

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended September 30, 2020

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 1-15731

**EVEREST RE GROUP, LTD.**

(Exact name of registrant as specified in its charter)

Bermuda

(State or other jurisdiction of  
incorporation or organization)

98-0365432

(I.R.S. Employer  
Identification No.)

**Seon Place – 4th Floor  
141 Front Street  
PO Box HM 845  
Hamilton HM 19, Bermuda  
441-295-0006**

(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive office)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

Indicate by check mark if the registrant is an emerging growth company and has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange act.

YES  NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

Securities registered pursuant to Section 12(b) of the Act:

<u>Class</u>	<u>Trading Symbol</u>	<u>Name of Exchange where Registered</u>	<u>Number of Shares Outstanding At November 1, 2020</u>
Common Shares, \$0.01 par value	RE	New York Stock Exchange	39,965,673

EVEREST RE GROUP, LTD

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EVEREST RE GROUP, LTD.  
CONSOLIDATED BALANCE SHEETS

	September 30, 2020 (unaudited)	December 31, 2019
(Dollars and share amounts in thousands, except par value per share)		
<b>ASSETS:</b>		
Fixed maturities - available for sale, at market value (amortized cost: 2020, \$17,131,414; 2019, \$16,473,491, credit allowances: 2020, \$19,641; 2019, \$0)	\$ 17,856,377	\$ 16,824,944
Fixed maturities - available for sale, at fair value	3,748	5,826
Equity securities, at fair value	1,173,162	931,457
Short-term investments (cost: 2020, \$221,198; 2019, \$414,639)	1,220,753	414,706
Other invested assets (cost: 2020, \$1,911,757; 2019, \$1,763,531)	1,911,757	1,763,531
Cash	938,881	808,036
Total investments and cash	23,104,678	20,748,500
Accrued investment income	132,513	116,804
Premiums receivable	2,611,036	2,259,088
Reinsurance receivables	1,923,012	1,763,471
Funds held by reinsureds	548,940	489,901
Deferred acquisition costs	601,784	581,863
Prepaid reinsurance premiums	455,961	445,716
Income taxes	77,761	305,711
Other assets	697,342	612,997
<b>TOTAL ASSETS</b>	<b>\$ 30,153,027</b>	<b>\$ 27,324,051</b>
<b>LIABILITIES:</b>		
Reserve for losses and loss adjustment expenses	\$ 15,233,125	\$ 13,611,313
Future policy benefit reserve	40,374	42,592
Unearned premium reserve	3,447,455	3,056,735
Funds held under reinsurance treaties	15,931	10,668
Other net payable to reinsurers	364,654	291,660
Losses in course of payment	184,894	51,950
Senior notes due 6/1/2044	397,164	397,074
Long term notes due 5/1/2067	223,649	236,758
Advances from FHLB	90,000	-
Accrued interest on debt and borrowings	7,215	2,878
Equity index put option liability	6,632	5,584
Unsettled securities payable	119,869	30,650
Other liabilities	430,773	453,264
Total liabilities	20,561,735	18,191,126
Commitments and contingencies (Note 8)		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred shares, par value: \$.01; 50,000 shares authorized; no shares issued and outstanding	-	-
Common shares, par value: \$.01; 200,000 shares authorized; (2020) 69,603 and (2019) 69,464 outstanding before treasury shares	696	694
Additional paid-in capital	2,235,378	2,219,660
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of \$4,481 at 2020 and \$0,996 at 2019	411,598	28,152
Treasury shares, at cost; 29,636 shares (2020) and 28,665 shares (2019)	(3,622,172)	(3,422,152)
Retained earnings	10,565,792	10,306,571
Total shareholders' equity	9,591,292	9,132,925
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 30,153,027</b>	<b>\$ 27,324,051</b>

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

EVEREST RE GROUP, LTD.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
<b>REVENUES:</b>				
Premiums earned	\$ 2,205,811	\$ 1,905,619	\$ 6,285,030	\$ 5,455,615
Net investment income	234,233	181,058	420,116	501,062
Net realized capital gains (losses):				
Credit allowances on fixed maturity securities	6,196	-	(19,641)	-
Other-than-temporary impairments on fixed maturity securities	-	(7,314)	-	(15,404)
Other net realized capital gains (losses)	104,007	(5,629)	103,904	124,965
Total net realized capital gains (losses)	110,203	(12,943)	84,263	109,561
Net derivative gain (loss)	2,456	(189)	(1,048)	3,395
Other income (expense)	57,481	(31,025)	48,354	(52,550)
<b>Total revenues</b>	<b>2,610,184</b>	<b>2,042,520</b>	<b>6,836,715</b>	<b>6,017,083</b>
<b>CLAIMS AND EXPENSES:</b>				
Incurred losses and loss adjustment expenses	1,736,210	1,371,924	4,574,066	3,515,104
Commission, brokerage, taxes and fees	445,332	443,076	1,360,170	1,253,500
Other underwriting expenses	138,875	118,158	385,865	321,976
Corporate expenses	10,618	8,435	29,184	22,622
Interest, fees and bond issue cost amortization expense	6,641	7,907	21,477	23,972
<b>Total claims and expenses</b>	<b>2,337,676</b>	<b>1,949,500</b>	<b>6,370,762</b>	<b>5,137,174</b>
<b>INCOME (LOSS) BEFORE TAXES</b>	<b>272,508</b>	<b>93,020</b>	<b>465,953</b>	<b>879,909</b>
Income tax expense (benefit)	29,451	(11,378)	15,404	88,092
<b>NET INCOME (LOSS)</b>	<b>\$ 243,057</b>	<b>\$ 104,398</b>	<b>\$ 450,549</b>	<b>\$ 791,817</b>
Other comprehensive income (loss), net of tax:				
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	63,480	93,765	335,835	524,589
Reclassification adjustment for realized losses (gains) included in net income (loss)	(11,453)	(529)	12,689	(4,220)
Total URA(D) on securities arising during the period	52,027	93,236	348,524	520,369
Foreign currency translation adjustments	60,628	(3,426)	30,390	(15,206)
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	1,806	1,363	4,532	3,665
Total benefit plan net gain (loss) for the period	1,806	1,363	4,532	3,665
<b>Total other comprehensive income (loss), net of tax</b>	<b>114,461</b>	<b>91,173</b>	<b>383,446</b>	<b>508,828</b>
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 357,518</b>	<b>\$ 195,571</b>	<b>\$ 833,995</b>	<b>\$ 1,300,645</b>
<b>EARNINGS PER COMMON SHARE:</b>				
Basic	\$ 6.08	\$ 2.56	\$ 11.20	\$ 19.44
Diluted	6.07	2.56	11.18	19.38

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

EVEREST RE GROUP, LTD.  
CONSOLIDATED STATEMENTS OF  
CHANGES IN SHAREHOLDERS' EQUITY

	2020	2019
	(unaudited)	
<b>COMMON SHARES (shares outstanding):</b>		
Balance, January 1	40,798,963	40,651,148
Issued during the period, net	159,423	194,584
Treasury shares acquired	(970,892)	(75,193)
Balance, March 31	39,987,494	40,770,539
Issued during the period, net	(15,849)	9,403
Treasury shares acquired	-	(39,440)
Balance, June 30	39,971,645	40,740,502
Issued during the period, net	(5,129)	39,967
Treasury shares acquired	-	-
Balance, September 30	39,966,516	40,780,469
<b>COMMON SHARES (par value):</b>		
Balance, January 1	\$ 694	\$ 692
Issued during the period, net	2	2
Balance, March 31	696	694
Issued during the period, net	-	-
Balance, June 30	696	694
Issued during the period, net	-	-
Balance, September 30	696	694
<b>ADDITIONAL PAID-IN CAPITAL:</b>		
Balance, January 1	2,219,660	2,188,777
Share-based compensation plans	(3,181)	767
Balance, March 31	2,216,479	2,189,544
Share-based compensation plans	9,514	8,917
Balance, June 30	2,225,993	2,198,461
Share-based compensation plans	9,385	7,865
Balance, September 30	2,235,378	2,206,326
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:</b>		
Balance, January 1	28,152	(462,557)
Net increase (decrease) during the period	(297,903)	246,446
Balance, March 31	(269,751)	(216,111)
Net increase (decrease) during the period	566,888	171,209
Balance, June 30	297,137	(44,902)
Net increase (decrease) during the period	114,461	91,174
Balance, September 30	411,598	46,272
<b>RETAINED EARNINGS:</b>		
Balance, January 1	10,306,571	9,531,433
Change to beginning balance due to adoption of Accounting Standards Update 2016-13	(4,214)	-
Net income (loss)	16,612	354,551
Dividends declared (\$1.55 per share 2020 and \$.40 per share 2019)	(63,277)	(57,137)
Balance, March 31	10,255,692	9,828,847
Net income (loss)	190,880	332,868
Dividends declared (\$1.55 per share 2020 and \$.40 per share 2019)	(61,927)	(56,999)
Balance, June 30	10,384,645	10,104,716
Net income (loss)	243,057	104,398
Dividends declared (\$1.55 per share 2020 and \$.40 per share 2019)	(61,910)	(56,995)
Balance, September 30	10,565,792	10,152,118
<b>TREASURY SHARES AT COST:</b>		
Balance, January 1	(3,422,152)	(3,397,548)
Purchase of treasury shares	(200,020)	(16,153)
Balance, March 31	(3,622,172)	(3,413,701)
Purchase of treasury shares	-	(8,451)
Balance, June 30	(3,622,172)	(3,422,152)
Purchase of treasury shares	-	-
Balance, September 30	(3,622,172)	(3,422,152)
<b>TOTAL SHAREHOLDERS' EQUITY, September 30</b>	<b>\$ 9,591,292</b>	<b>\$ 8,983,258</b>

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

EVEREST RE GROUP, LTD.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Nine Months Ended	
	September 30,	
	2020	2019
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 450,549	\$ 791,817
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(357,162)	(219,637)
Decrease (increase) in funds held by reinsureds, net	(53,878)	(17,961)
Decrease (increase) in reinsurance receivables	(172,454)	(42,891)
Decrease (increase) in income taxes	184,311	168,360
Decrease (increase) in prepaid reinsurance premiums	(7,963)	(145,846)
Increase (decrease) in reserve for losses and loss adjustment expenses	1,665,982	553,668
Increase (decrease) in future policy benefit reserve	(2,218)	(2,502)
Increase (decrease) in unearned premiums	392,904	388,597
Increase (decrease) in other net payable to reinsurers	68,784	160,306
Increase (decrease) in losses in course of payment	132,208	(6,438)
Change in equity adjustments in limited partnerships	(12,475)	(104,987)
Distribution of limited partnership income	55,576	62,359
Change in other assets and liabilities, net	(131,224)	(37,449)
Non-cash compensation expense	29,337	25,386
Amortization of bond premium (accrual of bond discount)	32,594	23,642
Net realized capital (gains) losses	(84,263)	(109,561)
Net cash provided by (used in) operating activities	<u>2,190,608</u>	<u>1,486,863</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from fixed maturities matured/called - available for sale, at market value	1,781,821	1,631,298
Proceeds from fixed maturities sold - available for sale, at market value	1,390,747	2,589,232
Proceeds from fixed maturities sold - available for sale, at fair value	2,054	2,706
Proceeds from equity securities sold, at fair value	329,750	185,157
Distributions from other invested assets	210,527	215,800
Cost of fixed maturities acquired - available for sale, at market value	(3,874,890)	(5,039,728)
Cost of equity securities acquired, at fair value	(460,953)	(269,969)
Cost of other invested assets acquired	(392,650)	(299,480)
Net change in short-term investments	(804,744)	(213,048)
Net change in unsettled securities transactions	89,064	(13,770)
Net cash provided by (used in) investing activities	<u>(1,729,274)</u>	<u>(1,211,802)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Common shares issued during the period for share-based compensation, net of expense	(13,617)	(7,836)
Purchase of treasury shares	(200,020)	(24,604)
Dividends paid to shareholders	(187,110)	(171,131)
Cost of debt repurchase	(10,647)	-
FHLB advances (repayments)	90,000	-
Cost of shares withheld on settlements of share-based compensation awards	(15,298)	(12,473)
Net cash provided by (used in) financing activities	<u>(336,691)</u>	<u>(216,044)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>		
	<u>6,203</u>	<u>2,060</u>
Net increase (decrease) in cash	130,845	61,077
Cash, beginning of period	808,036	656,095
Cash, end of period	<u>\$ 938,881</u>	<u>\$ 717,172</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Income taxes paid (recovered)	\$ (169,149)	\$ (80,544)
Interest paid	16,731	19,078

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

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the Three and Nine Months Ended September 30, 2020 and 2019

### 1. GENERAL

Everest Re Group, Ltd. ("Group"), a Bermuda company, through its subsidiaries, principally provides reinsurance in the U.S., Bermuda and international markets. As used in this document, "Company" refers to Everest Re Group and its subsidiaries.

### 2. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements of the Company as of September 30, 2020 and December 31, 2019 and for the three and nine months ended September 30, 2020 and 2019 include all adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for fair presentation of the results on an interim basis. Certain financial information, which is normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), has been omitted since it is not required for interim reporting purposes. The December 31, 2019 consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The results for the three and nine months ended September 30, 2020 and 2019 are not necessarily indicative of the results for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2019, 2018 and 2017 included in the Company's most recent Form 10-K filing.

The Company consolidates the results of operations and financial position of all voting interest entities (VIEs) in which the Company has a controlling financial interest and all variable interest entities ("VIE") in which the Company is considered to be the primary beneficiary. The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE, depends on the facts and circumstances surrounding each entity.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate actual results could differ, possibly materially, from those estimates. This is particularly true given the fluid and continuing nature of the COVID-19 pandemic. This is an ongoing event and the Company's evaluation and analysis. While the Company's analysis considers all aspects of its operations, it does not take into account legal, regulatory or legislative intervention that could materially expand coverage provisions. Given the uncertainties in the current public health and economic environment, there could be an adverse impact on results for the Property & Casualty industry and the Company for the remainder of the year. The impact is dependent on the shape and length of the economic recovery.

With recent changes in executive management and organizational structure, the Company manages its reinsurance and insurance operations as autonomous units and key strategic decisions are based on the aggregate operating results and projections for these segments of business. Accordingly, effective January 2020, the Company revised its reporting segments to Reinsurance Operations and Insurance Operations. This replaces the previous reported segments of U.S. Reinsurance, International (reinsurance), Bermuda (reinsurance) and Insurance. The prior year presented segment information has been reformatted to reflect this change.

All intercompany accounts and transactions have been eliminated.

Certain reclassifications and format changes have been made to prior years' amounts to conform to the presentation.

#### Application of Recently Issued Accounting Standard Changes.

*Modernization of Regulation S-K Disclosures.* In August 2020, the Securities and Exchange Commission (“SEC”) issued Final Rule Release #33-10825 which addresses the modernization of the disclosure requirements for business, legal proceeding and risk factor disclosures in Regulation S-K filings. Rule #33-10825 will be effective for all financial reports filed after November 9, 2020 (30 days after its publication in the Federal Register) and will be adopted by the Company in the fourth quarter of 2020 for implementation within its 2020 filings.

*Accounting for Income Taxes .* In December 2019, The Financial Accounting Standards Board (“FASB”) issued ASU 2019-12, which provides simplification of existing guidance for income taxes, including the removal of exceptions related to recognition of deferred tax liabilities on foreign subsidiaries. The guidance is effective for annual reporting periods beginning after December 15, 2020 and interim periods within that annual reporting period. The Company is currently evaluating the impact of the adoption of ASU 2019-12 on its financial statements.

*Simplification of Disclosure Requirements.* In August 2018, the SEC issued Final Rule Release #33-10532 (the “Rule”) which addresses the simplification of the SEC’s disclosure requirements for quarterly and annual financial reports. The main changes addressed by the Rule that are applicable to the Company are 1) elimination of the requirement to disclose dividend per share information on the face of the Statements of Operations and Comprehensive Income (Loss) and 2) a new requirement to disclose changes in equity by line item with subtotals for each interim reporting period on the Statements of Changes in Shareholders’ Equity. The Rule is effective for all financial reports filed after November 5, 2018 (30 days after its publication in the Federal Register), except for the additional requirement for the Statements of Changes in Shareholders’ Equity which is to be implemented for first quarter 2019 reporting. The Company has adopted the portions of the Rule that became effective November 5, 2018. The portion of the Rule related to the new requirement for the Statements of Changes in Shareholders’ Equity was adopted by the Company in the first quarter of 2019.

*Accounting for Cloud Computing Arrangement.* In August 2018, FASB issued ASU 2018-15, which outlines accounting for implementation costs of a cloud computing arrangement that is a service contract. This guidance requires that implementation costs of a cloud computing arrangement that is a service contract must be capitalized and expensed in accordance with the existing provisions provided in Subtopic 350-40 regarding development of internal use software. In addition, any capitalized implementation costs should be amortized over the term of the hosting arrangement. The guidance is effective for annual reporting periods beginning after December 15, 2019 and interim periods within that annual reporting period. The Company adopted the guidance as of January 1, 2020. The adoption of ASU 2018-15 did not have a material impact on the Company’s financial statements.

*Accounting for Long Duration Contracts.* In August 2018, FASB issued ASU 2018-12, which discusses changes to the recognition, measurement and presentation of long duration contracts. The main provisions of this guidance address the following: 1) In determining liability for future policy benefits, companies must review cash flow assumptions at least annually and the discount rate assumption at each reporting period date 2) Amortization of deferred acquisition costs has been simplified to be in constant level proportion to either premiums, profits or gross margins 3) Disaggregated roll forwards of beginning and ending liabilities for future policy benefits are required. The guidance was originally effective for annual reporting periods beginning after December 15, 2020 and interim periods within that annual reporting period. However, FASB issued ASU 2019-09 in November 2019 which defers the effective date of ASU 2018-12 until annual reporting periods beginning after December 15, 2021. The Company is currently evaluating the impact of the adoption of ASU 2018-12 on its financial statements.

*Accounting for Impact on Income Taxes due to Tax Reform.* In December 2017, the SEC issued Staff Accounting Bulletin (“SAB”) 118 which provides guidance on the application of FASB Accounting Standards Codification



("ASC") Topic 740, Income Taxes, due to the enactment of TCJA. SAB 118 became effective upon release. The Company has adopted the provisions of SAB 118 with respect to measuring the tax effects for the modifications to the determination of tax basis loss reserves. In 2018, the Company recorded adjustments to the amount of tax expense it recorded in 2017 with respect to the TCJA as estimated amounts were finalized, which did not have a material impact on the Company's financial statements.

*Amortization of Bond Premium.* In March 2017, FASB issued ASU 2017-08 which outlines guidance on amortization period for premium on callable debt securities. The new guidance requires that the premium on callable debt securities be amortized through the earliest call date rather than through the maturity date of the callable security. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The Company adopted the guidance effective January 1, 2019. The adoption of ASU 2017-08 did not have a material impact on the Company's financial statements.

*Valuation of Financial Instruments.* In June 2016, FASB issued ASU 2016-13 (and has subsequently issued related guidance and amendments in ASU 2019-11 and ASU 2019-10 in November 2019) which outline guidance on the valuation of and accounting for assets measured at amortized cost and available for sale debt securities. The guidance requires the carrying value of assets measured at amortized cost, including reinsurance premiums receivables to be presented as the net amount expected to be collected on the financial asset (amortized cost less an allowance for credit losses valuation account). The allowance reflects expected credit losses of the financial asset which considers available information using a combination both historical information, current market conditions and reasonable and supportable forecasts. For available-for-sale securities, the guidance modified the previous other than temporary impairment model, now requiring an allowance for estimated credit related losses rather than a permanent impairment, which will be limited to the amount by which fair value is below amortized cost. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019. The Company adopted the guidance effective January 1, 2020, on a modified retrospective basis. The adoption resulted in a cumulative reduction of \$214 thousand in retained earnings, net of tax, which is disclosed separately within the Consolidated Statements of Shareholders' Equity.

*Leases.* In February 2016, FASB issued ASU 2016-02 (and subsequently issued ASU 2018-11 in July, 2018) outlining guidance on the accounting for leases. The new guidance requires the recognition of lease assets and liabilities on the balance sheets for most leases that were previously deemed operating leases and required only lease expense presentation in the statements of operations. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The Company adopted ASU 2016-02 effective January 1, 2019 and elected to utilize a cumulative-effect adjustment to the opening balance of retained earnings for the year of adoption. Accordingly, the Company's reporting for the comparative periods prior to adoption continue to be presented in the financial statements in accordance with previous lease accounting. The Company also elected to apply the package of practical expedients applicable to the Company under the updated guidance for transition for leases in effect at adoption. The Company did not elect the practical expedient to determine the lease term of existing leases (e.g. The Company did not re-assess lease renewals, termination options nor purchase options in determining lease terms). The adoption of the guidance resulted in the Company recognizing a right-of-use asset of \$9,869 thousand as part of other assets and a lease liability of \$77,270 thousand as part of other liabilities in the consolidated balance sheet at the time of adoption, as well as de-recognizing the liability for deferred rent that was required under the previous guidance. The cumulative effect adjustment to the opening balance of retained earnings was zero. The adoption of the updated guidance did not have a material effect on the Company's results of operations or liquidity.

Any issued guidance and pronouncements, other than those directly referenced above, are deemed by the Company to be either not applicable or immaterial to its financial statements.

### 3. INVESTMENTS

Effective January 1, 2020, the Company adopted ASU 2016-13 which modified the previous other than temporary impairment model for available for sale fixed maturity securities. The guidance requires the Company to record allowances for credit losses for securities that are deemed to have valuation deterioration related factors. The initial table below presents the amortized cost, allowance for credit losses, unrealized appreciation/(depreciation) and market value of fixed maturity securities as of September 30, 2020 in accordance with ASU 2016-13 guidance. The second table presents the amortized cost, gross unrealized appreciation/(depreciation), market value and other-than-temporary impairments ("OTTI") in AOCI as of December 31, 2019, in accordance with previously applicable guidance.

(Dollars in thousands)	At September 30, 2020				
	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Market Value
<b>Fixed maturity securities</b>					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	\$ 1,387,482	\$ -	\$ 67,544	\$ (3,023)	\$ 1,452,003
Obligations of U.S. states and political subdivisions	514,787	-	30,939	(2,443)	543,283
Corporate securities	6,526,127	(17,474)	363,613	(66,917)	6,805,349
Asset-backed securities	1,326,918	-	23,191	(11,907)	1,338,202
Mortgage-backed securities					
Commercial	892,998	-	78,298	(1,976)	969,320
Agency residential	2,044,837	-	76,284	(2,468)	2,118,653
Non-agency residential	2,559	-	-	(39)	2,520
Foreign government securities	1,476,092	(119)	86,015	(26,913)	1,535,075
Foreign corporate securities	2,959,614	(2,048)	165,297	(30,891)	3,091,972
<b>Total fixed maturity securities</b>	<b>\$ 17,131,414</b>	<b>\$ (19,641)</b>	<b>\$ 891,181</b>	<b>\$ (146,577)</b>	<b>\$ 17,856,377</b>

(Dollars in thousands)	At December 31, 2019				
	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Market Value	OTTI in AOCI (a)
<b>Fixed maturity securities</b>					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	\$ 1,489,660	\$ 28,357	\$ (2,214)	\$ 1,515,803	\$ -
Obligations of U.S. states and political subdivisions	507,353	29,651	(89)	536,915	-
Corporate securities	6,227,661	185,052	(37,767)	6,374,946	469
Asset-backed securities	892,373	6,818	(1,858)	897,333	-
Mortgage-backed securities					
Commercial	814,570	31,236	(1,249)	844,557	-
Agency residential	2,173,099	36,361	(10,879)	2,198,581	-
Non-agency residential	5,723	-	(20)	5,703	-
Foreign government securities	1,492,315	47,148	(33,513)	1,505,950	71
Foreign corporate securities	2,870,737	107,999	(33,580)	2,945,156	447
<b>Total fixed maturity securities</b>	<b>\$ 16,473,491</b>	<b>\$ 472,622</b>	<b>\$ (121,169)</b>	<b>\$ 16,824,944</b>	<b>\$ 987</b>

(a) Represents the amount of OTTI recognized in AOCI. Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.

The amortized cost and market value of fixed maturity securities are shown in the following table by contractual maturity. Mortgage-backed securities are generally more likely to be prepaid than other fixed maturity securities. As the stated maturity of such securities may not be indicative of actual maturities, the totals for mortgage-backed and asset-backed securities are shown separately.

(Dollars in thousands)	At September 30, 2020		At December 31, 2019	
	Amortized	Market	Amortized	Market
	Cost	Value	Cost	Value
<b>Fixed maturity securities – available for sale:</b>				
Due in one year or less	\$ 1,475,335	\$ 1,483,621	\$ 1,456,960	\$ 1,457,919
Due after one year through five years	6,408,491	6,624,753	6,757,107	6,869,359
Due after five years through ten years	3,878,019	4,186,765	3,471,370	3,609,816
Due after ten years	1,102,257	1,132,543	902,289	941,676
Asset-backed securities	1,326,918	1,338,202	892,373	897,333
<b>Mortgage-backed securities:</b>				
Commercial	892,998	969,320	814,570	844,557
Agency residential	2,044,837	2,118,653	2,173,099	2,198,581
Non-agency residential	2,559	2,520	5,723	5,703
<b>Total fixed maturity securities</b>	<b>\$ 17,131,414</b>	<b>\$ 17,856,377</b>	<b>\$ 16,473,491</b>	<b>\$ 16,824,944</b>

The changes in net unrealized appreciation (depreciation) for the Company's investments are derived from the following sources for the periods indicated:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
<b>Increase (decrease) during the period between the market value and cost of investments carried at market value, and deferred taxes thereon:</b>				
Fixed maturity securities	\$ 55,587	\$ 103,173	\$ 392,640	\$ 584,333
Fixed maturity securities, other-than-temporary impairment	-	72	-	(1,671)
Change in unrealized appreciation (depreciation), pre-tax	55,587	103,245	392,640	582,662
Deferred tax benefit (expense)	(3,560)	(9,984)	(44,116)	(62,415)
Deferred tax benefit (expense), other-than-temporary impairment	-	(25)	-	122
<b>Change in unrealized appreciation (depreciation), net of deferred taxes, included in shareholders' equity</b>				
	<b>\$ 52,027</b>	<b>\$ 93,236</b>	<b>\$ 348,524</b>	<b>\$ 520,369</b>

The Company reviews all of its fixed maturity, available for sale securities whose fair value has fallen below their amortized cost at the time of review. The Company then assesses whether the decline in value is due to credit related or credit related factors. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security's value caused by a change in the market, interest rate or foreign exchange environment does not constitute a credit impairment, but rather a non-credit related decline in market value. Non-credit related declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company intends to sell the security or is more likely than not to sell the security, the Company records the entire fair value adjustment in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). If the Company determines that the decline is credit related and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the Company establishes a credit allowance equal to the estimated credit loss and is recorded in net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss). The amount of the allowance for a given security will generally be the difference between a discounted cash flow model and the Company's carrying value. The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company's consolidated statements of operations and comprehensive income (loss). We will adjust the credit allowance account for future changes in credit loss estimates for a security and record this adjustment through net realized capital gains (losses) in the Company's consolidated statements of operations and comprehensive income (loss).

The Company does not create an allowance for uncollectible interest. If interest is not received when due, the interest receivable is immediately reversed and no additional interest is accrued. If future interest is received, it is recorded as income at that time.

Prior to the adoption of ASU 2016-13 effective January 1, 2020, estimated credit losses were recorded as adjustments to the carrying value of the security and any subsequent improvement in market value was recorded through other comprehensive income.

The Company's assessments are based on the issuers' current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

Retrospective adjustments are employed to recalculate the values of asset-backed securities. All of the Company's asset-backed and mortgage-backed securities have a pass-through structure. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Computation rates, computed with life to date factor histories and weighted average maturities, are used in the calculation of projected prepayments for pass-through security types.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the periods indicated:

	Duration of Unrealized Loss at September 30, 2020 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	\$ 69,055	\$ (3,023)	\$ -	\$ -	\$ 69,055	\$ (3,023)
Obligations of U.S. states and political subdivisions	50,368	(2,278)	4,943	(165)	55,311	(2,443)
Corporate securities	752,828	(24,799)	196,660	(42,118)	949,488	(66,917)
Asset-backed securities	328,216	(8,346)	163,014	(3,561)	491,230	(11,907)
Mortgage-backed securities						
Commercial	77,850	(1,524)	6,634	(452)	84,484	(1,976)
Agency residential	248,155	(1,256)	65,145	(1,212)	313,300	(2,468)
Non-agency residential	213	(3)	2,308	(36)	2,521	(39)
Foreign government securities	83,267	(4,352)	176,739	(22,561)	260,006	(26,913)
Foreign corporate securities	399,841	(11,117)	193,809	(19,774)	593,650	(30,891)
Total fixed maturity securities	\$ 2,009,793	\$ (56,698)	\$ 809,252	\$ (89,879)	\$ 2,819,045	\$ (146,577)

(Dollars in thousands)	Duration of Unrealized Loss at September 30, 2020 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Gross		Gross		Gross	
	Market Value	Unrealized Depreciation	Market Value	Unrealized Depreciation	Market Value	Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	\$ 76,867	\$ (2,652)	\$ 135,762	\$ (21,608)	\$ 212,629	\$ (24,260)
Due in one year through five years	675,450	(22,976)	304,410	(29,003)	979,860	(51,979)
Due in five years through ten years	377,219	(12,287)	69,424	(4,266)	446,643	(16,553)
Due after ten years	225,823	(7,654)	62,555	(29,741)	288,378	(37,395)
Asset-backed securities	328,216	(8,346)	163,014	(3,561)	491,230	(11,907)
Mortgage-backed securities	326,218	(2,783)	74,087	(1,700)	400,305	(4,483)
Total fixed maturity securities	\$ 2,009,793	\$ (56,698)	\$ 809,252	\$ (89,879)	\$ 2,819,045	\$ (146,577)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position September 30, 2020 were \$2,819,045 thousand and \$46,577 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at September 30, 2020, did not exceed 0.1% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one issuer. The \$56,698 thousand of unrealized losses related to fixed maturity securities that have been in unrealized loss position for less than one year were generally comprised of domestic and foreign corporate securities, asset-backed securities and foreign government securities. Of these unrealized losses, \$42,015 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The \$9,879 thousand of unrealized losses related to fixed maturity securities in unrealized loss position for more than one year related primarily to domestic and foreign corporate securities, foreign government securities and asset-backed securities. Of these unrealized losses, \$3,247 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. There was no gross unrealized depreciation for mortgage-backed securities related to sub-prime alt-A loans. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The Company, given the size of its investment portfolio and capital position, does not have the intent to sell these securities; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis. In addition, all securities currently in an unrealized loss position are current with principal and interest payments.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity equity securities, by security type and contractual maturity, in each case subdivided according to length of time individual securities had been in a continuous unrealized loss position for the periods indicated:

	Duration of Unrealized Loss at December 31, 2019 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	\$ 85,527	\$ (1,005)	\$ 249,371	\$ (1,209)	\$ 334,898	\$ (2,214)
Obligations of U.S. states and political subdivisions	4,600	(38)	5,522	(51)	10,122	(89)
Corporate securities	547,120	(9,877)	395,369	(27,890)	942,489	(37,767)
Asset-backed securities	176,222	(1,027)	94,190	(831)	270,412	(1,858)
Mortgage-backed securities						
Commercial	83,127	(689)	23,063	(560)	106,190	(1,249)
Agency residential	344,267	(1,834)	488,680	(9,045)	832,947	(10,879)
Non-agency residential	332	-	3,976	(20)	4,308	(20)
Foreign government securities	210,766	(4,770)	283,648	(28,743)	494,414	(33,513)
Foreign corporate securities	278,403	(7,553)	365,808	(26,027)	644,211	(33,580)
Total fixed maturity securities	\$ 1,730,364	\$ (26,793)	\$ 1,909,627	\$ (94,376)	\$ 3,639,991	\$ (121,169)

	Duration of Unrealized Loss at December 31, 2019 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities						
Due in one year or less	\$ 67,879	\$ (1,237)	\$ 416,583	\$ (23,004)	\$ 484,462	\$ (24,241)
Due in one year through five years	464,753	(7,960)	689,195	(38,138)	1,153,948	(46,098)
Due in five years through ten years	495,741	(12,388)	103,612	(11,100)	599,353	(23,488)
Due after ten years	98,043	(1,658)	90,328	(11,678)	188,371	(13,336)
Asset-backed securities	176,222	(1,027)	94,190	(831)	270,412	(1,858)
Mortgage-backed securities	427,726	(2,523)	515,719	(9,625)	943,445	(12,148)
Total fixed maturity securities	\$ 1,730,364	\$ (26,793)	\$ 1,909,627	\$ (94,376)	\$ 3,639,991	\$ (121,169)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position December 31, 2019 were \$639,991 thousand and \$21,169 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2019, did not exceed 0.8% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one sector. The \$26,793 thousand of unrealized losses related to fixed maturity securities that have been in unrealized loss position for less than one year were generally comprised of domestic and foreign corporate and foreign government securities. Of these unrealized losses, \$23,104 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. \$94,376 thousand of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to domestic and foreign corporate securities, foreign government securities and agency residential mortgage-backed securities. Of these unrealized losses, \$7,144 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. There was no gross unrealized depreciation for mortgage-backed securities related to sub-prime and alt-A loans. In instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The components of net investment income are presented in the table below for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Fixed maturities	\$ 136,104	\$ 130,139	\$ 407,946	\$ 383,440
Equity securities	4,402	4,147	11,585	12,250
Short-term investments and cash	494	3,899	4,356	13,497
Other invested assets				
Limited partnerships	88,778	43,758	22,092	100,298
Other	14,742	7,286	(1,291)	13,565
Gross investment income before adjustments	244,520	189,229	444,688	523,050
Funds held interest income (expense)	684	2,325	10,921	9,715
Future policy benefit reserve income (expense)	(291)	(372)	(805)	(965)
Gross investment income	244,913	191,182	454,804	531,800
Investment expenses	(10,680)	(10,124)	(34,688)	(30,738)
Net investment income	\$ 234,233	\$ 181,058	\$ 420,116	\$ 501,062

The Company records results from limited partnership investments on the equity method of accounting with changes in value reported through net investment income. Due to the timing of receiving financial information from limited partnerships, the results are generally reported on a one month or quarter lag. If the Company determines there has been a significant decline in value of a limited partnership during this lag period, a loss will be recorded in the period in which the Company identifies the decline.

The Company had contractual commitments to invest up to an additional \$ 1,464,947 thousand in limited partnerships and private placement loans at September 30, 2020. These commitments will be funded in accordance with the partnership and loan agreements, which have investment periods that range from 12 to 36 months, extended, through 2026.

The Company participates in a private placement liquidity sweep facility ("the facility"). The primary purpose of the facility is to enhance the Company's return on its short-term investments and cash positions. The facility invests in high quality, short-duration securities and permits daily liquidity. The Company consolidates its participation in the facility. As of September 30, 2020, the market value of investments in the facility consolidated within the Company's balance sheets was \$ 1,101,256 thousand.

The components of net realized capital gains (losses) are presented in the tables below for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Fixed maturity securities, market value:				
Allowance for credit losses	\$ 6,196	\$ -	\$ (19,641)	\$ -
Other-than-temporary impairments	-	(7,314)	-	(15,404)
Gains (losses) from sales	5,398	5,290	941	16,660
Fixed maturity securities, fair value:				
Gains (losses) from sales	(1,968)	-	(1,968)	356
Gains (losses) from fair value adjustments	3,339	-	1,944	13
Equity securities, fair value:				
Gains (losses) from sales	(1,317)	(1,192)	(12,642)	2,541
Gains (losses) from fair value adjustments	96,673	(12,008)	114,364	102,795
Other invested assets	1,084	2,098	50	2,341
Short-term investments gain (loss)	798	183	1,215	259
Total net realized capital gains (losses)	\$ 110,203	\$ (12,943)	\$ 84,263	\$ 109,561

	Roll Forward of Allowance for Credit Losses							
	Three Months Ended September 30, 2020				Nine Months Ended September 30, 2020			
	Foreign		Foreign		Foreign		Foreign	
	Corporate Securities	Government Securities	Corporate Securities	Total	Corporate Securities	Government Securities	Corporate Securities	Total
(Dollars in thousands)								
Beginning Balance	\$ (22,253)	\$ (92)	\$ (3,492)	\$ (25,837)	\$ -	\$ -	\$ -	\$ -
Credit losses on securities where credit losses were not previously recorded	(6)	-	(144)	(150)	(27,666)	(519)	(4,699)	(32,884)
Increases in allowance on previously impaired securities	(5,354)	(27)	(181)	(5,562)	(6,136)	(27)	(481)	(6,644)
Decreases in allowance on previously impaired securities	159	-	151	310	3,590	212	844	4,646
Reduction in allowance due to disposals	9,980	-	1,618	11,598	12,738	215	2,288	15,241
Balance as of September 30, 2020	\$ (17,474)	\$ (119)	\$ (2,048)	\$ (19,641)	\$ (17,474)	\$ (119)	\$ (2,048)	\$ (19,641)

The Company recorded as net realized capital gains (losses) in the consolidated statements of operations comprehensive income (loss) fair value re-measurements, allowances for credit losses per ASU 2016-13 write-downs in the value of securities deemed to be impaired on an other-than-temporary basis in prior years as displayed in the table above. The Company had no other-than-temporary impaired securities where the impairment had both a credit and non-credit component.

The proceeds and split between gross gains and losses, from sales of fixed maturity and equity securities, presented in the table below for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(Dollars in thousands)				
Proceeds from sales of fixed maturity securities	\$ 402,528	\$ 271,025	\$ 1,392,801	\$ 2,591,938
Gross gains from sales	18,721	14,270	54,077	42,316
Gross losses from sales	(15,291)	(8,980)	(55,104)	(25,300)
Proceeds from sales of equity securities	\$ 116,565	\$ 35,924	\$ 329,750	\$ 185,157
Gross gains from sales	9,512	1,035	30,268	9,286
Gross losses from sales	(10,829)	(2,227)	(42,910)	(6,745)



#### 4. RESERVE FOR LOSSES, LAE AND FUTURE POLICY BENEFIT RESERVE

Activity in the reserve for losses and LAE is summarized for the periods indicated:

(Dollars in thousands)	Nine Months Ended	
	September 30,	
	2020	2019
Gross reserves beginning of period	\$ 13,611,313	\$ 13,119,090
Less reinsurance recoverables	(1,640,712)	(1,619,641)
Net reserves beginning of period	11,970,601	11,499,449
Incurred related to:		
Current year	4,572,640	3,559,505
Prior years	1,426	(44,401)
Total incurred losses and LAE	4,574,066	3,515,104
Paid related to:		
Current year	1,015,538	550,724
Prior years	2,042,712	2,406,753
Total paid losses and LAE	3,058,250	2,957,477
Foreign exchange/translation adjustment and cumulative adjustment due to adoption of ASU 2016-13	(28,024)	(52,125)
Net reserves end of period	13,458,393	12,004,952
Plus reinsurance recoverables	1,774,732	1,632,687
Gross reserves end of period	\$ 15,233,125	\$ 13,637,639

(Some amounts may not reconcile due to rounding.)

Current year incurred losses were \$4,572,640 thousand and \$3,559,505 thousand for the nine months ended September 30, 2020 and 2019, respectively. The increase in current year incurred losses in 2020 compared to 2019 was primarily due to \$434,918 thousand of incurred losses due to COVID-19 as well as the impact of increase in premiums earned. the

#### 5. DERIVATIVES

The Company sold seven equity index put option contracts, based on two indices, in 2001 and 2005. The Company sold these equity index put options as insurance products with the intent of achieving a profit. These equity index put option contracts meet the definition of a derivative under FASB guidance and the Company's position in these equity index put option contracts is unhedged. Accordingly, these equity index put option contracts are carried at fair value in the consolidated balance sheets with changes in fair value recorded in the consolidated statements of operations and comprehensive income (loss). Six of these contracts had expired prior to September 30, 2020, with no liabilities due under the terms of the expired contracts.

The Company had one remaining equity index put option contract at September 30, 2020, based on the Standard & Poor's 500 ("S&P 500") index. Based on historical index volatilities and trends and the September 30, 2020 S&P 500 index value, the Company estimates the probability that the equity index put option on the S&P 500 index falling below the strike price on the exercise date to be less than 1%. The theoretical maximum payout under this equity index put option contract would occur if on the exercise date the S&P 500 index value was zero. At September 30, 2020, the present value of the theoretical maximum payout using a 3% discount factor was \$146,796 thousand. Conversely, if the contract had expired on September 30, 2020, the S&P index at 3,363.00, there would have been no settlement amount.

At September 30, 2020 and December 31, 2019, the fair value for these equity put options was \$6,632 thousand and \$5,584 thousand, respectively.

The fair value of the equity index put options can be found in the Company's consolidated balance sheets as follows:

(Dollars in thousands)		At	
Derivatives not designated as hedging instruments	Location of fair value in balance sheets	September 30, 2020	December 31, 2019
Equity index put option contracts	Equity index put option liability	\$ 6,632	\$ 5,584
Total		\$ 6,632	\$ 5,584

The change in fair value of the equity index put option contracts can be found in the Company's statements of operations and comprehensive income (loss) as follows:

(Dollars in thousands)		For the Three Months Ended		For the Nine Months Ended	
Derivatives not designated as hedging instruments	Location of gain (loss) in statements of operations and comprehensive income (loss)	September 30,		September 30,	
		2020	2019	2020	2019
Equity index put option contracts	Net derivative gain (loss)	\$ 2,456	\$ (189)	\$ (1,048)	\$ 3,395
Total		\$ 2,456	\$ (189)	\$ (1,048)	\$ 3,395

## 6. FAIR VALUE

GAAP guidance regarding fair value measurements address how companies should measure fair value when they are required to use fair value measures for recognition or disclosure purposes under GAAP and provides a common definition of fair value to be used throughout GAAP. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. In addition, it establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement, with Level 1 being the highest priority and being the lowest priority.

The levels in the hierarchy are defined as follows:

Level 1: Inputs to the valuation methodology are observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in an active market;

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's fixed maturity and equity securities are primarily managed by third party investment asset managers. The investment asset managers managing publicly traded securities obtain prices from nationally priced pricing services. These services seek to utilize market data and observations in their professional judgment. They use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment interest rate scenarios for securities that have prepayment features.

In limited instances where prices are not provided by pricing services or in rare instances when a manager may not agree with the pricing service, price quotes on a non-binding basis are obtained from investment brokers.

The investment asset managers do not make any changes to prices received from either the pricing services or the investment brokers. In addition, the investment asset managers have procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. In addition, the Company continually performs analytical reviews of price changes and tests the prices on a random basis to an independent pricing source. No material variances were noted during these price validation procedures. In limited situations, where financial markets are inactive or illiquid, the Company may use its own assumptions of cash flows and risk-adjusted discount rates to determine fair value. At September 30, 2020, \$4,535 thousand of fixed maturities, market value and \$,748 thousand of fixed maturities, fair value were fair valued using unobservable inputs. The majority of the fixed maturities, market value, \$5,061 thousand, were valued by investment managers' valuation committees and many of these fair values and all of the \$,748 thousand of fixed maturities, fair value were substantiated by valuations from independent third parties. The Company has procedures in place to evaluate these independent third party valuations. The remaining Level 3 fixed maturities of \$ 329,474 thousand were valued at either par or amortized cost, which the Company believes approximates fair value. At December 31, 2019, \$772,979 thousand of fixed maturities, market value and \$ 5,826 thousand of fixed maturities, fair value were fair valued using unobservable inputs. The majority of the fixed maturities, market value, \$ 610,873 thousand, were valued by investment managers' valuation committees and a majority of these fair values and all of the \$,826 thousand of fixed maturities, fair value were substantiated valuations from independent third parties. The Company has procedures in place to review and evaluate independent third party valuations. The remaining Level 3 fixed maturities of \$ 162,106 thousand were valued at either par or amortized cost, which the Company believes approximates fair value.

The Company internally manages a public equity portfolio which had a fair value at September 30, 2020 of \$91,681 thousand and \$70,888 thousand, respectively, and all prices were obtained from publicly published sources.

Equity securities denominated in U.S. currency with quoted prices in active markets for identical assets are categorized as Level 1 since the quoted prices are directly observable. Equity securities traded on foreign exchanges are categorized as Level 2 due to the added input of a foreign exchange conversion rate to determine market value. The Company uses foreign currency exchange rates published by nationally recognized sources.

All categories of fixed maturity securities listed in the tables below are generally categorized as Level 2, since a particular security may not have traded but the pricing services are able to use valuation models with observable market inputs such as interest rate yield curves and prices for similar fixed maturity securities in terms of issuer, maturity and seniority. For foreign government securities and foreign corporate securities, the fair values are obtained by the third party pricing services in local currencies, and where applicable, are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

The fixed maturities with fair values categorized as Level 3 result when prices are not available from the nationally recognized pricing services.

The composition and valuation inputs for the presented fixed maturities categories are as follows:

- U.S. Treasury securities and obligations of U.S. government agencies and corporations are primarily comprised of U.S. Treasury bonds and the fair value is based on observable market inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields;
- Obligations of U.S. states and political subdivisions are comprised of state and municipal bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;

- Corporate securities are primarily comprised of U.S. corporate and public utility bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;
- Asset-backed and mortgage -backed securities fair values are based on observable inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields and cash flow models using observable inputs such as prepayment speeds, collateral performance and default spreads;
- Foreign government securities are comprised of global non-U.S. sovereign bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source;
- Foreign corporate securities are comprised of global non-U.S. corporate bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source.

The Company's liability for equity index put options is categorized as Level 3 since there is no active market for these equity put options. The fair values for these options are calculated by the Company using an independent pricing model, Black-Scholes. The model inputs and assumptions are: risk free interest rates, equity indexes values, volatilities and dividend yields and duration. The model results are then adjusted for the Company's credit default swap rate. All of these inputs and assumptions are updated quarterly.

The following table presents the fair value measurement levels for all assets and liabilities, which the Company provided at fair value (fair and market value) as of the periods indicated:

	September 30, 2020	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)				
<b>Assets:</b>				
Fixed maturities, market value				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	\$ 1,452,003	\$ -	\$ 1,452,003	\$ -
Obligations of U.S. States and political subdivisions	543,283	-	543,283	-
Corporate securities	6,805,349	-	6,081,305	724,044
Asset-backed securities	1,338,202	-	933,413	404,789
Mortgage-backed securities				
Commercial	969,320	-	969,320	-
Agency residential	2,118,653	-	2,118,653	-
Non-agency residential	2,520	-	2,520	-
Foreign government securities	1,535,075	-	1,535,075	-
Foreign corporate securities	3,091,972	-	3,086,270	5,702
Total fixed maturities, market value	17,856,377	-	16,721,842	1,134,535
Fixed maturities, fair value	3,748	-	-	3,748
Equity securities, fair value	1,173,162	1,084,448	88,714	-
<b>Liabilities:</b>				
Equity index put option contracts	\$ 6,632	\$ -	\$ -	\$ 6,632

There were no transfers between Level 1 and Level 2 for the nine months ended September 30, 2020.

The following table presents the fair value measurement levels for all assets and liabilities, which the Company reported at fair value (fair and market value) as of the periods indicated:

	December 31, 2019	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Dollars in thousands)				
<b>Assets:</b>				
<b>Fixed maturities, market value</b>				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	\$ 1,515,803	\$ -	\$ 1,515,803	\$ -
Obligations of U.S. States and political subdivisions	536,915	-	536,915	-
Corporate securities	6,374,946	-	5,757,358	617,588
Asset-backed securities	897,333	-	743,692	153,641
Mortgage-backed securities				
Commercial	844,557	-	844,557	-
Agency residential	2,198,581	-	2,198,581	-
Non-agency residential	5,703	-	5,703	-
Foreign government securities	1,505,950	-	1,505,950	-
Foreign corporate securities	2,945,156	-	2,943,406	1,750
<b>Total fixed maturities, market value</b>	<b>16,824,944</b>	<b>-</b>	<b>16,051,965</b>	<b>772,979</b>
Fixed maturities, fair value	5,826	-	-	5,826
Equity securities, fair value	931,457	864,584	66,873	-
<b>Liabilities:</b>				
Equity index put option contracts	\$ 5,584	\$ -	\$ -	\$ 5,584

In addition, \$18,821 thousand and \$209,578 thousand of investments within other invested assets on consolidated balance sheets as of September 30, 2020 and December 31, 2019, respectively, are not included in the fair value hierarchy tables as the assets are measured at NAV as a practical expedient to determine fair value.

The following tables present the activity under Level 3, fair value measurements using significant unobservable inputs for fixed maturities, for the periods indicated:

	Total Fixed Maturities, Market Value							
	Three Months Ended September 30, 2020				Nine Months Ended September 30, 2020			
	Corporate Securities	Asset-Backed Securities	Foreign Corporate	Total	Corporate Securities	Asset-Backed Securities	Foreign Corporate	Total
(Dollars in thousands)								
Beginning balance fixed maturities at market value	\$ 721,834	\$ 295,730	\$ 6,274	\$ 1,023,838	\$ 617,588	\$ 153,641	\$ 1,750	\$ 772,979
Total gains or (losses) (realized/unrealized)								
Included in earnings	362	457	26	845	(100)	582	(71)	411
Included in other comprehensive income (loss)	(992)	5,028	126	4,162	(4,898)	7,238	86	2,426
Purchases, issuances and settlements	(1,349)	103,574	139	102,364	112,060	243,328	3,823	359,211
Transfers in and/or (out) of Level 3	4,189	-	(863)	3,326	(606)	-	114	(492)
<b>Ending balance</b>	<b>\$ 724,044</b>	<b>\$ 404,789</b>	<b>\$ 5,702</b>	<b>\$ 1,134,535</b>	<b>\$ 724,044</b>	<b>\$ 404,789</b>	<b>\$ 5,702</b>	<b>\$ 1,134,535</b>
The amount of total gains or losses for the period								
included in earnings (or changes in net assets)								
attributable to the change in unrealized gains								
or losses relating to assets still held								
at the reporting date	\$ -	\$ -	\$ -	\$ -	\$ (539)	\$ -	\$ -	\$ (539)

(Some amounts may not reconcile due to rounding.)

	Total Fixed Maturities, Market Value							
	Three Months Ended September 30, 2019				Nine Months Ended September 30, 2019			
	Corporate Securities	Asset-Backed Securities	Foreign Corporate	Total	Corporate Securities	Asset-Backed Securities	Foreign Corporate	Total
(Dollars in thousands)								
Beginning balance fixed maturities at market value	\$ 542,878	\$ -	\$ 2,093	\$ 544,971	\$ 428,215	\$ -	\$ 7,744	\$ 435,959
Total gains or (losses) (realized/unrealized)								
Included in earnings	1,018	-	-	1,018	3,348	-	(119)	3,229
Included in other comprehensive income (loss)	(1,314)	644	-	(670)	1,130	644	-	1,774
Purchases, issuances and settlements	42,289	40,000	-	82,289	150,659	40,000	(5,532)	185,127
Transfers in and/or (out) of Level 3	3,176	-	-	3,176	4,695	-	-	4,695
Ending balance	\$ 588,047	\$ 40,644	\$ 2,093	\$ 630,784	\$ 588,047	\$ 40,644	\$ 2,093	\$ 630,784
The amount of total gains or losses for the period								
included in earnings (or changes in net assets)								
attributable to the change in unrealized gains								
or losses relating to assets still held								
at the reporting date	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Some amounts may not reconcile due to rounding.)

	Total Fixed Maturities, Fair Value			
	Three Months Ended September 30, 2020		Nine Months Ended September 30, 2020	
	Foreign Corporate	Total	Foreign Corporate	Total
(Dollars in thousands)				
Beginning balance fixed maturities at market value	\$ 4,431	\$ 4,431	\$ 5,826	\$ 5,826
Total gains or (losses) (realized/unrealized)				
Included in earnings	1,371	1,371	(24)	(24)
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	(2,054)	(2,054)	(2,054)	(2,054)
Transfers in and/or (out) of Level 3	-	-	-	-
Ending balance	\$ 3,748	\$ 3,748	\$ 3,748	\$ 3,748
The amount of total gains or losses for the period				
included in earnings (or changes in net assets)				
attributable to the change in unrealized gains				
or losses relating to assets still held				
at the reporting date	\$ -	\$ -	\$ -	\$ -

(Some amounts may not reconcile due to rounding.)

	Total Fixed Maturities, Fair Value			
	Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
	Foreign Corporate	Total	Foreign Corporate	Total
(Dollars in thousands)				
Beginning balance fixed maturities at market value	\$ -	\$ -	\$ 2,337	\$ 2,337
Total gains or (losses) (realized/unrealized)				
Included in earnings	-	-	369	369
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	-	-	(2,706)	(2,706)
Transfers in and/or (out) of Level 3	-	-	-	-
Ending balance	\$ -	\$ -	\$ -	\$ -
The amount of total gains or losses for the period				
included in earnings (or changes in net assets)				
attributable to the change in unrealized gains				
or losses relating to assets still held				
at the reporting date	\$ -	\$ -	\$ -	\$ -

(Some amounts may not reconcile due to rounding.)

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs for equity securities, for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Common Stock</b>				
Balance, beginning of period	\$ 9,877	\$ -	\$ -	\$ -
<b>Total (gains) or losses (realized/unrealized)</b>				
Included in earnings	-	-	-	-
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	-	-	9,877	-
Transfers in and/or (out) of Level 3	(9,877)	-	(9,877)	-
Balance, end of period	\$ -	\$ -	\$ -	\$ -
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to liabilities still held at the reporting date				
	\$ -	\$ -	\$ -	\$ -

(Some amounts may not reconcile due to rounding.)

The net transfers to/(from) Level 3, fair value measurements using significant unobservable inputs for securities, market value were \$326 thousand and (\$92) thousand for the three and nine months ended September 30, 2020, respectively, and were \$176 thousand and \$4,695 thousand for the three and nine months ended September 30, 2019, respectively. The transfers of \$326 thousand during the three months ended September 30, 2020 were previously priced by a recognized pricing service and were subsequently priced using investment managers as of September 30, 2020. The transfers of (\$492) thousand during the nine months ended September 30, 2020 were related to securities that were previously priced using investment managers and were subsequently priced by a recognized pricing service as of September 30, 2020. The transfers of \$3,176 thousand and \$ 4,695 thousand during 2019 were related to securities that were previously priced by a recognized pricing service and were subsequently priced using investment managers as of September 30, 2019.

The net transfers to/(from) Level 3, fair value measurements using significant unobservable inputs for securities, fair value were (\$,877) thousand for both the three and nine months ended September 30, 2020. The transfers of (\$,877) thousand during both the three and nine months ended September 30, 2020, related to preferred stock in a private entity purchased during the second quarter of 2020 which was priced as of June 30, 2020 and was subsequently priced based upon the book value of the underlying private entity as of September 30, 2020.

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs for equity index put option contracts, for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Liabilities:</b>				
Balance, beginning of period	\$ 9,088	\$ 8,374	\$ 5,584	\$ 11,958
Total (gains) or losses (realized/unrealized)				
Included in earnings	(2,456)	189	1,048	(3,395)
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	-	-	-	-
Transfers in and/or (out) of Level 3	-	-	-	-
Balance, end of period	\$ 6,632	\$ 8,563	\$ 6,632	\$ 8,563
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to liabilities still held at the reporting date				
	\$ -	\$ -	\$ -	\$ -

(Some amounts may not reconcile due to rounding.)

## 7. EARNINGS PER COMMON SHARE

Basic earnings per share are calculated by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if options granted under various share-based compensation plans were exercised resulting in the issuance of common shares that would participate in the earnings of the entity.



Net income (loss) per common share has been computed as per below, based upon weighted average ~~basic and~~ dilutive shares outstanding.

(Dollars in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss) per share:				
Numerator				
Net income (loss)	\$ 243,057	\$ 104,398	\$ 450,549	\$ 791,817
Less: dividends declared-common shares and unvested common shares	(61,910)	(56,995)	(187,115)	(171,131)
Undistributed earnings	181,148	47,403	263,435	620,687
Percentage allocated to common shareholders (1)	98.8 %	98.9 %	98.7 %	98.9 %
	178,938	46,869	260,096	613,847
Add: dividends declared-common shareholders	61,199	56,403	184,836	169,329
Numerator for basic and diluted earnings per common share	\$ 240,138	\$ 103,273	\$ 444,931	\$ 783,176
Denominator				
Denominator for basic earnings per weighted-average common shares	39,483	40,287	39,711	40,289
Effect of dilutive securities:				
Options	74	125	79	131
Denominator for diluted earnings per adjusted weighted-average common shares	39,557	40,411	39,790	40,421
Per common share net income (loss)				
Basic	\$ 6.08	\$ 2.56	\$ 11.20	\$ 19.44
Diluted	\$ 6.07	\$ 2.56	\$ 11.18	\$ 19.38
<sup>(1)</sup> Basic weighted-average common shares outstanding	39,483	40,287	39,711	40,289
Basic weighted-average common shares outstanding and unvested common shares expected to vest	39,971	40,746	40,221	40,738
Percentage allocated to common shareholders	98.8 %	98.9 %	98.7 %	98.9 %

(Some amounts may not reconcile due to rounding.)

There were no anti-diluted options outstanding for the three and nine months ended September 30, 2020 and 2019.

All outstanding options expire on or between February 24, 2021 and September 19, 2022.

## 8. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company's rights and obligations under insurance and reinsurance agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. The Company considers the statuses of these proceedings when determining its reserves for unpaid loss and loss adjustment.

Aside from litigation and arbitrations related to these insurance and reinsurance agreements, the Company is not a party to any other material litigation or arbitration.

The Company has entered into separate annuity agreements with The Prudential Insurance of America ("Prudential") and an additional unaffiliated life insurance company in which the Company has either purchased contracts or become the assignee of annuity proceeds that are meant to settle claim payment

obligations in the future. In both instances, the Company would become contingently liable if either The Prudential or the unaffiliated life insurance company were unable to make payments related to the annuity contract.

The table below presents the estimated cost to replace all such annuities for which the Company was contingently liable for the periods indicated:

(Dollars in thousands)	At September 30,		At December 31,	
	2020		2019	
The Prudential	\$	141,488	\$	141,703
Unaffiliated life insurance company		34,441		35,082

## 9. OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the components of comprehensive income (loss) in the consolidated statements of operations for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30, 2020			Nine Months Ended September 30, 2020		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized appreciation (depreciation) ("URA(D)") on securities - non-credit related	\$ 68,264	\$ (4,784)	\$ 63,480	\$ 373,990	\$ (38,155)	\$ 335,835
Reclassification of net realized losses (gains) included in net income (loss)	(12,678)	1,225	(11,453)	18,650	(5,961)	12,689
Foreign currency translation adjustments	64,453	(3,825)	60,628	28,555	1,835	30,390
Reclassification of benefit plan liability amortization included in net income (loss)	2,285	(479)	1,806	5,736	(1,204)	4,532
Total other comprehensive income (loss)	\$ 122,324	\$ (7,863)	\$ 114,461	\$ 426,931	\$ (43,485)	\$ 383,446

(Dollars in thousands)	Three Months Ended September 30, 2019			Nine Months Ended September 30, 2019		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized appreciation (depreciation) ("URA(D)") on securities - non-credit related	\$ 103,247	\$ (9,529)	\$ 93,718	\$ 587,930	\$ (61,792)	\$ 526,138
URA(D) on securities - OTTI	72	(25)	47	(1,671)	122	(1,549)
Reclassification of net realized losses (gains) included in net income (loss)	(74)	(455)	(529)	(3,597)	(623)	(4,220)
Foreign currency translation adjustments	(2,665)	(761)	(3,426)	(13,890)	(1,316)	(15,206)
Reclassification of benefit plan liability amortization included in net income (loss)	1,726	(363)	1,363	4,640	(975)	3,665
Total other comprehensive income (loss)	\$ 102,306	\$ (11,133)	\$ 91,173	\$ 573,412	\$ (64,584)	\$ 508,828

The following table presents details of the amounts reclassified from AOCI for the periods indicated:

AOCI component	Three Months Ended		Nine Months Ended		Affected line item within the statements of operations and comprehensive income (loss)
	September 30,		September 30,		
(Dollars in thousands)	2020	2019	2020	2019	
URA(D) on securities	\$ (12,678)	\$ (74)	\$ 18,650	\$ (3,597)	Other net realized capital gains (losses)
	1,225	(455)	(5,961)	(623)	Income tax expense (benefit)
	\$ (11,453)	\$ (529)	\$ 12,689	\$ (4,220)	Net income (loss)
Benefit plan net gain (loss)	\$ 2,285	\$ 1,726	\$ 5,736	\$ 4,640	Other underwriting expenses
	(479)	(363)	(1,204)	(975)	Income tax expense (benefit)
	\$ 1,806	\$ 1,363	\$ 4,532	\$ 3,665	Net income (loss)

The following table presents the components of accumulated other comprehensive income (loss), net of tax, in the consolidated balance sheets for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Beginning balance of URA (D) on securities	\$ 600,922	\$ 247,741	\$ 304,425	\$ (179,392)
Current period change in URA (D) of investments - non-credit related	52,027	93,190	348,524	521,919
Current period change in URA (D) of investments - non-credit OTTI	-	47	-	(1,549)
Ending balance of URA (D) on securities	652,949	340,978	652,949	340,978
Beginning balance of foreign currency translation adjustments	(231,955)	(227,527)	(201,717)	(215,747)
Current period change in foreign currency translation adjustments	60,628	(3,426)	30,390	(15,206)
Ending balance of foreign currency translation adjustments	(171,327)	(230,953)	(171,327)	(230,953)
Beginning balance of benefit plan net gain (loss)	(71,830)	(65,116)	(74,556)	(67,418)
Current period change in benefit plan net gain (loss)	1,806	1,363	4,532	3,665
Ending balance of benefit plan net gain (loss)	(70,024)	(63,753)	(70,024)	(63,753)
Ending balance of accumulated other comprehensive income (loss)	\$ 411,598	\$ 46,272	\$ 411,598	\$ 46,272

(Some amounts may not reconcile due to rounding.)

## 10. CREDIT FACILITIES

The Company has two active credit facilities for a total commitment of up to \$1,000,000 thousand and an additional credit facility for a total commitment of up to \$2,175 thousand, providing for the issuance of letters of credit and/or unsecured revolving credit lines. The following table presents the interest and fees incurred in connection with the two credit facilities for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Credit facility interest and fees incurred	\$ 105	\$ 105	\$ 560	\$ 315

The terms and outstanding amounts for each facility are discussed below:

### Group Credit Facility

Effective May 26, 2016, Group, Everest Reinsurance (Bermuda), Ltd. ("Bermuda Re") and Everest Reinsurance Ltd. ("Everest International"), both direct subsidiaries of Group, entered into a five year, \$800,000 thousand senior credit facility with a syndicate of lenders, which amended and restated in its entirety the 12, 2012, four year, \$800,000 thousand senior credit facility. Both the May 26, 2016 and June 22, 2012 credit facilities, which have similar terms, are referred to as the "Group Credit Facility". Wells Fargo Corporation ("Wells Fargo Bank") is the administrative agent for the Group Credit Facility, which consists of two tranches. Tranche one provides up to \$200,000 thousand of unsecured revolving credit for liquidity and general corporate purposes, and for the issuance of unsecured standby letters of credit. The interest on the revolving loans shall, at the Company's option, be either (1) the Base Rate (as defined below) or (2) an adjusted London Interbank Offered Rate ("LIBOR") plus a margin. The Base Rate is the higher of (a) the prime commercial lending rate established by Wells Fargo Bank, (b) the Federal Funds Rate plus 5% per annum or (c) the one month LIBOR Rate plus 1.0% per annum. The amount of margin and the fees payable for the Group Credit Facility depends on Group's senior unsecured debt rating. Tranche two exclusively provides up to \$600,000 thousand for the issuance of standby letters of credit on a collateralized basis.

The Group Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.85 to 1 and to maintain a minimum net worth. Minimum net worth is an amount equal to the sum of \$5,370,979 thousand plus 25% of consolidated net income for each of Group's fiscal quarters, for which statements are available

ending on or after March 31, 2016 and for which consolidated net income is positive, plus 25% of any increase in consolidated net worth during such period attributable to the issuance of ordinary and preferred shares, as of September 30, 2020, was \$6,372,662 thousand. As of September 30, 2020, the Company was in compliance with all Group Credit Facility covenants.

On March 25, 2020, Group borrowed \$50,000 thousand under Tranche one of the credit facility as an unsecured revolving credit loan. The loan was fully paid off on June 26, 2020. There were no revolving credit borrowings from the facility during the year ended 2019.

The following table summarizes the outstanding letters of credit and/or borrowings for the periods indicated:

(Dollars in thousands)		At September 30, 2020			At December 31, 2019		
		Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Bank							
Wells Fargo Bank Group Credit Facility	Tranche One	\$ 200,000	\$ 99,077	12/31/2020	\$ 200,000	\$ 33,737	12/31/2020
	Tranche Two	600,000	586,186	12/31/2020	600,000	2,381	7/29/2020
	Tranche Two		-			1,649	9/30/2020
	Tranche Two		-			573,353	12/31/2020
	Tranche Two		-			12,364	1/4/2021
Total Wells Fargo Bank Group Credit Facility		\$ 800,000	\$ 685,263		\$ 800,000	\$ 623,484	

#### Bermuda Re Letter of Credit Facility

Effective December 31, 2019, Bermuda Re renewed its letter of credit issuance facility with Citibank N.A. referred to as the "Bermuda Re Letter of Credit Facility", which commitment is reconfirmed annually with stated fees. The current renewal of the Bermuda Re Letter of Credit Facility provides for the issuance of up to \$200,000 thousand of secured letters of credit to collateralize reinsurance obligations as a non-admitted reinsurer. The interest on drawn letters of credit shall be (A) 0.35% per annum of the principal amount of issued standard letters of credit (expiry of 15 months or less) and (B) 0.45% per annum of the principal amount of issued extended tenor letters of credit (expiry maximum of up to 60 months). The commitment fee on undrawn credit shall be 0.15% per annum.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands)		At September 30, 2020			At December 31, 2019		
		Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Bank							
Citibank Bilateral Letter of Credit Agreement		\$ 200,000	\$ 3,672	11/24/2020	\$ 200,000	\$ 4,425	02/29/2020
			93,846	12/31/2020		512	09/03/2020
			4,425	02/28/2021		3,672	11/24/2020
			183	12/16/2021		177	12/16/2020
			109	12/20/2021		125	12/20/2020
			5,475	12/31/2021		101,404	12/31/2020
			777	08/15/2022		559	08/15/2021
			37,802	09/30/2024		37,096	12/30/2023
Total Citibank Bilateral Agreement		\$ 200,000	\$ 146,289		\$ 200,000	\$ 147,970	

#### Everest International Credit Facility

Effective May 12, 2020, Everest International amended its credit facility with Lloyds Bank plc ("Everest International Credit Facility"). The current amendment of the Everest International Credit Facility provides up to £52,175 thousand for the issuance of standby letters of credit on a collateralized basis. The Company commitment fee of 0.1% per annum on the average daily amount of the remainder of (1) the aggregate amount available under the facility and (2) the aggregate amount of drawings outstanding under the facility. The Company pays a credit commission fee of 0.35% per annum on drawings outstanding under the facility.

The Everest International Credit Facility requires Group to maintain a debt to capital ratio of not greater than 1 to 1 and to maintain a minimum net worth. Minimum net worth is an amount equal to the \$5,390,663 thousand (70% of consolidated net worth as of December 31, 2018), plus 25% of consolidated net

income for each of Group's fiscal quarters, for which statements are available ending on or after January 1, 2019 and for which net income is positive, plus 25% of any increase in consolidated net worth of Group during such period attributable to the issuance of ordinary and preferred shares, which at September 30, 2020, was \$5,910,400 thousand. As of September 30, 2020, the Company was in compliance with all Everest Credit Facility requirements.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands)	At September 30, 2020			At December 31, 2019		
	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Bank						
Lloyd's Bank plc	£ 52,175	£ 52,175	12/31/2023	£ 47,000	£ 47,000	12/31/2023
Total Lloyd's Bank Credit Facility	£ 52,175	£ 52,175		£ 47,000	£ 47,000	

#### Federal Home Loan Bank Membership

Effective August 15, 2019, Everest Reinsurance Company ("Everest Re") became a member of the Federal Home Loan Bank of New York ("FHLBNY"), which allows Everest Re to borrow up to 10% of its statutory admitted assets. As of September 30, 2020, Everest Re had admitted assets of approximately \$4,667,099 thousand which provides borrowing capacity of up to approximately \$ 1,466,709 thousand.

On August 31, 2020, Everest Re borrowed \$9,000 thousand under its FHLBNY available capacity. The \$9,000 thousand collateralized borrowing has interest payable at a rate of 3.35% and will mature on November 30, 2020. The FHLBNY membership agreement requires that 4.5% of borrowed funds be used to acquire additional membership stock.

#### **11. COLLATERALIZED REINSURANCE AND TRUST AGREEMENTS**

Certain subsidiaries of Group have established trust agreements, which effectively use the Company's investments as collateral, as security for assumed losses payable to certain non-affiliated ceding companies. As of September 30, 2020, the total amount on deposit in trust accounts was \$ 1,158,783 thousand.

The Company reinsures some of its catastrophe exposures with the segregated accounts of Mt. Logan Re. Mt. Logan Re is a Class 3 insurer registered in Bermuda effective February 27, 2013 under The Segregated Accounts Act 2000 and 100% of the voting common shares are owned by Group. Separate segregated accounts for Mt. Logan Re began being established effective July 1, 2013 and non-voting, redeemable preferred shares have been issued to capitalize the segregated accounts. Each segregated account invests predominantly in a diversified set of catastrophe exposures, diversified by risk/peril and across different geographic regions.

The following table summarizes the premiums and losses that are ceded by the Company to Mt. Logan Re segregated accounts and assumed by the Company from Mt. Logan Re segregated accounts.

Mt. Logan Re Segregated Accounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
(Dollars in thousands)				
Ceded written premiums	86,712	97,391	245,422	237,841
Ceded earned premiums	71,396	79,560	233,089	220,200
Ceded losses and LAE	87,917	79,499	173,968	164,914
Assumed written premiums	8,894	9,867	14,448	14,900
Assumed earned premiums	8,894	9,867	14,448	14,900
Assumed losses and LAE	-	-	-	-

Each segregated account is permitted to assume net risk exposures equal to the amount of its available policy limit, which in the aggregate was \$806,564 thousand and \$993,036 thousand at September 30, 2020 and December 31, 2019, respectively. Of this amount, Group had investments recorded at \$66,175 thousand and \$46,390 thousand at September 30, 2020 and December 31, 2019, respectively, in the segregated accounts.

Effective April 1, 2018, the Company entered into a retroactive reinsurance transaction with one of the Mt. Logan Re segregated accounts to retrocede \$69,198 thousand of casualty reserves held by Bermuda Re related to accident years 2002 through 2015. As consideration for entering the agreement, the Company cash of \$52,000 thousand to the Mt. Logan Re segregated account. The maximum liability to be under the agreement retroceded is \$319,000 thousand. The Company will retain liability for any amounts exceeding the maximum liability.

On April 24, 2014, the Company entered into two collateralized reinsurance agreements with Kilimanjaro Re Limited ("Kilimanjaro"), a Bermuda based special purpose reinsurer, to provide the Company with catastrophe coverage. These agreements are multi-year reinsurance contracts which cover specified storm and earthquake events. The first agreement provides up to \$50,000 thousand of reinsurance coverage from named storms in specified states of the Southeastern United States. The second agreement provides up to \$200,000 thousand of reinsurance coverage from named storms in specified states of the Southeast, Atlantic and Mid-Northeast regions of the United States and Puerto Rico as well as reinsurance coverage from earthquakes in specified states of the Southeast, Mid-Atlantic, Northeast and West regions of the United States, Puerto Rico and British Columbia. These reinsurance agreements expired in April, 2018.

On November 18, 2014, the Company entered into a collateralized reinsurance agreement with Kilimanjaro to provide the Company with catastrophe reinsurance coverage. This agreement is a multi-year reinsurance contract which covers specified earthquake events. The agreement provides up to \$500,000 thousand of reinsurance coverage from earthquakes in the United States, Puerto Rico and Canada. These reinsurance agreements expired in November 2019.

On December 1, 2015 the Company entered into two collateralized reinsurance agreements with Kilimanjaro to provide the Company with catastrophe reinsurance coverage. These agreements are multi-year reinsurance contracts which cover named storm and earthquake events. The first agreement provides up to \$100,000 thousand of reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico and Canada. The second agreement provides up to \$25,000 thousand of reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico and Canada.

On April 13, 2017 the Company entered into six collateralized reinsurance agreements with Kilimanjaro to provide the Company with annual aggregate catastrophe reinsurance coverage. The initial three agreements are four year reinsurance contracts which cover named storm and earthquake events. These agreements provide up to \$225,000 thousand, \$400,000 thousand and \$325,000 thousand, respectively, of annual aggregate

reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico and Canada. The subsequent three agreements are five year reinsurance contracts which cover named storm and earthquake events. These agreements provide up to \$ 50,000 thousand, \$ 75,000 thousand and \$ 175,000 thousand, respectively, of annual aggregate reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico and Canada.

On April 30, 2018 the Company entered into four collateralized reinsurance agreements with Kilimanjaro to provide the Company with catastrophe reinsurance coverage. These agreements are multi-year reinsurance contracts which cover named storm and earthquake events. The first two agreements are four year reinsurance contracts which provide up to \$2,500 thousand and \$200,000 thousand, respectively, of annual aggregate reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico, the U.S. Virgin Islands and Canada. The remaining two agreements are five year reinsurance contracts which provide up to \$62,500 thousand and \$200,000 thousand, respectively, of annual aggregate reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico, the U.S. Virgin Islands and Canada.

On December 12, 2019, the Company entered into four collateralized reinsurance agreements with Kilimanjaro to provide the Company with catastrophe reinsurance coverage. These agreements are multi-year reinsurance contracts which cover named storm and earthquake events. The first two agreements are four year reinsurance contracts which provide up to \$50,000 thousand and \$75,000 thousand, respectively, of annual aggregate reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico, the U.S. Virgin Islands and Canada. The remaining two agreements are five year reinsurance contracts which provide up to \$150,000 thousand and \$275,000 thousand, respectively, of annual aggregate reinsurance coverage from named storms and earthquakes in the United State, Puerto Rico, the U.S. Virgin Islands and Canada.

Recoveries under these collateralized reinsurance agreements with Kilimanjaro are primarily dependent on estimated industry level insured losses from covered events, as well as, the geographic location of the events. Estimated industry level of insured losses is obtained from published estimates by an independent recognized authority on insured property losses. Currently, none of the published insured loss estimates for catastrophe events during the applicable covered periods of the various agreements have exceeded the event retentions or aggregate retentions under the terms of the agreements that would result in a recovery.

Kilimanjaro has financed the various property catastrophe reinsurance coverages by issuing catastrophe related, external investors. On April 24, 2014, Kilimanjaro issued \$450,000 thousand of notes ("Series 2014-1 Notes"). The \$450,000 thousand of Series 2014-1 Notes were fully redeemed on April 30, 2018 and are no longer outstanding. On November 18, 2014, Kilimanjaro issued \$500,000 thousand of notes ("Series 2014-2 Notes"). The \$500,000 thousand of Series 2014-2 Notes were fully redeemed in November 2019 and are longer outstanding. On December 1, 2015, Kilimanjaro issued \$625,000 thousand of notes ("Series 2015-1 Notes"). On April 13, 2017, Kilimanjaro issued \$50,000 thousand of notes ("Series 2017-1 Notes) and \$300,000 thousand of notes ("Series 2017-2 Notes). On April 30, 2018, Kilimanjaro issued \$625,000 thousand of notes ("Series 2018-1 Notes") and \$62,500 thousand of notes ("Series 2018-2 Notes"). On December 12, 2019 Kilimanjaro issued \$125,000 thousand of notes ("Series 2019-1 Notes") and \$125,000 of notes ("Series 2019-2 Notes"). The proceeds from the issuance of the Notes listed above are held in reinsurance trust throughout the duration of the applicable reinsurance agreements and invested solely in US government money market funds with a rating of at least "AAAm" by Standard & Poor's.

## 12. SENIOR NOTES

The table below displays Everest Reinsurance Holdings' ("Holdings") outstanding senior notes. Market value based on quoted market prices, but due to limited trading activity, these senior notes are considered Level 2 in the fair value hierarchy.

(Dollars in thousands)	Date Issued	Date Due	Principal Amounts	September 30, 2020		December 31, 2019	
				Consolidated Balance		Consolidated Balance	
				Sheet Amount	Market Value	Sheet Amount	Market Value
Senior notes	06-05-2014	06-01-2044	400,000	\$ 397,164	\$ 460,252	\$ 397,074	\$ 452,848

On June 5, 2014, Holdings issued \$400,000 thousand of 30 year senior notes at 4.868%, which will mature on June 1, 2044. Interest will be paid semi-annually on June 1 and December 1 of each year.

Interest expense incurred in connection with these senior notes is as follows for the periods indicated:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Interest expense incurred	\$ 4,868	\$ 4,868	\$ 14,604	\$ 14,604

In addition to the above senior notes outstanding, Holdings issued \$1,000,000 thousand of 30 year senior notes on October 7, 2020 at an interest rate of 3.5%. These senior notes will mature on October 15, 2050 and will pay interest semi-annually on April 15th and October 15th of each year.

## 13. LONG TERM SUBORDINATED NOTES

The table below displays Holdings' outstanding fixed to floating rate long term subordinated notes. Market value based on quoted market prices, but due to limited trading activity, these subordinated notes are considered Level 2 in the fair value hierarchy.

(Dollars in thousands)	Date Issued	Original Principal	Maturity Date		September 30, 2020		December 31, 2019	
			Scheduled	Final	Consolidated Sheet Amount		Consolidated Sheet Amount	
			Market Value	Market Value	Market Value	Market Value		
Long term subordinated notes	04-26-2007	\$ 400,000	05-15-2037	05-01-2067	\$ 223,649	\$ 191,301	\$ 236,758	\$ 233,191

During the fixed rate interest period from May 3, 2007 through May 14, 2017, interest was at the annual rate of 6.6%, payable semi-annually in arrears on November 15 and May 15 of each year, commencing on November 15, 2007. During the floating rate interest period from May 15, 2017 through maturity, interest will be based on the 3 month LIBOR plus 238.5 basis points, reset quarterly, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, subject to Holdings' right to defer interest on one or more occasions for up to ten consecutive years. Deferred interest will accumulate interest at the applicable rate quarterly for periods ended and including May 15, 2017. The reset quarterly interest rate for August 17, 2020 through November 15, 2020 is 2.67%.

Holdings may redeem the long term subordinated notes on or after May 15, 2017, in whole or in part at 100% of the principal amount plus accrued and unpaid interest; however, redemption on or after the scheduled maturity date and prior to May 1, 2047 is subject to a replacement capital covenant. This covenant is for the benefit of certain senior note holders and it mandates that Holdings receive proceeds from the sale of another subordinated debt issue, of at least similar size, before it may redeem the subordinated notes. Effective upon the maturity of the Company's 5.40% senior notes on October 15, 2014, the Company's 4.868% senior notes, due on June 1, 2044, have become the Company's long term indebtedness that ranks senior to the long term subordinated notes.



The Company repurchased and retired \$ 0 thousand and \$ 13,183 thousand of its outstanding long term subordinated notes during the three and nine months ended September 30, 2020, respectively. The ~~Company~~ gain of \$ 0 thousand and \$ 2,536 thousand from the repurchase of the long term subordinated for the three and nine months ended September 30, 2020, respectively.

On March 19, 2009, Group announced the commencement of a cash tender offer for any and all of the 60% fixed to floating rate long term subordinated notes. Upon expiration of the tender offer, the Company ~~had~~ reduced its outstanding debt by \$ 161,441 thousand.

Interest expense incurred in connection with these long term subordinated notes is as follows for the ~~periods~~ indicated:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest expense incurred	\$ 1,587	\$ 2,881	\$ 6,126	\$ 8,892

#### 14. LEASES

Effective January 1, 2019, the Company adopted ASU 2016-02 and ASU 2018-11 which outline new guidance on the accounting for leases. The Company enters into lease agreements for real estate that is primarily used for office space in the ordinary course of business. These leases are accounted for as operating leases, ~~whereby~~ lease expense is recognized on a straight-line basis over the term of the lease. Most leases include an option to extend or renew the lease term. The exercise of the renewal is at the Company's discretion. The operating lease liability includes lease payments related to options to extend or renew the lease term if the Company is reasonably certain of exercise those options. The Company, in determining the present value of lease payments utilizes either the rate implicit in the lease if that rate is readily determinable or the Company's ~~secured borrowing~~ secured borrowing rate commensurate with terms of the underlying lease.

Supplemental information related to operating leases is as follows for the periods indicated:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Lease expense incurred:				
Operating lease cost	\$ 8,424	\$ 5,384	\$ 24,572	\$ 16,602

(Dollars in thousands)	At September 30,	At December 31,
	2020	2019
Operating lease right of use assets	\$ 149,206	\$ 161,435
Operating lease liabilities	163,329	169,909

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating cash flows from operating leases	\$ (5,047)	\$ (5,739)	\$ (14,883)	\$ (14,665)

	At September 30,	At December 31,
	2020	2019
Weighted average remaining operating lease term	12.3 years	12.6 years
Weighted average discount rate on operating leases	4.11 %	3.91 %

Maturities of the existing lease liabilities are expected to occur as follows:

(Dollars in thousands)	
Remainder of 2020	\$ 5,235
2021	18,433
2022	20,882
2023	20,110
2024	19,859
2025	16,868
Thereafter	119,204
Undiscounted lease payments	220,591
Less: present value adjustment	57,262
Total operating lease liability	\$ 163,329

On July 2, 2019, the Company entered into a lease agreement to relocate its corporate offices from Liberty, New Jersey to a corporate complex in Warren, New Jersey. The new lease, which covers approximately 305,000 square feet of office space, was effective October 1, 2019 and runs through 2036. The initial base rent payment of the lease will be approximately \$50 thousand per month or \$800 thousand per year. Company expects to relocate the existing operations and employees of the Liberty Co. New Jersey facility to the new corporate complex during 2021.

## 15. SEGMENT REPORTING

The Reinsurance operation writes worldwide property and casualty reinsurance and specialty lines of business, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies written in the U.S., Bermuda, and Ireland offices, as well as, through branches in Canada, Singapore and the United Kingdom. The Insurance operation writes property and casualty insurance directly and through surplus lines brokers and general agents within the U.S., Canada and Europe through its offices in the U.S., Canada, Ireland and a branch located in Zurich.

These segments are managed independently, but conform with corporate guidelines with respect to pricing, risk management, control of aggregate catastrophe exposures, capital, investments and support operations. Management generally monitors and evaluates the financial performance of these operating segments based on their underwriting results.

Underwriting results include earned premium less losses and loss adjustment expenses ("LAE") incurred, commission and brokerage expenses and other underwriting expenses. We measure our underwriting results using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which, respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by premiums earned.

The Company does not maintain separate balance sheet data for its operating segments. Accordingly, the Company does not review and evaluate the financial results of its operating segments based upon balance sheet data.

The following tables present the underwriting results for the operating segments for the periods indicated:

Reinsurance	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(Dollars in thousands)				
Gross written premiums	\$ 2,086,961	\$ 1,736,672	\$ 5,403,080	\$ 4,678,310
Net written premiums	1,936,851	1,583,713	4,974,034	4,212,952
Premiums earned	\$ 1,669,257	\$ 1,420,799	\$ 4,656,733	\$ 4,072,078
Incurred losses and LAE	1,335,048	1,050,621	3,361,367	2,605,901
Commission and brokerage	373,251	371,098	1,130,946	1,039,113
Other underwriting expenses	51,333	43,832	135,170	117,031
Underwriting gain (loss)	\$ (90,375)	\$ (44,752)	\$ 29,250	\$ 310,033

Insurance	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(Dollars in thousands)				
Gross written premiums	\$ 704,643	\$ 666,602	\$ 2,328,733	\$ 2,018,727
Net written premiums	511,829	484,844	1,693,603	1,491,286
Premiums earned	\$ 536,554	\$ 484,820	\$ 1,628,297	\$ 1,383,537
Incurred losses and LAE	401,162	321,303	1,212,699	909,203
Commission and brokerage	72,081	71,978	229,224	214,387
Other underwriting expenses	87,542	74,326	250,695	204,945
Underwriting gain (loss)	\$ (24,231)	\$ 17,213	\$ (64,321)	\$ 55,002

The following table reconciles the underwriting results for the operating segments to income before taxes in the consolidated statements of operations and comprehensive income (loss) for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(Dollars in thousands)				
Underwriting gain (loss)	\$ (114,606)	\$ (27,539)	\$ (35,071)	\$ 365,035
Net investment income	234,233	181,058	420,116	501,062
Net realized capital gains (losses)	110,203	(12,943)	84,263	109,561
Net derivative gain (loss)	2,456	(189)	(1,048)	3,395
Corporate expenses	(10,618)	(8,435)	(29,184)	(22,622)
Interest, fee and bond issue cost amortization expense	(6,641)	(7,907)	(21,477)	(23,972)
Other income (expense)	57,481	(31,025)	48,354	(52,550)
Income (loss) before taxes	\$ 272,508	\$ 93,020	\$ 465,953	\$ 879,909

The Company produces business in the U.S., Bermuda and internationally. The net income deriving from assets residing in the individual foreign countries in which the Company writes business are not identifiable in the Company's financial records. Based on gross written premium, the table below presents the largest country, other than the U.S., in which the Company writes business, for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(Dollars in thousands)				
United Kingdom gross written premium	\$ 314,502	\$ 272,297	\$ 857,310	\$ 743,294

No other country represented more than 5% of the Company's revenues.

## 16. SHARE-BASED COMPENSATION PLANS

For the three months ended September 30, 2020, 5,590 restricted stock awards were granted on September 11, 2020, with a fair value of \$ 207.5050.

For the nine months ended September 30, 2020, a total 167,419 restricted stock awards were granted: 167,829 restricted share awards were granted on February 26, 2020, with a fair value of \$277.145 per share and 5,590 on September 11, 2020 with a fair value of \$207.5050. Also, 16,120 performance share unit awards were granted on February 26, 2020, with a fair value of \$ 277.145 per unit.

## 17. RETIREMENT BENEFITS

The Company maintains both qualified and non-qualified defined benefit pension plans for its U.S. employees prior to April 1, 2010. Generally, the Company computes the benefits based on average earnings over a period prescribed by the plans and credited length of service. The Company's non-qualified defined pension plan provided compensating pension benefits for participants whose benefits have been curtailed under the qualified plan due to Internal Revenue Code limitations. Effective January 1, 2018, participants of the Company's non-qualified defined benefit pension plan may no longer accrue additional service benefits.

Net periodic benefit cost for U.S. employees included the following components for the periods indicated:

<u>Pension Benefits</u>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(Dollars in thousands)				
Service cost	\$ 2,040	\$ 2,064	\$ 8,092	\$ 6,616
Interest cost	2,562	2,928	7,608	8,788
Expected return on plan assets	(5,197)	(4,492)	(15,591)	(14,523)
Amortization of net (income) loss	2,462	1,909	6,137	5,111
FAS 88 settlement charge	871	102	871	309
Net periodic benefit cost	\$ 2,738	\$ 2,511	\$ 7,117	\$ 6,301
<u>Other Benefits</u>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
(Dollars in thousands)				
Service cost	\$ 311	\$ 245	\$ 763	\$ 818
Interest cost	215	245	644	835
Amortization of prior service cost	(177)	(144)	(401)	(433)
Amortization of net (income) loss	-	(39)	-	(39)
Net periodic benefit cost	\$ 349	\$ 307	\$ 1,006	\$ 1,181

The service cost component of net periodic benefit costs is included within other underwriting expenses on the consolidated statement of operations and comprehensive income (loss). In accordance with ASU 2017-07, other staff compensation costs are also primarily recorded within this line item.

The Company did not make any contributions to the qualified pension benefit plan for the three and months ended September 30, 2020 and 2019, respectively.

## 18. INCOME TAXES

The Company is domiciled in Bermuda and has significant subsidiaries and/or branches in Canada, Singapore, Switzerland, the United Kingdom, and the United States. The Company's Bermuda domiciled subsidiaries are exempt from income taxation under Bermuda law until 2035. The Company's non-Bermuda subsidiaries and branches are subject to income taxation at varying rates in their respective domiciles.

The Company generally applies the estimated Annualized Effective Tax Rate (“AETR”) approach for calculating its tax provision for interim periods as prescribed by ASC 740-270, Interim Reporting. Under the AETR approach, the estimated annualized effective tax rate is applied to the interim year-to-date pre-tax income/loss to determine the income tax expense or benefit for the year-to-date period. The tax expense or benefit for the quarter represents the difference between the year-to-date tax expense or benefit for the current year-to-date period less such amount for the immediately preceding year-to-date period. Management considers the impact of all known events in its estimation of the Company’s annual pre-tax income/loss and annualized effective tax rate.

#### **19. SUBSEQUENT EVENTS**

The Company has evaluated known recognized and non-recognized subsequent events. In October 2020, Hurricanes Delta and Zeta impacted the Caribbean and southeastern United States. Due to the recentness of these events, the Company is unable to estimate the amount of losses at this time. However, the Company anticipates that the losses from these events will adversely impact its fourth quarter 2020 financial statements.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

### Industry Conditions.

The worldwide reinsurance and insurance businesses are highly competitive, as well as cyclical by product and market. As such, financial results tend to fluctuate with periods of constrained availability, higher rates and stronger profits followed by periods of abundant capacity, lower rates and constrained profitability. Competition in the types of reinsurance and insurance business that we underwrite is based on many factors, including the perceived overall financial strength of the reinsurer or insurer, ratings of the reinsurer or insurer by A.M. Best and/or Standard & Poor's, underwriting expertise, the jurisdictions where the reinsurer or insurer is licensed or otherwise authorized, capacity and coverages offered, premiums charged, other terms and conditions of the reinsurance and insurance business offered, services offered, speed of claims payment and reputation and experience in lines written. Furthermore, the market impact from these competitive factors related to reinsurance and insurance is generally not consistent across lines of business, domestic and international geographical areas and distribution channels.

We compete in the U.S., Bermuda and international reinsurance and insurance markets with numerous global competitors. Our competitors include independent reinsurance and insurance companies, subsidiaries or affiliates of established worldwide insurance companies, reinsurance departments of certain insurance companies, domestic and international underwriting operations, including underwriting syndicates at Lloyd's of London and certain government sponsored risk transfer vehicles. Some of these competitors have greater financial resources than we do and have established long term and continuing business relationships, which can be a significant competitive advantage. In addition, the lack of strong barriers to entry into the reinsurance business and recently, the securitization of reinsurance and insurance risks through capital markets provide additional sources of potential reinsurance and insurance capacity and competition.

Worldwide insurance and reinsurance market conditions historically have been competitive. Generally, there was ample insurance and reinsurance capacity relative to demand, as well as, additional capital from the capital markets through insurance linked financial instruments. These financial instruments such as side cars, catastrophe bonds and collateralized reinsurance funds, provided capital markets with access to insurance and reinsurance risk exposure. The capital markets demand for these products was being primarily driven by a low interest environment and the desire to achieve greater risk diversification and potentially higher returns on their investments. This increased competition was generally having a negative impact on rates, terms and conditions; however, the impact varies widely by market and coverage.

The industry continues to deal with the impacts of a global pandemic, COVID-19. Globally, many countries mandated that their citizens remain at home and many non-essential businesses have continued to be physically closed. We closed our physical offices; however, we activated our operational resiliency plan across our global footprint and all of our critical operations are functioning effectively from remote locations. We continue to service and meet the needs of our clients while ensuring the safety and health of our employees and customers.

The pandemic has caused significant volatility in the global financial markets. Interest rates plummeted, credit spreads widened and the equity markets lost value. We saw our fixed maturity and equity portfolios decline in value resulting in realized and unrealized investment losses in our March 31, 2020 financial statements. However, the financial markets rebounded during the second and third quarters and we recognized after-tax realized gains of \$239.4 million and unrealized gains of \$596.5 million in our financial statements for these two quarters. Nevertheless, the lack of business activity may lead to an increase in bankruptcies and corresponding credit losses.

There will also be a negative impact on future industry underwriting results. With the closing of non-essential businesses, there has been a significant decline in business activity. To the extent that premiums are based on business activity, there will be a decline in premium volume. Incurred losses from the pandemic will be impacted by the duration of the event and will vary by line of business and geographical location. For the

quarter ended September 30, 2020, our underwriting results include \$125 million of estimated losses related to the pandemic and \$435 million for the nine months ended September 30, 2020. We anticipate this Pandemic could have a meaningful impact on our revenue, as well as net and operating income in future quarters as a result of reinsurance and insurance claims due to the pandemic and resulting macro-economic market conditions.

Many regulators had issued moratoriums on the cancellation of policies for the non-payment of premiums and also on non-renewals. We are complying with the various regulatory requests for accommodations to policyholders during this difficult period. The moratoriums combined with the forced closure of businesses may lead to an increase in uncollectible premium expense.

Prior to the pandemic, there was a growing industry consensus that there was some firming of (re)insurance rates for the areas impacted by the recent catastrophes. The increased frequency of catastrophe losses in 2020 appears to be further pressuring the increase of rates. Rates also appear to be firming in some of the casualty lines of business, particularly in the casualty lines that had seen significant losses such as excess casualty and directors' and officers' liability. Other casualty lines are experiencing modest rate increase, while some lines such as workers' compensation were experiencing softer market conditions. It is too early to tell what will be the impact on pricing conditions but it is likely to change depending on the line of business and geography.

While we are unable to predict the full impact the pandemic will have on the insurance industry as it continues to have a negative impact on the global economy, we are well positioned to continue to service our clients. Our capital position remains a source of strength, with high quality invested assets, significant liquidity and a low operating expense ratio. Our diversified global platform with its broad mix of products, distribution and geography is resilient.

## Financial Summary.

We monitor and evaluate our overall performance based upon financial results. The following table displays a summary of the consolidated net income (loss), ratios and shareholders' equity for the periods indicated.

(Dollars in millions)	Three Months Ended September 30,		Percentag Increase/ (Decrease)	Nine Months Ended September 30,		Percentag Increase/ (Decrease)
	2020	2019		2020	2019	
Gross written premiums	\$ 2,791.6	\$ 2,403.3	16.2	\$ 7,731.8	\$ 6,697.0	15.5 %
Net written premiums	2,448.7	2,068.6	18.4 %	6,667.6	5,704.2	16.9 %
<b>REVENUES:</b>						
Premiums earned	\$ 2,205.8	\$ 1,905.6	15.8	\$ 6,285.0	\$ 5,455.6	15.2 %
Net investment income	234.2	181.1	29.4 %	420.1	501.1	-16.2 %
Net realized capital gains (losses)	110.2	(12.9)	NM	84.3	109.6	-23.1 %
Net derivative gain (loss)	2.5	(0.2)	NM %	(1.0)	3.4	-130.9 %
Other income (expense)	57.5	(31.0)	NM	48.4	(52.6)	-192.0 %
Total revenues	2,610.2	2,042.5	27.8 %	6,836.7	6,017.1	13.6 %
<b>CLAIMS AND EXPENSES:</b>						
Incurred losses and loss adjustment expenses	1,736.2	1,371.9	26.6	4,574.1	3,515.1	30.1 %
Commission, brokerage, taxes and fees	445.3	443.1	0.5 %	1,360.2	1,253.5	8.5 %
Other underwriting expenses	138.9	118.2	17.5	385.9	322.0	19.8 %
Corporate expenses	10.6	8.4	25.9 %	29.2	22.6	29.0 %
Interest, fees and bond issue cost amortization expense	6.6	7.9	-16.0	21.5	24.0	-10.4 %
Total claims and expenses	2,337.7	1,949.5	19.9 %	6,370.8	5,137.2	24.0 %
INCOME (LOSS) BEFORE TAXES	272.5	93.0	193.0 %	466.0	879.9	-47.0 %
Income tax expense (benefit)	29.5	(11.4)	NM	15.4	88.1	-82.5 %
NET INCOME (LOSS)	\$ 243.1	\$ 104.4	132.8 %	\$ 450.5	\$ 791.8	-43.1 %
<b>RATIOS:</b>						
Loss ratio	78.7 %	72.0 %	6.7	72.8 %	64.4 %	8.4
Commission and brokerage ratio	20.2 %	23.3 %	(3.1)	21.7 %	23.0 %	(1.3)
Other underwriting expense ratio	6.3 %	6.1 %	0.2	6.1 %	5.9 %	0.2
Combined ratio	105.2 %	101.4 %	3.8	100.6 %	93.3 %	7.3

(Dollars in millions, except per share amounts)	At		Percentag Increase/ (Decrease)
	September 30, 2020	December 31, 2019	
<b>Balance sheet data:</b>			
Total investments and cash	\$ 23,104.7	\$ 20,748.5	11.4 %
Total assets	30,153.0	27,324.1	10.4 %
Loss and loss adjustment expense reserves	15,233.1	13,611.3	11.9 %
Total debt	710.8	633.8	12.1 %
Total liabilities	20,561.7	18,191.1	13.0 %
Shareholders' equity	9,591.3	9,132.9	5.0 %
Book value per share	239.98	223.85	7.2 %

(NM, not meaningful)

(Some amounts may not reconcile due to rounding.)

## Revenues.

**Premiums.** Gross written premiums increased by 16.2% to \$2,791.6 million for the three months ended September 30, 2020, compared to \$2,403.3 million for the three months ended September 30, 2019, reflecting a \$350.3 million, or 20.2%, increase in our reinsurance business and a \$38.0 million, or 5.7%, increase in our insurance business. The increase in reinsurance premiums was mainly due to increases in treaty property business and facultative business. The rise in insurance premiums was primarily due to increases in many lines of business, including casualty, specialty lines and business written through the Lloyd's Syndicate. Gross written premiums increased by 15.5% to \$7,731.8 million for the nine months ended September 30, 2020, compared to \$6,697.0 million for the nine months ended September 30, 2019, reflecting a \$724.8 million, or 15.5%, increase in our reinsurance business and a \$310.0 million, or 15.4%, increase in our insurance business. The increase in reinsurance premiums was mainly due to increases in treaty property business, casualty writings and facultative



business. The rise in insurance premiums was primarily due to increases in many lines of business, including property, casualty, specialty lines, accident and health and business written through the Lloyd's Syndicate.

Net written premiums increased by 18.4% to \$2,448.7 million for the three months ended September 30, 2020, compared to \$2,068.6 million for the three months ended September 30, 2019. Net written premiums increased by 16.9% to \$6,667.6 million for the nine months ended September 30, 2020, compared to \$5,704.2 million for the nine months ended September 30, 2019. The differences between the changes in gross written premiums compared to the changes in net written premiums are primarily due to varying utilization of reinsurance. Premiums earned increased by 15.8% to \$2,205.8 million for the three months ended September 30, 2020, compared to \$1,905.6 million for the three months ended September 30, 2019. Premiums earned increased by 15.2% to \$6,285.0 million for the nine months ended September 30, 2020, compared to \$5,455.6 million for the nine months ended September 30, 2019. The changes in premiums earned relative to net written premiums are the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Net Investment Income. Net investment income increased by 29.4% to \$234.2 million for the three months ended September 30, 2020, compared with investment income of \$181.1 million for the three months ended September 30, 2019. This increase was primarily the result of an increase in limited partnership income, as the improvement in the equity markets during the second quarter had a positive impact on the limited partnership valuations, and we had higher income from our growing fixed income portfolio. Net investment income decreased by 16.2% to \$420.1 million for the nine months ended September 30, 2020, compared with investment income of \$501.1 million for the nine months ended September 30, 2019. This decrease in income was primarily the result of losses from our limited partnerships in the second quarter, partially offset by higher income from our growing fixed maturity portfolio. Net pre-tax investment income, as a percentage of average invested assets, was 4.4% for the three months ended September 30, 2020, compared to 3.7% for the three months ended September 30, 2019. Net pre-tax investment income, as a percentage of average invested assets, was 2.7% for the nine months ended September 30, 2020, compared to 3.5% for the nine months ended September 30, 2019.

Net Realized Capital Gains (Losses). Net realized capital gains were \$110.2 million and net realized capital losses were \$12.9 million for the three months ended September 30, 2020 and 2019, respectively. As discussed earlier, the COVID-19 pandemic caused significant volatility in the global financial markets. The net realized capital gains of \$110.2 million for the three months ended September 30, 2020 were comprised of \$100.0 million of net gains from fair value re-measurements, resulting primarily from increases in equity security valuations which further rebounded from declines in the first quarter of 2020, \$6.2 million from a decline in net allowances for credit losses and \$4.0 million of net realized capital gains from sales of investments. The net realized capital losses of \$12.9 million for the three months ended September 30, 2019 were comprised of \$12.0 million of net losses from fair value re-measurements and \$7.3 million of other-than-temporary impairments, partially offset by \$6.5 million of net realized capital gains from sales of investments.

Net realized capital gains were \$84.3 million and \$109.6 million for the nine months ended September 30, 2020 and 2019, respectively. The net realized capital gains of \$84.3 million for the nine months ended September 30, 2020 were comprised of \$116.3 million of net gains from fair value re-measurements, partially offset by \$19.6 million of net allowances for credit losses and \$12.4 million of net realized capital losses from sales of investments. The net realized capital gains of \$109.6 million for the nine months ended September 30, 2019 were comprised of \$102.8 million of net gains from fair value re-measurements and \$22.3 million of net realized capital gains from sales of investments, partially offset by \$15.4 million of other-than-temporary impairments.

Net Derivative Gain (Loss). In 2005 and prior, we sold seven equity index put option contracts, one of which remained outstanding at September 30, 2020. These contracts meet the definition of a derivative in accordance with FASB guidance and as such, are fair valued each quarter with the change recorded as net derivative gain or loss in the consolidated statements of operations and comprehensive income (loss). As a result of these adjustments in value, we recognized a net derivative gain of \$2.5 million and a net derivative loss of \$0.2 million

for the three months ended September 30, 2020 and 2019, respectively, and net derivative losses of \$1.0 million and net derivative gains of \$3.4 million for the nine months ended September 30, 2020 and 2019, respectively. The changes in the fair value of these equity index put option contracts is generally indicative of the changes in the equity markets and interest rates over the same periods.

**Other Income (Expense).** We recorded other income of \$57.5 million and \$48.4 million for the three and nine months ended September 30, 2020, respectively. We recorded other expense of \$31.0 million and \$52.6 million for the three and nine months ended September 30, 2019, respectively. The changes were primarily the result of fluctuations in foreign currency exchange rates, income related to Mt. Logan Re and changes in deferred gains related to any retroactive reinsurance transactions. We recognized foreign currency exchange income of \$61.4 million and \$37.9 million for the three and nine months ended September 30, 2020, respectively. We recognized foreign currency exchange expense of \$26.0 million and \$44.5 million for the three and nine months ended September 30, 2019, respectively.

### Claims and Expenses.

**Incurred Losses and Loss Adjustment Expenses.** The following tables present our incurred losses and loss adjustment expenses ("LAE") for the periods indicated.

(Dollar in millions)	Three Months Ended September 30,					
	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
<b>2020</b>						
Attritional	\$ 1,427.5	64.8 %	\$ (1.3)	-0.1 %	\$ 1,426.2	64.7 %
Catastrophes	310.0	14.0 %	-	- %	310.0	14.0 %
<b>Total</b>	<b>\$ 1,737.5</b>	<b>78.8 %</b>	<b>\$ (1.3)</b>	<b>-0.1 %</b>	<b>\$ 1,736.2</b>	<b>78.7 %</b>
<b>2019</b>						
Attritional	\$ 1,128.7	59.2 %	\$ (52.2)	-2.7 %	\$ 1,076.4	56.5 %
Catastrophes	295.5	15.5 %	-	- %	295.5	15.5 %
<b>Total</b>	<b>\$ 1,424.2</b>	<b>74.7 %</b>	<b>\$ (52.2)</b>	<b>-2.7 %</b>	<b>\$ 1,371.9</b>	<b>72.0 %</b>
<b>Variance 2020/2019</b>						
Attritional	\$ 298.8	5.6 pts	\$ 50.9	2.6 pts	\$ 349.8	8.2 pts
Catastrophes	14.5	(1.5) pts	-	- pts	14.5	(1.5) pts
<b>Total</b>	<b>\$ 313.3</b>	<b>4.1 pts</b>	<b>\$ 50.9</b>	<b>2.6 pts</b>	<b>\$ 364.3</b>	<b>6.7 pts</b>
(Dollar in millions)	Nine Months Ended September 30,					
	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
<b>2020</b>						
Attritional	\$ 4,217.6	67.1 %	\$ 1.4	0.1 %	\$ 4,219.1	67.2 %
Catastrophes	355.0	5.6 %	-	- %	355.0	5.6 %
<b>Total</b>	<b>\$ 4,572.6</b>	<b>72.7 %</b>	<b>\$ 1.4</b>	<b>0.1 %</b>	<b>\$ 4,574.1</b>	<b>72.8 %</b>
<b>2019</b>						
Attritional	\$ 3,239.0	59.4 %	\$ (74.4)	-1.4 %	\$ 3,164.6	58.0 %
Catastrophes	320.5	5.9 %	30.0	0.5 %	350.5	6.4 %
<b>Total</b>	<b>\$ 3,559.5</b>	<b>65.3 %</b>	<b>\$ (44.4)</b>	<b>-0.9 %</b>	<b>\$ 3,515.1</b>	<b>64.4 %</b>
<b>Variance 2020/2019</b>						
Attritional	\$ 978.6	7.7 pts	\$ 75.8	1.5 pts	\$ 1,054.5	9.2 pts
Catastrophes	34.5	(0.3) pts	(30.0)	(0.5) pts	4.5	(0.8) pts
<b>Total</b>	<b>\$ 1,013.1</b>	<b>7.4 pts</b>	<b>\$ 45.8</b>	<b>1.0 pts</b>	<b>\$ 1,059.0</b>	<b>8.4 pts</b>

Incurred losses and LAE increased by 26.6% to \$1,736.2 million for the three months ended September 30, 2020, compared to \$1,371.9 million for the three months ended September 30, 2019. The increase was primarily due to a rise of \$298.8 million in current year attritional losses, mainly due to \$124.9 million of losses related to the COVID-19 pandemic and the impact of the increase in premiums earned, as well as an increase of \$14.5 million in current year catastrophe losses. The current year catastrophe losses of \$310.0 million for the three months ended September 30, 2020 related to Hurricane Laura (\$131.0 million), the Northern California wildfires (\$52.0 million), the California Glass wildfire (\$30.0 million), Hurricane Sally (\$26.0 million), the Oregon wildfires (\$21.0 million), Hurricane Isaias (\$19.9 million), the Derecho storms (\$15.1 million) and the Calgary storms in Canada

(\$15.0 million). The \$295.5 million of current year catastrophe losses for the three months ended September 30, 2019 related to Hurricane Dorian (\$164.5 million) and Typhoon Faxai (\$131.0 million).

Incurring losses and LAE increased by 30.1% to \$4,574.1 million for the nine months ended September 30, 2020, compared to \$3,515.1 million for the nine months ended September 30, 2019. The increase was primarily due to a rise of \$978.6 million in current year attritional losses, mainly due to \$434.9 million of losses related to the COVID-19 pandemic and the impact of the increase in premiums earned, as well as an increase of \$34.5 million in current year catastrophe losses. The current year catastrophe losses of \$355.0 million for the nine months ended September 30, 2020 related to Hurricane Laura (\$131.0 million), the Northern California wildfires (\$52.0 million), the California Glass wildfire (\$30.0 million), Hurricane Sally (\$26.0 million), the Oregon wildfires (\$21.0 million), Hurricane Isaias (\$19.9 million), the 2020 U.S. civil unrest (\$17.4 million), Nashville tornadoes (\$15.2 million), the Derecho storms (\$15.1 million), the Calgary storms in Canada (\$15.0 million), Australia East Coast Storm (\$6.8 million) and the 2020 Australia fires (\$5.6 million). The \$320.5 million of current year catastrophe losses for the nine months ended September 30, 2019 related to Hurricane Dorian (\$164.5 million), Typhoon Faxai (\$131.0 million) and the Townsville monsoon in Australia (\$25.0 million).

Commission, Brokerage, Taxes and Fees. Commission, brokerage, taxes and fees increased by 0.5% to \$445.3 million for the three months ended September 30, 2020, compared to \$443.1 million for the three months ended September 30, 2019. Commission, brokerage, taxes and fees increased by 8.5% to \$1,360.2 million for the nine months ended September 30, 2020, compared to \$1,253.5 million for the nine months ended September 30, 2019. The increases were primarily due to the impact of the increases in premiums earned and changes in the mix of business.

Other Underwriting Expenses. Other underwriting expenses were \$138.9 million and \$118.2 million for the three months ended September 30, 2020 and 2019, respectively. Other underwriting expenses were \$385.9 million and \$322.0 million for the nine months ended September 30, 2020 and 2019, respectively. The increases in other underwriting expenses were mainly due to the impact of the increases in premiums earned.

Corporate Expenses. Corporate expenses, which are general operating expenses that are not allocated to segments, were \$10.6 million and \$8.4 million for the three months ended September 30, 2020 and 2019, respectively, and \$29.2 million and \$22.6 million for the nine months ended September 30, 2020 and 2019, respectively. These increases were mainly due to costs associated with the relocation of our U.S. headquarters.

Interest, Fees and Bond Issue Cost Amortization Expense. Interest, fees and other bond amortization expense was \$6.6 million and \$7.9 million for the three months ended September 30, 2020 and 2019, respectively. Interest, fees and other bond amortization expense was \$21.5 million and \$24.0 million for the nine months ended September 30, 2020 and 2019, respectively. Any variance in expense was primarily due to the movement in the floating interest rate related to the long term subordinated notes, which is reset quarterly per the note agreement. The floating rate was 2.67% as of September 30, 2020.

Income Tax Expense (Benefit). We had an income tax expense of \$29.5 million and \$15.4 million for the three and nine months ended September 30, 2020, respectively. We had an income tax benefit of \$11.4 million and income tax expense of \$88.1 million for the three and nine months ended September 30, 2019, respectively. Income tax benefit or expense is primarily a function of the geographic location of the Company's pre-tax income and the statutory tax rates in those jurisdictions. The effective tax rate ("ETR") is primarily affected by tax-exempt investment income, foreign tax credits and dividends. Variations in the ETR generally result from changes in the relative levels of pre-tax income, including the impact of catastrophe losses and net capital gains (losses), among jurisdictions with different tax rates. The change in income tax expense (benefit) for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019 results primarily from higher investment income and realized investment gains, partially offset by the estimated incurred losses from the COVID-19 pandemic. The change in income tax for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 was primarily due to the estimated

incurred losses from the COVID-19 pandemic and the beneficial tax impact from the Coronavirus Aid, Relief and Economic Securities Act ("the CARES Act").

The CARES Act was passed by Congress and signed into law by the President on March 27, 2020 in response to the COVID -19 pandemic. Among the provisions of the CARES Act was a special tax provision which allows companies to elect to carryback five years net operating losses incurred in the 2018, 2019 and/or 2020 tax years. The Tax Cuts and Jobs Act of 2017 had eliminated net operating loss carrybacks for most companies. The Company determined that the special 5 year loss carryback tax provision provided a tax benefit of \$31.0 million which it recorded in the quarter ended March 31, 2020.

#### **Net Income (Loss).**

Our net income was \$243.1 million and \$104.4 million for the three months ended September 30, 2020 and 2019, respectively. Our net income was \$450.5 million and \$791.8 million for the nine months ended September 30, 2020 and 2019, respectively. The changes were primarily driven by the financial component fluctuations explained above.

#### **Ratios.**

Our combined ratio increased by 3.8 points to 105.2% for the three months ended September 30, 2020, compared to 101.4% for the three months ended September 30, 2019, and increased by 7.3 points to 100.6% for the nine months ended September 30, 2020, compared to 93.3% for the nine months ended September 30, 2019. The loss ratio component increased 6.7 points and 8.4 points for the three and nine months ended September 30, 2020 over the same periods last year mainly due to \$124.9 million and \$434.9 million of attritional losses related to the COVID -19 pandemic for the three and nine months ended September 30, 2020, respectively. The commission and brokerage ratio component decreased to 20.2% for the three months ended September 30, 2020 compared to 23.3% for the three months ended September 30, 2019 and decreased to 21.7% for the nine months ended September 30, 2020 compared to 23.0% for the nine months ended September 30, 2019. The declines were mainly due to changes in the mix of business. The other underwriting expense ratio increased slightly to 6.3% for the three months ended September 30, 2020 from 6.1% for the three months ended September 30, 2019 and increased slightly to 6.1% for the nine months ended September 30, 2020 from 5.9% for the nine months ended September 30, 2019. The increases for the three and nine month periods were mainly due to employee benefit expenses.

#### **Shareholders' Equity.**

Shareholders' equity increased by \$458.4 million to \$9,591.3 million at September 30, 2020 from \$9,132.9 million at December 31, 2019, principally as a result of \$450.5 million of net income, \$348.5 million of unrealized appreciation on investments net of tax, \$30.4 million of net foreign currency translation adjustments, \$15.7 million of share -based compensation transactions and \$4.5 million of net benefit plan obligation adjustments, partially offset by the repurchase of 970,892 common shares for \$200.0 million, \$187.1 million of shareholder dividends, and \$4.2 million of cumulative adjustment from the adoption of ASU 2016-13.

#### **Consolidated Investment Results**

##### **Net Investment Income.**

Net investment income increased by 29.4% to \$234.2 million for the three months ended September 30, 2020, compared with investment income of \$181.1 million for the three months ended September 30, 2019. This increase was primarily the result of an increase in limited partnership income, as the improvement in the equity markets during the second quarter had a positive impact on the limited partnership valuations, and we had higher income from our growing fixed income portfolio. Net investment income decreased by 16.2% to \$420.1 million for the nine months ended September 30, 2020, compared with investment income of \$501.1 million for the nine months ended September 30, 2019. This decrease in income was primarily the result of losses from our limited partnerships in the second quarter, partially offset by higher income from our growing fixed maturity portfolio.

The following table shows the components of net investment income for the periods indicated.

(Dollars in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Fixed maturities	\$ 136.1	\$ 130.1	\$ 407.9	\$ 383.4
Equity securities	4.4	4.2	11.6	12.3
Short-term investments and cash	0.5	3.9	4.4	13.5
Other invested assets				
Limited partnerships	88.8	43.8	22.1	100.3
Other	14.7	7.3	(1.3)	13.6
Gross investment income before adjustments	244.5	189.3	444.7	523.1
Funds held interest income (expense)	0.7	2.3	10.9	9.7
Future policy benefit reserve income (expense)	(0.3)	(0.4)	(0.8)	(1.0)
Gross investment income	244.9	191.2	454.8	531.8
Investment expenses	(10.7)	(10.1)	(34.7)	(30.7)
Net investment income	\$ 234.2	\$ 181.1	\$ 420.1	\$ 501.1

(Some amounts may not reconcile due to rounding.)

The following tables show a comparison of various investment yields for the periods indicated.

	At	At
	September 30,	December 31,
	2020	2019
Imbedded pre-tax yield of cash and invested assets	3.1 %	3.4 %
Imbedded after-tax yield of cash and invested assets	2.7 %	3.0 %

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Annualized pre-tax yield on average cash and invested assets	4.4 %	3.7 %	2.7 %	3.5 %
Annualized after-tax yield on average cash and invested assets	3.8 %	3.3 %	2.3 %	3.1 %

### Net Realized Capital Gains (Losses).

The following table presents the composition of our net realized capital gains (losses) for the periods indicated.

(Dollars in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Variance	2020	2019	Variance
<b>Gains (losses) from sales:</b>						
Fixed maturity securities, market value:						
Gains	\$ 18.7	\$ 14.3	\$ 4.4	\$ 54.1	\$ 42.0	\$ 12.1
Losses	(13.3)	(9.0)	(4.3)	(53.1)	(25.3)	(27.8)
<b>Total</b>	<b>5.4</b>	<b>5.3</b>	<b>0.1</b>	<b>0.9</b>	<b>16.7</b>	<b>(15.8)</b>
Fixed maturity securities, fair value:						
Gains	\$ -	\$ -	\$ -	-	0.4	(0.4)
Losses	(2.0)	-	(2.0)	(2.0)	-	(2.0)
<b>Total</b>	<b>(2.0)</b>	<b>-</b>	<b>(2.0)</b>	<b>(2.0)</b>	<b>0.4</b>	<b>(2.4)</b>
Equity securities, fair value:						
Gains	9.5	1.0	8.5	30.3	9.3	21.0
Losses	(10.8)	(2.2)	(8.6)	(42.9)	(6.7)	(36.2)
<b>Total</b>	<b>(1.3)</b>	<b>(1.1)</b>	<b>(0.1)</b>	<b>(12.6)</b>	<b>2.6</b>	<b>(15.2)</b>
Other Invested Assets:						
Gains	1.4	2.6	(1.2)	6.0	2.9	3.1
Losses	(0.3)	(0.5)	0.3	(5.9)	(0.6)	(5.3)
<b>Total</b>	<b>1.1</b>	<b>2.1</b>	<b>(0.9)</b>	<b>0.1</b>	<b>2.3</b>	<b>(2.2)</b>
Short Term Investments:						
Gains	0.8	0.2	0.6	1.2	0.3	0.9
Losses	-	-	-	-	-	-
<b>Total</b>	<b>0.8</b>	<b>0.2</b>	<b>0.6</b>	<b>1.2</b>	<b>0.3</b>	<b>0.9</b>
<b>Total net realized gains (losses) from sales:</b>						
Gains	30.4	18.2	12.2	91.5	54.9	36.7
Losses	(26.4)	(11.7)	(14.7)	(103.9)	(32.6)	(71.3)
<b>Total</b>	<b>4.0</b>	<b>6.5</b>	<b>(2.4)</b>	<b>(12.4)</b>	<b>22.3</b>	<b>(34.6)</b>
<b>Allowance for credit losses</b>	<b>6.2</b>	<b>-</b>	<b>6.2</b>	<b>(19.6)</b>	<b>-</b>	<b>(19.6)</b>
<b>Other-than-temporary impairments:</b>	<b>-</b>	<b>(7.3)</b>	<b>7.3</b>	<b>-</b>	<b>(15.4)</b>	<b>15.4</b>
<b>Gains (losses) from fair value adjustments:</b>						
Fixed maturities, fair value	3.3	-	3.3	1.9	-	1.9
Equity securities, fair value	96.7	(12.0)	108.7	114.4	102.8	11.6
<b>Total</b>	<b>100.0</b>	<b>(12.0)</b>	<b>112.0</b>	<b>116.3</b>	<b>102.8</b>	<b>13.5</b>
<b>Total net realized capital gains (losses)</b>	<b>\$ 110.2</b>	<b>\$ (12.9)</b>	<b>\$ 123.1</b>	<b>84.3</b>	<b>109.6</b>	<b>(25.3)</b>

(Some amounts may not reconcile due to rounding.)

Net realized capital gains were \$110.2 million and net realized capital losses were \$12.9 million for the three months ended September 30, 2020 and 2019, respectively. As discussed earlier, the COVID-19 pandemic caused significant volatility in the global financial markets. For the three months ended September 30, 2020, we recorded \$100.0 million of net gains from fair value re-measurements, resulting primarily from increases in equity security valuations which further rebounded from declines in the first quarter of 2020, \$6.2 million from a decline in net allowances for credit losses and \$4.0 million of net realized capital gains from sales of investments. For the three months ended September 30, 2019, we recorded \$12.0 million of net losses from fair value re-measurements and \$7.3 million of other-than-temporary impairments, partially offset by \$6.5 million of net realized capital gains from sales of investments. The fixed maturity and equity sales for the three months ended

September 30, 2020 and 2019 related primarily to adjusting the portfolios for overall market changes and individual credit shifts.

Net realized capital gains were \$84.3 million and \$109.6 million for the nine months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020, we recorded \$116.3 million of net gains from fair value re-measurements, partially offset by \$19.6 million of net allowances for credit losses and \$12.4 million of net realized capital losses from sales of investments. For the nine months ended September 30, 2019, we recorded \$102.8 million of net gains from fair value re-measurements and \$22.3 million of net realized capital gains from sales of investments, partially offset by \$15.4 million of other-than-temporary impairments. The fixed maturity and equity sales for the nine months ended September 30, 2020 and 2019 related primarily to adjusting the portfolios for overall market changes and individual credit shifts.

**Segment Results.**

The Reinsurance operation writes worldwide property and casualty reinsurance and specialty lines of business, on both a treaty and facultative basis, through reinsurance brokers, as well as directly with ceding companies. Business is written in the U.S., Bermuda, and Ireland offices, as well as, through branches in Canada, Singapore and the United Kingdom. The Insurance operation writes property and casualty insurance directly and through brokers, surplus lines brokers and general agents within the U.S., Canada and Europe through its offices in the U.S., Canada, Ireland and a branch located in Zurich.

These segments are managed independently, but conform with corporate guidelines with respect to pricing, risk management, control of aggregate catastrophe exposures, capital, investments and support operations. Management generally monitors and evaluates the financial performance of these operating segments based upon their underwriting results.

Underwriting results include earned premium less losses and loss adjustment expenses (“LAE”) incurred, commission and brokerage expenses and other underwriting expenses. We measure our underwriting results using ratios, in particular loss, commission and brokerage and other underwriting expense ratios, which, respectively, divide incurred losses, commissions and brokerage and other underwriting expenses by premiums earned.

The Company does not maintain separate balance sheet data for its operating segments. Accordingly, the Company does not review and evaluate the financial results of its operating segments based upon balance sheet data.

The following discusses the underwriting results for each of our segments for the periods indicated.

## Reinsurance.

The following table presents the underwriting results and ratios for the Reinsurance segment for the periods indicated.

(Dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Variance	% Change	2020	2019	Variance	% Change
Gross written premiums	\$ 2,087.0	\$ 1,736.7	\$ 350.3	20.2 %	\$ 5,403.1	\$ 4,678.3	\$ 724.8	15.5 %
Net written premiums	1,936.9	1,583.7	353.1	22.3 %	4,974.0	4,213.0	761.1	18.1 %
Premiums earned	\$ 1,669.3	\$ 1,420.8	\$ 248.5	17.5 %	\$ 4,656.7	\$ 4,072.1	\$ 584.7	14.4 %
Incurred losses and LAE	1,335.0	1,050.6	284.4	27.1 %	3,361.4	2,605.9	755.5	29.0 %
Commission and brokerage	373.3	371.1	2.2	0.6 %	1,130.9	1,039.1	91.8	8.8 %
Other underwriting expenses	51.3	43.8	7.5	17.1 %	135.2	117.0	18.1	15.5 %
Underwriting gain (loss)	\$ (90.4)	\$ (44.8)	\$ (45.6)	101.9 %	\$ 29.3	\$ 310.0	\$ (280.8)	-90.6 %
				Point Chg				Point Chg
Loss ratio	80.0 %	73.9 %		6.1	72.2 %	64.0 %		8.2
Commission and brokerage ratio	22.3 %	26.1 %		(3.8)	24.3 %	25.5 %		(1.2)
Other underwriting expense ratio	3.1 %	3.1 %		-	2.9 %	2.9 %		-
Combined ratio	105.4 %	103.1 %		2.3	99.4 %	92.4 %		7.0

(NM, Not Meaningful)  
(Some amounts may not reconcile due to rounding.)

**Premiums.** Gross written premiums increased by 20.2% to \$2,087.0 million for the three months ended September 30, 2020 from \$1,736.7 million for the three months ended September 30, 2019, primarily due to an increase in treaty property writings and facultative business. Net written premiums increased by 22.3% to \$1,936.9 million for the three months ended September 30, 2020 compared to \$1,583.7 million for the three months ended September 30, 2019. The difference between the change in gross written premiums compared to the change in net written premiums is primarily due to varying utilization of reinsurance. Premiums earned increased by 17.5% to \$1,669.3 million for the three months ended September 30, 2020, compared to \$1,420.8 million for the three months ended September 30, 2019. The change in premiums earned relative to net written premiums is primarily the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums increased by 15.5% to \$5,403.1 million for the nine months ended September 30, 2020 from \$4,678.3 million for the nine months ended September 30, 2019, primarily due to an increase in treaty property writings, casualty business and facultative business. Net written premiums increased by 18.1% to \$4,974.0 million for the nine months ended September 30, 2020 compared to \$4,213.0 million for the nine months ended September 30, 2019. The difference between the change in gross written premiums compared to the change in net written premiums is primarily due to varying utilization of reinsurance. Premiums earned increased by 14.4% to \$4,656.7 million for the nine months ended September 30, 2020, compared to \$4,072.1 million for the nine months ended September 30, 2019. The change in premiums earned relative to net written premiums is primarily the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.



*Incurred Losses and LAE* . The following table presents the incurred losses and LAE for the Reinsurance segment for the periods indicated.

(Dollars in millions)	Three Months Ended September 30,					
	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
<b>2020</b>						
Attritional	\$ 1,063.8	63.8 %	\$ (1.3)	-0.1 %	\$ 1,062.5	63.7 %
Catastrophes	272.5	16.3 %	-	- %	272.5	16.3 %
Total Segment	\$ 1,336.3	80.1 %	\$ (1.3)	-0.1 %	\$ 1,335.0	80.0 %
<b>2019</b>						
Attritional	\$ 808.0	56.9 %	\$ (52.2)	-3.7 %	755.8	53.2 %
Catastrophes	291.5	20.5 %	3.4	0.2 %	294.9	20.7 %
Total Segment	\$ 1,099.5	77.4 %	\$ (48.8)	-3.5 %	\$ 1,050.6	73.9 %
<b>Variance 2020/2019</b>						
Attritional	\$ 255.8	6.9 pts	\$ 50.9	3.6 pts	306.7	10.5 pts
Catastrophes	(19.0)	(4.2) pts	(3.4)	(0.2) pts	(22.4)	(4.4) pts
Total Segment	\$ 236.8	2.7 pts	\$ 47.5	3.4 pts	\$ 284.4	6.1 pts
<b>Nine Months Ended September 30,</b>						
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
<b>2020</b>						
Attritional	\$ 3,067.5	65.9 %	\$ (3.1)	-0.1 %	3,064.4	65.8 %
Catastrophes	297.0	6.4 %	-	- %	297.0	6.4 %
Total Segment	\$ 3,364.5	72.3 %	\$ (3.1)	-0.1 %	\$ 3,361.4	72.2 %
<b>2019</b>						
Attritional	\$ 2,330.5	57.2 %	\$ (74.4)	-1.8 %	2,256.0	55.4 %
Catastrophes	316.5	7.8 %	33.4	0.8 %	349.9	8.6 %
Total Segment	\$ 2,647.0	65.0 %	\$ (41.1)	-1.0 %	\$ 2,605.9	64.0 %
<b>Variance 2020/2019</b>						
Attritional	\$ 737.0	8.7 pts	\$ 71.3	1.7 pts	\$ 808.3	10.4 pts
Catastrophes	(19.5)	(1.4) pts	(33.4)	(0.8) pts	(52.9)	(2.2) pts
Total Segment	\$ 717.5	7.3 pts	\$ 37.9	0.9 pts	\$ 755.5	8.2 pts

(Some amounts may not reconcile due to rounding.)

Incurred losses increased by 27.1% to \$1,335.0 million for the three months ended September 30, 2020, compared to \$1,050.6 million for the three months ended September 30, 2019. The increase was primarily due to an increase of \$255.8 million in current year attritional losses, mainly related to \$109.9 million of losses from the COVID -19 pandemic and the impact of the increase in premiums earned, as well as \$50.9 million less of favorable development on prior years attritional losses in 2020 compared to 2019. The increase was partially offset by a decline of \$19.0 million in current year catastrophe losses. The current year catastrophe losses of \$272.5 million for the three months ended September 30, 2020 related primarily to Hurricane Laura (\$116.0 million), the Northern California wildfires (\$52.0 million), the California Glass wildfire (\$30.0 million), the Oregon wildfires (\$21.0 million), Hurricane Isaias (\$17.9 million), the Derecho storms (\$13.1 million), the Calgary storms in Canada (\$12.5 million) and Hurricane Sally (\$10.0 million). The \$291.5 million of current year catastrophe losses for the three months ended September 30, 2019 related to Hurricane Dorian (\$160.5 million) and Typhoon Faxai (\$131.0 million).

Incurred losses increased by 29.0% to \$3,361.4 million for the nine months ended September 30, 2020, compared to \$2,605.9 million for the nine months ended September 30, 2019. The increase was primarily due to an increase of \$737.0 million in current year attritional losses, mainly related to \$351.0 million of losses from the COVID-19 pandemic and the impact of the increase in premiums earned, as well as \$71.3 million less of favorable development on prior years attritional losses in 2020 compared to 2019. The increase was partially offset by a decline of \$19.5 million in current year catastrophe losses and \$33.4 million of less favorable development on prior year catastrophe losses. The current year catastrophe losses of \$297.0 million for the nine months ended

September 30, 2020 related primarily to Hurricane Laura (\$116.0 million), the Northern California wildfires (\$52.0 million), the California Glass wildfire (\$30.0 million), the Oregon wildfires (\$21.0 million), Hurricane Isaias (\$17.9 million), the Derecho storms (\$13.1 million), the Calgary storms in Canada (\$12.5 million), Hurricane Sally (\$10.0 million), the Nashville tornadoes (\$9.7 million), the Australia East Coast storm (\$6.8 million), the Australia fires (\$5.6 million) and the 2020 U.S. Civil Unrest (\$2.4 million). The \$316.5 million of current year catastrophe losses for the nine months ended September 30, 2019 were related to Hurricane Dorian (\$160.5 million), Typhoon Faxai (\$131.0 million) and the Townsville monsoon in Australia (\$25.0 million).

**Segment Expenses.** Commission and brokerage expenses increased by 0.6% to \$373.3 million for the three months ended September 30, 2020 compared to \$371.1 million for the three months ended September 30, 2019. Commission and brokerage expenses increased by 8.8% to \$1,130.9 million for the nine months ended September 30, 2020 compared to \$1,039.1 million for the nine months ended September 30, 2019. The increases were mainly due to the impact of the increases in premiums earned and changes in the mix of business.

Segment other underwriting expenses increased to \$51.3 million for the three months ended September 30, 2020 from \$43.8 million for the three months ended September 30, 2019. Segment other underwriting expenses increased to \$135.2 million for the nine months ended September 30, 2020 from \$117.0 million for the nine months ended September 30, 2019. These increases were mainly due to the impact of the increase in premiums earned.

#### Insurance.

The following table presents the underwriting results and ratios for the Insurance segment for the periods indicated.

(Dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Variance	% Change	2020	2019	Variance	% Change
Gross written premiums	\$ 704.6	\$ 666.6	\$ 38.0	5.7 %	\$ 2,328.7	\$ 2,018.7	\$ 310.0	15.4 %
Net written premiums	511.8	484.8	27.0	5.6 %	1,693.6	1,491.3	202.3	13.6 %
Premiums earned	\$ 536.6	\$ 484.8	\$ 51.7	10.7 %	\$ 1,628.3	\$ 1,383.5	\$ 244.8	17.7 %
Incurred losses and LAE	401.2	321.3	79.9	24.9 %	1,212.7	909.2	303.5	33.4 %
Commission and brokerage	72.1	72.0	0.1	0.1 %	229.2	214.4	14.8	6.9 %
Other underwriting expenses	87.5	74.3	13.2	17.8 %	250.7	204.9	45.8	22.3 %
Underwriting gain (loss)	\$ (24.2)	\$ 17.2	\$ (41.4)	-240.8 %	\$ (64.3)	\$ 55.0	\$ (119.3)	-216.9 %
				<b>Point Chg</b>				<b>Point Chg</b>
Loss ratio	74.8 %	66.2 %		8.6	74.6 %	65.8 %		8.8
Commission and brokerage ratio	13.4 %	14.8 %		(1.4)	14.0 %	15.5 %		(1.5)
Other underwriting expense ratio	16.3 %	15.4 %		0.9	15.4 %	14.7 %		0.7
Combined ratio	104.5 %	96.4 %		8.1	104.0 %	96.0 %		8.0

(NM not meaningful)

(Some amounts may not reconcile due to rounding.)

**Premiums.** Gross written premiums increased by 5.7% to \$704.6 million for the three months ended September 30, 2020 compared to \$666.6 million for the three months ended September 30, 2019. This increase was related to many lines of business including casualty, specialty lines and business written through Lloyd's syndicate. Net written premiums increased by 5.6% to \$511.8 million for the three months ended September 30, 2020 compared to \$484.8 million for the three months ended September 30, 2019. The change is consistent with the change in gross written premiums. Premiums earned increased 10.7% to \$536.6 million for the three months ended September 30, 2020 compared to \$484.8 million for the three months ended September 30, 2019. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Gross written premiums increased by 15.4% to \$2,328.7 million for the nine months ended September 30, 2020 compared to \$2,018.7 million for the nine months ended September 30, 2019. This increase was related to most lines of business including property, casualty, specialty lines, accident and health and business written through

Lloyd's syndicate. Net written premiums increased by 13.6% to \$1,693.6 million for the nine months ended September 30, 2020 compared to \$1,491.3 million for the nine months ended September 30, 2019. The difference between the change in gross written premiums compared to the change in net written premiums is primarily due to varying utilization of reinsurance. Premiums earned increased 17.7% to \$1,628.3 million for the nine months ended September 30, 2020 compared to \$1,383.5 million for the nine months ended September 30, 2019. The change in premiums earned relative to net written premiums is the result of timing; premiums are earned ratably over the coverage period whereas written premiums are recorded at the initiation of the coverage period.

Incurred Losses and LAE. The following table presents the incurred losses and LAE for the Insurance segment for the periods indicated.

(Dollars in millions)	Three Months Ended September 30,					
	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
<b>2020</b>						
Attritional	\$ 363.7	67.8 %	\$ -	- %	\$ 363.7	67.8 %
Catastrophes	37.5	7.0 %	-	- %	37.5	7.0 %
<b>Total Segment</b>	<b>\$ 401.2</b>	<b>74.8 %</b>	<b>\$ -</b>	<b>- %</b>	<b>\$ 401.2</b>	<b>74.8 %</b>
<b>2019</b>						
Attritional	\$ 320.7	66.1 %	\$ -	- %	\$ 320.7	66.1 %
Catastrophes	4.0	0.8 %	(3.4)	-0.7 %	0.6	0.1 %
<b>Total Segment</b>	<b>\$ 324.7</b>	<b>66.9 %</b>	<b>\$ (3.4)</b>	<b>-0.7 %</b>	<b>\$ 321.3</b>	<b>66.2 %</b>
<b>Variance 2020/2019</b>						
Attritional	\$ 43.0	1.7 pts	\$ -	- pts	\$ 43.0	1.7 pts
Catastrophes	33.5	6.2 pts	3.4	0.7 pts	36.9	6.9 pts
<b>Total Segment</b>	<b>\$ 76.5</b>	<b>7.9 pts</b>	<b>\$ 3.4</b>	<b>0.7 pts</b>	<b>\$ 79.9</b>	<b>8.6 pts</b>
(Dollars in millions)	Nine Months Ended September 30,					
	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
<b>2020</b>						
Attritional	\$ 1,150.1	70.7 %	\$ 4.6	0.3 %	\$ 1,154.7	71.0 %
Catastrophes	58.0	3.6 %	-	- %	58.0	3.6 %
<b>Total Segment</b>	<b>\$ 1,208.1</b>	<b>74.3 %</b>	<b>\$ 4.6</b>	<b>0.3 %</b>	<b>\$ 1,212.7</b>	<b>74.6 %</b>
<b>2019</b>						
Attritional	\$ 908.5	65.7 %	\$ -	- %	\$ 908.6	65.7 %
Catastrophes	4.0	0.3 %	(3.4)	-0.2 %	0.6	0.1 %
<b>Total Segment</b>	<b>\$ 912.5</b>	<b>66.0 %</b>	<b>\$ (3.4)</b>	<b>-0.2 %</b>	<b>\$ 909.2</b>	<b>65.8 %</b>
<b>Variance 2020/2019</b>						
Attritional	\$ 241.6	5.0 pts	\$ 4.5	0.3 pts	\$ 246.1	5.3 pts
Catastrophes	54.0	3.3 pts	3.4	0.2 pts	57.4	3.5 pts
<b>Total Segment</b>	<b>\$ 295.6</b>	<b>8.3 pts</b>	<b>\$ 7.9</b>	<b>0.5 pts</b>	<b>\$ 303.5</b>	<b>8.8 pts</b>

(Some amounts may not reconcile due to rounding.)

Incurred losses and LAE increased by 24.9% to \$401.2 million for the three months ended September 30, 2020 compared to \$321.3 million for the three months ended September 30, 2019. The increase was mainly due to a rise of \$43.0 million in current year attritional losses, primarily related to \$15.0 million of losses from the COVID-19 pandemic and the impact of the increase in premiums earned, as well as an increase of \$33.5 million in current year catastrophe losses. The current year catastrophe losses of \$37.5 million for the three months ended September 30, 2020 related to Hurricane Sally (\$16.0 million), Hurricane Laura (\$15.0 million), the Calgary storms in Canada (\$2.5 million), the Derecho storms (\$2.0 million) and Hurricane Isaias (\$2.0 million). The \$4.0 million of current year catastrophe losses for the three months ended September 30, 2019 related to Hurricane Dorian (\$4.0 million).

Incurring losses and LAE increased by 33.4% to \$1,212.7 million for the nine months ended September 30, 2020 compared to \$909.2 million for the nine months ended September 30, 2019. The increase was mainly due to a rise of \$241.6 million in current year attritional losses, primarily related to \$84.0 million of losses from the COVID-19 pandemic and the impact of the increase in premiums earned, as well as an increase of \$54.0 million in current year catastrophe losses. The current year catastrophe losses of \$58.0 million for the nine months ended September 30, 2020 related to Hurricane Sally (\$16.0 million), Hurricane Laura (\$15.0 million), the 2020 U.S. Civil Unrest (\$15.0 million), the Nashville tornadoes (\$5.5 million), the Calgary storms in Canada (\$2.5 million), the Derecho storms (\$2.0 million) and Hurricane Isaias (\$2.0 million). The \$4.0 million of current year catastrophe losses for the nine months ended September 30, 2019 related to Hurricane Dorian (\$4.0 million).

Segment Expenses. Commission and brokerage increased by 0.1% to \$72.1 million for the three months ended September 30, 2020 compared to \$72.0 million for the three months ended September 30, 2019. Commission and brokerage increased by 6.9% to \$229.2 million for the nine months ended September 30, 2020 compared to \$214.4 million for the nine months ended September 30, 2019. The increases were mainly due to the impact of the increases in premiums earned.

Segment other underwriting expenses increased to \$87.5 million for the three months ended September 30, 2020 compared to \$74.3 million for the three months ended September 30, 2019. Segment other underwriting expenses increased to \$250.7 million for the nine months ended September 30, 2020 compared to \$204.9 million for the nine months ended September 30, 2019. The increases were mainly due to the impact of the increase in premiums earned and increased expenses related to the continued build out of the insurance business.

## **FINANCIAL CONDITION**

Cash and Invested Assets. Aggregate invested assets, including cash and short-term investments, were \$23,104.7 million at September 30, 2020, an increase of \$2,356.2 million compared to \$20,748.5 million at December 31, 2019. This increase was primarily the result of \$2,190.6 million of cash flows from operations, \$392.6 million of pre-tax unrealized appreciation, \$89.1 million of unsettled securities, \$88.0 million in fair value re-measurements, \$12.5 million in equity adjustments of our limited partnership investments, \$11.8 million due to fluctuations in foreign currencies, partially offset by repurchases of 970,892 million common shares for \$200.0 million, \$187.1 million paid out in dividends to shareholders, \$32.6 million of amortization bond premium and \$19.6 million of allowance for credit losses.

Our principal investment objectives are to ensure funds are available to meet our insurance and reinsurance obligations and to maximize after-tax investment income while maintaining a high quality diversified investment portfolio. Considering these objectives, we view our investment portfolio as having two components: 1) the investments needed to satisfy outstanding liabilities (our core fixed maturities portfolio) and 2) investments funded by our shareholders' equity.

For the portion needed to satisfy global outstanding liabilities, we generally invest in taxable and tax-preferenced fixed income securities with an average credit quality of Aa3. For the U.S. portion of this portfolio, our mix of taxable and tax-preferenced investments is adjusted periodically, consistent with our current and projected U.S. operating results, market conditions and our tax position. This global fixed maturity securities portfolio is externally managed by independent, professional investment managers using portfolio guidelines approved by internal management.

Over the past several years, we have expanded the allocation of our investments funded by shareholders' equity to include: 1) a greater percentage of publicly traded equity securities, 2) emerging market fixed maturities through mutual fund structures, as well as individual holdings, 3) high yield fixed maturities, 4) bank and private loan securities and 5) private equity limited partnership investments. The objective of this portfolio diversification is to enhance the risk-adjusted total return of the investment portfolio by allocating a prudent portion of the portfolio to higher return asset classes, which are also less subject to changes in value with

movements in interest rates. We limit our allocation to these asset classes because of 1) the potential for volatility in their values and 2) the impact of these investments on regulatory and rating agency capital adequacy models. We use investment managers experienced in these markets and adjust our allocation to these investments based upon market conditions. At September 30, 2020, the market value of investments in these investment market sectors, carried at both market and fair value, approximated 58.3% of shareholders' equity.

The Company's limited partnership investments are comprised of limited partnerships that invest in private equities. Generally, the limited partnerships are reported on a quarter lag. We receive annual audited financial statements for all of the limited partnerships which are prepared using fair value accounting in accordance with FASB guidance. For the quarterly reports, the Company's staff performs reviews of the financial reports for any unusual changes in carrying value. If the Company becomes aware of a significant decline in value during the lag reporting period, the loss will be recorded in the period in which the Company identifies the decline.

The tables below summarize the composition and characteristics of our investment portfolio as of the dates indicated.

(Dollars in millions)	At September 30, 2020		At December 31, 2019	
Fixed maturities, market value	\$ 17,856.4	77.3 %	\$ 16,824.9	81.1 %
Fixed maturities, fair value	3.7	0.0 %	5.8	0.0 %
Equity securities, fair value	1,173.2	5.1 %	931.5	4.5 %
Short-term investments	1,220.8	5.2 %	414.7	2.0 %
Other invested assets	1,911.8	8.3 %	1,763.5	8.5 %
Cash	938.9	4.1 %	808.0	3.9 %
Total investments and cash	\$ 23,104.7	100.0 %	\$ 20,748.5	100.0 %

(Some amounts may not reconcile due to rounding.)

	At September 30, 2020	At December 31, 2019
Fixed income portfolio duration (years)	3.5	3.5
Fixed income composite credit quality	Aa3	A1
Imbedded end of period yield, pre-tax	3.1 %	3.4 %
Imbedded end of period yield, after-tax	2.7 %	3.0 %

The following table provides a comparison of our total return by asset class relative to broadly accepted industry benchmarks for the periods indicated:

	Nine Months Ended September 30, 2020	Twelve Months Ended December 31, 2019
Fixed income portfolio total return	4.4 %	6.2 %
Barclay's Capital - U.S. aggregate index	6.8 %	8.7 %
Common equity portfolio total return	11.0 %	23.8 %
S&P 500 index	5.6 %	31.5 %
Other invested asset portfolio total return	1.5 %	9.9 %

The pre-tax equivalent total return for the bond portfolio was approximately 4.5% and 6.3%, respectively, for the nine months ended September 30, 2020 and the twelve months ended December 31, 2019. The pre-tax equivalent return adjusts the yield on tax-exempt bonds to the fully taxable equivalent.

Our fixed income and equity portfolios have different compositions than the benchmark indexes. Our fixed income portfolios have a shorter duration because we align our investment portfolio with our liabilities. We also hold foreign securities to match our foreign liabilities while the index is comprised of only U.S. securities. Our

equity portfolios reflect an emphasis on dividend yield and growth equities, while the index is comprised of the largest 500 equities by market capitalization.

#### Reinsurance Receivables.

Reinsurance receivables for both paid and recoverable on unpaid losses totaled \$1,923.0 million and \$1,763.5 million at September 30, 2020 and December 31, 2019, respectively. At September 30, 2020, \$716.2 million, or 37.2%, was receivable from Mt. Logan Re collateralized segregated accounts and \$153.1 million, or 8.0%, was receivable from Munich Reinsurance America, Inc. ("Munich Re"). No other retrocessionaire accounted for more than 5% of our receivables.

Loss and LAE Reserves. Gross loss and LAE reserves totaled \$15,233.1 million and \$13,611.3 million at September 30, 2020 and December 31, 2019, respectively.

The following tables summarize gross outstanding loss and LAE reserves by segment, classified by case reserves and IBNR reserves, for the periods indicated.

(Dollars in millions)	At September 30, 2020			
	Case Reserves	IBNR Reserves	Total Reserves	% of Total
Reinsurance	\$ 4,847.2	\$ 5,987.0	\$ 10,834.1	71.1 %
Insurance	1,249.4	2,924.1	4,173.5	27.4 %
Total excluding A&E	6,096.5	8,911.1	15,007.6	98.5 %
A&E	181.5	43.9	225.5	1.5 %
Total including A&E	\$ 6,278.1	\$ 8,955.0	\$ 15,233.1	100.0 %

(Some amounts may not reconcile due to rounding.)

(Dollars in millions)	At December 31, 2019			
	Case Reserves	IBNR Reserves	Total Reserves	% of Total
Reinsurance	\$ 5,050.5	\$ 4,839.4	\$ 9,889.9	72.7 %
Insurance	1,090.4	2,373.2	3,463.5	25.4 %
Total excluding A&E	6,140.9	7,212.5	13,353.4	98.1 %
A&E	203.4	54.5	257.9	1.9 %
Total including A&E	\$ 6,344.3	\$ 7,267.0	\$ 13,611.3	100.0 %

(Some amounts may not reconcile due to rounding.)

Changes in premiums earned and business mix, reserve re-estimations, catastrophe losses and changes in catastrophe loss reserves and claim settlement activity all impact loss and LAE reserves by segment and in total.

Our loss and LAE reserves represent management's best estimate of our ultimate liability for unpaid claims. We continuously re-evaluate our reserves, including re-estimates of prior period reserves, taking into consideration all available information and, in particular, newly reported loss and claim experience. Changes in reserves resulting from such re-evaluations are reflected in incurred losses in the period when the re-evaluation is made. Our analytical methods and processes operate at multiple levels including individual contracts, groupings of like contracts, classes and lines of business, internal business units, segments, legal entities, and in the aggregate. In order to set appropriate reserves, we make qualitative and quantitative analyses and judgments at these various levels. Additionally, the attribution of reserves, changes in reserves and incurred losses among accident years requires qualitative and quantitative adjustments and allocations at these various levels. We utilize actuarial science, business expertise and management judgment in a manner intended to ensure the accuracy and consistency of our reserving practices. Nevertheless, our reserves are estimates, which are subject to variation, which may be significant.

There can be no assurance that reserves for, and losses from, claim obligations will not increase in the future, possibly by a material amount. However, we believe that our existing reserves and reserving methodologies lessen the probability that any such increase would have a material adverse effect on our financial condition, results of operations or cash flows.

Asbestos and Environmental Exposures. A&E exposures represent a separate exposure group for monitoring and evaluating reserve adequacy. The following table summarizes the outstanding loss reserves with respect to A&E reserves on both a gross and net of retrocessions basis for the periods indicated.

(Dollars in millions)	At	At
	September 30, 2020	December 31, 2019
Gross reserves	\$ 227.3	\$ 257.9
Reinsurance receivable	(20.0)	(29.2)
Net reserves	\$ 207.3	\$ 228.7

(Some amounts may not reconcile due to rounding.)

With respect to asbestos only, at September 30, 2020, we had net asbestos loss reserves of \$203.1 million, or 97.9%, of total net A&E reserves, all of which was for assumed business.

In 2015, we sold Mt. McKinley to Clearwater Insurance Company. Concurrently with the closing, we entered into a retrocession treaty with an affiliate of Clearwater. Per the retrocession treaty, we retroceded 100% of the liabilities associated with certain Mt. McKinley policies, which had been reinsured by Bermuda Re. As consideration for entering into the retrocession treaty, Bermuda Re transferred cash of \$140.3 million, an amount equal to the net loss reserves as of the closing date. Of the \$140.3 million of net loss reserves retroceded, \$100.5 million were related to A&E business. The maximum liability retroceded under the retrocession treaty will be \$440.3 million, equal to the retrocession payment plus \$300.0 million. We will retain liability for any amounts exceeding the maximum liability retroceded under the retrocession treaty.

On December 20, 2019, the retrocession treaty was amended and included a partial commutation. As a result of this amendment and partial commutation, gross A&E reserves and correspondingly reinsurance receivable were reduced by \$43.4 million. In addition, the maximum liability permitted to be retroceded increased to \$450.3 million.

Ultimate loss projections for A&E liabilities cannot be accomplished using standard actuarial techniques. We believe that our A&E reserves represent management's best estimate of the ultimate liability; however, there can be no assurance that ultimate loss payments will not exceed such reserves, perhaps by a significant amount.

Industry analysts use the "survival ratio" to compare the A&E reserves among companies with such liabilities. The survival ratio is typically calculated by dividing a company's current net reserves by the three year average of annual paid losses. Hence, the survival ratio equals the number of years that it would take to exhaust the current reserves if future loss payments were to continue at historical levels. Using this measurement, our net three year asbestos survival ratio was 5.3 years at September 30, 2020. These metrics can be skewed by individual large settlements occurring in the prior three years and therefore, may not be indicative of the timing of future payments.

Shareholders' Equity. Our shareholders' equity increased to \$9,591.3 million as of September 30, 2020 from \$9,132.9 million as of December 31, 2019. This increase was the result of \$450.5 million of net income, \$348.5 million of unrealized appreciation on investments net of tax, \$30.4 million of net foreign currency translation adjustments, \$15.7 million of share-based compensation transactions and \$4.5 million of net benefit plan obligation adjustments, partially offset by the repurchase of 970,892 common shares for \$200.0 million, \$187.1 million of shareholder dividends, and \$4.2 million of cumulative adjustment from the adoption of ASU 2016-13.

## LIQUIDITY AND CAPITAL RESOURCES

**Capital.** Shareholders' equity at September 30, 2020 and December 31, 2019 was \$9,591.3 million and \$9,132.9 million, respectively. Management's objective in managing capital is to ensure its overall capital level, as well as the capital levels of its operating subsidiaries, exceed the amounts required by regulators, the amount needed to support our current financial strength ratings from rating agencies and our own economic capital models. The Company's capital has historically exceeded these benchmark levels.

Our two main operating companies Bermuda Re and Everest Re are regulated by the Bermuda Monetary Authority ("BMA") and the State of Delaware, Department of Insurance, respectively. Both regulatory bodies have their own capital adequacy models based on statutory capital as opposed to GAAP basis equity. Failure to meet the required statutory capital levels could result in various regulatory restrictions, including business activity and the payment of dividends to their parent companies.

The regulatory targeted capital and the actual statutory capital for Bermuda Re and Everest Re were as follows:

(Dollars in millions)	Bermuda Re <sup>(1)</sup>		Everest Re <sup>(2)</sup>	
	At December 31,		At December 31,	
	2019	2018	2019	2018
Regulatory targeted capital	\$ 2,061.1	\$ 1,753.2	\$ 2,001.2	\$ 2,173.0
Actual capital	\$ 3,197.4	\$ 3,068.5	\$ 3,739.1	\$ 3,650.6

<sup>(1)</sup> Regulatory targeted capital represents the target capital level from the applicable year's BSCR calculation.

<sup>(2)</sup> Regulatory targeted capital represents 200% of the RBC authorized control level calculation for the applicable year.

Our financial strength ratings as determined by A.M. Best, Standard & Poor's and Moody's are important as they provide our customers and investors with an independent assessment of our financial strength using a rating scale that provides for relative comparisons. We continue to possess significant financial flexibility and access to debt and equity markets as a result of our financial strength, as evidenced by the financial strength ratings as assigned by independent rating agencies.

We maintain our own economic capital models to monitor and project our overall capital, as well as, the capital at our operating subsidiaries. A key input to the economic models is projected income and this input is continually compared to actual results, which may require a change in the capital strategy.

As part of our capital strategy, we model our potential exposure to catastrophe losses arising from a single event. Projected catastrophe losses are generally summarized in term of probable maximum loss ("PML"). A full discussion on PMLs is included in our December 31, 2019 Form 10-K filing in PART 1, Item 1. Business, Risk Management of Underwriting and Reinsurance Arrangements. We focus on the projected net economic loss from a catastrophe in a given zone as compared to our shareholders' equity. Economic loss is the PML exposure, net of third party reinsurance, reduced by estimated reinstatement premiums to renew coverage and estimated income taxes. In our December 31, 2019 Form 10-K, we reported that our projected net economic loss from our largest projected 100-year event represented approximately 6% of our December 31, 2019 shareholders' equity. During the first three quarters of 2020, in response to current favorable market conditions, we increased our net exposure to catastrophes. As a result, our projected net economic loss from our largest 100-year event in a given zone represents approximately 7% of our June 30, 2020 shareholders' equity.

The table below reflects the Company's PML exposure, net of third party reinsurance at various return periods for its top three zones/perils (as ranked by largest 1 in 100 year economic loss) based on projection data as of July 1, 2020.



Return Periods (in years)	1 in 20	1 in 50	1 in 100	1 in 250	1 in 500	1 in 1,000
Exceeding Probability	5.0%	2.0%	1.0%	0.4%	0.2%	0.1%
(Dollars in millions)						
Zone/ Peril						
California, Earthquake	164	582	914	1,135	1,342	1,887
Southeast U.S., Wind	\$ 530	\$ 726	\$ 891	\$ 1,140	\$ 1,418	\$ 2,170
Europe Wind	147	378	632	993	1,106	1,245

The projected economic losses, defined as PML exposures, net of third party reinsurance, reinstatement premiums and estimated income taxes, for the top three zones/perils scheduled are as follows:

Return Periods (in years)	1 in 20	1 in 50	1 in 100	1 in 250	1 in 500	1 in 1,000
Exceeding Probability	5.0%	2.0%	1.0%	0.4%	0.2%	0.1%
(Dollars in millions)						
Zone/ Peril						
California, Earthquake	\$ 130	\$ 443	\$ 689	\$ 853	\$ 1,034	\$ 1,648
Southeast U.S., Wind	358	495	635	840	1,068	1,705
Europe Wind	122	310	509	815	909	1,022

During the first three quarters of 2020, we repurchased 970,892 shares for \$200.0 million in the open market and paid \$187.1 million in dividends to adjust our capital position and enhance long term expected returns to our shareholders. We also repurchased \$13.2 million of our long-term subordinated notes in the first three quarters of 2020. We recognized a realized gain of \$2.5 million on the repurchase.

We may continue, from time to time, to seek to retire portions of our outstanding debt securities through cash repurchases, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will be subject to and depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved in any such transactions, individually or in the aggregate, may be material.

On October 7, 2020, we issued an additional \$1,000.0 million of 30 year senior notes at a rate of 3.5%. These senior notes will mature on October 15, 2050 and will pay interest semi-annually.

In 2019, we repurchased 114,633 shares for \$24.6 million in the open market and paid \$234.3 million in dividends. We may at times enter into a Rule 10b5-1 repurchase plan agreement to facilitate the repurchase of shares. On May 22, 2020, our existing Board authorization to purchase up to 30 million of our shares was amended to authorize the purchase of up to 32 million shares. As of September 30, 2020, we had repurchased 29.6 million shares under this authorization.

**Liquidity.** Our liquidity requirements are generally met from positive cash flow from operations. Positive cash flow results from reinsurance and insurance premiums being collected prior to disbursements for claims, which disbursements generally take place over an extended period after the collection of premiums, sometimes a period of many years. Collected premiums are generally invested, prior to their use in such disbursements, and investment income provides additional funding for loss payments. Our net cash flows from operating activities were \$2,190.6 million and \$1,486.9 million for the nine months ended September 30, 2020 and 2019, respectively. Additionally, these cash flows reflected net catastrophe loss payments of \$505.9 million and \$678.0 million for the nine months ended September 30, 2020 and 2019, respectively and net tax recoveries of \$169.1 million and \$80.5 million for the nine months ended September 30, 2020 and 2019, respectively.

If disbursements for claims and benefits, policy acquisition costs and other operating expenses were to exceed premium inflows, cash flow from reinsurance and insurance operations would be negative. The effect on cash flow from insurance operations would be partially offset by cash flow from investment income. Additionally,

cash inflows from investment maturities and dispositions, both short-term investments and longer term maturities are available to supplement other operating cash flows.

As the timing of payments for claims and benefits cannot be predicted with certainty, we maintain portfolios of long term invested assets with varying maturities, along with short-term investments that provide additional liquidity for payment of claims. At September 30, 2020 and December 31, 2019, we held cash and short-term investments of \$2,159.6 million and \$1,222.7 million, respectively. Our short-term investments are generally readily marketable and can be converted to cash. In addition to these cash and short-term investments, at September 30, 2020, we had \$1,483.6 million of available for sale fixed maturity securities maturing within one year or less, \$6,624.8 million maturing within one to five years and \$5,319.3 million maturing after five years. Our \$1,173.2 million of equity securities are comprised primarily of publicly traded securities that can be easily liquidated. We believe that these fixed maturity and equity securities, in conjunction with the short-term investments and positive cash flow from operations, provide ample sources of liquidity for the expected payment of losses in the near future. We do not anticipate selling a significant amount of securities or using available credit facilities to pay losses and LAE but have the ability to do so. Sales of securities might result in realized capital gains or losses. At September 30, 2020 we had \$744.6 million of net pre-tax unrealized appreciation related to fixed maturity securities, comprised of \$891.2 million of pre-tax unrealized appreciation and \$146.6 million of pre-tax unrealized depreciation.

Management generally expects annual positive cash flow from operations. Cash flow from operations may decline and could become negative; however, as indicated above, the Company has ample liquidity to settle its claims.

In addition to our cash flows from operations and liquid investments, we also have multiple credit facilities that provide up to \$200.0 million of unsecured revolving credit for liquidity and letters of credit but more importantly provide for up to \$600.0 million and £52.2 million of collateralized standby letters of credit to support business written by our Bermuda operating subsidiaries.

Effective May 26, 2016, Group, Bermuda Re and Everest International entered into a five year, \$800.0 million senior credit facility with a syndicate of lenders, which amended and restated in its entirety the June 22, 2012, four year, \$800.0 million senior credit facility. Both the May 26, 2016 and June 22, 2012 senior credit facilities, which have similar terms, are referred to as the "Group Credit Facility". Wells Fargo Corporation ("Wells Fargo Bank") is the administrative agent for the Group Credit Facility, which consists of two tranches. Tranche one provides up to \$200.0 million of unsecured revolving credit for liquidity and general corporate purposes, and for the issuance of unsecured standby letters of credit. The interest on the revolving loans shall, at the Company's option, be either (1) the Base Rate (as defined below) or (2) an adjusted London Interbank Offered Rate ("LIBOR") plus a margin. The Base Rate is the higher of (a) the prime commercial lending rate established by Wells Fargo Bank, (b) the Federal Funds Rate plus 0.5% per annum or (c) the one month LIBOR Rate plus 1.0% per annum. The amount of margin and the fees payable for the Group Credit Facility depends on Group's senior unsecured debt rating. Tranche two exclusively provides up to \$600.0 million for the issuance of standby letters of credit on a collateralized basis.

The Group Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1 and to maintain a minimum net worth. Minimum net worth is an amount equal to the sum of \$5,371.0 million plus 25% of consolidated net income for each of Group's fiscal quarters, for which statements are available ending on or after March 31, 2016 and for which consolidated net income is positive, plus 25% of any increase in consolidated net worth during such period attributable to the issuance of ordinary and preferred shares, which at September 30, 2020, was \$6,372.7 million. As of September 30, 2020, the Company was in compliance with all Group Credit Facility covenants.

At September 30, 2020 and December 31, 2019, the Company had no outstanding short-term borrowings from the Group Credit Facility revolving credit line. At September 30, 2020, the Group Credit Facility had \$99.1 million outstanding letters of credit under tranche one and \$586.2 million outstanding letters of credit under tranche

two. At December 31, 2019, the Group Credit Facility had \$33.7 million outstanding letters of credit under tranche one and \$589.7 million outstanding letters of credit under tranche two.

Effective May 12 2020, Everest International amended its credit facility with Lloyds Bank plc (“Everest International Credit Facility”). The current amendment of the Everest International Credit Facility provides up to £52.2 million for the issuance of standby letters of credit on a collateralized basis. The Company pays a commitment fee of 0.1% per annum on the average daily amount of the remainder of (1) the aggregate amount available under the facility and (2) the aggregate amount of drawings outstanding under the facility. The Company pays a credit commission fee of 0.35% per annum on drawings outstanding under the facility.

The Everest International Credit Facility requires Group to maintain a debt to capital ratio of not greater than 0.35 to 1 and to maintain a minimum net worth. Minimum net worth is an amount equal to the sum of \$5,532.7 million (70% of consolidated net worth as of December 31, 2018), plus 25% of consolidated net income for each of Group’s fiscal quarters, for which statements are available ending on or after January 1, 2019 and for which net income is positive, plus 25% of any increase in consolidated net worth of Group during such period attributable to the issuance of ordinary and preferred shares, which at September 30, 2020, was \$5,910.4 million. As of September 30, 2020, the Company was in compliance with all Everest International Credit Facility requirements.

At September 30, 2020 and December 31, 2019, Everest International Credit Facility had £52.2 million and £47.0 million, respectively, of outstanding letters of credit.

Costs incurred in connection with the Group Credit Facility and Everest International Credit Facility were \$0.1 million for the three months ended September 30, 2020 and 2019, respectively. Costs incurred in connection with the Group Credit Facility and Everest International Credit Facility were \$0.6 million and \$0.3 million for the nine months ended September 30, 2020 and 2019, respectively.

Effective August 15, 2019, Everest Re became a member of the Federal Home Loan Banks (“FHLB”) organization, which allows Everest Re to borrow up to 10% of its statutory admitted assets. As of September 30, 2020, Everest Re had admitted assets of approximately \$14,667.1 million which provides borrowing capacity of up to approximately \$1,466.7 million. On August 31, 2020, Everest Re borrowed \$90.0 million under its FHLB available capacity. The \$90.0 million collateralized borrowing has interest payable at a rate of 0.35% and will mature on November 30, 2020.

#### **Market Sensitive Instruments.**

The SEC’s Financial Reporting Release #48 requires registrants to clarify and expand upon the existing financial statement disclosure requirements for derivative financial instruments, derivative commodity instruments and other financial instruments (collectively, “market sensitive instruments”). We do not generally enter into market sensitive instruments for trading purposes.

Our current investment strategy seeks to maximize after-tax income through a high quality, diversified, taxable and tax-preferenced fixed maturity portfolio, while maintaining an adequate level of liquidity. Our mix of taxable and tax-preferenced investments is adjusted periodically, consistent with our current and projected operating results, market conditions and our tax position. The fixed maturity securities in the investment portfolio are comprised of non-trading available for sale securities. Additionally, we have invested in equity securities.

The overall investment strategy considers the scope of present and anticipated Company operations. In particular, estimates of the financial impact resulting from non-investment asset and liability transactions, together with our capital structure and other factors, are used to develop a net liability analysis. This analysis includes estimated payout characteristics for which our investments provide liquidity. This analysis is considered in the development of specific investment strategies for asset allocation, duration and credit quality. The change in overall market sensitive risk exposure principally reflects the asset changes that took place during the period.

**Interest Rate Risk.** Our \$23.1 billion investment portfolio, at September 30, 2020, is principally comprised of fixed maturity securities, which are generally subject to interest rate risk and some foreign currency exchange rate risk, and some equity securities, which are subject to price fluctuations and some foreign exchange rate risk. The overall economic impact of the foreign exchange risks on the investment portfolio is partially mitigated by changes in the dollar value of foreign currency denominated liabilities and their associated income statement impact.

Interest rate risk is the potential change in value of the fixed maturity securities portfolio, including short-term investments, from a change in market interest rates. In a declining interest rate environment, it includes prepayment risk on the \$3,090.5 million of mortgage-backed securities in the \$17,860.1 million fixed maturity portfolio. Prepayment risk results from potential accelerated principal payments that shorten the average life and thus the expected yield of the security.

The table below displays the potential impact of market value fluctuations and after-tax unrealized appreciation on our fixed maturity portfolio (including \$1,220.8 million of short-term investments) for the period indicated based on upward and downward parallel and immediate 100 and 200 basis point shifts in interest rates. For legal entities with a U.S. dollar functional currency, this modeling was performed on each security individually. To generate appropriate price estimates on mortgage-backed securities, changes in prepayment expectations under different interest rate environments were taken into account. For legal entities with a non-U.S. dollar functional currency, the effective duration of the involved portfolio of securities was used as a proxy for the market value change under the various interest rate change scenarios.

	Impact of Interest Rate Shift in Basis Points				
	At September 30, 2020				
	-200	-100	0	100	200
(Dollars in millions)					
Total Market/Fair Value	\$ 20,414.9	\$ 19,747.9	\$ 19,080.9	\$ 18,413.9	17,746.9
Market/Fair Value Change from Base (%)	7.0 %	3.5 %	0.0 %	(3.5) %	(7.0) %
Change in Unrealized Appreciation					
After-tax from Base (\$)	\$ 1,177.3	\$ 588.6	\$ -	\$ (588.6)	\$ (1,177.3)

We had \$15,233.1 million and \$13,611.3 million of gross reserves for losses and LAE as of September 30, 2020 and December 31, 2019, respectively. These amounts are recorded at their nominal value, as opposed to present value, which would reflect a discount adjustment to reflect the time value of money. Since losses are paid out over a period of time, the present value of the reserves is less than the nominal value. As interest rates rise, the present value of the reserves decreases and, conversely, as interest rates decline, the present value increases. These movements are the opposite of the interest rate impacts on the fair value of investments. While the difference between present value and nominal value is not reflected in our financial statements, our financial results will include investment income over time from the investment portfolio until the claims are paid. Our loss and loss reserve obligations have an expected duration of approximately 3.1 years, which is reasonably consistent with our fixed income portfolio. If we were to discount our loss and LAE reserves, net of ceded reserves, the discount would be approximately \$1.4 billion resulting in a discounted reserve balance of approximately \$12.0 billion, representing approximately 63.2% of the value of the fixed maturity investment portfolio funds.

**Equity Risk.** Equity risk is the potential change in fair and/or market value of the common stock, preferred stock and mutual fund portfolios arising from changing prices. Our equity investments consist of a diversified portfolio of individual securities and mutual funds, which invest principally in high quality common and preferred stocks that are traded on the major exchanges, and mutual fund investments in emerging market debt. The primary objective of the equity portfolio is to obtain greater total return relative to our core bonds over time through market appreciation and income.

The table below displays the impact on fair/market value and after-tax change in fair/market value of a 10% and 20% change in equity prices up and down for the period indicated.

		Impact of Percentage Change in Equity Fair/Market Values				
		At September 30, 2020				
(Dollars in millions)		-20%	-10%	0%	10%	20%
Fair/Market Value of the Equity Portfolio		\$ 938.5	\$ 1,055.8	\$ 1,173.2	\$ 1,290.5	\$ 1,407.8
After-tax Change in Fair/Market Value		\$ (191.3)	\$ (95.7)	\$ -	\$ 95.7	\$ 191.3

**Foreign Currency Risk.** Foreign currency risk is the potential change in value, income and cash flow arising from adverse changes in foreign currency exchange rates. Each of our non-U.S./Bermuda (“foreign”) operations maintains capital in the currency of the country of its geographic location consistent with local regulatory guidelines. Each foreign operation may conduct business in its local currency, as well as the currency of other countries in which it operates. The primary foreign currency exposures for these foreign operations are the Canadian Dollar, the Singapore Dollar, the British Pound Sterling and the Euro. We mitigate foreign exchange exposure by generally matching the currency and duration of our assets to our corresponding operating liabilities. In accordance with FASB guidance, the impact on the market value of available for sale fixed maturities due to changes in foreign currency exchange rates, in relation to functional currency, is reflected as part of other comprehensive income. Conversely, the impact of changes in foreign currency exchange rates, in relation to functional currency, on other assets and liabilities is reflected through net income as a component of other income (expense). In addition, we translate the assets, liabilities and income of non-U.S. dollar functional currency legal entities to the U.S. dollar. This translation amount is reported as a component of other comprehensive income.

In January 2020, the United Kingdom exited the European Union (commonly referred to as "Brexit"). The Company has a Lloyd’s of London Syndicate and Bermuda Re has a branch operation in the United Kingdom. The nature and extent of the long term impact of Brexit on regulation, interest rates, currency exchange rates and financial markets is still uncertain and may adversely affect our operations.

**Safe Harbor Disclosure.**

This report contains forward -looking statements within the meaning of the U.S. federal securities laws. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws. In some cases, these statements can be identified by the use of forward-looking words such as “may”, “will”, “should”, “could”, “anticipate”, “estimate”, “expect”, “plan”, “believe”, “predict”, “potential” and “intend”. Forward-looking statements contained in this report include information regarding our reserves for losses and LAE, the CARES Act, the impact of the Tax Cut and Jobs Act, the adequacy of capital in relation to regulatory required capital, the adequacy of our provision for uncollectible balances, estimates of our catastrophe exposure, the effects of catastrophic and pandemic events on our financial statements, the ability of Everest Re, Holdings, Holdings Ireland, Dublin Holdings, Bermuda Re and Everest International to pay dividends and the settlement costs of our specialized equity index put option contracts. Forward-looking statements only reflect our expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Actual events or results may differ materially from our expectations. Important factors that could cause our actual events or results to be materially different from our expectations include those discussed under the caption ITEM 1A, “Risk Factors” in the Company’s most recent 10-K filing. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**Market Risk Instruments.** See “Liquidity and Capital Resources - Market Sensitive Instruments” in PART I – ITEM 2.

#### ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, our management carried out an evaluation, with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). Based on their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission’s rules and forms. Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this report.

#### PART II

#### ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company’s rights and obligations under insurance and reinsurance agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. The Company considers the statuses of these proceedings when determining its reserves for unpaid loss and loss adjustment expenses.

Aside from litigation and arbitrations related to these insurance and reinsurance agreements, the Company is not a party to any other material litigation or arbitration.

#### ITEM 1A. RISK FACTORS

Other than as set forth below, there have been no material changes from the risk factors previously disclosed in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2019.

***The continuing COVID-19 pandemic has adversely affected, and may materially and adversely affect, our results of operations, financial position and liquidity in the future.***

The ongoing COVID -19 pandemic, including the related impact on the U.S. and global economies, has adversely affected our results of operations. We expect the pandemic and its impact on our business to continue and potentially even worsen, but we cannot predict the magnitude or duration of its continued impact, particularly given the great uncertainties associated with COVID-19, including regarding the reopening of the U.S. and global economies and the recovery from its economic and other effects. The full impact of COVID-19 on our results of operations, financial position and liquidity is not yet known, and likely will not be known for some time, but includes the following:

Claim Losses Related to COVID-19 May Exceed Reserves : We have established reserves for COVID -19-related losses. Our reserves represent management’s best estimate of what the settlement and claims administration will cost for claims that have occurred, whether reported or unreported. Given the great uncertainties

associated with COVID -19 and its impact and the limited information upon which our current assumptions and assessments have been made, our preliminary reserves and the underlying estimated level of claim losses and costs arising from COVID-19 may materially change.

Adverse Legislative and Regulatory Action: Legislative and regulatory initiatives taken or which may be taken in response to COVID -19 may adversely affect us. For example, our business may be subject to, certain initiatives, including, but not limited to: legislative and regulatory action that seeks to retroactively mandate coverage for losses which our insurance policies would not otherwise cover and which were not priced to cover; actions prohibiting us from cancelling insurance policies in accordance with our policy terms or non-renewing policies at their natural expiration; and/or orders to provide premium refunds, grant extended grace periods for premium payments, and provide extended time to pay past due premiums. Any such action would likely increase both our underwriting losses and our expenses and any legal challenges to any such action could take years to resolve.

Reduction in Premiums: The demand for insurance is significantly influenced by general economic conditions. Consequently, reduced economic activity relating to the COVID-19 pandemic is likely to decrease demand for our insurance products and services and negatively impact our premium volumes (and, in certain cases, may result in return of premiums due to a decrease in exposures). This may continue for an indefinite period, with the magnitude of the impact impossible to predict.

Investments: Further disruptions in global financial markets due to the continuing impact of COVID-19 could cause us to incur additional unrealized and/or realized investment losses, including credit impairments in our fixed maturity portfolio. In addition, the economic uncertainty resulting from COVID-19 may result in a decline in interest rates, which may negatively impact our future net investment income.

Credit Risk: As credit risk is generally a function of the economy, we face greater credit risk from our policyholders, independent agents and brokers in connection with the payment and remittance of premiums as a result of the economic conditions caused by COVID-19. Similarly, our credit risk related to the reimbursement of deductibles from policyholders and in connection with reinsurance recoverables has increased.

Operational Disruptions and Costs: Our operations could be disrupted if key members of our senior management or a significant percentage of our workforce or the workforce of our agents, brokers, suppliers or other third party service providers are unable to continue to work because of illness, government directives or otherwise. In addition, our agents, brokers, suppliers and other third party service providers, which we rely on for key aspects of our operations, are subject to risks and uncertainties related to the COVID-19 pandemic, which may interfere with their ability to fulfill their respective commitments and responsibilities to us in a timely manner and in accordance with the agreed-upon terms. In response to the COVID-19 pandemic, we have implemented remote working policies which have resulted in disruptions to our business routines, heightened risk to cybersecurity attacks and data security incidents and a greater dependency on internet and telecommunication access and capabilities.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Issuer Purchases of Equity Securities.

Issuer Purchases of Equity Securities				
	(a)	(b)	(c)	(d)
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
July 1 - 31, 2020	-	\$ -	-	357,803
August 1 - 31, 2020	-	\$-	-	357,803
September 1 - 30, 2020	5,435	\$ 205.4490	-	357,803
Total	5,435	\$-	-	357,803

(1) On May 22, 2020, the Company's executive committee of the Board of Directors approved an amendment to the share repurchase program authorizing the Company and/or its subsidiary Holdings, to purchase up to a current aggregate of 32.0 million of the Company's shares (recognizing that the number of shares authorized for repurchase has been reduced by those shares that have already been purchased) in open market transactions, privately negotiated transactions or both. Currently, the Company and/or its subsidiary Holdings have repurchased 29.6 million of the Company's shares.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.



**ITEM 6. EXHIBITS**

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
31.1	<a href="#">Section 302 Certification of Juan C. Andrade</a>
31.2	<a href="#">Section 302 Certification of Mark Kociancic</a>
32.1	<a href="#">Section 906 Certification of Juan C. Andrade and Mark Kociancic</a>

Everest Re Group, Ltd.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Everest Re Group, Ltd.  
(Registrant)

/s/ MARK KOCIANCIC

Mark Kociancic  
Executive Vice President and  
Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

Dated: November 9, 2020



## CERTIFICATIONS

I, Juan C. Andrade, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Everest Re Group, Ltd;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 9, 2020

/S/ JUAN C. ANDRADE

Juan C. Andrade  
President and  
Chief Executive Officer



## CERTIFICATIONS

I, Mark Kociancic, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Everest Re Group, Ltd;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 9, 2020

/S/ MARK KOCIANCIC  
 Mark Kociancic  
 Executive Vice President and  
 Chief Financial Officer



CERTIFICATIONS PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 of Everest Re Group, Ltd., a company organized under the laws of Bermuda (the “Company”), filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certify, pursuant to 18 U.S.C. ss. 1350, as enacted by section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2020

/S/ JUAN C. ANDRADE

Juan C. Andrade  
President and  
Chief Executive Officer

/S/ MARK KOCIANCIC

Mark Kociancic  
Executive Vice President and  
Chief Financial Officer



