agreement.

Effective July 1, 2021, FAIRCO entered into an assumed 100% quota share reinsurance agreement covering certain lines of business and a catastrophe excess of loss reinsurance agreement covering the same lines of business with the Japanese branch of TRC. FAIRCO then fully retrocedes this business to TRC.

Effective June 30, 2021, FAIRCO entered into an assumed 75% whole account quota share reinsurance agreement and, effective July 1, 2021, an excess of loss reinsurance agreement covering certain lines of business, with the Australian branch of TRC. FAIRCO then fully retrocedes this business to TRC. Both of these new reinsurance agreements were approved by the New York State Department of Insurance ("NYDFS").

In 2021 and 2020, TRC provided certain management services to FAIRCO. TRC was a party to a management agreement with FAIRCO, which allocated costs for these services to FAIRCO. TRC charged FAIRCO $4.1 million and $1.0 million for these services in 2021 and 2020, respectively.

There was a $4 million dividend paid by FAIRCO to TRC in 2021 and $4 million paid in 2020.

b. Transactions with FASIC

FASIC and TRC have in place a quota share reinsurance agreement, effective June 30, 2015, where FASIC will cede a 95.5% quota share of all tax opinion liability risks to TRC. For all other insurance and reinsurance risks, FASIC and TRC have in place a 90% quota share reinsurance agreement, effective July 1, 2013. Through these quota share agreements, TRC assumed $19.9 million and $14.6 million of written premium, respectively, for years ended December 31, 2021 and 2020, respectively.

There was a $1 million dividend paid by FASIC to TRC in 2021 and $1 million paid in 2020.

c. Transactions with TRH

TRH and TRC reimburse each other for certain expenses incurred on the other's behalf, including operating and administrative expenses. As of December 31, 2021 and 2020, a net payable to TRH of $2.4 million and $2.0 million was included in other liabilities, respectively. For the year ended December 31, 2021 the expenses incurred related to TRH's retirement plans is as follows:

(1) Defined benefit pension plan was ($0.3) million and $6.3 million for the year ended December 31, 2021 and December 31, 2020, respectively.
(2) Defined contribution plan was $12.9 million and $6.5 million for the year ended December

31, 2021 and December 31, 2020, respectively.

(3) Other postretirement benefits plan was $0.3 million and $0.2 million for the year ended December 31, 2021 and December 31, 2020, respectively.

In 2021 and 2020, TRC paid the following ordinary dividends to TRH:

2021			2020		
Date	**Amount**		**Date**	**Amount**	
	(in thousands)			(in thousands)	
2/16/2021	$	72,500	2/12/2020	$	72,500
5/10/2021		72,500	5/7/2020		72,500
8/11/2021		72,500	8/10/2020		30,000
11/9/2021		72,500	11/9/2020		70,000
Total	$	290,000	Total	$	245,000

d. Transactions with Alleghany and Subsidiaries of Alleghany

Reinsurance

In the normal course of business, TRC provides treaty and facultative reinsurance coverage to certain subsidiaries of RSUI Group, Inc. (collectively, “RSUI”), an indirect, wholly-owned subsidiary of Alleghany, based upon TRC's assessment of risk selection, pricing, terms and conditions and other relevant factors. TRC has generally not set terms and conditions as lead underwriter with respect to the treaty reinsurance purchased by RSUI.

Approximately $32.5 million and $25.7 million of gross premiums written by TRC in 2021 and 2020, respectively, was from treaty and facultative reinsurance coverage provided to RSUI.

Investment Management Agreement

Pursuant to an investment management agreement between TRC and Roundwood Asset Management LLC (“Roundwood”), an indirect, wholly-owned subsidiary of Alleghany, dated July 1, 2014, Roundwood provides investment management services to TRC. Net investment income for 2021 and 2020 was reduced by investment management expenses of $5.6 million and $4.9 million, respectively, incurred from Roundwood. This agreement replaced the previous investment management agreement, dated March 6, 2012 between TRC and Alleghany Capital Partners, LLC, which changed its name to Roundwood in 2014.

CapSpecialty, Inc.

Effective January 1, 2014, CapSpecialty, an indirect, wholly-owned subsidiary of Alleghany, was recapitalized pursuant to a series of transactions which included the exchange with Alleghany Insurance Holdings LLC (“AIHL”) of its common stock in CapSpecialty for Series A Convertible Preferred Stock carrying a 7% preference (“Preferred Stock”) and the subsequent sale by AIHL to TRC of 24.9% of the Preferred Stock for a cash purchase price based on December 31, 2013 book value determined in accordance with GAAP. The dividend was 7% for 2015 and 5% for 2016 and beyond. In connection with this transaction, Professional Risk Management Services, Inc., previously 80% owned indirectly by TRH, became a wholly-owned subsidiary of CapSpecialty. TRC also maintains an 80% quota share reinsurance agreement on property business ceded to CapSpecialty.

On August 26, 2020 the preferred stock was redeemed for $101.0 million resulting in a realized gain of $27.2 million. Effective October 1, 2020, TRH purchased all of the common stock of Professional Risk Management Services, Inc ("PRMS") in a book value transaction of $0.4 million.

TRC also has minor reinsurance relationships with CapSpecialty.

e. Transactions with TRLL and TLS

TRC and TRLL, a subsidiary of TRC, have a quota share reinsurance agreement where TRLL cedes 60% of the underwriting activity assumed from its participation under certain reinsurance contracts.

TRC recorded approximately $396.3 million in assumed written premium, $54.9 million in assumed losses payable, $294.7 million of assumed case reserves, and $165.8 million of assumed unearned premium reserve as of December 31, 2021 under this reinsurance agreement. Incurred losses totaled $259.8 million for the year ended December 31, 2021.

TRC recorded approximately $366.3 million in assumed written premium, $61.1 million in assumed losses payable, $253.7 million of assumed case reserves, and $157.6 million of assumed unearned premium reserve as of December 31, 2020 under this reinsurance agreement. Incurred losses totaled $290.5 million for the year ended December 31, 2020.

TRC was charged $4.9 million in 2021 and $4.1 million in 2020 for management services provided by TransRe London Services Limited.

Effective December 14, 2015, TRC entered into a Capital Support Guarantee Agreement with TRLL, whereby, during the term of the agreement, TRC agreed to cause TRLL to have at all times regulatory capital in an amount no less than a minimum solvency capital requirement as calculated in accordance with the requirements set forth by the regulatory authority responsible for the prudential regulation and supervision of TRLL, the provisions of the Solvency II Directive, the Commission Delegated Regulation and implementing Regulations supporting the Solvency II Directive and the Guidelines published by European Insurance and Occupational Pensions Authority ("EIOPA"). This agreement replaced in its entirety the previous Capital Support Guarantee Agreement, dated November 17, 2014, between TRC and TRLL.

f. Transactions with TransRe Europe S.A.

TRC and TransRe Europe S.A., a subsidiary of TRC, have an excess of loss solvency reinsurance agreement in place whereby TransRe Europe S.A. cedes business to TRC. Approximately, $20.6 million and $42.9 million of premiums were ceded to TRC in 2021 and 2020 respectively under this agreement.

TRC and TransRe Europe S.A., a subsidiary of TRC, have a quota share solvency reinsurance agreement in place whereby TRC cedes business to TransRe Europe S.A (TRESA). In 2021, approximately $82.8 million of premiums were assumed by TRC from TRESA. TRC ceded $19.7 million to TRESA under this agreement in 2021 and $41.7 million under this agreement in 2020.

TRC was charged $3.6 million in 2021 and $4.1 million in 2020 for management services provided by TRESA.

g. Transactions with Calpe

Effective January 3, 2017, TRC entered into a Capital Support Guarantee Agreement with Calpe, whereby, during the term of the agreement, TRC agreed to cause Calpe to have at all times regulatory capital in an amount no less than a minimum solvency capital requirement as calculated in accordance with the requirements set forth by the regulatory authority responsible for the supervision of Calpe. This agreement replaced in its entirety the previous Capital Support Guarantee Agreement, dated October 3, 2016, between TRC and Calpe.

11. Statutory Dividend Restriction

The payment of dividends by TRC is restricted by state insurance regulations. Under New York insurance law, TRC may pay cash dividends only from its statutory earned surplus. Generally, the maximum amount of dividends that TRC may pay without regulatory approval in any twelve-month period is the lesser of adjusted net investment income or 10% of statutory policyholders' surplus as of the end of the most recently reported quarter unless the NYSDFS, upon prior application, approves a greater dividend distribution. Adjusted net investment income is defined for this purpose to include net investment income for the thirty-six months immediately preceding the declaration or distribution of the current dividend less any dividends declared or distributed during the period commencing thirty-six months prior to the declaration or distribution of the current dividend and ending twelve months prior thereto.

Within the limitations of the above, $178.5 million may be paid as ordinary dividends to stockholders, an amount equal to the adjusted net investment income of the Company at December 31, 2021.

12. Reinsurance

TRC enters into retrocession arrangements, generally in order to reduce the effect of individual or aggregate losses, to reduce volatility in specific lines, to improve risk adjusted portfolio returns and to increase gross premium writings and risk capacity without requiring additional capital.

TRC's ceded reinsurance agreements consist of pro rata and excess-of-loss contracts. Under pro rata reinsurance, TRC and its retrocessionnaires share premiums, losses and expenses in an agreed upon proportion. For consideration, generally based on a percentage of premiums of the individual policy or policies subject to the reinsurance agreement, excess-of-loss contracts provide reimbursement to TRC for losses in excess of a predetermined amount up to a predetermined limit.

Amounts deducted for reinsurance retroceded to other companies during 2021 and 2020 were as follows:

	2021			As of December 31, 2021
	Premiums Written	Premiums Earned	Losses and LAE Incurred	Unpaid Losses and LAE
		(in thousands)		
Assumed	$ 5,597,062	$ 5,623,193	$ 3,695,910	$ 9,739,185
Ceded	583,529	511,668	195,217	845,596
Net	$ 5,013,533	$ 5,111,525	$ 3,500,693	$ 8,893,589

	2020			As of December 31, 2020
	Premiums Written	Premiums Earned	Losses and LAE Incurred	Unpaid Losses and LAE
		(in thousands)		
Assumed	$ 4,841,165	$ 4,629,025	$ 3,147,926	$ 9,013,908
Ceded	342,767	355,753	45,280	812,898
Net	$ 4,498,398	$ 4,273,272	$ 3,102,646	$ 8,201,010

Ceded reinsurance arrangements do not relieve TRC from its obligations to the insurers and reinsurers from whom it assumes business. The failure of retrocessionaires to honor their obligations could result in losses to TRC; consequently, a statutory provision for reinsurance is carried as a liability in the Statements of Admitted Assets, Liabilities and Policyholders' Surplus.

TRC evaluates the financial condition of its retrocessionaires through a security committee. With respect to reinsurance recoverable, TRC holds substantial amounts of funds and letters of credit which can be drawn on for amounts remaining unpaid beyond contract terms. As of December 31, 2021 and 2020, there were no unsecured reinsurance recoverables exceeding 3% of TRC's policyholders' surplus.

As of December 31, 2021, and 2020, the amounts of unearned premium reserve from reinsurance assumed, net of reinsurance ceded and related commission equity, are as follows:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premium Reserve	Commission Equity	Unearned Premium Reserve	Commission Equity	Unearned Premium Reserve	Commission Equity
2021			(in thousands)			
Subsidiaries and affiliates	$ 244,272	$ 75,178	$ 4,830	$ 198	$ 239,442	$ 74,980
All Other	1,447,451	371,403	81,983	16,521	1,365,468	354,882
Total	$ 1,691,723	$ 446,581	$ 86,813	$ 16,719	$ 1,604,910	$ 429,862

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premium Reserve	Commission Equity	Unearned Premium Reserve	Commission Equity	Unearned Premium Reserve	Commission Equity
2020			(in thousands)			
Subsidiaries and affiliates	$ 216,029	$ 63,260	$ 1,557	$ 66	$ 214,472	$ 63,194
All Other	1,501,825	393,198	13,395	1,724	1,488,430	391,474
Total	$ 1,717,854	$ 456,458	$ 14,952	$ 1,790	$ 1,702,902	$ 454,668

Commission equity represents the amount of return commission that would be due from ceding companies (under assumed reinsurance agreements) or to reinsurers (under ceded reinsurance agreements) if all such agreements were cancelled as of December 31, 2021 and the respective amounts of unearned premium reserves were returned. Commission equity amounts are based on the fixed or provisional commission rates on assumed or ceded business.

As of December 31, 2021, and 2020, there were no material reinsurance recoverables in dispute.

TRC does not use protected cells as an alternative to reinsurance.

The Company has two active retroactive reinsurance agreements as of December 31, 2021. As of year-end 2021, the total restricted surplus was ($6.0 million) and at year-end 2020 was $12.2 million. This restricted surplus is related to two treaties: 1) to an adverse verdict treaty and 2) a treaty signed past the statutory threshold.

In 2021, $17.7 million was transferred from restricted surplus to unassigned funds due to the final claims payments being made on a loss portfolio transfer treaty with a hospital risk retention group. The recording of this transaction was in accordance with the retroactive reinsurance requirements of SSAP No. 62R.

In May 2018, the Company issued a catastrophe bond through the issuer, Bowline Re Ltd (Bowline). The aggregate maximum proceeds the Company will receive as the ceding reinsurer is $250 million. In March 2019, the Company issued a second catastrophe bond through Bowline also with $250 million of aggregate maximum proceeds. Each bond has a 4-year term.

13. Major Sources of Business

Three largest international brokers accounted for assumed premiums equal to 29%, 21% and 11% in 2021, respectively, and 25%, 17% and 15% in 2020, respectively, of gross premiums written. No single customer accounted for more than approximately 11% or 14% of gross premiums written in 2021 or 2020, respectively.

As of December 31, 2021, TRC decided to not renew a large whole account quota share treaty which generated the vast majority of the gross premiums written from TRC's largest cedant of 2021 and 2020.

14. Commitments and Contingent Liabilities

a. Legal Proceedings

TRC, in common with the reinsurance industry in general, is subject to litigation in the normal course of business. TRC does not believe that any pending litigation will have a material adverse effect on its results of operations, financial position or cash flows.

In addition, from time to time, regulators commence investigations into insurance and reinsurance-industry practices. TRC has cooperated, and will continue to cooperate, in producing documents and other information in response to subpoenas and other requests. While TRC does not believe that any of these inquiries will have a material impact on TRC's business or financial results, it is not possible to predict with any certainty at this time what impact, if any, these inquiries may have on TRC's business or financial results.

b. Leases

Rental expense for 2021 and 2020 was approximately $11.6 million and $12.0 million, respectively. As of December 31, 2021, the future minimum aggregate rental commitments are as follows:

Year Ending December 31,	Operating Leases (in thousands)
2022	11,780
2023	10,850
2024	10,494
2025	9,645
2026	8,705
Thereafter	24,593
	$ 76,067

Certain rental commitments have renewal lease options, some of which are subject to adjustments in future periods.

c. Commitments to invest in limited partnerships

As of December 31, 2021, TRC had commitments to invest in limited partnerships of $32.0 million.

d. Contingent commitments

Contingent commitments exist with respect to reinsurance ceded, which would become liabilities of TRC in the event assuming reinsurers were unable to meet their obligations.

e. FHLB (Federal Home Loan Bank) Agreements

Effective January 23, 2017, the Company became a member of the Federal Home Loan Bank (FHLB) of New York. Through its membership, the Company has conducted business activity with the FHLB. It is part of the Company's strategy to utilize these funds as backup liquidity. The Company has determined the actual maximum borrowing capacity as $824.0 million. The Company calculated this amount in accordance with current FHLB capital stock. There is no collateral pledged to the FHLB and there are no borrowings from the FHLB.

15. Subsequent Events

Management has evaluated subsequent events for recognition in the financial statements through May 12, 2022, the date its financial statements were available for issuance. Subsequent events affecting the realization of assets or the settlement of estimated liabilities occurring after this date have not been recognized in the financial statements.

On February 17, 2022, the Company paid a $75.0 million dividend to its Parent, TRH.

On March 20, 2022, Alleghany Corporation ("Alleghany"), the Company's ultimate parent company, entered into an Agreement and Plan of Merger (the "Merger Agreement") with Berkshire Hathaway Inc. ("Berkshire Hathaway"), and O&M Acquisition Corp., a wholly owned subsidiary of Berkshire Hathaway ("Merger Sub"). Pursuant to the Merger Agreement and subject to the satisfaction or waiver of the conditions set forth therein, Merger Sub will be merged with and into Alleghany, with Alleghany continuing as the surviving corporation and a wholly owned subsidiary of Berkshire Hathaway. The transaction is expected to close in the fourth quarter of 2022, subject to customary closing conditions, including approval by Alleghany's stockholders and receipt of regulatory approvals. Alleghany will continue to operate as an independent subsidiary of Berkshire Hathaway after closing.

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Report of Independent Auditors on Supplementary Information

Audit Committee and Management of Transatlantic Reinsurance Company

We have audited the statutory-basis financial statements of Transatlantic Reinsurance Company as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated May 12, 2022, which contained an adverse opinion with respect to conformity with U.S. generally accepted accounting principles and an unmodified opinion with respect to conformity with accounting practices prescribed or permitted by the New York State Department of Financial Services on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of reinsurance disclosures and supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Restriction on Use

This report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

May 12, 2022

Transatlantic Reinsurance Company
Supplemental Summary Investment Schedule
For the Year Ended December 31, 2021

Investment categories	Admitted Investment Holdings and Admitted Assets as of December 31, 2021 Amount	Percentage
	(in thousands, except percentages)	
Bonds:		
U.S. Treasury securities	$ 1,417,326	10.0 %
Foreign government	819,506	5.8
U.S. states and territories	214,715	1.5
Political subdivisions of U.S. states	161,566	1.1
Revenues and assessment obligations	1,040,594	7.4
Mortgage-backed securities (includes residential and commercial MBS) issued or guaranteed by GNMA, FNMA and FHLMC	3,455,983	24.4
Total bonds	7,109,690	50.2
Other debt and other fixed income securities (excluding short-term):		
Unaffiliated domestic securities	2,111,674	14.9
Unaffiliated foreign securities	588,962	4.2
Total other debt	2,700,636	19.1
Equity securities:		
Affiliated preferred stock	-	-
Unaffiliated preferred stock	4,618	-
Unaffiliated publicly traded equity securities	1,629,746	11.5
Other equity securities:		
Affiliated	1,294,708	9.2
Unaffiliated	134,449	0.9
Total equity securities	3,063,521	21.6
Receivables for securities	9,944	0.1
Real estate investments	830	-
Cash, cash equivalents and short-term investments	634,205	4.5
Mortgage loans	333,327	2.4
Other invested assets	301,018	2.1
Total invested assets	$ 14,153,171	100.0 %

The difference between gross investment holdings and net admitted assets are due to two non-admitted investments in subsidiaries and affiliates totaling approximately $13.7 million that are both fully non-admitted.

Certain categories of investments have been omitted, as they are not applicable.

Transatlantic Reinsurance Company
Supplemental Summary Investment Risk Interrogatories
For the Year Ended December 31, 2021

1. TRC's total admitted assets as of December 31, 2021 is $16.3 billion.

2. The ten largest exposures to a single issuer/borrower/investment, excluding U.S. government, U.S. government agency securities and exempt U.S. government money market funds as of December 31, 2021 are as follows (in thousands, except percentages):

Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
TransRe London Limited	Common Stocks Affiliated	$ 560,473	3.4 %
TransRe Europe S.A.	Common Stocks Affiliated	375,194	2.3
Fair American Insurance and Reinsurance Company	Common Stocks Affiliated	209,286	1.3
Government of Canada	All Other Governments	165,234	1.0
Pillar Capital Holdings	Other Invested Assets	154,665	1.0
JP Morgan Chase & Co	Common Stocks Unaffiliated, Bonds: Industrial and Miscellaneous	125,332	0.8
Microsoft Inc	Common Stocks Unaffiliated, Bonds: Industrial and Miscellaneous	124,804	0.8
Thermo Fisher Scientific Inc	Common Stocks Unaffiliated	114,499	0.7
Roper Technologies Inc	Common Stocks Unaffiliated	113,433	0.7
Unitedhealth Group Inc	Common Stocks Unaffiliated	112,743	0.7

Transatlantic Reinsurance Company
Supplemental Summary Investment Risk Interrogatories
For the Year Ended December 31, 2021

3. At December 31, 2021, the amounts of bonds, short-term investments, and preferred stocks, categorized by NAIC ratings, follows (in thousands, except percentages):

		Amount	Percentage of Total Admitted Assets	
Bonds and Short-term Investments				
NAIC-1	$	8,288,706	51.0	%
NAIC-2		1,286,876	7.9	
NAIC-3		108,835	0.7	
NAIC-4		138,997	0.9	
NAIC-5		19,289	0.1	
NAIC-6		7,630	-	
Preferred Stocks				
P/RP-1	$	-	-	%
P/RP-2		-	-	
P/RP-3		-	-	
P/RP-4		-	-	
P/RP-5		-	-	
P/RP-6		4,618	-	

4. At December 31, 2021, TRC had (in thousands, except percentages):

		Amount	Percentage of Total Admitted Assets	
Total admitted assets held in foreign investment	$	2,318,584	14.3	%
Foreign currency denominated investments		1,972,189	12.1	
Supporting insurance liabilities denominated in that same foreign currency		1,376,429	8.5	

5. The aggregate foreign investment exposure at December 31, 2021, categorized by NAIC sovereign rating were as follows (in thousands, except percentages):

NAIC Rating		Amount	Percentage of Total Admitted Assets	
Countries rated NAIC-1	$	2,255,239	13.9	%
Countries rated NAIC-2		3,072	0.0	
Countries rated NAIC-3 or below		60,273	0.4	

Transatlantic Reinsurance Company
Supplemental Summary Investment Risk Interrogatories
For the Year Ended December 31, 2021

6. The two largest foreign investment exposures to a single country at December 31, 2021, categorized by the country's NAIC sovereign rating were as follows (in thousands, except percentages):

NAIC Rating	Amount	Percentage of Total Admitted Assets
Countries rated NAIC-1:		
United Kingdom	$ 880,833	5.4 %
Switzerland	420,089	2.6
Countries rated NAIC-2:		
Mexico	$ 2,242	0.0 %
Panama	830	0.0
Countries rated NAIC-3 or below:		
SupraNational	$ 50,574	0.3 %
Multi-National	9,699	0.1

7. At December 31, 2021, TRC had aggregate unhedged foreign currency exposure of $2.0 billion or approximately 12.1% of total admitted assets.

8. The aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating at December 31, 2021 was as follows (in thousands, except percentages):

NAIC Rating	Amount	Percentage of Total Admitted Assets
Countries rated NAIC-1	$ 1,920,786	11.8 %
Countries rated NAIC-2	830	0.0
Countries rated NAIC-3 or below	60,273	0.4

Transatlantic Reinsurance Company
Supplemental Summary Investment Risk Interrogatories
For the Year Ended December 31, 2021

9. The two largest unhedged foreign currency exposures to a single country at December 31, 2021, categorized by the country's NAIC sovereign rating were as follows (in thousands, except percentages):

NAIC Rating	Amount	Percentage of Total Admitted Assets
Countries rated NAIC-1:		
United Kingdom	$ 777,560	4.8 %
Germany	128,379	0.8
Countries rated NAIC-2:		
Mexico	$ -	0.0 %
Panama	830	0.0
Countries rated NAIC-3 or below:		
SupraNational	$ 50,574	0.3 %
Multi-National	9,699	0.1 %

10. TRC's ten largest non-sovereign (*i.e.* non-governmental) foreign issuers at December 31, 2021 were as follows (in thousands, except percentages):

NAIC Rating:	Investment	Amount	Percentage of Total Admitted Assets
U	TransRe London Limited	$ 560,473	3.4 %
U	TransRe Europe, S.A.	375,194	2.3
U	Pillar Capital Holdings Limited	154,665	1.0
U	Calpe Insurance Company Limited	43,929	0.3
1	HSBC Holdings PLC	42,975	0.3
U	HSBC EURO Government Bond Fund	30,727	0.2
U	HSBC Global Asset Mgmt - French Government Bonds	28,272	0.2
2	Credit Suisse Group AG	25,015	0.2
1	European Investment Bank	20,344	0.1
1	UBS Group Ag	18,490	0.1

Transatlantic Reinsurance Company
Supplemental Summary Investment Risk Interrogatories
For the Year Ended December 31, 2021

11. At December 31, 2021, TRC's total admitted assets held in Canadian investments (including Canadian-currency-denominated investments of CAD $478.1 million, or 2.9%, of total admitted assets) was $325.8 million, or 2.0%, of total admitted assets, supporting Canadian denominated insurance liabilities of $164.1 million, or 1.0% of total admitted assets. Unhedged Canadian currency exposure totaled $325.8 million, or 2.0%, of total admitted assets.

12. TRC did not hold any investments with contractual sales restrictions at December 31, 2021.

13. At December 31, 2021, the aggregate amounts and percentages of admitted assets held in the ten largest equity investments were as follows (in thousands, except percentages):

Investment	Amount	Percentage of Total Admitted Assets
TransRe London Limited	$ 560,473	3.4 %
TransRe Europe S.A.	375,194	2.3
Fair American Insurance and Reinsurance Company	209,286	1.3
Pillar Capital Holdings Limited	154,665	1.0
Microsoft Corporation	119,793	0.7
Roper Technologies, Inc.	113,433	0.7
Thermo Fisher Scientific, Inc	111,532	0.7
Unitedhealth Group Inc.	99,395	0.6
Air Products and Cemicals Inc.	94,476	0.6
Sherwin Williams Co.	92,780	0.6

14. Nonaffiliated, privately placed equity at December 31, 2021 accounted for less than 2.5% of total admitted assets.

15. TRC held no general partnership interests at December 31, 2021.

16. At December 31, 2021, the aggregate amounts and percentage of admitted assets of TRC's ten largest mortgage loans were as follows (in thousands, except percentages):

Type (Residential, Commercial, Agricultural)	Amount	Percentage of Total Admitted Assets
Commercial	$ 20,897	0.1 %
Commercial	17,500	0.1
Commercial	17,500	0.1
Commercial	17,500	0.1
Commercial	17,500	0.1
Commercial	17,500	0.1
Commercial	17,500	0.1
Commercial	16,804	0.1
Commercial	15,444	0.1
Commercial	14,926	0.1

Transatlantic Reinsurance Company
Supplemental Summary Investment Risk Interrogatories
For the Year Ended December 31, 2021

At December 31, 2021, TRC had no construction loans.

At December 31, 2021, TRC had no mortgage loans that were over 90 days past due.

At December 31, 2021, TRC had no mortgage loans that were in the process of foreclosure.

At December 31, 2021, TRC had no mortgage loans that were foreclosed.

At December 31, 2021, TRC had no restructured mortgage loans.

17. At December 31, 2021, TRC's aggregate mortgage loans had the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date (in thousands, except percentages):

Loan to Value	Commercial	Percentage of Total Admitted Assets
above 95%	$ -	- %
91 to 95%	-	-
81 to 90%	-	-
71 to 80%	24,468	0.2
below 70%	308,859	1.9

18. Real estate investments at December 31, 2021 accounted for less than 2.5% of total admitted assets.

19. TRC did not hold mezzanine real estate loans at December 31, 2021.

20. TRC has not entered into securities lending, repurchase, reverse repurchase, dollar repurchase and dollar reverse repurchase agreements at December 31, 2021.

21. TRC had not entered into any warrants not attached to other financial instruments, options, caps and floors at December 31, 2021.

22. TRC had no potential exposure for collars, swaps and forwards at December 31, 2021, nor at the end of the first (unaudited), second (unaudited) and third (unaudited) quarters.

23. TRC had no potential exposure for futures contracts at December 31, 2021, nor at the end of the first (unaudited), second (unaudited) and third (unaudited) quarters.

Transatlantic Reinsurance Company
Supplemental Schedule of Reinsurance Disclosures
For the Year Ended December 31, 2021

1. For the year ended December 31, 2021, TRC had not reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage.

2. For the year ended December 31, 2021, TRC had not reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured.

3. For the year ended December 31, 2021, TRC had not ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

a. A contract term longer than two years and the contract is non-cancellable by TRC during the contract term;
b. A limited or conditional cancellation provision under which cancellation triggers an obligation by TRC, or an affiliate of TRC, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
c. Aggregate stop loss reinsurance coverage;
d. An unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
e. A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
f. Payment schedule, accumulating retentions from multiple years or any feature inherently designed to delay timing of the reimbursement to the ceding entity.

4. For the year ended December 31, 2021, TRC had not ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards to policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captives insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of TRC, or (ii) an association of which one or more unaffiliated policyholders of TRC is a member where:

a. The written premium ceded to the reinsurer by TRC or its affiliates represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
b. 25% or more of the written premium ceded to the reinsurer has been retroceded back to TRC or its affiliates in a separate reinsurance contract.

Transatlantic Reinsurance Company
Supplemental Schedule of Reinsurance Disclosures
For the Year Ended December 31, 2021

5. Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, "Property and Casualty Reinsurance", TRC has not ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the year ended December 31, 2020 and either:

   a. Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under GAAP; or
   b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP.

Transatlantic Reinsurance Company
Supplemental Schedule of Reinsurance Disclosures
For the Year Ended December 31, 2021

Note-Basis of Presentation

The accompanying supplemental schedules present selected statutory basis financial data as of December 31, 2021 and for the year then ended for purposes of complying with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and agrees to or is included in the amounts reported in the Company's 2021 Statutory Annual Statement as filed with the New York State Department of Financial Services. Certain captions or questions have been omitted that were not applicable.