UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2021

___ **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	**98-0365432**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Seon Place – 4th Floor

141 Front Street

PO Box HM 845

HamiltonHM 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	X	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	X	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	X	Accelerated filer	
Non-accelerated filer		Smaller reporting company	
		Emerging growth company	

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	X

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

YES		NO	X

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

Class	Trading Symbol	Name of Exchange where Registered	Number of Shares Outstanding At May 1, 2021
Common Shares, $0.01 par value	**RE**	**New York Stock Exchange**	**40,083,525**

EVERREST RE GROUP, LTD

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EVEREST RE GROUP, LTD.

CONSOLIDATED BALANCE SHEETS

(Dollars and share amounts in thousands, except par value per share)		March 31, 2021 (unaudited)		December 31, 2020
ASSETS:				
Fixed maturities - available for sale, at market value	$	20,407,480	$	20,040,173
(amortized cost: 2021, $19,932,190; 2020, $19,225,067, credit allowances: 2021, $(8,723); 2020, $(1,745))				
Equity securities, at fair value		1,400,674		1,472,236
Short-term investments (cost: 2021, $826,777; 2020, $1,135,088)		826,769		1,134,950
Other invested assets (cost: 2021, $2,173,221; 2020, $2,012,581)		2,173,221		2,012,581
Cash		1,132,660		801,651
Total investments and cash		25,940,804		25,461,591
Accrued investment income		156,330		141,304
Premiums receivable		2,789,602		2,680,562
Reinsurance receivables		2,029,734		1,994,555
Funds held by reinsureds		740,554		716,655
Deferred acquisition costs		663,560		622,053
Prepaid reinsurance premiums		441,606		412,015
Income taxes		31,738		17,253
Other assets		801,424		742,369
TOTAL ASSETS	$	33,595,352	$	32,788,357
LIABILITIES:				
Reserve for losses and loss adjustment expenses	$	17,090,644	$	16,398,997
Future policy benefit reserve		37,561		37,723
Unearned premium reserve		3,704,189		3,501,359
Funds held under reinsurance treaties		13,875		15,807
Other net payable to reinsurers		402,379		294,347
Losses in course of payment		139,382		127,971
Senior notes due 6/1/2044		397,224		397,194
Senior notes due 10/15/2050		979,654		979,524
Long term notes due 5/1/2067		223,699		223,674
Advances from FHLB		310,000		310,000
Accrued interest on debt and borrowings		24,035		10,460
Unsettled securities payable		151,174		206,693
Other liabilities		438,654		558,432
Total liabilities		23,912,470		23,062,181
Commitments and contingencies (Note 7)				
SHAREHOLDERS' EQUITY:				
Preferred shares, par value: $0.01; 50,000 shares authorized;				
no shares issued and outstanding		-		-
Common shares, par value: $0.01; 200,000 shares authorized; (2021) 69,816				
and (2020) 69,620 outstanding before treasury shares		698		696
Additional paid-in capital		2,245,737		2,245,301
Accumulated other comprehensive income (loss), net of deferred income				
tax expense (benefit) of $41,161 at 2021 and $80,451 at 2020		235,079		534,899
Treasury shares, at cost; 29,734 shares (2021) and 29,636 shares (2020)		(3,645,717)		(3,622,172)
Retained earnings		10,847,085		10,567,452
Total shareholders' equity		9,682,882		9,726,176
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	33,595,352	$	32,788,357

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 March 31, 2021	2020
	(unaudited)	
REVENUES:		
Premiums earned	$ 2,387,865	$ 2,036,814
Net investment income	260,413	147,800
Net realized capital gains (losses):		
Credit allowances on fixed maturity securities	(6,977)	(21,774)
Other net realized capital gains (losses)	45,879	(188,814)
Total net realized capital gains (losses)	38,902	(210,588)
Other income (expense)	56,593	7,990
Total revenues	2,743,773	1,982,016
CLAIMS AND EXPENSES:		
Incurred losses and loss adjustment expenses	1,711,419	1,430,840
Commission, brokerage, taxes and fees	489,011	448,522
Other underwriting expenses	142,231	128,860
Corporate expenses	12,378	9,833
Interest, fees and bond issue cost amortization expense	15,639	7,583
Total claims and expenses	2,370,678	2,025,638
INCOME (LOSS) BEFORE TAXES	373,095	(43,622)
Income tax expense (benefit)	31,233	(60,234)
NET INCOME (LOSS)	$ 341,862	$ 16,612
Other comprehensive income (loss), net of tax:		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	(288,615)	(279,398)
Reclassification adjustment for realized losses (gains) included in net income (loss)	(3,666)	31,399
Total URA(D) on securities arising during the period	(292,281)	(247,999)
Foreign currency translation adjustments	(9,582)	(50,824)
Reclassification adjustment for amortization of net (gain) loss included in net income (loss)	2,043	920
Total benefit plan net gain (loss) for the period	2,043	920
Total other comprehensive income (loss), net of tax	(299,820)	(297,903)
COMPREHENSIVE INCOME (LOSS)	$ 42,042	$ (281,291)
EARNINGS PER COMMON SHARE:		
Basic	$ 8.53	$ 0.41
Diluted	8.52	0.41

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

EVEREST RE GROUP, LTD.

CONSOLIDATED STATEMENTS OF

CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in thousands, except share and dividends per share amounts)	2021	2020
	(unaudited)	
COMMON SHARES (shares outstanding):		
Balance, January 1	39,983,481	40,798,963
Issued during the period, net	196,481	159,423
Treasury shares acquired	(97,462)	(970,892)
Balance, March 31	40,082,500	39,987,494
COMMON SHARES (par value):		
Balance, January 1	$ 696	$ 694
Issued during the period, net	2	2
Balance, March 31	698	696
ADDITIONAL PAID-IN CAPITAL:		
Balance, January 1	2,245,301	2,219,660
Share-based compensation plans	436	(3,181)
Balance, March 31	2,245,737	2,216,479
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS),		
NET OF DEFERRED INCOME TAXES:		
Balance, January 1	534,899	28,152
Net increase (decrease) during the period	(299,820)	(297,903)
Balance, March 31	235,079	(269,751)
RETAINED EARNINGS:		
Balance, January 1	10,567,452	10,306,571
Change to beginning balance due to adoption of Accounting Standards Update 2016-13	-	(4,214)
Net income (loss)	341,862	16,612
Dividends declared ($1.55 per share 2021 and $1.55 per share 2020)	(62,228)	(63,277)
Balance, March 31	10,847,085	10,255,692
TREASURY SHARES AT COST:		
Balance, January 1	(3,622,172)	(3,422,152)
Purchase of treasury shares	(23,545)	(200,020)
Balance, March 31	(3,645,717)	(3,622,172)
TOTAL SHAREHOLDERS' EQUITY, March 31,	$ 9,682,882	$ 8,580,944

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 341,862	$ 16,612
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(105,460)	(119,548)
Decrease (increase) in funds held by reinsureds, net	(25,584)	(28,973)
Decrease (increase) in reinsurance receivables	(14,518)	(130,593)
Decrease (increase) in income taxes	24,908	(65,114)
Decrease (increase) in prepaid reinsurance premiums	(27,071)	(10,572)
Increase (decrease) in reserve for losses and loss adjustment expenses	655,054	406,257
Increase (decrease) in future policy benefit reserve	(162)	(915)
Increase (decrease) in unearned premiums	196,631	158,744
Increase (decrease) in other net payable to reinsurers	105,390	95,555
Increase (decrease) in losses in course of payment	11,980	(1,422)
Change in equity adjustments in limited partnerships	(116,767)	(8,512)
Distribution of limited partnership income	18,125	11,108
Change in other assets and liabilities, net	(149,464)	(45,259)
Non-cash compensation expense	11,021	9,393
Amortization of bond premium (accrual of bond discount)	17,323	8,640
Net realized capital (gains) losses	(38,902)	210,588
Net cash provided by (used in) operating activities	904,366	505,989
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale, at market value	818,352	656,070
Proceeds from fixed maturities sold - available for sale, at market value	228,278	501,953
Proceeds from equity securities sold, at fair value	281,313	112,841
Distributions from other invested assets	52,211	104,085
Cost of fixed maturities acquired - available for sale, at market value	(1,776,730)	(1,359,281)
Cost of equity securities acquired, at fair value	(174,981)	(76,513)
Cost of other invested assets acquired	(98,939)	(152,269)
Net change in short-term investments	308,585	(27,882)
Net change in unsettled securities transactions	(93,610)	(17,185)
Net cash provided by (used in) investing activities	(455,521)	(258,181)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common shares issued during the period for share-based compensation, net of expense	(10,583)	(12,573)
Purchase of treasury shares	(23,545)	(200,020)
Dividends paid to shareholders	(62,229)	(63,277)
Proceeds from revolving credit borrowings	-	50,000
Cost of debt repurchase	-	(1,198)
Cost of shares withheld on settlements of share-based compensation awards	(12,507)	(13,982)
Net cash provided by (used in) financing activities	(108,864)	(241,050)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(8,972)	2,832
Net increase (decrease) in cash	331,009	9,590
Cash, beginning of period	801,651	808,036
Cash, end of period	$ 1,132,660	$ 817,626
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid (recovered)	$ 6,417	$ 4,920
Interest paid	1,880	2,817

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

For the Three Months Ended March 31, 2021 and 2020

1. GENERAL

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

2. BASIS OF PRESENTATION

The unaudited consolidated financial statements of the Company as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021 and 2020 include all adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for a fair statement of the results on an interim basis. Certain financial information, which is normally included in annual 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, 2020 consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The results for the three months ended March 31, 2021 and 2020 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, 2020, 2019 and 2018, 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 ("VOE") 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 so is 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 retroactively mandate or 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.

All intercompany accounts and transactions have been eliminated.

Application of Recently Issued Accounting Standard Changes.

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 certain 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 adopted the guidance as of January 1, 2021. The adoption of ASU 2019-12 did not have a material impact on the Company's financial statements.

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, gross 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 and then ASU 2020-11 in November 2021, which ultimately defers the effective date of ASU 2018-12 until annual reporting periods beginning after December 15, 2022. The Company is currently evaluating the impact of the adoption of ASU 2018-12 on its 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 new guidance requires the carrying value of assets measured at amortized cost, including reinsurance and 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 debt 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 $4,214 thousand in retained earnings, net of tax, which is disclosed separately within the Consolidated Statements of Shareholders' Equity.

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 due to credit related factors. The following tables show amortized cost, allowance for credit losses, gross unrealized appreciation, gross unrealized depreciation and market value of available for sale, fixed maturity securities as of the dates indicated:

	At March 31, 2021				
(Dollars in thousands)	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	$ 1,271,760	$ -	$ 33,703	$ (11,537)	$ 1,293,926
Obligations of U.S. states and political subdivisions	566,698	-	32,092	(2,741)	596,049
Corporate securities	7,228,229	(3,603)	255,940	(85,555)	7,395,011
Asset-backed securities	2,615,962	(4,915)	27,486	(2,762)	2,635,771
Mortgage-backed securities					
Commercial	992,442	-	43,127	(6,252)	1,029,317
Agency residential	2,257,474	-	56,223	(14,724)	2,298,973
Non-agency residential	9,253	-	4	(12)	9,245
Foreign government securities	1,556,644	-	74,746	(27,160)	1,604,230
Foreign corporate securities	3,433,728	(205)	154,145	(42,710)	3,544,958
Total fixed maturity securities	$ 19,932,190	$ (8,723)	$ 677,466	$ (193,453)	$ 20,407,480

	At December 31, 2020				
(Dollars in thousands)	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	$ 1,325,156	$ -	$ 49,084	$ (7,134)	$ 1,367,106
Obligations of U.S. states and political subdivisions	543,895	-	34,654	(1,254)	577,295
Corporate securities	6,824,800	(1,220)	380,677	(55,231)	7,149,026
Asset-backed securities	2,540,809	-	30,691	(5,698)	2,565,802
Mortgage-backed securities					
Commercial	915,923	-	75,275	(895)	990,303
Agency residential	2,206,139	-	64,663	(3,063)	2,267,739
Non-agency residential	5,187	-	9	(2)	5,194
Foreign government securities	1,565,260	(22)	102,587	(22,450)	1,645,375
Foreign corporate securities	3,297,898	(503)	204,023	(29,085)	3,472,333
Total fixed maturity securities	$ 19,225,067	$ (1,745)	$ 941,663	$ (124,812)	$ 20,040,173

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.

	At March 31, 2021		At December 31, 2020	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities – available for sale:				
Due in one year or less	$ 1,548,669	$ 1,559,198	$ 1,365,793	$ 1,374,674
Due after one year through five years	6,510,731	6,715,932	6,529,189	6,774,785
Due after five years through ten years	4,895,574	5,036,321	4,414,211	4,751,903
Due after ten years	1,102,085	1,122,723	1,247,816	1,309,773
Asset-backed securities	2,615,962	2,635,771	2,540,809	2,565,802
Mortgage-backed securities:				
Commercial	992,442	1,029,317	915,923	990,303
Agency residential	2,257,474	2,298,973	2,206,139	2,267,739
Non-agency residential	9,253	9,245	5,187	5,194
Total fixed maturity securities	$ 19,932,190	$ 20,407,480	$ 19,225,067	$ 20,040,173

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

	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
Increase (decrease) during the period between the market value and cost of investments carried at market value, and deferred taxes thereon:		
Fixed maturity securities	$ (332,708)	$ (277,023)
Change in unrealized appreciation (depreciation), pre-tax	(332,708)	(277,023)
Deferred tax benefit (expense)	40,427	29,024
Change in unrealized appreciation (depreciation), net of deferred taxes, included in shareholders' equity	$ (292,281)	$ (247,999)

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 non-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 balance sheets. The Company 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 that has not been accrued, 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 were 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 the 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. Conditional prepayment 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 March 31, 2021 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	$ 230,960	$ (9,326)	$ 14,778	$ (2,211)	$ 245,738	$ (11,537)
Obligations of U.S. states and political subdivisions	57,823	(1,709)	12,079	(1,032)	69,902	(2,741)
Corporate securities	1,571,716	(61,150)	253,539	(24,405)	1,825,255	(85,555)
Asset-backed securities	304,407	(1,981)	24,619	(781)	329,026	(2,762)
Mortgage-backed securities						
Commercial	152,882	(5,290)	5,600	(962)	158,482	(6,252)
Agency residential	899,288	(13,640)	54,717	(1,084)	954,005	(14,724)
Non-agency residential	6,266	(10)	156	(2)	6,422	(12)
Foreign government securities	215,989	(11,701)	123,143	(15,459)	339,132	(27,160)
Foreign corporate securities	782,295	(32,134)	100,457	(10,576)	882,752	(42,710)
Total fixed maturity securities	$ 4,221,626	$ (136,941)	$ 589,088	$ (56,512)	$ 4,810,714	$ (193,453)

	Duration of Unrealized Loss at March 31, 2021 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities						
Due in one year or less	$ 159,736	$ (6,665)	$ 108,331	$ (10,340)	$ 268,067	$ (17,005)
Due in one year through five years	1,117,370	(33,855)	246,205	(20,081)	1,363,575	(53,936)
Due in five years through ten years	1,231,926	(60,905)	60,821	(7,511)	1,292,747	(68,416)
Due after ten years	349,751	(14,595)	88,639	(15,751)	438,390	(30,346)
Asset-backed securities	304,407	(1,981)	24,619	(781)	329,026	(2,762)
Mortgage-backed securities	1,058,436	(18,940)	60,473	(2,048)	1,118,909	(20,988)
Total fixed maturity securities	$ 4,221,626	$ (136,941)	$ 589,088	$ (56,512)	$ 4,810,714	$ (193,453)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at March 31, 2021 were $,4,810714 thousand and $193,453 thousand, respectively. The market value of securities for the single issuer (the United States government) whose securities comprised the largest unrealized loss position at March 31, 2021, did not exceed 1.3% of the overall market value of the Company's fixed maturity securities. The market value of the securities for the issuer with the second the largest unrealized loss position at March 31, 2021, comprised less than 0.1% 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 market sector. The $136,941 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of domestic and foreign corporate securities, agency residential mortgage-backed securities and foreign government securities. Of these unrealized losses, $130,331 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The $56,512 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 and foreign government securities. Of these unrealized losses, $38,150 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 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 respect to principal and interest payments.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity 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 December 31, 2020 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
(Dollars in thousands)	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	$ 135,190	$ (7,134)	$ -	$ -	$ 135,190	$ (7,134)
Obligations of U.S. states and political subdivisions	19,524	(999)	4,059	(255)	23,583	(1,254)
Corporate securities	669,755	(26,159)	247,962	(29,072)	917,717	(55,231)
Asset-backed securities	235,566	(4,768)	85,595	(930)	321,161	(5,698)
Mortgage-backed securities						
Commercial	53,511	(578)	6,592	(317)	60,103	(895)
Agency residential	434,447	(2,016)	50,353	(1,047)	484,800	(3,063)
Non-agency residential	185	(2)	-	-	185	(2)
Foreign government securities	114,755	(8,813)	150,812	(13,637)	265,567	(22,450)
Foreign corporate securities	354,548	(17,489)	115,595	(11,596)	470,143	(29,085)
Total fixed maturity securities	$ 2,017,481	$ (67,958)	$ 660,968	$ (56,854)	$ 2,678,449	$ (124,812)

(Dollars in thousands)	Duration of Unrealized Loss at December 31, 2020 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
Fixed maturity securities						
Due in one year or less	$ 96,144	$ (4,942)	$ 112,419	$ (12,071)	$ 208,563	$ (17,013)
Due in one year through five years	653,816	(32,469)	283,866	(21,319)	937,682	(53,788)
Due in five years through ten years	422,517	(19,392)	49,749	(2,034)	472,266	(21,426)
Due after ten years	121,295	(3,791)	72,394	(19,136)	193,689	(22,927)
Asset-backed securities	235,566	(4,768)	85,595	(930)	321,161	(5,698)
Mortgage-backed securities	488,143	(2,596)	56,945	(1,364)	545,088	(3,960)
Total fixed maturity securities	$ 2,017,481	$ (67,958)	$ 660,968	$ (56,854)	$ 2,678,449	$ (124,812)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2020 were $2,678,449 thousand and $124,812 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2020, did not exceed 0.7.% of the overall market value of the Company’s fixed maturity securities. The market value of the securities for the issuer with the second largest unrealized loss comprised less than 0.1% 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 market sector. The $67,958 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of domestic and foreign corporate securities and foreign government securities. Of these unrealized losses, $63,424 thousand were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The $56,854 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, $33,533 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 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 components of net investment income are presented in the table below for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Fixed maturities	$ 140,916	$ 137,924
Equity securities	4,838	3,521
Short-term investments and cash	180	2,175
Other invested assets:		
Limited partnerships	114,333	21,568
Other	6,019	(13,071)
Gross investment income before adjustments	266,286	152,117
Funds held interest income (expense)	7,966	8,216
Future policy benefit reserve income (expense)	(291)	(211)
Gross investment income	273,961	160,122
Investment expenses	(13,548)	(12,322)
Net investment income	$ 260,413	$ 147,800

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 these 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 $1,413,543 thousand in limited partnerships and private placement loans at March 31, 2021. These commitments will be funded when called in accordance with the partnership and loan agreements, which have investment periods that expire, unless 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 March 31, 2021, the market value of investments in the facility consolidated within the Company’s balance sheets was $734,888 thousand.

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

	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
Fixed maturity securities, market value:		
Allowance for credit losses	$ (6,977)	$ (21,774)
Gains (losses) from sales	9,174	(14,076)
Fixed maturity securities, fair value:		
Gains (losses) from sales	-	-
Gains (losses) from fair value adjustments	-	(1,123)
Equity securities, fair value:		
Gains (losses) from sales	6,238	(27,599)
Gains (losses) from fair value adjustments	29,056	(144,003)
Other invested assets	1,346	(2,327)
Short-term investments gain (loss)	66	314
Total net realized capital gains (losses)	$ 38,902	$ (210,588)

	Roll Forward of Allowance for Credit Losses								
	Three Months Ended March 31, 2021					Three Months Ended March 31, 2020			
(Dollars in thousands)	Corporate Securities	Asset-Backed Securities	Foreign Government Securities	Foreign Corporate Securities	Total	Corporate Securities	Foreign Government Securities	Foreign Corporate Securities	Total
Beginning Balance	$ (1,220)	$ -	$ (22)	$ (503)	$ (1,745)	$ -	$ -	$ -	$ -
Credit losses on securities where credit losses were not previously recorded	(2,383)	(4,915)	-	-	(7,298)	(17,305)	(519)	(3,950)	(21,774)
Increases in allowance on previously impaired securities	-	-	-	-	-	-	-	-	-
Decreases in allowance on previously impaired securities	-	-	-	-	-	-	-	-	-
Reduction in allowance due to disposals	-	-	22	298	320	-	-	-	-
Balance as of March 31, 2021	$ (3,603)	$ (4,915)	$ -	$ (205)	$ (8,723)	$ (17,305)	$ (519)	$ (3,950)	$ (21,774)

The Company recorded as net realized capital gains (losses) in the consolidated statements of operations and comprehensive income (loss) fair value re-measurements, allowances for credit losses per ASU 2016-13 and 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 proceeds and split between gross gains and losses, from sales of fixed maturity and equity securities, are presented in the table below for the periods indicated:

	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
Proceeds from sales of fixed maturity securities	$ 228,278	$ 501,953
Gross gains from sales	14,864	14,001
Gross losses from sales	(5,690)	(28,077)
Proceeds from sales of equity securities	$ 281,313	$ 112,841
Gross gains from sales	12,304	2,584
Gross losses from sales	(6,066)	(30,183)

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

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

	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
Gross reserves beginning of period	$ 16,398,997	$ 13,611,313
Less reinsurance recoverables	(1,843,691)	(1,640,712)
Net reserves beginning of period	14,555,306	11,970,601
Incurred related to:		
Current year	1,713,253	1,433,440
Prior years	(1,834)	(2,600)
Total incurred losses and LAE	1,711,419	1,430,840
Paid related to:		
Current year	215,302	168,528
Prior years	837,051	907,790
Total paid losses and LAE	1,052,353	1,076,318
Foreign exchange/translation adjustment	(5,841)	(156,565)
Net reserves end of period	15,208,531	12,168,558
Plus reinsurance recoverables	1,882,113	1,651,946
Gross reserves end of period	$ 17,090,644	$ 13,820,504

(Some amounts may not reconcile due to rounding.)

Current year incurred losses were $1,713,253 thousand and $1,433,440 thousand for the three months ended March 31, 2021 and 2020, respectively. The increase in current year incurred losses in 2021 compared to 2020 was primarily due to a $240,000 thousand increase in catastrophe losses and the impact of the increase in premiums earned.

5. 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 Level 3 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 recognized pricing services. These services seek to utilize market data and observations in their evaluation process. 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 and interest rate scenarios for securities that have prepayment features.

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 about future cash flows and risk-adjusted discount rates to determine fair value. At March 31, 2021, $1,495,500 thousand of fixed maturities, market value were fair valued using unobservable inputs. The majority of these fixed maturities were valued by investment managers' valuation committees and many of these fair values were substantiated by valuations from independent third parties. The Company has procedures in place to evaluate these independent third party valuations. At December 31, 2020, $1,330,224 thousand of fixed maturities, market value were fair valued using unobservable inputs.

The Company internally manages a public equity portfolio which had a fair value at March 31, 2021 and December 31, 2020 of $912,126 thousand and $784,746 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 fair or 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 provided 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.

In addition to the valuations from investment managers, some of the fixed maturities with fair values categorized as Level 3 result when prices are not available from the nationally recognized pricing services. The asset managers may obtain non-binding price quotes for the securities from brokers. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The prices received from brokers are reviewed for reasonableness by the third party asset managers and the Company. If the broker quotes are for foreign denominated securities, the quotes are converted to U.S. dollars using currency exchange rates from nationally recognized sources. In limited circumstances when broker prices are not available for private placements, the Company will value the securities using comparable market information or receive fair values from investment managers.

The composition and valuation inputs for the presented fixed maturities categories Level 1 and Level 2 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 following table presents the fair value measurement levels for all assets and liabilities, which the Company has recorded at fair value (fair and market value) as of the periods indicated:

		Fair Value Measurement Using:		
(Dollars in thousands)	March 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 1,293,926	$ -	$ 1,293,926	$ -
Obligations of U.S. States and political subdivisions	596,049	-	596,049	-
Corporate securities	7,395,011	-	6,690,469	704,542
Asset-backed securities	2,635,771	-	1,850,411	785,360
Mortgage-backed securities				
Commercial	1,029,317	-	1,029,317	-
Agency residential	2,298,973	-	2,298,973	-
Non-agency residential	9,245	-	9,245	-
Foreign government securities	1,604,230	-	1,604,230	-
Foreign corporate securities	3,544,958	-	3,539,360	5,598
Total fixed maturities, market value	20,407,480	-	18,911,980	1,495,500
Equity securities, fair value	1,400,674	1,343,843	56,831	-

The following table presents the fair value measurement levels for all assets and liabilities, which the Company has recorded at fair value as of the periods indicated:

		Fair Value Measurement Using:		
(Dollars in thousands)	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	$ 1,367,106	$ -	$ 1,367,106	$ -
Obligations of U.S. States and political subdivisions	577,295	-	577,295	-
Corporate securities	7,149,026	-	6,447,534	701,492
Asset-backed securities	2,565,802	-	1,942,769	623,033
Mortgage-backed securities				
Commercial	990,303	-	990,303	-
Agency residential	2,267,739	-	2,267,739	-
Non-agency residential	5,194	-	5,194	-
Foreign government securities	1,645,375	-	1,645,375	-
Foreign corporate securities	3,472,333	-	3,466,634	5,699
Total fixed maturities, market value	20,040,173	-	18,709,949	1,330,224
Equity securities, fair value	1,472,236	1,368,704	103,532	-

In addition, $240,892 thousand and $224,698 thousand of investments within other invested assets on the consolidated balance sheets as of March 31, 2021 and December 31, 2020, respectively, are not included within 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 March 31, 2021				Three Months Ended March 31, 2020			
(Dollars in thousands)	Corporate Securities	Asset-Backed Securities	Foreign Corporate	Total	Corporate Securities	Asset-Backed Securities	Foreign Corporate	Total
Beginning balance fixed maturities at market value	$ 701,492	$ 623,033	$ 5,699	$ 1,330,224	$ 617,588	$ 153,641	$ 1,750	$ 772,979
Total gains or (losses) (realized/unrealized)								
Included in earnings	(1,789)	(4,168)	3	(5,954)	(214)	4	-	(210)
Included in other comprehensive income (loss)	2,836	(3,135)	49	(250)	(3,357)	(15,882)	-	(19,239)
Purchases, issuances and settlements	2,003	169,630	(153)	171,480	99,064	100,868	(1,750)	198,182
Transfers in and/or (out) of Level 3	-	-	-	-	-	-	-	-
Ending balance	$ 704,542	$ 785,360	$ 5,598	$ 1,495,500	$ 713,081	$ 238,631	$ -	$ 951,712
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, Fair Value			
	Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
(Dollars in thousands)	Foreign Corporate	Total	Foreign Corporate	Total
Beginning balance fixed maturities at fair value	$ -	$ -	$ 5,826	$ 5,826
Total gains or (losses) (realized/unrealized)				
Included in earnings	-	-	(1,123)	(1,123)
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	-	-	-	-
Transfers in and/or (out) of Level 3	-	-	-	-
Ending balance	$ -	$ -	$ 4,703	$ 4,703
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.)

6. EARNINGS PER COMMON SHARE

Basic earnings per share are calculated by dividing net income by the weighted average number of common 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 common basic and dilutive shares outstanding.

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2021	2020
Net income (loss) per share:		
Numerator		
Net income (loss)	$ 341,862	$ 16,612
Less: dividends declared-common shares and unvested common shares	(62,229)	(63,277)
Undistributed earnings	279,633	(46,666)
Percentage allocated to common shareholders (1)	98.7 %	98.7 %
	276,031	(46,082)
Add: dividends declared-common shareholders	61,415	62,488
Numerator for basic and diluted earnings per common share	$ 337,446	$ 16,406
Denominator		
Denominator for basic earnings per weighted-average common shares	39,543	40,204
Effect of dilutive securities:		
Options	54	92
Denominator for diluted earnings per adjusted weighted-average common shares	39,597	40,296
Per common share net income (loss)		
Basic	$ 8.53	$ 0.41
Diluted	$ 8.52	$ 0.41
(1) Basic weighted-average common shares outstanding	39,543	40,204
Basic weighted-average common shares outstanding and unvested common shares expected to vest	40,059	40,713
Percentage allocated to common shareholders	98.7 %	98.7 %

(Some amounts may not reconcile due to rounding.)

There were no anti-diluted options outstanding for the three months ended March 31, 2021 and 2020.

All outstanding options expire on or between May 18, 2021 and September 19, 2022.

7. 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 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.

The Company had one equity index put option contract at March 31, 2021, based on the Standard & Poor’s 500 (“S&P 500”) index. Based on historical index volatilities and trends and the March 31, 2021 S&P 500 index value, the Company estimates the probability that the equity index put option contract of the S&P 500 index falling below the strike price on the exercise date to be less than 0.2%. 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 March 31, 2021, the present value of the theoretical maximum payout using a 3% discount factor was $148,976 thousand. Conversely, if the contract had expired on March 31, 2021, with the S&P index at 3,972.89, there would have been no settlement amount.

The Company has entered into separate annuity agreements with The Prudential Insurance of America ("The Prudential") and an additional unaffiliated life insurance company in which the Company has either purchased annuity 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 respective 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 March 31, 2021	At December 31, 2020
The Prudential	$ 139,981	$ 140,773
Unaffiliated life insurance company	32,835	35,128

8. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
(Dollars in thousands)	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized appreciation (depreciation) ("URA(D)") on securities - non-credit related	$ (329,166)	$ 40,551	$ (288,615)	$ (315,200)	$ 35,802	$ (279,398)
Reclassification of net realized losses (gains) included in net income (loss)	(3,542)	(124)	(3,666)	38,177	(6,778)	31,399
Foreign currency translation adjustments	(8,988)	(594)	(9,582)	(58,723)	7,899	(50,824)
Reclassification of benefit plan liability amortization included in net income (loss)	2,586	(543)	2,043	1,165	(245)	920
Total other comprehensive income (loss)	$ (339,110)	$ 39,290	$ (299,820)	$ (334,581)	$ 36,678	$ (297,903)

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

AOCI component	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Affected line item within the statements of operations and comprehensive income (loss)
(Dollars in thousands)			
URA(D) on securities	$ (3,542)	$ 38,177	Other net realized capital gains (losses)
	(124)	(6,778)	Income tax expense (benefit)
	$ (3,666)	$ 31,399	Net income (loss)
Benefit plan net gain (loss)	$ 2,586	$ 1,165	Other underwriting expenses
	(543)	(245)	Income tax expense (benefit)
	$ 2,043	$ 920	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:

	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
Beginning balance of URA (D) on securities	$ 724,159	$ 304,425
Current period change in URA (D) of investments - non-credit OTTI	(292,281)	(247,999)
Ending balance of URA (D) on securities	431,878	56,426
Beginning balance of foreign currency translation adjustments	(115,390)	(201,717)
Current period change in foreign currency translation adjustments	(9,582)	(50,824)
Ending balance of foreign currency translation adjustments	(124,972)	(252,541)
Beginning balance of benefit plan net gain (loss)	(73,870)	(74,556)
Current period change in benefit plan net gain (loss)	2,043	920
Ending balance of benefit plan net gain (loss)	(71,827)	(73,636)
Ending balance of accumulated other comprehensive income (loss)	$ 235,079	$ (269,751)

(Some amounts may not reconcile due to rounding.)

9. CREDIT FACILITIES

The Company has three active credit facilities for a total commitment of up to $1,050,000 thousand and an additional credit facility for a total commitment of up to £52,175 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:

	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
Credit facility interest and fees incurred - Wells Fargo Bank	$ 105	$ 123
Loan interest and fees incurred - Federal Home Loan Bank	271	-
Total interest and fees incurred	$ 376	$ 123

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

<u>Group Credit Facility</u>

Effective May 26, 2016, Group, Everest Reinsurance (Bermuda), Ltd. ("Bermuda Re") and Everest International 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 June 22, 2012, four year, $800,000 thousand 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 $200,000 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 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 $600,000 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 0.35 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, which at March 31, 2021, was $6,476,618 thousand. As of March 31, 2021, 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.

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

(Dollars in thousands)		At March 31, 2021			At December 31, 2020		
Bank		Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Wells Fargo Bank Group Credit Facility	Tranche One	$ 200,000	$ 151,380	12/31/2021	$ 200,000	$ 164,242	12/31/2021
	Tranche Two	600,000	598,386	12/31/2021	600,000	589,690	12/31/2021
Total Wells Fargo Bank Group Credit Facility		$ 800,000	$ 749,766		$ 800,000	$ 753,932	

Bermuda Re Wells Fargo Letter of Credit Facility

Effective February 23, 2021, Bermuda Re entered into a letter of credit issuance facility with Wells Fargo referred to as the "Bermuda Re Wells Fargo Letter of Credit Facility." The Bermuda Re Wells Fargo Letter of Credit Facility provides for the issuance of up to $50,000 thousand of secured letters of credit to collateralize reinsurance obligations as a non-admitted reinsurer.

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

(Dollars in thousands)	At March 31, 2021			At December 31, 2020		
Bank	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Wells Fargo Bank Bilateral LOC Agreement	$ 50,000	$ 42,893	12/31/2021	$ -	$ -	
		-			-	
	$ 50,000	$ 42,893		$ -	$ -	

Bermuda Re Citibank Letter of Credit Facility

Effective December 31, 2020, 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 updated 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 March 31, 2021			At December 31, 2020		
Bank	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Citibank Bilateral Letter of Credit Agreement	$ 200,000	$ 1,264	11/24/2021	$ 200,000	$ 4,425	02/28/2021
		452	12/16/2021		3,672	11/24/2021
		156	12/20/2021		448	12/16/2021
		139,005	12/31/2021		115	12/20/2021
		4,425	02/28/2022		136,383	12/31/2021
		828	08/15/2022		39,619	12/30/2024
		40,147	03/30/2025		821	08/15/2022
Total Citibank Bilateral Agreement	$ 200,000	$ 186,277		$ 200,000	$ 185,483	

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 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 $6,393,047 thousand (70% of consolidated net worth as of December 31, 2019), plus 25% of consolidated net income for each of Group's fiscal quarters, for which statements are available ending on or after January 1, 2020 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 March 31, 2021, was $6,613,571 thousand. As of March 31, 2021, the Company was in compliance with all Everest International Credit Facility requirements.

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

(Dollars in thousands)	At March 31, 2021			At December 31, 2020		
Bank	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Lloyd's Bank plc	£ 52,175	£ 52,175	12/31/2024	£ 52,175	£ 52,175	12/31/2023
	-	-		-	-	
Total Lloyd's Bank Credit Facility	£ 52,175	£ 52,175		£ 52,175	£ 52,175	

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 March 31, 2021, Everest Re had admitted assets of approximately $17,280,068 thousand which provides borrowing capacity of up to approximately $1,728,007 thousand. During 2020, Everest Re borrowed $400,000 thousand under its FHLBNY capacity. The borrowings have interest payable at an interest rate of 0.35%. As of March 31, 2021, $310,000 of these borrowings remain outstanding, with maturities in November and December 2021. The FHLBNY membership agreement requires that 4.5% of borrowed funds be used to acquire additional membership stock.

10. 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. At March 31, 2021, the total amount on deposit in trust accounts was $1,293,107 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 Companies 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 globally.

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 March 31, 2021	2020
(Dollars in thousands)		
Ceded written premiums	99,110	110,188
Ceded earned premiums	78,107	90,550
Ceded losses and LAE	80,843	45,115
Assumed written premiums	2,476	2,759
Assumed earned premiums	2,476	2,759
Assumed losses and LAE	-	-

Each segregated account is permitted to assume net risk exposures equal to the amount of its available posted collateral, which in the aggregate was $920,339 thousand and $806,564 thousand at March 31, 2021 and December 31, 2020, respectively. Of this amount, Group had investments recorded at $70,419 thousand and $67,645 thousand at March 31, 2021 and December 31, 2020, 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 $269,198 thousand of casualty reserves held by Bermuda Re related to accident years 2002 through 2015. As consideration for entering the agreement, the Company transferred cash of $252,000 thousand to the Mt. Logan Re segregated account. The maximum liability to be retroceded under the agreement will be $319,000 thousand. The Company will retain liability for any amounts exceeding the maximum liability.

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 $300,000 thousand of reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico and Canada. The second agreement provides up to $325,000 thousand of reinsurance coverage from named storms and earthquakes in the United States, Puerto Rico and Canada. These reinsurance agreements expired in December 2020.

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 $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. 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 $150,000 thousand and $275,000 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.

On April 8, 2021, the Company entered into six 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 three agreements are four year reinsurance contracts which provide up to $150,000 thousand, $85,000 thousand and $85,000 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 three agreements are five year reinsurance contracts which provide up to $150,000 thousand, $90,000 thousand and $90,000 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.

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. The 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 single 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 bonds to unrelated, external investors. On December 1, 2015, Kilimanjaro issued $625,000 thousand of notes (“Series 2015-1 Notes). The $625,000 thousand of Series 2015-1 Notes were fully redeemed and are no longer outstanding. On April 13, 2017, Kilimanjaro issued $950,000 thousand of notes (“Series 2017-1 Notes) and $300,000 thousand of notes (“Series 2017-2 Notes). On April 30, 2018, Kilimanjaro issued $262,500 thousand of notes (“Series 2018-1 Notes”) and $262,500 thousand of notes (“Series 2018-2 Notes”). On December 12, 2019 Kilimanjaro issued $425,000 thousand of notes (“Series 2019-1 Notes”) and $425,000 of notes (“Series 2019-2 Notes”). On April 8, 2021 Kilimanjaro issued $320,000 thousand of notes (“Series 2021-1 Notes”) and $330,000 thousand of notes (“Series 2021-2 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.

11. SENIOR NOTES

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

				March 31, 2021		December 31, 2020	
(Dollars in thousands)	Date Issued	Date Due	Principal Amounts	Consolidated Balance Sheet Amount	Market Value	Consolidated Balance Sheet Amount	Market Value
4.868% Senior notes	6/5/2014	6/1/2044	400,000	$ 397,224	$ 479,616	$ 397,194	$ 528,000
3.5% Senior notes	10/07/2020	10/15/2050	1,000,000	979,654	976,480	979,524	1,138,100

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

On October 7, 2020, Holdings issued $1,000,000 thousand of 30 year senior notes with an interest coupon rate of 3.50%, which will mature on October 15, 2050. Interest will be paid semi-annually on April 15 and October 15 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 March 31, 2021	Three Months Ended March 31, 2020
Interest expense incurred 4.868% Senior notes	$ 4,868	$ 4,868
Interest expense incurred 3.5% Senior notes	8,805	-

12. LONG TERM SUBORDINATED NOTES

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

			Maturity Date		March 31, 2021		December 31, 2020	
(Dollars in thousands)	Date Issued	Original Principal Amount	Scheduled	Final	Consolidated Balance Sheet Amount	Market Value	Consolidated Balance Sheet Amount	Market Value
Long term subordinated notes	4/26/2007	$ 400,000	5/15/2037	5/1/2067	$ 223,699	$ 207,648	$ 223,674	$ 206,447

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 compounded quarterly for periods from and including May 15, 2017. The reset quarterly interest rate for February 16, 2021 to May 16, 2021 is 2.58%.

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 $1,700 thousand of its outstanding long term subordinated notes during the three months ended March 31, 2021 and 2020, respectively. The Company realized a gain of $0 thousand and $502 thousand from the repurchase of the long term subordinated notes for the three months ended March 31, 2021 and 2020, respectively.

On March 19, 2009, Group announced the commencement of a cash tender offer for any and all of the 6.60% 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. In addition, during 2020, the Company repurchased and retired $13,183 thousand of the notes.

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

	Three Months Ended March 31,			
(Dollars in thousands)	2021		2020	
Interest expense incurred	$	1,462	$	2,538

13. 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. 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 tables present the underwriting results for the operating segments for the periods indicated:

Reinsurance	Three Months Ended March 31,			
(Dollars in thousands)	2021		2020	
Gross written premiums	$	2,059,015	$	1,777,771
Net written premiums		1,912,950		1,613,094
Premiums earned	$	1,777,452	$	1,485,221
Incurred losses and LAE		1,271,906		1,020,642
Commission and brokerage		408,724		370,356
Other underwriting expenses		51,996		44,139
Underwriting gain (loss)	$	44,826	$	50,084

Insurance	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
Gross written premiums	$ 872,418	$ 793,100
Net written premiums	640,987	588,385
Premiums earned	$ 610,413	$ 551,593
Incurred losses and LAE	439,513	410,198
Commission and brokerage	80,287	78,166
Other underwriting expenses	90,235	84,721
Underwriting gain (loss)	$ 378	$ (21,492)

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

	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
Underwriting gain (loss)	$ 45,204	$ 28,592
Net investment income	260,413	147,800
Net realized capital gains (losses)	38,902	(210,588)
Corporate expenses	(12,378)	(9,833)
Interest, fee and bond issue cost amortization expense	(15,639)	(7,583)
Other income (expense)	56,593	7,990
Income (loss) before taxes	$ 373,095	$ (43,622)

The Company produces business in the U.S., Bermuda and internationally. The net income deriving from and 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 March 31,	
(Dollars in thousands)	2021	2020
United Kingdom gross written premium	$ 366,148	$ 306,708

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

14. SHARE-BASED COMPENSATION PLANS

For the three months ended March 31, 2021, a total of 205,266 restricted stock awards were granted: 194,610 and 10,656 restricted share awards were granted on February 23, 2021 and February 24, 2021, with a fair value of $242.24 per share and $244.445 per share, respectively. Additionally, 22,205 performance share unit awards were granted on February 23, 2021, with a fair value of $242.24 per unit.

15. RETIREMENT BENEFITS

The Company maintains both qualified and non-qualified defined benefit pension plans for its U.S. employees employed 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 benefit 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:

Pension Benefits	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
Service cost	$ 2,738	$ 4,011
Interest cost	1,999	2,483
Expected return on plan assets	(5,580)	(5,197)
Amortization of net (income) loss	2,730	1,213
Net periodic benefit cost	$ 1,887	$ 2,510

Other Benefits	Three Months Ended March 31,	
(Dollars in thousands)	2021	2020
Service cost	$ 281	$ 141
Interest cost	181	215
Amortization of prior service cost	(144)	(48)
Net periodic benefit cost	$ 318	$ 308

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 months ended March 31, 2021 and 2020, respectively.

16. INCOME TAXES

The Company is domiciled in Bermuda and has significant subsidiaries and/or branches in Canada, Ireland, the Netherlands, 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-Bermudian 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.

17. SUBSEQUENT EVENTS

The Company has evaluated known recognized and non-recognized subsequent events. The Company does not have any subsequent events to report.

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 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.

There continues to be a negative impact on industry underwriting results from the pandemic. These impacts vary significantly from country to country depending on the rate of infections and the corresponding mandated business restrictions.

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 most 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 March 31, 2021	Three Months Ended March 31, 2020	Percentage Increase/ (Decrease)
Gross written premiums	$ 2,931.4	$ 2,570.9	14.0 %
Net written premiums	2,553.9	2,201.5	16.0 %
REVENUES:			
Premiums earned	$ 2,387.9	$ 2,036.8	17.2 %
Net investment income	260.4	147.8	76.2 %
Net realized capital gains (losses)	38.9	(210.6)	-118.5 %
Other income (expense)	56.6	8.0	NM
Total revenues	2,743.8	1,982.0	38.4 %
CLAIMS AND EXPENSES:			
Incurred losses and loss adjustment expenses	1,711.4	1,430.8	19.6 %
Commission, brokerage, taxes and fees	489.0	448.5	9.0 %
Other underwriting expenses	142.2	128.9	10.4 %
Corporate expenses	12.4	9.8	25.9 %
Interest, fees and bond issue cost amortization expense	15.6	7.6	106.2 %
Total claims and expenses	2,370.7	2,025.6	17.0 %
INCOME (LOSS) BEFORE TAXES	373.1	(43.6)	NM
Income tax expense (benefit)	31.2	(60.2)	NM
NET INCOME (LOSS)	$ 341.9	$ 16.6	NM
RATIOS:			Point Change
Loss ratio	71.7 %	70.3 %	1.4
Commission and brokerage ratio	20.5 %	22.0 %	(1.5)
Other underwriting expense ratio	5.9 %	6.3 %	(0.4)
Combined ratio	98.1 %	98.6 %	(0.5)

(Dollars in millions, except per share amounts)	At March 31, 2021	At December 31, 2020	Percentage Increase/ (Decrease)
Balance sheet data:			
Total investments and cash	$ 25,940.8	$ 25,461.6	1.9 %
Total assets	33,595.4	32,788.4	2.5 %
Loss and loss adjustment expense reserves	17,090.6	16,399.0	4.2 %
Total debt	1,910.6	1,910.4	- %
Total liabilities	23,912.5	23,062.2	3.7 %
Shareholders' equity	9,682.9	9,726.2	-0.4 %
Book value per share	241.57	243.25	-0.7 %

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

Revenues.

Premiums. Gross written premiums increased by 14.0% to $2,931.4 million for the three months ended March 31, 2021, compared to $2,570.9 million for the three months ended March 31, 2020, reflecting a $281.2 million, or 15.8%, increase in our reinsurance business and a $79.3 million, or 10.0%, increase in our insurance business. The increase in reinsurance premiums was mainly due to increases in property pro rata business, property excess of loss business and casualty excess of loss writings, as well as $26.9 million positive impact from the movement of foreign exchange rates. The rise in insurance premiums was primarily due to increases in specialty casualty business, property business and professional liability business, partially offset by a decline in workers' compensation business.

Net written premiums increased by 16.0% to $2,553.9 million for the three months ended March 31, 2021, compared to $2,201.5 million for the three months ended March 31, 2020. This change is consistent with the change in gross written premiums. Premiums earned increased by 17.2% to $2,387.9 million for the three months ended March 31, 2021, compared to $2,036.8 million for the three months ended March 31, 2020. 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.

Net Investment Income. Net investment income increased by 76.2% to $260.4 million for the three months ended March 31, 2021, compared with investment income of $147.8 million for the three months ended March 31, 2020. Net pre-tax investment income, as a percentage of average invested assets, was 4.2% for the three months ended March 31, 2021 compared to 2.9% for the three months ended March 31, 2020. The increases in both income and yield were primarily the result of an increase in limited partnership income.

Net Realized Capital Gains (Losses). Net realized capital gains were $38.9 million and net realized capital losses were $210.6 million for the three months ended March 31, 2021 and 2020, respectively. The net realized capital gains of $38.9 million for the three months ended March 31, 2021 were comprised of $29.1 million of net gains from fair value re-measurements and $16.8 million of net realized capital gains from sales of investments, partially offset by $7.0 million of allowances for credit losses. The net realized capital losses of $210.6 million for the three months ended March 31, 2020 were comprised of $145.1 million of net losses from fair value re-measurements, $43.7 million of net realized capital losses from sales of investments and $21.8 million of allowances for credit losses.

Other Income (Expense). We recorded other income of $56.6 million and $8.0 million for the three months ended March 31, 2021 and 2020, respectively. The changes were primarily the result of fluctuations in foreign currency exchange rates. We recognized foreign currency exchange income of $51.8 million and $20.6 million for the three months ended March 31, 2021 and 2020, 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.

	Three Months Ended March 31,					
(Dollar in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2021						
Attritional	$ 1,443.3	60.4 %	$ (1.8)	-0.1 %	$ 1,441.4	60.3 %
Catastrophes	270.0	11.3 %	-	- %	270.0	11.3 %
Total	$ 1,713.3	71.7 %	$ (1.8)	-0.1 %	$ 1,711.4	71.7 %
2020						
Attritional	$ 1,403.4	68.9 %	$ (2.6)	-0.1 %	$ 1,400.8	68.8 %
Catastrophes	30.0	1.5 %	-	- %	30.0	1.5 %
Total	$ 1,433.4	70.4 %	$ (2.6)	-0.1 %	$ 1,430.8	70.3 %
Variance 2021/2020						
Attritional	$ 39.8	(8.5) pts	$ 0.8	- pts	$ 40.6	(8.5) pts
Catastrophes	240.0	9.8 pts	-	- pts	240.0	9.8 pts
Total	$ 279.8	1.3 pts	$ 0.8	- pts	$ 280.6	1.4 pts

Incurred losses and LAE increased by 19.6% to $1,711.4 million for the three months ended March 31, 2021, compared to $1,430.8 million for the three months ended March 31, 2020, primarily due to an increase of $240.0 million in current year catastrophe losses and a rise of $39.8 million in current year attritional losses, mainly due to the impact of the increase in premiums earned. The current year catastrophe losses of $270.0 million for the three months ended March 31, 2021 related to the Texas winter storms ($260.0 million) and the 2021 Australia floods ($10.0 million). The $30.0 million of current year catastrophe losses for the three months ended March 31, 2020 related to the Nashville tornadoes ($10.0 million), Australia East Coast Storm ($10.0 million) and the Australia fires ($10.0 million).

Commission, Brokerage, Taxes and Fees. Commission, brokerage, taxes and fees increased by 9.0% to $489.0 million for the three months ended March 31, 2021, compared to $448.5 million for the three months ended March 31, 2020. The increase was 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 $142.2 million and $128.9 million for the three months ended March 31, 2021 and 2020, respectively. The increases in other underwriting expenses were mainly due to the continued build out of our insurance operations and the impact of the increases in premiums earned.

Corporate Expenses. Corporate expenses, which are general operating expenses that are not allocated to segments, were $12.4 million and $9.8 million for the three months ended March 31, 2021 and 2020, respectively. The increase was mainly due to higher compensation expenses.

Interest, Fees and Bond Issue Cost Amortization Expense. Interest, fees and other bond amortization expense was $15.6 million and $7.6 million for the three months ended March 31, 2021 and 2020, respectively. The increase was primarily due to interest expense on the $1,000.0 million senior note issuance in October 2020 and 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 2.58% as of March 31, 2021.

Income Tax Expense (Benefit). We had an income tax expense of $31.2 million and an income tax benefit of $60.2 million for the three months ended March 31, 2021 and 2020, 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 annualized effective tax rate (“AETR”) is primarily affected by tax-exempt investment income, qualifying dividends and foreign tax credits. Variations in the AETR 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

March 31, 2021 as compared to the three months ended March 31, 2020 results primarily from higher investment income, realized investment gains and earned premiums, partially offset by incurred losses.

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 allowed 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 five 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 $341.9 million and $16.6 million for the three months ended March 31, 2021 and 2020, respectively. The changes were primarily driven by the financial component fluctuations explained above.

Ratios.

Our combined ratio decreased by 0.5 points to 98.1% for the three months ended March 31, 2021, compared to 98.6% for the three months ended March 31, 2020. The loss ratio component increased 1.4 points for the three months ended March 31, 2021 over the same period last year mainly due an increase of $240.0 million in current year catastrophe losses. The commission and brokerage ratio components decreased to 20.5% for the three months ended March 31, 2021 compared to 22.0% for the three months ended March 31, 2020 mainly due to changes in the mix of business. The other underwriting expense ratios decreased slightly to 5.9% for the three months ended March 31, 2021 compared to 6.3% for the three months ended March 31, 2020.

Shareholders' Equity.

Shareholders' equity decreased by $43.3 million to $9,682.9 million at March 31, 2021 from $9,726.2 million at December 31, 2020, principally as a result of $292.3 million of unrealized depreciation on investments net of tax, $62.2 million of shareholder dividends, the repurchase of 97,462 common shares for $23.5 million and $9.6 million of net foreign currency translation adjustments, partially offset by $341.9 million of net income, $2.0 million of net benefit plan obligation adjustments, net of tax and $0.4 million of share-based compensation transactions.

Consolidated Investment Results

Net Investment Income.

Net investment income increased by 76.2% to $260.4 million for the three months ended March 31, 2021, compared with investment income of $147.8 million for the three months ended March 31, 2020. The increase was primarily due an increase in limited partnership income.

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

(Dollars in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Fixed maturities	$ 140.9	$ 137.9
Equity securities	4.8	3.5
Short-term investments and cash	0.2	2.2
Other invested assets		
Limited partnerships	114.3	21.6
Other	6.0	(13.1)
Gross investment income before adjustments	266.3	152.1
Funds held interest income (expense)	8.0	8.2
Future policy benefit reserve income (expense)	(0.3)	(0.2)
Gross investment income	274.0	160.1
Investment expenses	(13.5)	(12.3)
Net investment income	$ 260.4	$ 147.8

(Some amounts may not reconcile due to rounding.)

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

	At March 31, 2021	At December 31, 2020
Imbedded pre-tax yield of cash and invested assets	3.0 %	3.0 %
Imbedded after-tax yield of cash and invested assets	2.6 %	2.6 %

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Annualized pre-tax yield on average cash and invested assets	4.2 %	2.9 %
Annualized after-tax yield on average cash and invested assets	3.7 %	2.6 %

Net Realized Capital Gains (Losses).

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

	Three Months Ended March 31,		
(Dollars in millions)	2021	2020	Variance
Gains (losses) from sales:			
Fixed maturity securities, market value:			
Gains	$ 14.9	$ 14.0	$ 0.9
Losses	(5.7)	(28.1)	22.4
Total	9.2	(14.1)	23.3
Equity securities, fair value:			
Gains	12.3	2.6	9.7
Losses	(6.1)	(30.2)	24.1
Total	6.2	(27.6)	33.8
Other Invested Assets:			
Gains	1.4	3.0	(1.6)
Losses	(0.1)	(5.4)	5.3
Total	1.3	(2.3)	3.6
Short Term Investments:			
Gains	0.1	0.3	(0.2)
Losses	-	-	-
Total	0.1	0.3	(0.2)
Total net realized gains (losses) from sales:			
Gains	28.7	19.9	8.8
Losses	(11.9)	(63.6)	51.7
Total	16.8	(43.7)	60.5
Allowance for credit losses:	(7.0)	(21.8)	14.8
Gains (losses) from fair value adjustments:			
Fixed maturities, fair value	-	(1.1)	1.1
Equity securities, fair value	29.1	(144.0)	173.1
Total	29.1	(145.1)	174.2
Total net realized capital gains (losses)	$ 38.9	$ (210.6)	$ 249.5

(Some amounts may not reconcile due to rounding.)

Net realized capital gains were $38.9 million and net realized capital losses were $210.6 million for the three months ended March 31, 2021 and 2020, respectively. For the three months ended March 31, 2021, we recorded 29.1 million of net gains from fair value re-measurements and $16.8 million of net realized capital gains from sales of investments, partially offset by $7.0 million of allowances for credit losses. For the three months ended March 31, 2020, we recorded $145.1 million of net losses from fair value re-measurements, $43.7 million of net realized capital losses from sales of investments and $21.8 million of allowances for credit losses. The fixed maturity and equity sales for the three months ended March 31, 2021 and 2021 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.

Our loss and LAE reserves are management’s best estimate of our ultimate liability for unpaid claims. We re-evaluate our estimates on an ongoing basis, including all prior period reserves, taking into consideration all available information, and in particular, recently reported loss claim experience and trends related to prior periods. Such re-evaluations are recorded in incurred losses in the period in which re-evaluation is made.

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.

	Three Months Ended March 31,			
(Dollars in millions)	2021	2020	Variance	% Change
Gross written premiums	$ 2,059.0	$ 1,777.8	$ 281.2	15.8 %
Net written premiums	1,913.0	1,613.1	299.9	18.6 %
Premiums earned	$ 1,777.5	$ 1,485.2	$ 292.2	19.7 %
Incurred losses and LAE	1,271.9	1,020.6	251.3	24.6 %
Commission and brokerage	408.7	370.4	38.4	10.4 %
Other underwriting expenses	52.0	44.1	7.9	17.9 %
Underwriting gain (loss)	$ 44.8	$ 50.1	$ (5.3)	-10.6 %
				Point Chg
Loss ratio	71.6 %	68.7 %		2.9
Commission and brokerage ratio	23.0 %	24.9 %		(1.9)
Other underwriting expense ratio	2.9 %	3.0 %		(0.1)
Combined ratio	97.5 %	96.6 %		0.9

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

Premiums. Gross written premiums increased by 15.8% to $2,059.0 million for the three months ended March 31, 2021 from $1,777.8 million for the three months ended March 31, 2020, primarily due to increases in property pro rata business, property excess of loss business and casualty excess of loss writings as well as a $26.9 million positive impact from the movement of foreign exchange rates. Net written premiums increased by 18.6% to $1,913.0 million for the three months ended March 31, 2021 compared to $1,613.1 million for the three months ended March 31, 2020. The difference between the change in gross written premiums compared to the change in net written premiums was primarily due to varying utilization of reinsurance. Premiums earned increased by 19.7% to $1,775.5 million for the three months ended March 31, 2021, compared to $1,485.2 million for the three months ended March 31, 2020. 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.

	Three Months Ended March 31,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2021						
Attritional	$ 1,051.2	59.1 %	$ (1.8)	-0.1 %	1,049.4	59.0 %
Catastrophes	222.5	12.5 %	-	- %	222.5	12.5 %
Total Segment	$ 1,273.7	71.6 %	$ (1.8)	-0.1 %	$ 1,271.9	71.6 %
2020						
Attritional	$ 998.8	67.2 %	$ (2.6)	-0.2 %	$ 996.1	67.0 %
Catastrophes	24.5	1.7 %	-	- %	24.5	1.7 %
Total Segment	$ 1,023.3	68.9 %	$ (2.6)	-0.2 %	$ 1,020.6	68.7 %
Variance 2021/2020						
Attritional	$ 52.5	(8.1) pts	$ 0.8	0.1 pts	$ 53.3	(8.0) pts
Catastrophes	198.0	10.8 pts	-	- pts	198.0	10.8 pts
Total Segment	$ 250.5	2.7 pts	$ 0.8	0.1 pts	$ 251.3	2.9 pts

Incurred losses increased by 24.6% to $1,271.9 million for the three months ended March 31, 2021, compared to $1,020.6 million for the three months ended March 31, 2020. The increase was primarily due to an increase of $198.0 million in current year catastrophe losses and an increase of $52.5 million in current year attritional losses, mainly related to the impact of the increase in premiums earned. The current year catastrophe losses of $222.5 million for the three months ended March 31, 2021 related primarily to the Texas winter storms ($212.5 million) and the 2021 Australia floods ($10.0 million). The $24.5 million of current year catastrophe losses for the three months ended March 31, 2020 related to the Australian East Coast storm ($10.0 million), Australia fires ($10.0 million) and the Nashville tornadoes ($4.5 million).

Segment Expenses. Commission and brokerage expenses increased by 10.4% to $408.7 million for the three months ended March 31, 2021 compared to $370.4 million for the three months ended March 31, 2020. This increase was mainly due to the impact of the increases in premiums earned and changes in the mix of business.

Segment other underwriting expenses increased to $52.0 million for the three months ended March 31, 2021 from $44.1 million for the three months ended March 31, 2020. This increase was 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.

	Three Months Ended March 31,			
(Dollars in millions)	2021	2020	Variance	% Change
Gross written premiums	$ 872.4	$ 793.1	$ 79.3	10.0 %
Net written premiums	641.0	588.4	52.6	8.9 %
Premiums earned	$ 610.4	$ 551.6	$ 58.8	10.7 %
Incurred losses and LAE	439.5	410.2	29.3	7.1 %
Commission and brokerage	80.3	78.2	2.1	2.7 %
Other underwriting expenses	90.2	84.7	5.5	6.5 %
Underwriting gain (loss)	$ 0.4	$ (21.5)	$ 21.9	NM
				Point Chg
Loss ratio	72.0 %	74.4 %		-2.4
Commission and brokerage ratio	13.2 %	14.2 %		-1.0
Other underwriting expense ratio	14.8 %	15.3 %		-0.5
Combined ratio	99.9 %	103.9 %		-4.0

(NM not meaningful)
(Some amounts may not reconcile due to rounding.)

Premiums. Gross written premiums increased by 10.0% to $872.4 million for the three months ended March 31, 2021 compared to $793.1 million for the three months ended March 31, 2020. This rise was related to increases in specialty casualty business, property business and professional liability business, partially offset by a decline in workers' compensation business. Net written premiums increased by 8.9% to $641.0 million for the three months ended March 31, 2021 compared to $588.4 million for the three months ended March 31, 2020, which is consistent with the change in gross written premiums. Premiums earned increased 10.7% to $610.4 million for the three months ended March 31, 2021 compared to $551.6 million for the three months ended March 31, 2020. 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.

	Three Months Ended March 31,					
(Dollars in millions)	Current Year	Ratio %/ Pt Change	Prior Years	Ratio %/ Pt Change	Total Incurred	Ratio %/ Pt Change
2021						
Attritional	$ 392.0	64.2 %	$ -	- %	$ 392.0	64.2 %
Catastrophes	47.5	7.8 %	-	- %	47.5	7.8 %
Total Segment	$ 439.5	72.0 %	$ -	- %	$ 439.5	72.0 %
2020						
Attritional	$ 404.7	73.4 %	$ -	- %	$ 404.7	73.4 %
Catastrophes	5.5	1.0 %	-	- %	5.5	1.0 %
Total Segment	$ 410.2	74.4 %	$ -	- %	$ 410.2	74.4 %
Variance 2021/2020						
Attritional	$ (12.7)	(9.2) pts	$ -	- pts	$ (12.7)	(9.2) pts
Catastrophes	42.0	6.8 pts	-	- pts	42.0	6.8 pts
Total Segment	$ 29.3	(2.4) pts	$ -	- pts	$ 29.3	(2.4) pts

Incurred losses and LAE increased by 7.1% to $439.5 million for the three months ended March 31, 2021 compared to $410.2 million for the three months ended March 31, 2021. The increase was mainly due to an increase in current year catastrophe losses of $42.0 million, partially offset by a decrease of $12.7 million in current year attritional losses. The current year catastrophe losses of $47.5 million for the three months ended March 31, 2021 related to the Texas winter storms ($47.5 million). The $5.5 million of current year catastrophe losses for the three months ended March 31, 2020 related primarily to the Nashville tornadoes ($5.5 million).

Segment Expenses. Commission and brokerage increased by 2.7% to $80.3 million for the three months ended March 31, 2021 compared to $78.2 million for the three months ended March 31, 2020. The increase was mainly due to the impact of the increases in premiums earned.

Segment other underwriting expenses increased to $90.2 million for the three months ended March 31, 2021 compared to $84.7 million for the three months ended March 31, 2021. The increase was 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 $25,940.8 million at March 31, 2021, an increase of $479.2 million compared to $25,461.6 million at December 31, 2020. This increase was primarily the result of $904.4 million of cash flows from operations and $116.8 million in equity adjustments of our limited partnership investments, partially offset by $332.7 million of pre-tax unrealized depreciation, $93.6 million decrease in unsettled securities, $62.2 million paid out in dividends to shareholders, $56.9 million in fair value re-measurements, the repurchases of 97,462 common shares for $23.5 million, $17.3 million of amortization bond premium and $10.2 million due to fluctuations in foreign currencies.

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 fixed maturities with an average credit quality of Aa3. 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. 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 March 31, 2021, the market value of investments in these investment market sectors, carried at both market and fair value, approximated 81% 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 March 31, 2021		At December 31, 2020	
Fixed maturities, market value	$ 20,407.5	78.7 %	$ 20,040.2	78.7 %
Equity securities, fair value	1,400.7	5.4 %	1,472.2	5.8 %
Short-term investments	826.8	3.1 %	1,135.0	4.5 %
Other invested assets	2,173.2	8.4 %	2,012.6	7.9 %
Cash	1,132.7	4.4 %	801.7	3.1 %
Total investments and cash	$ 25,940.8	100.0 %	$ 25,461.6	100.0 %

(Some amounts may not reconcile due to rounding.)

	At March 31, 2021	At December 31, 2020
Fixed income portfolio duration (years)	3.5	3.6
Fixed income composite credit quality	Aa3	Aa3
Imbedded end of period yield, pre-tax	3.0 %	3.0 %
Imbedded end of period yield, after-tax	2.6 %	2.6 %

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

	Three Months Ended March 31, 2021	Twelve Months Ended December 31, 2020
Fixed income portfolio total return	(1.1) %	6.3 %
Barclay's Capital - U.S. aggregate index	(3.4) %	7.5 %
Common equity portfolio total return	2.5 %	26.7 %
S&P 500 index	6.2 %	18.4 %
Other invested asset portfolio total return	8.2 %	8.3 %

The pre-tax equivalent total return for the bond portfolio was approximately (1.1)% and 5.3%, respectively, for the three months ended March 31, 2021 and the twelve months ended December 31, 2020. 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 $2,029.7 million and $1,994.6 million at March 31, 2021 and December 31, 2020, respectively. At March 31, 2021, $698.3 million, or 34.4%, was receivable from Mt. Logan Re collateralized segregated accounts; $189.0 million, or 9.3%, was receivable from Munich Reinsurance America, Inc. (“Munich Re”) and $109.0 million or 5.4% was receivable from Endurance Specialty Holdings, Ltd. (“Endurance”). No other retrocessionaire accounted for more than 5% of our receivables.

Loss and LAE Reserves. Gross loss and LAE reserves totaled $17,090.6 million and $16,399.0 million at March 31, 2021 and December 31, 2020, respectively.

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

	At March 31, 2021			
(Dollars in millions)	Case Reserves	IBNR Reserves	Total Reserves	% of Total
Reinsurance	$ 5,197.0	$ 7,111.7	$ 12,308.6	72.0 %
Insurance	1,274.2	3,305.2	4,579.4	26.8 %
Total excluding A&E	6,471.2	10,416.8	16,888.0	98.8 %
A&E	172.9	29.7	202.6	1.2 %
Total including A&E	$ 6,644.1	$ 10,446.5	$ 17,090.6	100.0 %

(Some amounts may not reconcile due to rounding.)

	At December 31, 2020			
(Dollars in millions)	Case Reserves	IBNR Reserves	Total Reserves	% of Total
Reinsurance	$ 5,092.7	$ 6,723.8	$ 11,816.5	72.1 %
Insurance	1,282.1	3,082.6	4,364.8	26.6 %
Total excluding A&E	6,374.8	9,806.4	16,181.3	98.7 %
A&E	184.0	33.8	217.7	1.3 %
Total including A&E	$ 6,558.8	$ 9,840.2	$ 16,399.0	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 March 31, 2021	At December 31, 2020
Gross reserves	$ 204.2	$ 219.3
Reinsurance receivable	(20.1)	(21.1)
Net reserves	$ 184.1	$ 198.3

(Some amounts may not reconcile due to rounding.)

With respect to asbestos only, at March 31, 2021, we had net asbestos loss reserves of $181.6 million, or 98.7%, 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 5.1 years at March 31, 2021. 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 decreased to $9,682.9 million as of March 31, 2021 from $9,726.2 million as of December 31, 2020. This decrease was the result of $292.3 million of unrealized depreciation on investments net of tax, $62.2 million of shareholder dividends, the repurchase of 97,462 common shares for $23.5 million and $9.6 million of net foreign currency translation adjustments, partially offset by $341.9 million of net income, $2.0 million of net benefit plan obligation adjustments, net of tax and $0.4 million of share-based compensation transactions.

LIQUIDITY AND CAPITAL RESOURCES

Capital. Shareholders' equity at March 31, 2021 and December 31, 2020 was $9,682.9 million and $9,726.2 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:

	Bermuda Re (1) At December 31,		Everest Re (2) At December 31,	
(Dollars in millions)	2020	2019	2020	2019
Regulatory targeted capital	$ 1,923.2	$ 2,061.1	$ 2,489.8	$ 2,001.2
Actual capital	$ 2,930.3	$ 3,197.4	$ 5,276.0	$ 3,739.1

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

(2) 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.

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.

During the first quarter of 2021, we repurchased 97,462 shares for $23.5 million in the open market and paid $62.2 million in dividends to adjust our capital position and enhance long term expected returns to our shareholders. In 2020, we repurchased 970,892 shares for $200.0 million in the open market and paid $249.1 million in dividends to adjust our capital position and enhance long term expected returns to our shareholders. 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 March 31, 2021, we had repurchased 29.7 million shares under this authorization.

We also repurchased $13.2 million of our long-term subordinated notes in 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.

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 $904.4 million and $506.0 million for the three months ended March 31, 2021 and 2020, respectively. Additionally, these cash flows reflected net catastrophe loss payments of $173.6 million and $219.3 million for the three months ended March 31, 2021 and 2020, respectively and net tax payments of $6.4 million and $4.9 million for the three months ended March 31, 2021 and 2020, 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 March 31, 2021 and December 31, 2020, we held cash and short-term investments of $1,959.4 million and $1,936.6 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 March 31, 2021, we had $1,559.2 million of available for sale fixed maturity securities maturing within one year or less, $6,715.9 million maturing within one to five years and $6,159.0 million maturing after five years. Our $1,400.7 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 March 31, 2021 we had $484.0 million of net pre-tax unrealized appreciation related to fixed maturity securities, comprised of $677.5 million of pre-tax unrealized appreciation and $193.5 million of pre-tax unrealized depreciation.

Management generally expects annual positive cash flow from operations, which reflects the strength of overall pricing. However, given the recent set of catastrophic events, cash flow from operations may decline and could become negative in the near term as significant claim payments are made related to the catastrophes. However, as indicated above, the Company has ample liquidity to settle its catastrophe 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 March 31, 2021, was $6,476.6 million. As of March 31, 2021, the Company was in compliance with all Group Credit Facility covenants.

At March 31, 2021 and December 31, 2020, the Company had no outstanding short-term borrowings from the Group Credit Facility revolving credit line. At March 31, 2021, the Group Credit Facility had $151.4 million outstanding letters of credit under tranche one and $598.4 million outstanding letters of credit under tranche two. At December 31, 2020, the Group Credit Facility had $164.2 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 $6,393.0, million (70% of consolidated net worth as of December 31, 2019), 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 March 31, 2021, was $6,613.6 million. As of March 31, 2021, the Company was in compliance with all Everest International Credit Facility requirements.

At March 31, 2021 and December 31, 2020, Everest International Credit Facility had £52.2 million 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 March 31, 2021 and 2020.

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 March 31, 2021, Everest Re had admitted assets of approximately $17,280.1 million which provides borrowing capacity of up to approximately $1,728.0 million. As of March 31, 2021, Everest Re had $310.0 million of outstanding borrowings through its FHLB borrowing capacity. The $310.0 million of collateralized borrowings have interest payable at a rate of 0.35%.

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, fixed maturity portfolio, while maintaining an adequate level of liquidity. Our mix of investments is adjusted periodically, consistent with our current and projected operating results and market conditions. 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 $25.9 billion investment portfolio, at March 31, 2021, 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 $3,337.6 million of mortgage-backed securities in the $20,407.5 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 $826.8 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 March 31, 2021				
	-200	-100	0	100	200
(Dollars in millions)					
Total Market/Fair Value	$ 22,698.1	$ 21,966.2	$ 21,234.2	$ 20,502.3	19,770.4
Market/Fair Value Change from Base (%)	6.9 %	3.4 %	0.0 %	(3.4) %	(6.9) %
Change in Unrealized Appreciation					
After-tax from Base ($)	$ 1,280.3	$ 640.2	$ -	$ (640.2)	$ (1,280.3)

We had $17,090.6 million and $16,399.0 million of gross reserves for losses and LAE as of March 31, 2021 and December 31, 2020, 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 2.9 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 $13.8 billion, representing approximately 65.1% 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 March 31, 2021				
(Dollars in millions)	-20%	-10%	0%	10%	20%
Fair/Market Value of the Equity Portfolio	$ 1,120.5	$ 1,260.6	$ 1,400.7	$ 1,540.7	$ 1,680.8
After-tax Change in Fair/Market Value	$ (227.7)	$ (113.8)	$ -	$ 113.8	$ 227.7

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.

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

No material changes.

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)
January 1 - 31, 2021	-	$ -	-	2,357,803
February 1 - 28, 2021	49,610	$ 241.4919	4,100	2,353,703
March 1 - 31, 2021	93,362	$ 241.7088	93,362	2,260,341
Total	142,972	$ -	97,462	2,260,341

(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

Exhibit No.	Description
10.1	Credit Agreement, dated February 23, 2021, between Everest Reinsurance (Bermuda), Ltd. and Wells Fargo Bank, N.A. as administrative agent, providing for an $50.0 million credit facility, filed herewith
31.1	Section 302 Certification of Juan C. Andrade
31.2	Section 302 Certification of Mark Kociancic
32.1	Section 906 Certification of Juan C. Andrade and Mark Kociancic

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: May 10, 2021

EXECUTION VERSION

Standby Letter of Credit Agreement
(Committed/Secured)

February 23, 2021

364-DAY STANDBY LETTER OF CREDIT AGREEMENT (the "**Agreement**"), dated as of February 23, 2021, by and among EVEREST REINSURANCE (BERMUDA), LTD., a company incorporated and existing under the laws of Bermuda (the "**Account Party**"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association ("Bank").

1. **DEFINED TERMS.**

(a) **Definitions**. For purposes of this Agreement, in addition to the terms defined elsewhere herein, the following terms have the meanings set forth below (such meanings to be equally applicable to the singular and plural forms thereof):

"**A.M. Best**" means A.M. Best Company, Inc.

"**Anti-Corruption L**aws" means all laws, rules, and regulations of any jurisdiction applicable to the Account Party or any of its Subsidiaries from time to time concerning or relating to bribery or corruption, including, to the extent applicable, the United States Foreign Corrupt Practices Act of 1977 and the rules and regulations thereunder and the U.K. Bribery Act 2010 and the rules and regulations thereunder.

"**Anti-Money Laundering Laws**" means any and all laws, rules and regulations applicable to the Account Party or any of its Subsidiaries from time to time concerning or relating to terrorism financing or money laundering, including any applicable provision of the PATRIOT Act and The Currency and Foreign Transactions Reporting Act (also known as the "Bank Secrecy Act," 31 U.S.C. §§ 5311-5330 and 12 U.S.C. §§ 1818(s), 1820(b) and 1951-1959).

"**Application**" has the meaning set forth in **Section 2(a).**

"**Annual Statement**" means, with respect to the Account Party for any fiscal year, the annual financial statements of the Account Party as required to be filed with the Insurance Regulatory Authority of its jurisdiction of domicile and in accordance with the laws of such jurisdiction, together with all exhibits, schedules, certificates and actuarial opinions required to be filed or delivered therewith.

"**Bankruptcy Law**" means the United States Bankruptcy Code (11 U.S.C. § 101 et seq.), as amended, modified, succeeded or replaced from time to time, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor relief laws of the United States or any state thereof, Bermuda or any other foreign or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“**Business Day**” means (i) any day other than a Saturday, Sunday or legal holiday on which banks in Charlotte, North Carolina, Hamilton, Bermuda and New York City, New York, are open for the conduct of their commercial banking business and (ii) when used in connection with a Letter of Credit denominated in Canadian dollars, such day is also a day on which banks are open for dealings in deposits in Canadian dollars in both Toronto and Montreal.

“**Capital Stock**” means (i) with respect to any Person that is a corporation, any and all shares, interests or equivalents in capital stock (whether voting or nonvoting, and whether common or preferred) of such corporation, and (ii) with respect to any Person that is not a corporation, any and all partnership, membership, limited liability company or other equity interests of such Person; and in each case, any and all warrants, rights or options to purchase any of the foregoing.

“**Cash Equivalents**” means (i) securities issued or unconditionally guaranteed by the United States of America or any agency or instrumentality thereof, backed by the full faith and credit of the United States of America and maturing within 90 days from the date of acquisition, (ii) commercial paper issued by any Person organized under the laws of the United States of America, maturing within 90 days from the date of acquisition and, at the time of acquisition, having a rating of at least A 1 or the equivalent thereof by Standard & Poor’s or at least P 1 or the equivalent thereof by Moody’s, (iii) time deposits and certificates of deposit maturing within 90 days from the date of issuance and issued by a bank or trust company organized under the laws of the United States of America or any state thereof that has combined capital and surplus of at least $500,000,000 and that has (or is a subsidiary of a bank holding company that has) a long-term unsecured debt rating of at least A or the equivalent thereof by Standard & Poor’s or at least A2 or the equivalent thereof by Moody’s, (iv) repurchase obligations with a term not exceeding seven (7) days with respect to underlying securities of the types described in clause (i) above entered into with any bank or trust company meeting the qualifications specified in clause (iii) above, and (v) money market funds at least 95% of the assets of which are continuously invested in securities of the type described in clauses (i) through (iv) above.

“**Change in Law**” means the occurrence after the date of this Agreement of: (a) the adoption or effectiveness of any law, rule, regulation, judicial ruling, judgment or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application by any Governmental Authority of any law, rule, regulation or treaty, or (c) the making or issuance by any Governmental Authority of any request, rule, guideline or directive, whether or not having the force of law; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives concerning capital adequacy promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the U.S. federal or foreign regulatory authorities shall, in each case, be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“**Closing Date**” means February 23, 2021.

“**Code**” means the Internal Revenue Code of 1986, and the rules and regulations promulgated thereunder.

“**Collateral**” means all the assets, property and interests in property that shall from time to time be pledged or be purported to be pledged as direct or indirect security for the Obligations pursuant to any one or more of the Security Documents.

"**Collateral Value**" for any Business Day shall be calculated as set forth on Attachment A to Exhibit B.

"**Collateral Value Certificate**" means a certificate substantially in the form attached as Exhibit B.

"**Commitment**" means the obligation of Bank to Issue Letters of Credit for the account of the Account Party hereunder in an aggregate principal amount at any time outstanding not to exceed $50,000,000, as such amount may be reduced from time to time pursuant to the terms hereof.

"**Commitment Fee**" has the meaning specified in Section 2(i) hereto.

"**Commitment Termination Date**" means the earliest to occur of (a) February 22, 2022, (b) the date of termination of the entire Commitment by the Account Party pursuant to Section 2(h), and (c) the date of termination of the Commitment pursuant to Section 11(a).

"**Control Agreement**" means the control agreement among Custodian, Bank and the Account Party, as amended, supplemented or restated from time to time, pursuant to which a lien on one or more Custodial Accounts and the contents thereof and all security entitlements related thereto securing the Obligations is perfected in favor of Bank.

"**Covenant Compliance Worksheet**" means a fully completed worksheet in the form of Annex A to Exhibit A.

"**Credit Documents**" means, collectively, this Agreement, the Letter of Credit Documents and each Security Document.

"**Custodial Account**" means each custodial, brokerage or similar account of the Account Party maintained by the Custodian as a "securities account" within the meaning of Section 8-501(a) of the UCC for the Account Party as the "entitlement holder" within the meaning of Section 8-102(7) of the UCC pursuant to a custodial agreement, on which (and on the contents of which) a lien has been granted as security for the Obligations.

"**Custodian**" means The Bank of New York Mellon (in its capacity as custodian of the Custodial Accounts).

"**Default**" means any of the events specified in Section 10 which with the passage of time, the giving of notice or any other condition, would constitute an Event of Default.

"**Disqualified Capital Stock**" means, with respect to any Person, any Capital Stock of such Person that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event or otherwise, (i) matures or is mandatorily redeemable or subject to any mandatory repurchase requirement, pursuant to a sinking fund obligation or otherwise, (ii) is redeemable or subject to any mandatory repurchase requirement at the sole option of the holder thereof, or (iii) is convertible into or exchangeable for (whether at the option of the issuer or the holder thereof) (A) debt securities or (B) any Capital Stock referred to in clause (i) or (ii) above, in each case under clause (i), (ii) or (iii) above at any time on or prior to the Final Maturity Date; provided, however, that only the portion of Capital Stock that so matures or is mandatorily redeemable, is so redeemable at the option of the holder thereof, or is so convertible or exchangeable on or prior to such date shall be deemed to be Disqualified Capital Stock.

“**Dollar Amount**” means, at any time, (i) with respect to any amount denominated in Dollars, such amount, and (ii) with respect to any amount denominated in any Foreign Currency, the equivalent amount thereof in Dollars as determined by the Bank at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of Dollars with such Foreign Currency.

“**Dollars**” or “**$**” means dollars of the United States of America.

“**Draw Date**” has the meaning specified in **Section 2(b)(i).**

“**Due Date**” has the meaning specified in **Section 2(b)(i).**

“**ERISA**” means the Employee Retirement Income Security Act of 1974, and the rules and regulations thereunder.

“**Event of Default**” has the meaning specified in **Section 10.**

“**Exchange Act”** means the Securities Exchange Act of 1934.

“**FATCA**” means (a) Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, and any agreements entered into pursuant to Section 1471(b)(1) of the Code, (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction with the purpose (in either case) of facilitating the implementation of (a) above, or (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the IRS, the United States government or any governmental or taxation authority in the United States.

“**Final Expiry Date**” means the date when the Final Maturity Date has occurred, all Letters of Credit have expired or terminated and all Obligations owing hereunder and in the other Credit Documents have been paid in full.

“**Final Maturity Date**” means the first anniversary of the Commitment Termination Date.

“**Financial Strength Rating**” means, as to any Person, the rating that has been most recently announced by A.M. Best as the “financial strength rating” of such Person.

“**Fiscal Year**” means the fiscal year of the Account Party and its Subsidiaries.

“**Foreign Currency**” means Canadian dollars.

“**Foreign Currency Equivalent**” means, at any time, with respect to any amount denominated in Dollars, the equivalent amount thereof in the applicable Foreign Currency as determined by the Bank at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of such Foreign Currency with Dollars.

“**GAAP**” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“**Governmental Authority**” means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government (including any supra-national bodies such as the European Union or the European Central Bank).

“**Hedge Agreement**” means any interest or foreign currency rate swap, cap, collar, option, hedge, forward rate or other similar agreement or arrangement designed to protect against fluctuations in interest rates or currency exchange rates, including any swap agreement (as defined in 11 U.S.C. § 101).

“**Hedge Termination Value**” means, in respect of any one or more Hedge Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Hedge Agreements, (a) for any date on or after the date such Hedge Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Hedge Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedge Agreements (which may include Bank or any affiliate of Bank).

“**Indebtedness**” means, with respect to any Person (without duplication), (i) all indebtedness of such Person for borrowed money or in respect of loans or advances, (ii) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments, (iii) all reimbursement obligations of such Person with respect to surety bonds, letters of credit and bankers’ acceptances (in each case, whether or not drawn or matured and in the stated amount thereof), (iv) all obligations of such Person to pay the deferred purchase price of property or services, (v) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, (vi) all obligations of such Person as lessee under leases that are or are required to be, in accordance with GAAP, recorded as capital or finance leases, to the extent such obligations are required to be so recorded, (vii) all obligations and liabilities of such Person incurred in connection with any transaction or series of transactions providing for the financing of assets through one or more securitizations or in connection with, or pursuant to, any synthetic lease or similar off-balance sheet financing, (viii) all Disqualified Capital Stock issued by such Person, with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any (for purposes hereof, the “maximum fixed repurchase price” of any Disqualified Capital Stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Agreement, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock, such fair market value shall be determined reasonably and in good faith by the board of directors or other governing body of the issuer of such Disqualified Capital Stock), (ix) the Hedge Termination Value of such Person under any Hedge Agreements, calculated as of any date as if such agreement or arrangement were terminated as of such date, (x) all Contingent Obligations of such Person in respect of Indebtedness of other Persons and (xi) all indebtedness referred to in clauses (i) through (x) above secured by any Lien on any property or asset owned or held by such Person regardless of whether the indebtedness secured thereby shall have been assumed by such Person or is nonrecourse to the credit of such Person.

“**Instructions**” has the meaning set forth in Section 2(a).

“**Insurance Regulatory Authority**” means, with respect to the Account Party, the insurance department or similar Governmental Authority charged with regulating insurance companies or insurance holding companies, in its jurisdiction of domicile and, to the extent that it has regulatory authority over the Account Party, in each other jurisdiction in which the Account Party conducts business or is licensed to conduct business.

“**Investment Company Act**” means the Investment Company Act of 1940 (15 U.S.C. § 80(a)(1), et seq.).

“**IRS**” means the United States Internal Revenue Service.

“**Issue**” means, with respect to any Letter of Credit, to issue, to amend or to extend the expiry of, or to renew or increase the stated amount of, such Letter of Credit. The terms “**Issued**”, “**Issuing**” and “**Issuance**” have corresponding meanings.

“**Letters of Credit**” means the collective reference to standby letters of credit Issued pursuant to Section 2.

“**Letter of Credit Documents**” means, with respect to any Letter of Credit, collectively, any Applications, agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit.

“**Letter of Credit Fee**” has the meaning specified in Section 2(i)(iii) hereto.

“**Lien**” means any mortgage, pledge, hypothecation, assignment, security interest, lien (statutory or otherwise), preference, priority, charge or other encumbrance of any nature, whether voluntary or involuntary, including the interest of any vendor or lessor under any conditional sale agreement, title retention agreement, capital lease or any other lease or arrangement having substantially the same effect as any of the foregoing.

“**Material Adverse Effect**” means a material adverse effect upon (i) the financial condition, operations, business, properties or assets of the Account Party and its Subsidiaries, taken as a whole, (ii) the ability of the Account Party to perform its respective payment or other material obligations under this Agreement or any of the other Credit Documents or (iii) the legality, validity or enforceability of this Agreement or any of the other Credit Documents or the rights and remedies of Bank hereunder and thereunder.

“**Non-Extension Notice Date**” has the meaning given to such term in **Section 2(g).**

“**Notice of Non-Extension**” has the meaning given to such term in **Section 2(g).**

“**Obligations**” means all obligations and liabilities (including any interest and fees accruing after the filing of a petition or commencement of a case by or with respect to the Account Party seeking relief under any applicable Bankruptcy Laws, whether or not the claim for such interest or fees is allowed in such proceeding), including without limitation, reimbursement and other payment obligations and liabilities, of the Account Party to Bank arising under, or in connection with, the applicable Credit Document, including, without limitation, Section 5 below, any Application or any Letter of Credit, in each case whether matured or unmatured, absolute or contingent, now existing or hereafter incurred.

“**OFAC**” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“**Officer’s Compliance Certificate**” means a certificate of the chief executive officer, the chief financial officer, vice president—finance, principal accounting officer, treasurer or assistant treasurer of the Account Party substantially in the form attached as Exhibit A, together with a Covenant Compliance Worksheet.

“**Other Taxes**” has the meaning specified in Section 2(c).

“**Outstanding Letters of Credit**” means, as of any date, the sum of (a) the Stated Amount of all outstanding Letters of Credit at such time and, without duplication, (b) all reimbursement obligations in respect of Letters of Credit at such time.

“**PATRIOT Act**” means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

“**Payment Date**” has the meaning specified in Section 2(b)(i).

“**Person**” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

“**Pledge Agreement**” means the Pledge and Security Agreement, dated as of the date hereof, made by the Account Party in favor of Bank, as amended, supplemented or restated from time to time.

“**Prime Rate**” means that rate of interest most recently announced within Bank at its principal office as its “Prime Rate”, with the understanding that the Prime Rate is one of Bank’s base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and evidenced by the recording thereof in such publication or publications as Bank may designate. Each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

“**Quarterly Statement**” means, with respect to the Account Party for any fiscal quarter, the quarterly financial statements of the Account Party as required to be filed with the Insurance Regulatory Authority of its jurisdiction of domicile, together with all exhibits, schedules, certificates and actuarial opinions required to be filed or delivered therewith.

“**Requirement of Law**” means, with respect to any Person, the charter, articles, constitution or certificate of organization or incorporation and bye-laws or other organizational or governing documents of such Person, and any statute, law, treaty, rule, regulation, order, decree, writ, injunction or determination of any arbitrator or court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject or otherwise pertaining to any or all of the transactions contemplated by this Agreement and the other Credit Documents.

“**Responsible Officer**” means, as to any Person, the chief executive officer, president, chief financial officer, controller, treasurer or assistant treasurer of such Person or any other officer of such Person designated in writing by the Account Party and reasonably acceptable to Bank; provided that, to the extent requested thereby, Bank shall have received a certificate of such Person certifying as to the incumbency and genuineness of the signature of each such officer. Any document delivered hereunder or under any other Credit Document that is signed by a Responsible Officer of a Person shall be conclusively presumed to have been authorized by all necessary corporate, limited liability company, partnership and/or other action on the part of such Person and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Person.

“**Revaluation Date**” means with respect to any Letter of Credit, each of the following: (i) each date of issuance of a Letter of Credit denominated in a Foreign Currency, (ii) each date of an amendment of any such Letter of Credit having the effect of increasing or decreasing the Stated Amount thereof, (iii) each date of any payment by the Bank under any Letter of Credit denominated in a Foreign Currency and (iv) each such additional date as the Bank shall determine or require.

“**Sanctions**” means any and all economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes and anti-terrorism laws, including but not limited to those imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC or the U.S. Department of State), the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority.

“**Sanctioned Country**” means at any time, a country, territory or region which is itself the subject or target of any Sanctions.

“**Sanctioned Person**” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC (including, without limitation, OFAC’s Specially Designated Nationals and Blocked Persons List and OFAC’s Consolidated Non-SDN List), the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority, (b) any Person located, operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in clauses (a) and (b), including a Person that is deemed by OFAC to be a Sanctions target based on the ownership of such legal entity by Sanctioned Peron(s).

“**Security Documents**” means, collectively, (a) the Pledge Agreement and (b) the Control Agreement and (c) each other document, agreement, certificate and/or financing statement, executed, delivered, made or filed pursuant to the terms of the documents specified in foregoing clauses (a) and (b).

“**Spot Rate**” means, with respect to any Foreign Currency, the rate quoted by the Bank as the spot rate for the purchase by the Bank of such Foreign Currency with Dollars through its principal foreign exchange trading office at approximately 11:00 a.m., London time, on the date two Business Days prior to the date as of which the foreign exchange computation is made; provided that the Bank may use such spot rate quoted on the date as of which the foreign exchange computation is made in the case of any Letter of Credit denominated in an Foreign Currency.

“**Standard Letter of Credit Practice**” means, for Bank, any U.S. federal or state or foreign law or letter of credit practices applicable in the city in which Bank Issued the applicable Letter of Credit or for its branch or correspondent banks, such laws and practices applicable in the city in which it has advised, confirmed or negotiated such Letter of Credit, as the case may be. Such practices shall be (i) of banks that regularly issue letters of credit in the particular city, and (ii) required or permitted under the ISP (as defined below) or UCP (as defined below), as chosen in the applicable Letter of Credit. “ISP” means, International Standby Practices 1998 (International Chamber of Commerce Publication No. 590) and any subsequent revision thereof adopted by the International Chamber of Commerce on the date such Letter of Credit is issued. “UCP” means, Uniform Customs and Practice for Documentary Credits 2007 Revision, International Chamber of Commerce Publication No. 600 and any subsequent revision thereof adopted by the International Chamber of Commerce on the date such Letter of Credit is issued.

“**Stated Amount**” means, with respect to any Letter of Credit at any time, the aggregate Dollar Amount available to be drawn thereunder at such time (regardless of whether any conditions for drawing could then be met).

“**Subsidiary**” means as to any Person, any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding Capital Stock having ordinary voting power to elect a majority of the board of directors (or equivalent governing body) or other managers of such corporation, partnership, limited liability company or other entity is at the time owned by (directly or indirectly) such Person (irrespective of whether, at the time, Capital Stock of any other class or classes of such corporation, partnership, limited liability company or other entity shall have or might have voting power by reason of the happening of any contingency). Unless otherwise qualified, references to “Subsidiary” or “Subsidiaries” herein shall refer to those of the Account Party.

“**Taxes**” has the meaning specified in Section 2(c).

"**Threshold Amount**" means $50,000,000.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of New York.

"**Upfront Fee**" has the meaning specified in Section 2(i) hereto.

"**U.S**." means United States of America.

(b) Exchange Rates; Currency Equivalents.

(i) The Bank shall determine the Spot Rates as of each Revaluation Date to be used for calculating Dollar Amounts of Letters of Credit denominated in Foreign Currencies. Such Spot Rates shall become effective as of such Revaluation Date and shall be the Spot Rates employed in converting any amounts between the applicable currencies until the next Revaluation Date to occur. Except for purposes of financial statements required to be delivered hereunder or calculating financial covenants hereunder and except as otherwise provided herein, the applicable amount of any currency (other than Dollars) for purposes of the Credit Documents shall be such Dollar Amount as so determined by the Bank.

(ii) Wherever in this Agreement in connection with the issuance, amendment or extension of a Letter of Credit, an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Letter of Credit is denominated in a Foreign Currency, such amount shall be the relevant Foreign Currency Equivalent of such Dollar amount (rounded to the nearest unit of such Foreign Currency, with 0.5 of a unit being rounded upward), as determined by the Bank.

2. LETTER OF CREDIT FACILITY.

(a) **General**. At the request of the Account Party, Bank agrees, on and subject to the terms and conditions of this Agreement, to issue standby Letters of Credit for the account of the Account Party in U.S. dollars or a Foreign Currency from time to time during the period from the Closing Date to but not including the Commitment Termination Date. Letters of Credit may only be issued on Business Days. The request to issue a Letter of Credit (an "**Application**") shall be in such form as Bank shall from time to time require or agree to accept (including any type of electronic form or means of communication acceptable to Bank) and, upon the receipt of any Application, Bank shall process such Application in accordance with its customary procedures and shall, subject to Section 4, promptly issue the Letter of Credit requested thereby (but in no event shall Bank be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by Bank and the Account Party. Inquiries, communications and instructions (whether written, facsimile or in other electronic form approved by Bank) regarding a Letter of Credit, an Application and this Agreement are each referred to herein as "**Instructions**". Bank's records of the content of any Instruction will be conclusive, absent manifest error.

(b) **General Payment Obligations**. For each Letter of Credit, the Account Party shall, as to clause (i) below, reimburse Bank, and as to all other clauses below, pay Bank, in each case in U.S. dollars or a Foreign Currency:

(i) with respect to a drawing under any Letter of Credit, the amount of each drawing paid by Bank thereunder (such date of payment hereinafter referred to as the "**Draw Date**") no later than the first succeeding Business Day after the Account Party's receipt of notice of such payment by Bank (the "**Due Date**"), with interest as provided below on the amount so paid by Bank (to the extent not reimbursed prior to 2:00 p.m. Eastern Time on the Draw Date) for the period from the Draw Date to the date the reimbursement obligation created thereby is satisfied in full (the "**Payment Date**"). If the Payment Date is on or prior to the Due Date, such interest shall be payable at the Prime Rate as in effect from time to time during the period from the Draw Date to the Payment Date. If the Payment Date is after the Due Date, such interest shall be payable (x) as provided in the preceding sentence during the period from and including the Draw Date to and not including the Due Date, and (y) at the Prime Rate as in effect from time to time plus 2% from and including the Due Date to and not including the Payment Date;

(ii) the fees payable by the Account Party at such times and in such amounts as are set forth in **Section 2(i).**

(iii) except as otherwise provided in clause (i) above and clause (iv) below, interest on each amount payable by the Account Party under the applicable Credit Documents for each day from and including the date such payment is due to and not including the date of payment, on demand, at a rate per annum equal to the Prime Rate as in effect from time to time plus 2%;

(iv) within ten (10) days of demand, Bank's documented out-of-pocket costs and expenses (including the reasonable and documented legal fees, charges and disbursements of outside counsel to Bank incurred in connection with the protection or enforcement of Bank's rights against the Account Party under this Agreement and the other applicable Credit Documents and any correspondent bank's documented charges related thereto), with interest from the date of demand by Bank to and not including the date of payment by the Account Party, at a rate per annum equal to the Prime Rate as in effect from time to time plus 2%;

(v) if as a result of any Change in Law, Bank determines that the cost to Bank of Issuing or maintaining any Letter of Credit is increased (excluding, for purposes of this clause (a)(v), any such increased costs resulting from (A) income taxes, franchise taxes and similar taxes imposed on Bank by any taxing authority, any U.S. federal withholding taxes imposed under FATCA and Other Taxes (in each case as to which Section 2(c) shall govern) and (B) changes in the basis of taxation of overall net income or overall gross income by the U.S. or by the foreign jurisdiction or state under the laws of which Bank is organized or has its lending office or any political subdivision thereof), then the Account Party will pay to Bank, from time to time, within ten (10) days after demand by Bank, which demand shall include a statement of the basis for such demand and a calculation in reasonable detail of the amount demanded, additional amounts sufficient to compensate Bank for such increased cost. A certificate as to the amount of such increased cost, submitted to the Account Party by Bank, shall be conclusive and binding for all purposes, absent manifest error; and

(vi) if Bank determines that any Change in Law affecting Bank or any lending office of Bank or Bank's holding company regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on Bank's capital or on the capital of Bank's holding company as a consequence of this Agreement or the Letters of Credit issued by Bank to a level below that which Bank or Bank's holding company could have achieved but for such Change in Law (taking into consideration Bank's or its holding company's policies with respect to capital adequacy), then from time to time the Account Party will pay to Bank within ten (10) days after demand by Bank, which demand shall include a statement of the basis for such demand and a calculation in reasonable detail of the amount demanded, such additional amount or amounts as will compensate Bank or Bank's holding company for any such reduction suffered. A certificate as to such amounts submitted to the Account Party by Bank shall be conclusive and binding for all purposes, absent manifest error.

Bank shall use reasonable efforts to designate a different lending office if such designation will avoid (or reduce the cost to the Account Party of) any event described in the preceding sentence and such designation will not, in Bank's good faith judgment, subject Bank to any unreimbursed cost or expense and would not otherwise be disadvantageous to Bank.

Notwithstanding the provisions of clause (v) or (vi) above or Section 2(c) below (and without limiting the immediately preceding paragraph), Bank shall not be entitled to compensation from the Account Party for any amount arising prior to the date which is 180 days before the date on which Bank notifies the Account Party of such event or circumstance (except that if such event or circumstance is retroactive, then such 180-day period shall be extended to include the period of retroactive effect thereof).

Any payments received by Bank pursuant to the Credit Documents after 1:00 p.m. Eastern shall be deemed to have been made on the next succeeding Business Day for all purposes under the Credit Documents.

(c) **Immediately Available Funds; No Withholding**. All reimbursements and payments by or on behalf of the Account Party shall be made in immediately available funds, free and clear of and without deduction for any present or future Taxes, set-off or other liabilities, to such location as Bank may reasonably designate from time to time. The Account Party shall pay all withholding taxes and Other Taxes imposed by any taxing authority on reimbursement or payment under any Letter of Credit and any Credit Document, and shall indemnify Bank against all liabilities, costs, claims and expenses resulting from Bank having to pay or from any omission to pay or delay in paying any such taxes, except to the extent that such taxes are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of Bank. Any such indemnification payment shall be made within ten (10) days from the date Bank makes written demand therefor. "**Taxes**" means all taxes, fees, duties, levies, imposts, deductions, charges or withholdings of any kind (other than income taxes, franchise taxes and similar taxes imposed on Bank by any taxing authority and any U.S. federal withholding taxes imposed under FATCA). "**Other Taxes**" means all present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or from the execution, delivery or registration of, performance under, or otherwise with respect to, this Agreement or any other Credit Document.

(d) **Automatic Debit and Set-Off**. Upon the occurrence and during the continuance of any Event of Default with respect to the Account Party, Bank may (but shall not be required to), without demand for reimbursement or payment or notice to the Account Party, and in addition to any other right of set-off that Bank may have, debit any account or accounts maintained by the Account Party with any office of Bank (now or in the future) and set-off and apply (i) any balance or deposits (general, special, time, demand, provisional, final, matured or absolute) in the account(s) and (ii) any sums due or payable from Bank, to the payment of any and all Obligations owed by the Account Party to Bank, irrespective of whether Bank shall have made any demand under this Agreement and although such Obligations may be contingent or unmatured. Bank agrees promptly to notify the Account Party after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

(e) **Obligations Absolute**. The Account Party's reimbursement and payment obligations under this Section 2 are absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever, including, without limitation:

(i) any lack of validity, enforceability or legal effect of any Letter of Credit or any Credit Document or any term or provision therein;

(ii) payment against presentation of any draft, demand or claim for payment under any Letter of Credit or other document presented for purposes of drawing under any Letter of Credit (individually, a "**Drawing Document**" and collectively, the "**Drawing Documents**") that does not comply in whole or in part with the terms of the applicable Letter of Credit or which proves to be fraudulent, forged or invalid in any respect or any statement therein proving to be untrue or inaccurate in any respect, or which is signed, issued or presented by a Person or a transferee of such Person purporting to be a successor or transferee of the beneficiary of such Letter of Credit;

(iii) Bank or any of its branches or affiliates being the beneficiary of any Letter of Credit;

(iv) Bank or any correspondent bank honoring a drawing against a Drawing Document up to the amount available under any Letter of Credit even if such Drawing Document claims an amount in excess of the amount available under such Letter of Credit;

(v) the existence of any claim, set-off, defense or other right that Account Party or any other Person may have at any time against any beneficiary or any assignee of proceeds, Bank or any other Person; or

(vi) any other event, circumstance or conduct whatsoever, whether or not similar to any of the foregoing that might, but for this Section 2(e), constitute a legal or equitable defense to or discharge of, or provide a right of set-off against, the Obligations, whether against Bank, the beneficiary or any other Person;

provided, however, that subject to **Section 5(b)** below, the foregoing shall not release Bank from such liability to the Account Party as may be determined by a court of competent jurisdiction by a final and nonappealable judgment against Bank following reimbursement and/or payment of the Obligations.

(f) **Computation of Interest and Fees; Maximum Rate**. All computations of interest and fees to be made hereunder and under any other Credit Document shall be made on the basis of a year consisting of (i) in the case of interest determined with reference to the Prime Rate, 365/366 days, as the case may be, or (ii) in all other instances, 360 days; and in each case under (i) and (ii), for the actual number of days elapsed (including the first day but excluding the last day) occurring in the period for which such interest or fee is payable. In no contingency or event whatsoever shall the aggregate of all amounts deemed interest under this Agreement charged or collected pursuant to the terms of this Agreement exceed the highest rate permissible under any applicable law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that Bank has charged or received interest hereunder in excess of the highest applicable rate, the rate in effect hereunder shall automatically be reduced to the maximum rate permitted by applicable law and Bank shall at its option (i) promptly refund to the Account Party any interest received by Bank in excess of the maximum lawful rate or (ii) apply such excess to any outstanding Obligations. It is the intent hereof that the Account Party not pay or contract to pay, and that Bank not receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by the Account Party under applicable law.

(g) **Expiry Date of Letters of Credit**. Each Letter of Credit shall expire at or prior to the earlier of (a) the close of business on the date one year after the date of the Issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension), or (b) the Final Maturity Date; provided, however, if the Account Party so requests in any applicable Application, Bank agrees to issue a Letter of Credit that provides for the automatic renewal for successive periods of one year or less until Bank shall have delivered prior written notice of nonrenewal to the beneficiary of such Letter of Credit (a "Notice of Non-Extension") no later than 60 days prior to the stated maturity date specified in such Letter of Credit (such time, the "Non-Extension Notice Date"). The Account Party acknowledges that Bank shall not be required to extend any Letter of Credit if Bank has determined that it would have no obligation at such time to issue such Letter of Credit (as extended) under the terms hereof.

(h) **Permanent Reduction of Commitment**. The Account Party shall have the right at any time and from time to time, upon at least three Business Days' prior irrevocable written notice to Bank, to permanently reduce, without premium or penalty, (i) the entire Commitment at any time or (ii) portions of the Commitment, from time to time, in an aggregate principal amount not less than $3,000,000 or any whole multiple of $1,000,000 in excess thereof. All Commitment Fees accrued until the effective date of any termination of the Commitment shall be paid on the effective date of such termination.

(i) **Fees**. The Account Party agrees to pay the following amounts:

(i) a non-refundable upfront fee (the "**Upfront Fee**"), in an aggregate amount equal to 0.025% of the Commitment. The entire amount of the Upfront Fee will be fully earned and shall be due and payable in full in cash on the Closing Date;

(ii) a non-refundable commitment fee (a "**Commitment Fee**"), for each calendar quarter (or portion thereof) at a per annum rate equal to 0.125% of the actual daily aggregate unused portion of the Commitment, payable in arrears (A) on the last Business Day of each calendar quarter, beginning with the first such day to occur after the Closing Date through the Commitment Termination Date and (B) on the Commitment Termination Date; and

(iii) a non-refundable letter of credit fee (the "**Letter of Credit Fee**") for each calendar quarter (or portion thereof) in respect of all Letters of Credit issued for the account of the Account Party and outstanding during such quarter, at a per annum rate equal to 0.425% of the actual daily aggregate Stated Amount of such Letters of Credit. The Letter of Credit Fee shall be due and payable quarterly in arrears (A) on the last Business Day of each calendar quarter, commencing with the first such date to occur after the Closing Date through the Final Maturity Date, (B) on the Final Maturity Date and (C) on the Final Expiry Date.

3. ACCOUNT PARTY'S RESPONSIBILITY. The Account Party is responsible for approving the final text of any Letter of Credit Issued by Bank for its account, irrespective of any assistance Bank may provide such as drafting or recommending text or by Bank's use or refusal to use text submitted by the Account Party. The Account Party is solely responsible for the suitability of the Letter of Credit for the Account Party's purposes. The Account Party will examine the copy of each Letter of Credit Issued for its account and any other documents sent by Bank in connection with such Letter of Credit and shall promptly notify Bank of any non-compliance with the Account Party's Instructions and of any discrepancy in any document under any presentment or other irregularity. The Account Party understands that the final form of any Letter of Credit may be subject to such revisions and changes as are deemed necessary or appropriate by Bank in accordance with standard industry practice and the Account Party hereby consents to such revisions and changes.

4. CONDITIONS OF CLOSING AND ISSUANCE.

(a) **Conditions Precedent to Closing**. The obligation of Bank to close this Agreement and to Issue any Letters of Credit on the Closing Date is subject to the satisfaction of each of the following conditions:

(i) **Executed Credit Documents**. This Agreement, together with any other applicable Credit Documents, shall have been duly authorized, executed and delivered to Bank by the parties thereto, shall be in full force and effect and no Default or Event of Default shall exist hereunder or thereunder.

(ii) **Closing Certificates; Etc**. Bank shall have received each of the following in form and substance reasonably satisfactory to Bank:

(A) **Officer's Certificate**. A certificate from a Responsible Officer of the Account Party to the effect that (A) all representations and warranties of the Account Party contained in this Agreement and the other Credit Documents are true, correct and complete in all material respects (except to the extent any such representation and warranty is qualified by materiality or reference to Material Adverse Effect, in which case, such representation and warranty shall be true, correct and complete in all respects); and (B) as of the Closing Date, no Default or Event of Default has occurred and is continuing.

(B) **Certificate of Secretary of the Account Party**. A certificate of a Responsible Officer of the Account Party certifying as to the incumbency and genuineness of the signature of each officer of the Account Party executing Credit Documents to which it is a party and certifying that attached thereto is a true, correct and complete copy of (A) the memorandum of association (or equivalent), as applicable, of the Account Party and all amendments thereto, certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of incorporation, organization or formation (or equivalent), as applicable, (B) the bye-laws or other governing document of the Account Party as in effect on the Closing Date, (C) resolutions duly adopted by the board of directors (or other governing body) of the Account Party authorizing and approving the transactions contemplated hereunder and the execution, delivery and performance of this Agreement and the other Credit Documents to which it is a party, and (D) each certificate required to be delivered pursuant to Section 4(a)(ii)(C).

(C) **Certificates of Good Standing**. Certificates as of a recent date of the good standing of the Account Party under the laws of its jurisdiction of incorporation, organization or formation (or equivalent), as applicable, and, to the extent requested by Bank, each other jurisdiction where the Account Party is qualified to do business.

(D) **Opinions of Counsel**. Opinions of counsel to the Account Party addressed to Bank with respect to the Account Party, the Credit Documents and such other matters as Bank shall request (which such opinions shall expressly permit reliance by permitted successors and assigns of Bank).

(iii) **Lien Search**. Bank shall have received the results of a Lien search, in form and substance reasonably satisfactory to Bank, indicating among other things that the Collateral is free and clear of any Lien.

(iv) **Consents; Defaults**.

(A) **Governmental and Third Party Approvals**. The Account Party shall have received all material governmental, shareholder and third party consents and approvals necessary (or any other material consents as determined in the reasonable discretion of Bank) in connection with the transactions contemplated by this Agreement and the other Credit Documents and all applicable waiting periods shall have expired without any action being taken by any Person that would reasonably be expected to restrain, prevent or impose any material adverse conditions on the Account Party or such other transactions or that could seek or threaten any of the foregoing, and no law or regulation shall be applicable which in the reasonable judgment of Bank would reasonably be expected to have such effect.

(B) **No Injunction, Etc**. No action, proceeding or investigation shall have been instituted, threatened in writing or proposed in writing before any Governmental Authority to enjoin, restrain, or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of this Agreement or the other Credit Documents or the consummation of the transactions contemplated hereby or thereby, or which, in Bank’s sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or the other Credit Documents or the consummation of the transactions contemplated hereby or thereby.

(v) **Payments at Closing**. The Account Party shall have paid to Bank (i) the Upfront Fee and (ii) all other fees and reasonable and documented expenses of Bank required hereunder or under any other Credit Document to be paid on or prior to the Closing Date (including reasonable fees and expenses of counsel) in connection with this Agreement, the other Credit Documents and the transactions contemplated hereby.

(vi) **Miscellaneous**.

(A) **PATRIOT Act, etc**. The Account Party shall have provided to Bank the documentation and other information requested by Bank in order to comply with requirements of any Anti-Money Laundering Laws, including, without limitation, the PATRIOT Act and any applicable “know your customer” rules and regulations.

(B) **Other Documents**. All opinions, certificates and other instruments and all proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to Bank. Bank shall have received copies of all other documents, certificates and instruments reasonably requested thereby, with respect to the transactions contemplated by this Agreement.

(b) **Conditions Precedent to Issuance of Letters of Credit**. The obligation of Bank to Issue Letters of Credit (including any Letters of Credit Issued on the Closing Date) is subject to the satisfaction of each of the following conditions:

(i) **Continuation of Representations and Warranties**. The representations and warranties contained in this Agreement and the other Credit Documents shall be true and correct in all material respects, except for any representation and warranty that is qualified by materiality or reference to Material Adverse Effect, which such representation and warranty shall be true and correct in all respects, on and as of such issuance with the same effect as if made on and as of such date (except for any such representation and warranty that by its terms is made only as of an earlier date, which representation and warranty shall remain true and correct in all material respects as of such earlier date, except for any representation and warranty that is qualified by materiality or reference to Material Adverse Effect, which such representation and warranty shall be true and correct in all respects as of such earlier date).

(ii) **No Existing Default**. No Default or Event of Default shall have occurred and be continuing on the Issuance date with respect to such Letter of Credit or after giving effect to the issuance of such Letter of Credit on such date.

(iii) **Notice and Collateral Value Certificate**. Bank shall have received an Application from the Account Party and a Collateral Value Certificate pursuant to Section 7(e)(iii).

(iv) **Miscellaneous**. In addition to the foregoing, Bank shall be under no obligation to Issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator having jurisdiction over Bank shall by its terms enjoin or restrain the Issuance of such Letter of Credit or any law applicable to Bank, Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over it shall prohibit, or request that it refrain from, the Issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon it with respect to such Letter of Credit any restriction or reserve or capital requirement (for which Bank is not otherwise compensated) not in effect on the Closing Date, or any unreimbursed loss, cost or expense which was not applicable or in effect as of the Closing Date and which Bank in good faith deems material to it;

(B) Bank shall have delivered a Notice of Non-Extension with respect to such Letter of Credit;

(C) the expiry date of such Letter of Credit would occur more than twelve months after the date of issuance or last extension unless Bank has approved such expiry date in writing;

(D) the expiry date of such Letter of Credit occurs after the Final Maturity Date, unless Bank has approved such expiry date in writing;

(E) such Letter of Credit is not substantially in form and substance reasonably acceptable to Bank; or

(F) immediately after giving effect thereto, the amount of Outstanding Letters of Credit would exceed the Commitment or the Collateral Value of the Collateral at such time.

5. INDEMNIFICATION; LIMITATION OF LIABILITY.

(a) **Indemnification**. The Account Party agrees to indemnify and hold harmless Bank (including its branches and affiliates), its correspondent banks and each of their respective directors, officers, employees, attorneys and agents (each, including Bank, an "**Indemnified Person**") from and against any and all claims, suits, judgments, liabilities, losses, fines, damages, penalties, interest, costs and expenses (including expert witness fees and reasonable out-of-pocket legal fees, charges and disbursements of any counsel (including outside counsel fees and expenses), and all expenses of arbitration or litigation and in preparation thereof), in each case, which are documented and may be incurred by or awarded against any Indemnified Person (collectively, the "**Costs**"), and which arise out of or in connection with or by reason of this Agreement, the other Credit Documents, the actual or proposed use of the proceeds of the Letters of Credit or any of the transactions contemplated thereby, including, without limitation, any Costs which arise out of or in connection with, or as a result of:

(i) any Letter of Credit or any pre-advice of its Issuance;

(ii) any transfer, sale, delivery, surrender or endorsement of any Drawing Document at any time(s) held by any Indemnified Person in connection with any Letter of Credit;

(iii) any actual or prospective action or proceeding arising out of, or in connection with, any Letter of Credit or any Credit Document (whether administrative, judicial or in connection with arbitration, whether based on contract, tort or any other theory, and whether brought by a third party or by the Account Party or any Subsidiary thereof, and regardless of whether any Indemnified Person is a party thereto), including any action or proceeding to compel or restrain any presentation or payment under any Letter of Credit, or for the wrongful dishonor of, or honoring a presentation under, any Letter of Credit;

(iv) any independent undertakings issued by the beneficiary of any Letter of Credit;

(v) any unauthorized Instruction or error in computer or electronic transmission in connection with any Letter of Credit Issued hereunder;

(vi) an adviser, confirmer or other nominated person seeking to be reimbursed, indemnified or compensated in connection with any Letter of Credit Issued hereunder;

(vii) any third party seeking to enforce the rights of the Account Party, beneficiary, nominated person, transferee, assignee of Letter of Credit proceeds or holder of an instrument or document in connection with any Letter of Credit Issued hereunder;

(viii) the fraud, forgery or illegal action of parties other than any Indemnified Person in connection with any Letter of Credit Issued hereunder;

(ix) Bank's performance of the obligations of a confirming institution or entity that wrongfully dishonors a confirmation in connection with any Letter of Credit Issued hereunder; or

(x) the acts or omissions, whether rightful or wrongful, of any present or future de jure or de facto Governmental Authority or cause or event beyond the control of such Indemnified Person in connection with any Letter of Credit Issued hereunder;

in each case, including that resulting from Bank's own negligence; provided, however, that such indemnity shall not be available to any Person claiming indemnification under this Section 5(a) to the extent that such Costs (A) are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Person, (B) are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from a claim by the Account Party against an Indemnified Person for breach in bad faith of the obligations of such Indemnified Person hereunder or under any other Credit Document, or (C) result from any dispute solely between or among Indemnified Parties. The Account Party hereby agrees to pay Bank within fifteen (15) days after demand from time to time all amounts owing under this **Section 5(a).** This indemnity provision shall survive termination of this Agreement and all Letters of Credit.

(b) **Direct Damages; No Punitive Damages**. The liability of Bank (or any other Indemnified Person) under, in connection with and/or arising out of any Credit Document or any Letter of Credit (or pre-advice), regardless of the form or legal grounds of the action or proceeding, shall be limited to direct damages suffered by the Account Party that are determined by a court of competent jurisdiction by a final and nonappealable judgment to have been caused directly by Bank's gross negligence, willful misconduct or breach in bad faith in (i) honoring a presentation under a Letter of Credit that on its face does not at least substantially comply with the terms and conditions of such Letter of Credit, (ii) failing to honor a presentation under a Letter of Credit that strictly complies with the terms and conditions of such Letter of Credit or (iii) retaining Drawing Documents presented under a Letter of Credit. Bank shall be deemed to have acted with due diligence and reasonable care if Bank's conduct is in accordance with Standard Letter of Credit Practice or in accordance with any Credit Document. No Indemnified Person shall be liable for any damages arising from any errors, omissions, interruptions or delays in transmission or delivery of any message, advice or document (regardless of how sent or transmitted) in connection with this Agreement or the other Credit Documents, except to the extent that any losses, claims, damages, liabilities or expenses result from the gross negligence or willful misconduct of such Indemnified Person in making any such transmission as determined by a final nonappealable judgment of a court of competent jurisdiction.

(c) Notwithstanding anything to the contrary in this Agreement or in any other Credit Document, no Indemnified Person shall be liable in contract, tort or otherwise for any punitive, exemplary, consequential, indirect or special damages or losses regardless of whether or not such party or Indemnified Person shall have been advised of the possibility thereof or the form of action in which such damages or losses may be claimed. The Account Party shall take commercially reasonable action to avoid and mitigate the amount of any damages claimed against Bank or any other Indemnified Person, including by enforcing its rights in appropriate proceedings diligently pursued in the underlying transaction.

(d) **No Responsibility or Liability**. Without limiting any other provision of this Agreement or any other Credit Document, Bank and each other Indemnified Person (if applicable) shall not be responsible to the Account Party for, and/or Bank's rights and remedies against the Account Party and the Obligations shall not be impaired by:

(i) honor of a presentation under any Letter of Credit that on its face substantially complies with the terms and conditions of such Letter of Credit, even if the Letter of Credit requires strict compliance by the beneficiary;

(ii) acceptance as a draft of any written or electronic demand or request for payment under a Letter of Credit, even if nonnegotiable or not in the form of a draft;

(iii) the identity or authority of any presenter or signer of any Drawing Document or the form, accuracy, genuineness or legal effect of any Drawing Document (other than Bank's determination that such Drawing Document appears on its face to substantially comply with the terms and conditions of the Letter of Credit);

(iv) acting upon any Instruction that it in good faith believes to have been given by a Person authorized to give such Instructions;

(v) any errors in interpretation of technical terms or in translation;

(vi) any acts, omissions or fraud by, or the solvency of, any beneficiary, any nominated person or entity or any other Person, other than an Indemnified Person;

(vii) any breach of contract between the beneficiary and the Account Party or any of the parties to the underlying transaction;

(viii) payment to any paying or negotiating bank (designated or permitted by the terms of the applicable Letter of Credit) claiming that it rightfully honored or is entitled to reimbursement or indemnity under Standard Letter of Credit Practice applicable to it;

(ix) acting as required or permitted, or failing to act as permitted, in each case under Standard Letter of Credit Practice applicable to where it has issued, confirmed, advised or negotiated such Letter of Credit, as the case may be;

(x) honor of a presentation after the expiration date of any Letter of Credit notwithstanding that a presentation was made prior to such expiration date and dishonored by Bank if subsequently Bank or any court or other finder of fact determines such presentation should have been honored;

(xi) dishonor of any presentation that does not strictly comply or that is fraudulent, forged or otherwise not entitled to honor; or

(xii) honor of a presentation that is subsequently determined by Bank to have been made in violation of international, federal, state or local restrictions on the transaction of business with certain prohibited Persons.

6. **REPRESENTATIONS AND WARRANTIES**. The Account Party hereby represents and warrants to Bank (all of which representations and warranties will be repeated as of the date of each new Application submitted by the Account Party to Bank and as of the date of Issuance of any Letter of Credit requested in each such Application) as follows:

(a) **Organization, etc**. The Account Party is duly organized or formed, validly existing and (to the extent applicable under the laws of the relevant jurisdiction) in good standing under the laws of the jurisdiction of its organization or formation, and is duly qualified or licensed to do business (and in good standing as a foreign corporation or entity, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed would have a Material Adverse Effect.

(b) **Power and Authority**. The Account Party has the requisite power and authority to execute and deliver this Agreement and each other Credit Document to which it is a party and to perform and observe the terms and conditions stated herein and therein, and the Account Party has taken all necessary corporate or other action to authorize its execution, delivery and performance of each such Credit Document.

(c) **Valid and Binding Obligation**. This Agreement constitutes, and each other Credit Document when signed and delivered by the Account Party to Bank will constitute, its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights against the Account Party generally, by general equitable principles or by principles of good faith and fair dealing, and assuming that this Agreement and each such other Credit Document have been validly executed and delivered by each party thereto other than the Account Party.

(d) **No Violation or Breach**. The Account Party's execution, delivery and performance of each Credit Document to which it is a party and the payment of all sums payable by it under each such Credit Document do not and will not: (i) violate or contravene its memorandum of association, bye-laws or other organizational documents; (ii) violate or contravene any order, writ, law, treaty, rule, regulation or determination of any Governmental Authority, in each case applicable to or binding upon it or any of its property, the violation or contravention of which would have a Material Adverse Effect; or (iii) result in the breach of any provision of, or in the imposition of any lien or encumbrance (except for liens or encumbrances created under the Credit Documents) under, or constitute a default or event of default under, any agreement or arrangement to which it is a party or by which it or any of its property is bound, the contravention of which agreement or arrangement would have a Material Adverse Effect.

(e) **Approvals**. No authorization, approval or consent of, or notice to or filing with, any Governmental Authority is required to be made by the Account Party in connection with the execution and delivery by the Account Party of any Credit Document to which it is a party or the Issuance by Bank of any Letter of Credit for the account of the Account Party pursuant to this Agreement and the related Application, except for those which have been duly obtained, taken, given or made and are in full force and effect; and except where failure to obtain the foregoing could not reasonably be expected to have a Material Adverse Effect.

(f) **Compliance with Laws**. The Account Party is in compliance with all applicable laws and regulations, except where the noncompliance with which would not have a Material Adverse Effect, and no Application, Letter of Credit or transaction of the Account Party under any Credit Document to which it is a party will contravene any laws, treaties, rules or regulations of any Governmental Authority, including, without limitation, any foreign exchange control laws or regulations, U.S. foreign assets control laws or regulations or currency reporting laws and regulations, now or hereafter applicable to it, except where the noncompliance with which would not have a Material Adverse Effect.

(g) **No Default Under Other Agreements**. The Account Party is not in default under any agreement, obligation or duty to which it is a party or by which it or any of its property is bound, which would have a Material Adverse Effect.

(h) **No Arbitration Proceeding or Litigation**. There is no pending or, to the knowledge of the Account Party, threatened arbitration proceeding, litigation or action against it which (i) is reasonably likely to have a Material Adverse Effect or (ii) may affect the legality, validity or enforceability of this Agreement or the other Credit Documents.

(i) **Anti-Corruption Laws**; Anti-Money Laundering Laws and Sanctions.

(i) None of (i) the Account Party or any of its Subsidiaries, or, to the knowledge of the Account Party and its Subsidiaries, any of their respective directors, officers, or employees, or (ii) any agent or representative of the Account Party or any of its Subsidiaries that will act in any capacity in connection with this Agreement, (A) is a Sanctioned Person or currently the subject or target of any Sanctions, (B) is controlled by or is acting on behalf of a Sanctioned Person or (C) is located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions, in a manner that would result in the violation of applicable Sanctions by any party hereto.

(ii) The Account Party and its Subsidiaries have implemented and maintain in effect policies and procedures designed to ensure compliance by the Account Party and its Subsidiaries and their respective directors, officers and employees with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions.

(iii) The Account Party and its Subsidiaries, and, to the knowledge of the Account Party and its Subsidiaries, each director, officer, employee and agent of the Account Party and each such Subsidiary, is in compliance with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws and Sanctions in all material respects.

(iv) No proceeds of any Letter of Credit have been used, directly or indirectly, by the Account Party or any of its Subsidiaries or, to the knowledge of the Account Party and its Subsidiaries, any of its or their respective directors, officers, employees and agents in violation of **Section 7(i).**

(j) **Filed All Tax Returns and Paid All Taxes**. The Account Party has filed all required tax returns, and all Taxes, assessments and other governmental charges due from it have been fully paid, except for Taxes which are being contested in good faith or those which the failure to file or pay would not have a Material Adverse Effect. The Account Party has established on its books reserves adequate for the payment of all federal, state and other income tax liabilities, including those being contested in good faith.

(k) **Financial Statements**. The financial statements most recently furnished to Bank by the Account Party, if any, fairly present in all material respects the financial condition of the Account Party as at the date of such financial statements and for the periods then ended in accordance with GAAP (except as disclosed therein and, in the case of interim financial statements for any fiscal quarter, subject to normal year-end adjustments and except that footnote and schedule disclosure may be abbreviated), and there has been no material adverse change in the Account Party's business or financial condition or results of operations since the date of the Account Party's most recent annual financial statements.

(l) **Collateral**. On the date of Issuance of any Letter of Credit for the account of the Account Party, both immediately before and after giving effect to such Issuance, the amount of Outstanding Letters of Credit does not exceed the Collateral Value of the Collateral.

(m) **Margin Stock**. Neither the Account Party nor any Subsidiary thereof is engaged principally or as one of its activities in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each such term is defined or used, directly or indirectly, in Regulation U of the Board of Governors of the Federal Reserve System). No part of the proceeds of any Letters of Credit will be used for purchasing or carrying margin stock or for any purpose which violates, or which would be inconsistent with, the provisions of Regulation T, U or X of such Board of Governors.

(n) **No Material Adverse Effect**. There has been no Material Adverse Effect since December 31, 2019, and there exists no event, condition or state of facts that could reasonably be expected to result in a Material Adverse Effect.

(o) **Investment Company**. The Account Party is not an “investment company” or a company “controlled” by an “investment company” (as each such term is defined or used in the Investment Company Act).

7. **AFFIRMATIVE COVENANTS**. Until all of the Obligations (other than contingent indemnification obligations not then due) have been paid and satisfied in full in cash, all Letters of Credit have been terminated or expired and the Commitment terminated, the Account Party shall:

(a) **GAAP Financial Statements.** Deliver to Bank, in form and detail satisfactory to Bank:

(i) As soon as available and in any event within 55 days after the end of each of the first three fiscal quarters of each fiscal year, beginning with the fiscal quarter ending March 31, 2021, the Quarterly Statement prepared for its board of directors in accordance with GAAP, in each case applied on a basis consistent with that of the preceding quarter or containing disclosure of the effect on the financial condition or results of operations of any change in the application of accounting principles and practices during such quarter; and

(ii) As soon as available and in any event within 90 days after the end of each fiscal year, beginning with the fiscal year ending December 31, 2020, the Annual Statement prepared for its board of directors in accordance with GAAP, in each case applied on a basis consistent with that of the preceding year or containing disclosure of the effect on the financial condition or results of operations of any change in the application of accounting principles and practices during such year.

(b) **Certificates; Other Reports**. Deliver to Bank:

(i) at each time financial statements are delivered pursuant to Section 7(a), a duly completed Officer’s Compliance Certificate signed by the chief executive officer, chief financial officer, vice president—finance, principal accounting officer, treasurer or assistant treasurer of the Account Party, together with a Covenant Compliance Worksheet reflecting the computation of the respective financial covenants set forth in such Covenant Compliance Worksheet;

(ii) promptly upon receipt thereof, copies of all reports, if any, submitted to the Account Party, or any of its respective boards of directors by its respective independent public accountants in connection with their auditing function, including, without limitation, any management report and any management responses thereto;

(iii) promptly upon the request thereof, such other information and documentation required by bank regulatory authorities under applicable Anti-Money Laundering Laws (including, without limitation, any applicable “know your customer” rules and regulations and the PATRIOT Act), as from time to time reasonably requested by Bank; and

(iv) such other information regarding the operations, business affairs and financial condition of the Account Party or any Subsidiary thereof as Bank may reasonably request.

(c) **Notice of Litigation and Other Matters**. Promptly (but in no event later than ten (10) days after any Responsible Officer of the Account Party becoming aware thereof) notify Bank in writing of:

(i) the occurrence of any Default or Event of Default;

(ii) the commencement of all proceedings and investigations by or before any Governmental Authority and all actions and proceedings in any court or before any arbitrator against or involving the Account Party or any of its respective properties, assets or businesses in each case that if adversely determined would reasonably be expected to result in a Material Adverse Effect;

(iii) any attachment, judgment, lien, levy or order exceeding the Threshold Amount that has been assessed against the Account Party or any Subsidiary thereof; and

(iv) any announcement by A.M. Best of any change in the Financial Strength Rating of the Account Party.

Each notice pursuant to Section 7(d) shall be accompanied by a statement of a Responsible Officer of the Account Party setting forth details of the occurrence referred to therein and stating what action the Account Party has taken and proposes to take with respect thereto and shall describe with particularity any and all provisions of this Agreement and any other Credit Document that have been breached.

(d) **Collateral**. Comply with the following:

(i) Pursuant to the Security Documents and as collateral security for the payment and performance of its Obligations, the Account Party shall grant and convey to Bank a security interest in the Collateral charged and pledged by it, prior and superior to all other liens, except for liens in favor of the Custodian securing payment of amounts advanced to settle authorized transactions or pay income or distributions in respect of Collateral. The Account Party shall cause the Collateral charged and pledged by it to be made subject to the Security Documents (in form and substance reasonably acceptable to Bank) necessary for the perfection of the security interest in the Collateral and for the exercise by Bank of its rights and remedies with respect thereto. The Account Party shall promptly after the date hereof file a charge against the Collateral with the Bermuda Registrar of Companies and deliver evidence of such filing to Bank no later than thirty (30) days after the date hereof.

(ii) The Account Party shall at all times cause the Collateral Value of the Collateral pledged by the Account Party to equal or exceed the amount of Outstanding Letters of Credit at such time. If on any date the Outstanding Letters of Credit shall exceed the Collateral Value of the Collateral pledged by the Account Party, the Account Party agrees to pay or deliver within three (3) Business Days to the Custodian Collateral having an aggregate Collateral Value of not less than the amount of such excess, with any such Collateral to be held in the Account Party's Custodial Account as security for all Obligations hereunder.

(iii) The Account Party shall deliver to Bank a Collateral Value Certificate, setting forth the Outstanding Letters of Credit, the fair market value of the Collateral by category and in the aggregate, the calculation of each Collateral Value and such other information as Bank may reasonably request (A) not later than 11:00 a.m. on the Business Day immediately preceding the date on which any Letter of Credit is to be Issued, (B) within ten (10) Business Days after the end of each calendar month, (C) at and as of such other times as Bank may reasonably request and (D) at such other times as the Account Party may desire.

(iv) The Account Party shall cause the Custodian to provide to Bank, in a manner and at times consistent with the terms of the Control Agreement, information with respect to each of its Custodial Accounts, in a format to be agreed by Bank (acting reasonably), which information shall provide, without limitation, a detailed list of the assets in each such Custodial Account (including the amount of cash and a detailed description of the Collateral (including a breakdown listing the name of each issuer, and the fair market value of the assets held of such issuer)), the fair market value of those assets and the pricing source of such valuation.

(e) **Payment of Taxes and Other Obligations**. Except where the failure to pay or perform such items described in this Section would not reasonably be expected to have a Material Adverse Effect or impact the Collateral, the Account Party will pay and perform all taxes, assessments and other governmental charges that may be levied or assessed upon it or any of its property; provided, that the Account Party may contest any item described in this Section in good faith so long as adequate reserves are maintained with respect thereto in accordance with GAAP.

(f) **Compliance with Laws and Approvals**. Observe and remain in compliance in all material respects with all applicable laws and maintain in full force and effect all Governmental Approvals, in each case applicable to the conduct of its business except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(g) **Maintenance of Books and Records; Inspection**. (i) maintain adequate books, accounts and records, in which full, true and correct entries in all material respects shall be made of all financial transactions in relation to its business and properties, and prepare all financial statements required under this Agreement, in each case in accordance with GAAP and in compliance with the requirements of any Governmental Authority having jurisdiction over it, and (ii) permit employees or agents of Bank, and after the occurrence and during the continuance of an Event of Default, Bank, to visit and inspect its properties and examine or audit its books, records, working papers and accounts and make copies and memoranda of them, and at its own cost and expense (other than after the occurrence of an Event of Default), and to discuss its affairs, finances and accounts with its officers and employees and, upon notice to the Account Party, the independent public accountants of the Account Party (and by this provision the Account Party authorizes such accountants to discuss the finances and affairs of the Account Party), all at such times that will not materially interrupt or interfere with the operation of the Account Party's business and from time to time, upon reasonable notice and during business hours, as may be reasonably requested; provided that except during the continuance of an Event of Default Bank shall not exercise such rights described in clause (ii) of this Section more than once per calendar year.

(h) **Use of Proceeds**. Comply with the following:

(i) The Account Party shall use the Letters of Credit to support insurance obligations, obligations under reinsurance agreements and retrocession agreements and similar risk obligations and for general corporate purposes.

(ii) The Account Party shall not request or use any Issued Letter of Credit, (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, except to the extent permitted for a Person required to comply with Sanctions or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

(i) **Compliance with Anti-Corruption Laws**; Anti-Money Laundering Laws and Sanctions. Maintain in effect and enforce policies and procedures designed to ensure compliance by the Account Party, its Subsidiaries and their respective directors, officers, employees and agents with all applicable Anti-Corruption Laws, Anti-Money Laundering Laws, and Sanctions.

(j) **Further Assurances**. At the Account Party's cost and expense, the Account Party will execute and deliver to Bank such additional certificates, instruments and/or documents and take such additional action as may be reasonably requested by Bank to enable Bank to Issue any Letter of Credit pursuant to this Agreement and the related Application, to perfect and maintain the validity and priority of the liens granted pursuant to the Security Documents, to protect, exercise and/or enforce Bank's rights and interests under any Credit Document and/or to give effect to the terms and provisions of any Credit Document.

8. **FINANCIAL COVENANTS**. Until all of the Obligations (other than contingent indemnification obligations not then due) have been paid and satisfied in full in cash, all Letters of Credit have been terminated or expired and the Commitment terminated, the Account Party covenants and agrees to the following:

(a) **Minimum Total Shareholder's Equity**. The total shareholder's equity of the Account Party, determined in accordance with GAAP, shall be at all times an amount not less $2,143,539,163.00.

(b) **Financial Strength Ratings.** The Account Party shall at all times maintain a financial strength rating by A.M. Best Company and shall not permit such rating to be lower than "B++."

9. **NEGATIVE COVENANTS.**

(a) [Reserved].

10. **EVENTS OF DEFAULT**. Each of the following shall be an "Event of Default" under this Agreement:

(a) **Failure to Reimburse Draws**. The failure by the Account Party to reimburse or pay any drawing under any Letter of Credit or accrued interest thereon on the Due Date therefor.

(b) **Failure to Pay Certain Other Amounts**. The failure by the Account Party to pay any fee or other amount when due under or in connection with any Credit Document or any Letter of Credit within three (3) Business Days after the same shall become due and payable.

(c) **Breach of Representation and Warranty**. Any representation, warranty, certification or statement made or furnished by the Account Party under or in connection with any Credit Document or as an inducement to Bank to Issue a Letter of Credit shall be false, incorrect or misleading in any material respect when made.

(d) **Failure to Maintain Collateral Value**. The Account Party shall fail to maintain at any time Collateral in which Bank shall have a perfected first priority security interest and having a Collateral Value of not less than the Outstanding Letters of Credit and such failure shall continue or remain unremedied for more than the three (3) Business Day period provided for in Section 7(e)(ii).

(e) **Failure to Perform or Observe Covenants**.

(i) The Account Party's failure to perform or observe any term, covenant or agreement contained in **Sections 7(d)(i), 7(i) or 8; or**

(ii) The Account Party's failure to perform or observe any term, covenant or agreement contained in any Credit Document (other than those referred to in subsections (a), (b), (c), (d) and (e)(i) of this Section 10), and with respect to any such failure or breach that by its nature can be cured, such failure or breach shall continue or remain unremedied for thirty (30) calendar days after the earlier of (1) Bank's delivery of written notice thereof to the Account Party and (2) the Account Party having actual knowledge that such failure or breach has occurred.

(f) **Insolvency Proceedings, Etc**. The Account Party institutes or consents to the institution of any proceeding under any Bankruptcy Law; or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of the Account Party, as the case may be, and the appointment continues undischarged, undismissed or unstayed for sixty (60) calendar days; or any proceeding under any Bankruptcy Law relating to the Account Party or to all or any material part of its property is instituted without the consent of the Account Party, as the case may be, and continues undischarged, undismissed or unstayed for sixty (60) calendar days; or an order for relief is entered in any such proceeding; or the Account Party becomes unable or admits in writing its inability or fails generally to pay its debts as they become due.

(g) **Sale of Assets**; Merger; Dissolution. There shall occur in one or a series of transactions: (i) the sale, assignment or transfer of all or substantially all of the assets of the Account Party; (ii) a merger, amalgamation or consolidation of the Account Party without the prior written consent of Bank, except that (A) the Account Party may merge, amalgamate or consolidate with a Subsidiary of the Account Party so long as the Account Party is the surviving entity in any such transaction and (B) the Account Party may merge, amalgamate or consolidate with any Person so long as the Account Party is the surviving entity; or (iii) the dissolution of the Account Party.

(h) **Credit Documents**. Any provision of any Credit Document to which the Account Party is a party shall for any reason cease to be valid and binding or enforceable; or the Account Party shall deny or disaffirm in writing the enforceability of any provision of any Credit Document to which it is a party.

(i) **Security Documents**. Any Security Document to which the Account Party is a party shall for any reason (other than pursuant to the terms thereof) cease to create in favor of Bank a valid and perfected first priority security interest in the Collateral of the Account Party purported to be covered thereby; or Bank shall cease for any reason to hold a perfected first priority security interest in the Collateral of the Account Party; or the Account Party or any Person acting on its behalf shall deny or disaffirm in writing the enforceability of any Security Document.

(j) **Indebtedness Cross-Default**. The Account Party shall (i) default in the payment of any Indebtedness (other than the Obligations) the aggregate principal amount (including undrawn committed or available amounts), or with respect to any Hedge Agreement, the Hedge Termination Value, of which is in excess of the Threshold Amount beyond the period of grace if any, provided in the instrument or agreement under which such Indebtedness was created, or (ii) default in the observance or performance of any other agreement or condition relating to any Indebtedness (other than the Obligations) the aggregate principal amount (including undrawn committed or available amounts), or with respect to any Hedge Agreement, the Hedge Termination Value, of which is in excess of the Threshold Amount or contained in any instrument or agreement evidencing, securing or relating thereto or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause with the giving of notice and/or lapse of time, if required, any such Indebtedness to (A) become due, or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity (any applicable grace period having expired) or (B) be cash collateralized (it being understood that a pledge of cash collateral by the Account Party to secure a Hedge Agreement as initial or variation margin does not trigger a violation of this clause (B)).

(k) **Judgment**. One or more judgments, orders or decrees shall be entered against the Account Party by any court and continues without having been discharged, vacated or stayed for a period of thirty (30) consecutive days after the entry thereof and such judgments, orders or decrees are either (i) for the payment of money, individually or in the aggregate (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage), equal to or in excess of the Threshold Amount or (ii) for injunctive relief and could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(l) **Employee Benefit Matters**. Any Lien shall be imposed on the assets of the Account Party or its Subsidiaries under ERISA or any foreign laws similar to ERISA governing foreign pension plans.

11. **REMEDIES**. Upon the occurrence and during the continuance of any Event of Default:

(a) Bank may terminate the Commitment and declare all amounts owed to Bank under this Agreement or any of the other Credit Documents and all other Obligations, to be forthwith due and payable, whereupon the same shall promptly become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by the Account Party, anything in this Agreement or the other Credit Documents to the contrary notwithstanding; provided, that upon the occurrence of an Event of Default specified in **Section 10(f),** the Commitment shall be automatically terminated and all Obligations shall automatically become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by the Account Party, anything in this Agreement or in any other Credit Document to the contrary notwithstanding.

(b) Solely with respect to the occurrence of an Event of Default under S**ections 10(a), (b), (d), or (f)**, Bank may (i) demand that the Account Party deposit in the Custodial Account an amount of cash equal to 103% of the aggregate Outstanding Letters of Credit to be held and applied to the Obligations and/or (ii) terminate any or all of the Letters of Credit or give Notices of Non-Extension in respect thereof, in each case if permitted in accordance with their terms; provided that upon the occurrence of an Event of Default specified in Section 10(f), the requirement to deliver cash collateralize pursuant to the foregoing clause (i) in respect of all Outstanding Letters of Credit shall automatically become due without demand or other notice of any kind, all of which are expressly waived by the Account Party, anything in this Agreement or in any other Credit Document to the contrary notwithstanding. Such cash collateral shall be applied by Bank to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay the other Obligations. After all such Letters of Credit shall have expired or been fully drawn upon and all Obligations shall have been paid in full, the balance, if any, in such Custodial Account shall be returned to the Account Party.

(c) Bank may exercise from time to time any of the rights, powers and remedies available to Bank under any Credit Document to which the Account Party is a party, under any other documents now or in the future evidencing or securing the Obligations or under applicable law, and all such remedies shall be cumulative and not exclusive.

12. **SUBROGATION**. In the event of an Event of Default, Bank, at its option, shall be subrogated to the Account Party's rights against any Person who may be liable to the Account Party on any transaction or obligation underlying any Letter of Credit, to the rights of any holder in due course or Person with similar status against the Account Party, and to the rights of any beneficiary or any successor or assignee of any beneficiary.

13. **TERM OF AGREEMENT**. This Agreement shall remain in effect from the Closing Date through and including the date upon which all Obligations (other than contingent indemnification obligations not then due) arising hereunder or under any other Credit Document shall have been indefeasibly and irrevocably paid and satisfied in full, all Letters of Credit have been terminated or expired and the Commitment has been terminated. No termination of this Agreement shall affect the rights and obligations of the parties hereto arising prior to such termination or in respect of any provision of this Agreement which survives such termination.

14. **USA PATRIOT ACT; ANTI-MONEY LAUNDERING LAWS.** Bank hereby notifies the Account Party that pursuant to the requirements of the PATRIOT Act or any other Anti-Money Laundering Laws, it is required to obtain, verify and record information that identifies the Account Party, which information includes the name and address of the Account Party and other information that will allow Bank to identify the Account Party in accordance with the PATRIOT Act or such Anti-Money Laundering Laws.

15. **GOVERNING LAW; UCP; ISP; STANDARD LETTER OF CREDIT PRACTICE**. Each Credit Document and each Letter of Credit shall be governed by and construed in accordance with (a) in the case of each Credit Document (other than the Letters of Credit), the substantive laws of New York and (b) in the case of each Letter of Credit, the governing law specified in the applicable Letter of Credit as determined by Bank and the Account Party (which may include the laws of a particular jurisdiction and the ISP or UCP, if applicable), which is, as applicable, incorporated herein by reference into this Agreement and which shall control (to the extent not prohibited by the laws of New York) in the event of any inconsistent provisions of such law. Unless the Account Party specifies otherwise in its Application for a Letter of Credit, the Account Party agrees that Bank may issue a Letter of Credit subject to the ISP or UCP. Bank's privileges, rights and remedies under the ISP and UCP, as applicable, shall be in addition to, and not in limitation of, its privileges, rights, and remedies expressly provided for herein. The ISP or UCP, as applicable, shall serve, in the absence of proof to the contrary, as evidence of Standard Letter of Credit Practice with respect to matters covered therein. To the extent permitted by applicable law, as between the Account Party and Bank, (i) this Agreement shall prevail in case of conflict between this Agreement, the UCC and/or Standard Letter of Credit Practice, (ii) the ISP shall prevail in case of conflict between the ISP and the UCC or other Standard Letter of Credit Practice if the Letter of Credit is governed by the ISP, and (iii) the UCP shall prevail in case of a conflict between the UCP and the UCC or other Standard Letter of Credit Practice if the Letter of Credit is governed by the UCP.

16. **CONSENT TO JURISDICTION AND VENUE.** THE ACCOUNT PARTY HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE COURT WITHIN NEW YORK COUNTY, NEW YORK OR ANY FEDERAL COURT LOCATED WITHIN THE SOUTHERN DISTRICT OF THE STATE OF NEW YORK OR ANY APPELLATE COURT THEREOF FOR ANY PROCEEDING INSTITUTED HEREUNDER OR UNDER ANY OF THE OTHER CREDIT DOCUMENTS, OR ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS, OR ANY PROCEEDING TO WHICH BANK OR THE ACCOUNT PARTY IS A PARTY, INCLUDING ANY ACTIONS BASED UPON, ARISING OUT OF, OR IN CONNECTION WITH ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER ORAL OR WRITTEN) OR ACTIONS OF BANK OR PROCEEDING TO WHICH BANK OR THE ACCOUNT PARTY IS A PARTY. BANK AND THE ACCOUNT PARTY IRREVOCABLY AGREE TO BE BOUND (SUBJECT TO ANY AVAILABLE RIGHT OF APPEAL) BY ANY JUDGMENT RENDERED OR RELIEF GRANTED THEREBY AND FURTHER WAIVES ANY OBJECTION THAT IT MAY HAVE BASED ON LACK OF JURISDICTION OR IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY SUCH PROCEEDING. BANK AND THE ACCOUNT PARTY IRREVOCABLY AGREE THAT SERVICE OF PROCESS MAY BE DULY EFFECTED UPON IT BY MAILING A COPY THEREOF, BY CERTIFIED MAIL, POSTAGE PREPAID, TO IT AT ITS ADDRESS SET FORTH IN **SECTION 19** BELOW. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS AGREEMENT SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR THE RIGHT OF BANK TO BRING ANY ACTION OR PROCEEDING AGAINST THE ACCOUNT PARTY OR ITS PROPERTIES IN THE COURTS OF ANY OTHER JURISDICTION.

17. **WAIVER OF JURY TRIAL**. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE ACCOUNT PARTY AND BANK KNOWINGLY AND VOLUNTARILY WAIVE ALL RIGHTS TO TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED ON, ARISING OUT OF, OR RELATING TO ANY CREDIT DOCUMENT OR LETTER OF CREDIT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (ORAL OR WRITTEN) OR ACTIONS OF THE ACCOUNT PARTY OR BANK WITH RESPECT THERETO. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BANK TO ISSUE LETTERS OF CREDIT.

18. **BANKRUPTCY AND FORFEITURE REINSTATEMENT**. If any consideration transferred to Bank in payment of, or as collateral for, or in satisfaction of the Obligations, shall be voided in whole or in part as a result of (a) a subsequent bankruptcy or insolvency proceeding; (b) any forfeiture or seizure action or remedy; (c) any fraudulent transfer or preference action or remedy; or (d) any other civil, criminal or equitable proceeding or remedy, then Bank's claim to recover the voided consideration shall be a new and independent claim arising under the applicable Credit Document and shall be due and payable immediately by the Account Party that is obligated therefor under the terms of the Credit Documents.

19. NOTICES. Unless otherwise expressly provided herein, all notices, Instructions, approvals, requests, demands, consents and other communications provided for hereunder (collectively, "notices") shall be in writing (including by facsimile or other electronic transmission approved by Bank). All notices shall be sent by regular U.S. mail or certified mail prepaid, by facsimile or other electronic transmission approved by Bank, by hand delivery, by Federal Express (or other comparable domestic or international delivery service) prepaid to the applicable address, facsimile number or electronic mail address set forth on the signature page hereof in the case of the Account Party. All notices to Bank shall be directed to (i) the office of Bank issuing the Letter of Credit and (ii) if Bank approves of receiving notices by email, to the email address of Bank provided from time to time by Bank to the Account Party, in each case with a copy to: Wells Fargo Corporate Banking, 550 South Tryon Street, MAC D1086-330, Charlotte, NC 28202, Attn: William R. Goley, email: will.goley@wellsfargo.com. Bank may, but shall not be obligated to, require authentication of any electronic transmission. Notices sent by hand, Federal Express (or other comparable domestic or international delivery service) or certified mail shall be deemed to have been given when received; notices sent by regular U.S. mail shall be deemed to have been received five (5) days after deposit into the U.S. mail; notices sent by facsimile or other electronic transmission shall be deemed to have been given when sent and receipt has been confirmed. The Account Party or Bank may change its address for notices by notifying the other of the new address in any manner permitted by this Section. Unless otherwise agreed by Bank, Bank in its discretion may accept an Application or seek or receive Instruction from, or give or send notice to, the Account Party regarding a Letter of Credit issued for its account, including, without limitation, any amendment thereto or waiver of any discrepancy thereunder, and the Account Party shall be bound by and hereby affirms the Instructions of the other. The Account Party irrevocably consents that service of process may be made by registered or certified mail directed to it at the address of its agent for service of process, Seon Place, 4th floor, 141 Front Street, Hamilton HM19 Bermuda.

20. **WAIVER AND AMENDMENTS**. No modification, amendment or waiver of, or consent to any departure by Bank or the Account Party from, any provision of any Credit Document will be effective unless made in a writing signed by the Account Party (in the case of Bank) or Bank (in the case of the Account Party), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No party's consent to any amendment, waiver or modification shall mean that such party will consent or has consented to any other or subsequent request to amend, modify or waive a term of any Credit Document. No delay by any party in exercising any of its rights or remedies shall operate as a waiver, nor shall any single or partial waiver of any right or remedy preclude any other further exercise of that right or remedy, or the exercise of any other right or remedy.

21. **SUCCESSORS AND ASSIGNS**. Each Credit Document to which the Account Party is a party will be binding on the Account Party's successors and permitted assigns, and shall inure to the benefit of the respective successors and permitted assigns of the Account Party and Bank. Except as provided in the last sentence of this Section 21, Bank may assign its rights and obligations under each Credit Document, including its rights to reimbursement regarding any Letter of Credit, in whole or in part, with the Account Party's consent; provided that the Account Party shall be deemed to have consented to any such assignment unless it objects by written notice to Bank within ten (10) Business Days after having received notice thereof; and, provided further, that the Account Party's consent to an assignment to any Person shall not be required if (i) the assignment is to an affiliate of Bank or (ii) an Event of Default has occurred and is continuing. Bank may sell to one or more Persons participations in or to all or a portion of its rights and obligations under the Credit Documents without the Account Party's consent. Any assignment in violation of this Section 21 shall be void. The Account Party shall not assign or transfer any of its interests, rights or remedies related to any Credit Document, in whole or in part, without the prior written consent of Bank. Any Person to whom Bank delegates its obligation to issue a Letter of Credit must be a bank that is on the List of Qualified U.S. Financial Institutions maintained by the Securities Valuation Office of the National Association of Insurance Commissioners.

22. **SEVERABILITY**. Whenever possible, each provision of each Credit Document shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of any Credit Document shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of such Credit Document.

23. **ENTIRE AGREEMENT**. This Agreement, together with the other Credit Documents and any other agreement, document or instrument referred to herein, constitute the final, exclusive and entire agreement and understanding of, and supersede all prior or contemporaneous, oral or written, agreements, understandings, representations and negotiations between, the parties relating to the subject matter of the Credit Documents, provided that this Agreement shall not supersede any reimbursement agreement (however titled) that has been entered into specifically with respect to any "direct pay" standby letter of credit or other similar standby letter of credit where the terms of such reimbursement agreement have been drafted to specifically address the particular attributes of, or the particular circumstances of the underlying transaction supported by, such standby letter of credit.

ACCOUNT PARTY:

EVEREST REINSURANCE (BERMUDA), LTD.

By: /S/ CHRISTOPHER S. DOWNEY

Name: Christopher S. Downey

Title: Managing Director and Chief Executive Officer

Address for Notices:

Seon Place, 4th floor
141 Front Street
Hamilton HM19 Bermuda

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /S/ WILLIAM R. GOLEY

Name: William R. Goley

Title: Managing Director

SCHEDULE I

COLLATERAL BASE

Type of Security	Advance Rates
Cash (denominated in USD) or Certificate of Deposit	100%
Mutual Funds Listed (on a nationally recognized U.S. exchange) Money Market Mutual Funds U.S. Fixed Income Mutual Funds (excluding high yield and tax exempt)	 90% 80%
U.S. Government Bills, Notes, and U.S. Government Sponsored Agency Securities(1) Maturing in 5 years or less Maturing in more than 5 years	 95% 90%
High Grade U.S. Corporate/Municipal/Structured Fixed Income Securities (AA/Aa2 or better) Maturing in 5 years or less Maturing in more than 5 years	 90% 85%
Intermediate Grade U.S. Corporate/Municipal/Structured Fixed Income Securities (BBB/Baa2 or better but worse than AA/Aa2)(2) Maturing in 5 years or less Maturing in more than 5 years	 85% 80%
Commercial Paper A1 or P1 Graded Commercial Paper A2 or P2 Graded Commercial Paper	 85% 80%

Notes:

(1) U.S. Government Bills/Notes/Sponsored Agencies include: U.S. Treasury Bills, Notes, and Bonds; U.S. Government Agency and U.S. Government Sponsored Enterprise (GSE) Securities. Also included are Mortgage-Backed Securities (MBSs). GSE and MBS securities include Fannie Mae, Freddie Mac, Ginnie Mae, FHLB System Banks, and Federal Farm Credit Banks.

(2) Securities rated BBB or Baa2 shall not comprise greater than 20% of Collateral Value.

EXHIBIT A

FORM OF
OFFICER'S COMPLIANCE CERTIFICATE

THIS CERTIFICATE is given pursuant to Section 7(c)(i) of the Standby Letter of Credit Agreement, dated as of February 23, 2021 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement," the terms defined therein being used herein as therein defined), among Everest Reinsurance (Bermuda), Ltd., a company incorporated and existing under the laws of Bermuda (the "Account Party"), and Wells Fargo Bank, National Association (the "Bank").

The undersigned hereby certifies that:

1. He or she is the [Chief Executive Officer] [Chief Financial Officer] [Vice President—Finance] [Principal Accounting Officer] [Treasurer] [Assistant Treasurer] of the Account Party.

2. Enclosed with this Certificate are copies of the financial statements of the Account Party and its Subsidiaries as of _____________, and for the [________-month period] [year] then ended, required to be delivered under Section 7(a) of the Credit Agreement. Such financial statements have been prepared in accordance with GAAP [(subject to the absence of notes required by GAAP and subject to normal year-end adjustments)] and present fairly, in all material respects, the financial condition of the Account Party and its Subsidiaries on a consolidated basis as of the date indicated and the results of operations of the Account Party and its Subsidiaries on a consolidated basis for the period covered thereby.

3. The undersigned has reviewed the terms of the Credit Agreement and has made, or caused to be made under the supervision of the undersigned, a review in reasonable detail of the transactions and condition of the Account Party and its Subsidiaries during the accounting period covered by such financial statements.

4. The examination described in paragraph 3 above did not disclose, and the undersigned has no knowledge of the existence of, any Default or Event of Default during or at the end of the accounting period covered by such financial statements or as of the date of this Certificate [, except as set forth below.

Describe here or in a separate attachment any exceptions to paragraph 4 above by listing, in reasonable detail, the nature of the Default or Event of Default, the period during which it existed and the action that Everest has taken or proposes to take with respect thereto].

5. Attached to this Certificate as Annex A is a covenant compliance worksheet reflecting the computation of the financial covenants set forth in Section 8 of the Credit Agreement as of the last day of the period covered by the financial statements enclosed herewith.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of the _______ day of _____________, ____.

EVEREST REINSURANCE (BERMUDA), LTD.

By:_______________________________________

Name:_____________________________________

Title:______________________________________

ANNEX A

COVENANT COMPLIANCE WORKSHEET

A. Minimum Total Shareholder's Equity

(Section 8(a) of the Credit Agreement)

(1) Total Shareholder's Equity as of the date of determination

a) Required:	$2,143,539,163.00
b) Actual:	$____________

B. Financial Strength Rating

(Section 8(b) of the Credit Agreement)

(1) Has the Account Party maintained a financial strength rating by A.M. Best Company at all times from the date of the most recently delivered Officer's Compliance Certificate to and including the date hereof?	___ Yes	___ No
(2) Has the financial strength rating by A.M. Best Company for the Account Party been equal to or better than "B++" at all times during the period described in line (1) above?	___ Yes	___ No

EXHIBIT B

FORM OF

COLLATERAL VALUE CERTIFICATE

____________, 20__

Wells Fargo Corporate Banking

550 South Tryon Street

MAC D1086-330

Charlotte, NC 28202

Attention: William R. Goley

Ladies and Gentlemen:

Reference is made to the Standby Letter of Credit Agreement, dated as of February 23, 2021, among Everest Reinsurance (Bermuda), Ltd., a company incorporated and existing under the laws of Bermuda (the “Account Party”), and Wells Fargo BaPnk, National Association (the “Bank”) (as amended or otherwise modified from time to time, the “Credit Agreement”). Terms defined in the Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used herein as defined therein.

This Collateral Value Certificate is delivered pursuant to Section 7(e)(iii) of the Credit Agreement. The date of this Collateral Value Certificate is _____________, 20__ (the “Certificate Date”). Set forth on Attachment A is the computation of the Collateral Value of the Collateral and certain other information required by Section 7(e)(iii) of the Credit Agreement as of ______________, 20__ (the “Valuation Date”), calculated in accordance with the definition of “Collateral Value” contained in the Credit Agreement and the other provisions of the Credit Agreement (including Schedule I thereto).

The undersigned hereby certifies that (i) the information on Attachment A correctly sets forth the Collateral Value (in the aggregate and for each category of Collateral) and the Outstanding Letters of Credit as of the Valuation Date; (ii) the Outstanding Letters of Credit do not exceed the aggregate Collateral Value as of the Valuation Date; and (iii) nothing has come to the attention of the undersigned to cause the undersigned to believe that the Bank does not have a first priority perfected Lien on and security interest in the Collateral set forth on Attachment A as of the Certificate Date.

[Signature page to follow]

ACCOUNT PARTY:

EVEREST REINSURANCE (BERMUDA), LTD.

By: ___________________________________

Name:

Title:

ATTACHMENT A

COLLATERAL VALUE OF THE COLLATERAL

Type of Security	Value	Advance Rates	Collateral Value
Cash (denominated in USD) or Certificate of Deposit	$________	100%	$________
Mutual Funds			
Listed (on a nationally recognized U.S. exchange) Money Market Mutual Funds	$________	90%	$________
U.S. Fixed Income Mutual Funds (excluding high yield and tax exempt)	$________	80%	$________
U.S. Government Bills, Notes, and U.S. Government Sponsored Agency Securities(1)			
Maturing in 5 years or less	$________	95%	$________
Maturing in more than 5 years	$________	90%	$________
High Grade U.S. Corporate/Municipal/Structured Fixed Income Securities (AA/Aa2 or better)			
Maturing in 5 years or less	$________	90%	$________
Maturing in more than 5 years	$________	85%	$________
Intermediate Grade U.S. Corporate/Municipal/Structured Fixed Income Securities (BBB/Baa2 or better but worse than AA/Aa2)(2)			
Maturing in 5 years or less	$________	85%	$________
Maturing in more than 5 years	$________	80%	$________
Commercial Paper			
A1 or P1 Graded Commercial Paper	$________	85%	$________
A2 or P2 Graded Commercial Paper	$________	80%	$________
Total Collateral Value			$________

Notes:

(1) U.S. Government Bills/Notes/Sponsored Agencies include: U.S. Treasury Bills, Notes, and Bonds; U.S. Government Agency and U.S. Government Sponsored Enterprise (GSE) Securities. Also included are Mortgage-Backed Securities (MBSs). GSE and MBS securities include Fannie Mae, Freddie Mac, Ginnie Mae, FHLB System Banks, and Federal Farm Credit Banks.

(2) Securities rated BBB or Baa2 shall not comprise greater than 20% of Collateral Value.

Outstanding Letters of Credit

Beneficiary	**Issue Date**	**Undrawn Amount**	**Unreimbursed Drawings**
		$________	$________
Total Outstanding Letters of Credit		$________	$________

Ratio of aggregate Collateral Value to Outstanding Letters of Credit: ____________

Exhibit 31.1

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.

May 10, 2021

/S/ JUAN C. ANDRADE
Juan C. Andrade
President and
Chief Executive Officer

Exhibit 31.2

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.

May 10, 2021

/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 March 31, 2021 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) or 15(d) 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.

May 10, 2021

/S/ JUAN C. ANDRADE
Juan C. Andrade
President and
Chief Executive Officer

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