NEIL

2019
ANNUAL REPORT

Nuclear Electric Insurance Limited

Consolidated Financial Statements

Contents

Independent Auditors' Report

To the Policyholders of
Nuclear Electric Insurance Limited
Hamilton, Bermuda

We have audited the accompanying consolidated financial statements of Nuclear Electric Insurance Limited and Subsidiaries (the "Company"), which comprise of the consolidated balance sheets as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive earnings (loss), cash flows, changes in policyholders' surplus for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nuclear Electric Insurance Limited and its Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 9 to the consolidated financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

March 25, 2020

Nuclear Electric Insurance Limited and Subsidiaries
Consolidated Balance Sheets

YEARS ENDED DECEMBER 31, 2019 AND 2018 *(In thousands of U.S. Dollars)*

ASSETS	**2019**	**2018**
Investments:		
Fixed maturities, at fair value	$ 1,839,451	$ 1,795,446
Equity securities, at fair value	2,227,845	2,203,480
Short-term investments	771,530	148,353
Alternative investments	730,024	727,020
Total Investments	**5,568,850**	**4,874,299**
Cash	13,926	16,700
Accrued interest and distribution receivable	14,407	16,232
Amounts due from policyholders	24,139	28,032
Income taxes receivable	67,133	32,366
Foreign currency forward contracts receivable, at fair value	44,507	43,381
Prepaid reinsurance premiums	17,136	18,017
Prepaid expenses and other assets	8,905	7,809
Total assets	**5,759,003**	**5,036,836**
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 238,453	$ 239,486
Unearned premiums	106,688	106,504
Ceded premiums payable	10,127	2,268
Amounts due to policyholders	66	425
Deferred income taxes, net	201,883	132,515
Distribution payable to policyholders	700,000	290,000
Foreign currency forward contracts payable, at fair value	43,993	43,525
Accounts payable, accrued expenses and other liabilities	63,320	54,067
Total liabilities	**1,364,530**	**868,790**
Policyholders’ surplus:		
Reserve fund	$ 250	$ 250
Accumulated other comprehensive earnings (loss)	(2,559)	474,182
Surplus	4,396,782	3,693,614
Total policyholders’ surplus	**4,394,473**	**4,168,046**
Total liabilities and policyholders’ surplus	**$ 5,759,003**	**$ 5,036,836**

See notes to Consolidated Financial Statements.

Nuclear Electric Insurance Limited and Subsidiaries
Consolidated Statements of Operations and Comprehensive Earnings (Loss)

YEARS ENDED DECEMBER 31, 2019 AND 2018	*(In thousands of U.S. Dollars)*	
	2019	**2018**
Direct premiums earned	$ 251,645	$ 265,604
Reinsurance premiums assumed	61,818	53,558
Reinsurance premiums ceded, net	(52,086)	(54,468)
Net Premiums Earned	**261,377**	**264,694**
Losses and loss adjustment expenses	48,825	69,612
Administrative expenses	32,553	35,706
Commissions expense	3,905	2,048
Total underwriting expenses	85,283	107,366
Earnings (Loss) From Underwriting Operations	**176,094**	**157,328**
Investment income, net	129,577	132,543
Gains on alternative investments, net	43,716	33,868
Net realized investment gains (losses)	591,708	(184,536)
Investment expenses	(13,839)	(11,375)
Earnings (Loss) From Investments	**751,162**	**(29,500)**
Earnings Before Distribution To Policyholders And Income Taxes	**927,256**	**127,828**
Distribution to policyholders	700,000	436,000
Earnings (Loss) Before Income Taxes	**227,256**	**(308,172)**
Income tax expense (benefit)	24,417	(85,369)
Net Earnings (Loss)	**202,839**	**(222,803)**
Other Comprehensive Earnings (Loss), Net Of Income Taxes		
Foreign currency translation adjustment (net of income taxes of $5,961 in 2019 and ($3,272) in 2018)	22,425	(12,309)
Net unrealized gain (loss) arising during the period (net of income taxes of $17,900 in 2019 and ($16,350) in 2018)	67,340	(61,509)
Less: Reclassification adjustments for net investment gains included in net earnings (net of income taxes of $17,600 in 2019 and $18,750 in 2018)	66,177	70,534
Total net unrealized gains (losses) arising during the period	1,163	(132,043)
Other Comprehensive Earnings (Loss), Net Of Income Taxes	**23,588**	**(144,352)**
Comprehensive Earnings (Loss)	**$ 226,427**	**$ (367,155)**

See notes to Consolidated Financial Statements.

Nuclear Electric Insurance Limited and Subsidiaries
Consolidated Statements of Cash Flows

YEARS ENDED DECEMBER 31, 2019 AND 2018 — *(In thousands of U.S. Dollars)*

OPERATING ACTIVITIES	2019	2018
Net earnings (loss)	$ 202,839	$ (222,803)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Net realized investment gains (losses)	(591,708)	184,537
Amortization/accretion of premiums and discounts on investments	2,223	4,556
(Income) loss from put collar spread	-	(12,714)
Equity in earnings of alternative investments, net of expenses	(46,649)	(32,966)
Alternative investments return on capital distributions	19,531	15,508
Decrease in deferred income taxes, net	63,190	(47,146)
Distribution to policyholders - declared	700,000	436,000
Payment of policyholders' distribution	(290,000)	(431,000)
Changes in assets and liabilities which provided (used) cash:		
Accrued Interest and distribution receivable	1,825	(292)
Amounts due from policyholders	3,893	(11,153)
Reinsurance receivable	-	2,231
Income taxes receivable	(34,767)	(8,661)
Foreign currency contract receivable	(1,126)	12,824
Prepaid reinsurance	881	(914)
Prepaid expenses and other assets	702	(164)
Unpaid losses and loss adjustment expenses	(1,033)	(60,530)
Unearned premiums	184	8,897
Ceded premiums payable	7,859	(1,431)
Amounts due to policyholders'	(359)	(39,351)
Foreign currency contract payable	468	(12,817)
Accounts payable and accrued expenses	6,030	(1,143)
Net cash provided (used) by operating activities	43,983	(218,532)
INVESTING ACTIVITIES		
Proceeds from sales and distributions of investments:		
Fixed maturities	1,028,864	1,164,627
Equity securities	1,342,655	917,598
Alternative investments	245,695	106,062
Short-term investments	492,800	996,168
Maturities of investments - fixed maturities	261,260	220,905
Maturities of investments - short-term	74,640	96,778
Purchases of investments:		
Fixed maturities	(1,248,395)	(1,304,142)
Equity securities	(830,547)	(918,687)
Alternative investments	(224,614)	(90,719)
Short-term investments	(1,189,115)	(970,342)
Net cash provided (used) in investing activities	(46,757)	218,248
NET INCREASE (DECREASE) IN CASH	(2,774)	(284)
CASH		
Beginning of year	16,700	16,984
End of year	$ 13,926	$ 16,700
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Net cash received (paid) during the year for income tax	$ (470)	$ 29,564

See notes to Consolidated Financial Statements.

Nuclear Electric Insurance Limited and Subsidiaries
Consolidated Statements of Changes in Policyholders' Surplus

YEARS ENDED DECEMBER 31, 2019 AND 2018 *(In thousands of U.S. Dollars)*

			Accumulated Other Comprehensive (Loss) Earnings		
	Total	Surplus	Foreign Currency Translation	Unrealized Gains (Losses) and Benefit Obligations	Reserve Fund
Balance, January 1, 2018	$ 4,535,201	$ 3,916,417	$ (15,508)	$ 634,042	$ 250
Comprehensive Earnings (Loss):					
Net Earnings (Loss)	(222,803)	(222,803)	-	-	-
Other comprehensive earnings (loss), (net of income taxes)	(144,352)	-	(12,309)	(132,043)	-
Comprehensive Earnings (Loss):	(367,155)	(222,803)	(12,309)	(132,043)	-
Balance, December 31, 2018	$ 4,168,046	$ 3,693,614	$ (27,817)	$ 501,999	$ 250
Cumulative effect of change in accounting principle adopted on January 1, 2019 (Note 2)	-	500,329	-	(500,329)	-
Comprehensive Earnings (Loss):					
Net Earnings (Loss)	202,839	202,839	-	-	-
Other comprehensive earnings (loss), (net of income taxes)	23,588	-	22,425	1,163	-
Comprehensive Earnings (Loss):	226,427	202,839	22,425	1,163	
Balance, December 31, 2019	$ 4,394,473	$ 4,396,782	$ (5,392)	$ 2,833	$ 250

See notes to Consolidated Financial Statements.

01. Nature of Business

Nuclear Electric Insurance Limited (the "Company" or "NEIL") is incorporated under the laws of Bermuda, has its place of business in Delaware, and is a registered insurerunder the Bermuda Insurance Act of 1978 and the Captive Insurance Companies Act of Delaware. The Company traces its roots to 1973 and the formation of Nuclear Mutual Limited ("NML") in Bermuda, as a mutual insurance company. NML and the Company, which was formed as a mutual insurance company in 1980, were formed by groups of U.S. electric utilities as alternatives to the commercial nuclear insurance market. NML was merged into the Company in 1997. Each utility and energy company that is a Member of the Company today has, or had at the time of becoming a Member, an insurable interest in a commercial nuclear power generation plant. NEIL organized a subsidiary named NEIL Specialty Insurance Company ("NSIC"), a Delaware Corporation, which is licensed as an industrial insured captive insurer.

The Company insures nuclear plants and their generating units, owned by electric utilities and independent power producers (the "Members"). The Company currently provides property insurance coverage to all of the commercial nuclear power generating facilities in the United States, Belgium and Spain for: 1) the costs associated with certain long-term interruptions of electric generation, due to accidental physical damage under the Accidental Outage programs; 2) decontamination expenses incurred at such sites arising from accidental nuclear contamination under the Primary and Excess programs; 3) other risks of direct physical loss at such sites, including certain premature decommissioning costs under the Primary and Excess programs, and 4) risks associated with the construction of new nuclear power plants through the Company's Builders' Risk program.

The Company also provides certain non-nuclear property and liability coverage to existing Members. This coverage is provided in conformity with conventional property and liability programs, following the terms and conditions underwritten by the program's lead underwriter(s).

The Accidental Outage program pays a maximum weekly indemnity limit of $4.5 million resulting from an accidental outage at any one unit. The Company's loss exposure on any single incident at a unit is limited to 100% of the weekly indemnity for 52 weeks and 80% for the subsequent 110 weeks, up to a maximum of $490 million for any one occurrence. Deductibles of 8, 12, 20, or 26 weeks are available as part of this program.

The Primary Property program provides property insurance coverage (nuclear and non-nuclear perils) of $1.5 billion per occurrence. The Excess program provides property insurance coverage (nuclear peril only) of up to $1.25 billion in excess of $1.5 billion per occurrence. The Excess program features an optional blanket limit structure that allows for multiple nuclear sites to share limits at reduced rates. NSIC's captive coverage provides property insurance coverage (non-nuclear peril only) of up to $750 million in excess of $1.5 billion per occurrence.

The Builders' Risk program provides property insurance coverage of up to $2.75 billion with a sublimit for delay in start-up, natural hazards, and other perils. Policy periods vary as a result of the complexity and uniqueness of each project.

02. Significant Accounting Policies

Principles of Consolidation & Basis of Presentation

The Consolidated Financial Statements include the Company, its wholly owned subsidiaries, Nuclear Service Incorporated ("NSI") Organization, Inc., Delaware Risk Management, Inc., Nuclear Electric (Cayman) Limited, NEIL Overseas DAC ("NEIL Overseas") f/k/a Overseas NEIL DAC and NSIC, and variable interest entities ("VIE") for which the Company is the primary beneficiary. All intercompany transactions have been eliminated in consolidation. The financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America ("US GAAP").

Premiums Written/Unearned Premiums

Net premiums written reflect the premiums the Company retains after purchasing reinsurance protection. Net premiums earned reflect the portion of net premiums written that were recorded as revenues for the period as the exposure period expires, net of discounts. Premiums written and reinsurance premiums assumed and ceded are reflected in earnings on a pro-rata basis over the term of each policy, or in the case of Builders' Risk, written premiums and reinsurance premiums ceded are recognized over the contract period in proportion to the amount of insurance protection provided. Unearned premiums represent the portion of premiums written, which are applicable to the unexpired terms of policies in force. Unearned premiums are recorded at cost, which approximates fair value. The Company records advance payments of reinsurance premiums as Prepaid reinsurance premiums. Premiums ceded under reinsurance agreements are recorded as Ceded premiums payable, to the extent there is no right to offset with prepaid reinsurance amounts.

Policyholders' Distribution

The Company insures nuclear plants and their generating units owned by the Members, primarily in the United States. The Company provides catastrophic insurance covering low frequency, high severity events and as such requires significant resources to satisfy potential catastrophic claims. To the extent that the full amount of these resources is not required during a given year, distributions to Members may be utilized as a method of sharing favorable financial results. Distributions are determined on an annual basis at the discretion of the Board of Directors, based on the authority approved by the Membership, and allocated to the Members in accordance with NEIL's Bye-Laws. If, for any reason, a Member ceases to maintain an insurance relationship with NEIL, the Member will lose its Membership status. The Member would remain eligible, for the ensuing five-year period only, to participate in future distributions. The Member would not be eligible to participate in any liquidation distributions, even if such distributions occur within the eligibility period. The Board of Directors declared an annual Distribution of $700 million on December 13, 2019 payable to the Members by March 27, 2020. $290 million Policyholder Distribution was declared on December 12, 2018, and paid on March 22, 2019.

Investments

The Company applies the Fair Value Option for Financial Assets and Liabilities (embodied in Accounting Standards Codification ("ASC") Topic 825, Financial Instruments), which allows companies to make an election on an individual instrument basis to report financial assets and liabilities at fair value. The election must be made at the inception of a transaction and may not be reversed. The Company has made the election for fixed maturity and equity securities purchased on or after January 1, 2010. These securities are included in Fixed maturities and Equity securities at fair value on the Consolidated Balance Sheets, and changes in the fair value of the securities are reported in Net realized investment gains (losses) on the Statements of Operations and Comprehensive Earnings (Loss). Dividends on equity securities are recorded when declared, and interest on fixed income securities is recorded on an accrual basis. The Company believes that making the election for its portfolio of investment securities is consistent with its operating principle to manage investments for total return.

Both dividends and interest are reported in Investment income, net on the Statements of Operations and Comprehensive Earnings (Loss). Amortization and accretion of premiums and discounts on marketable securities are included in investment income, net. Realized investment gains and losses on sales of equity and fixed maturity securities are computed using the specific identification cost method and are reported in Net realized investment gains (losses) on the Statements of Operations and Comprehensive Earnings (Loss).

The Company has categorized its investments in marketable fixed maturity and equity securities as available for sale. Excluding those securities accounted for under the Fair Value Option, the Company has reported the portfolio at fair value with unrealized gains and losses, which include unrealized gains and losses due to foreign currency translation, net of tax, as a component of Accumulated Other Comprehensive Earnings (Loss), which is a separate component of Policyholders' Surplus.

Excluding those securities accounted for under the Fair Value Option, declines in the fair value of fixed maturity securities are evaluated by management for OTTI. When an OTTI related to a fixed maturity security has occurred, if the Company intends to either sell the security or determines that it is more likely than not that it will be required to sell a security before recovery of the entire amortized cost basis or maturity of the security, the Company recognizes the entire impairment in net earnings. If the Company does not intend to sell the fixed maturity security and it determines that it is more likely than not that it will not be required to sell the security, and it does not expect to recover the entire amortized cost basis, the impairment is bifurcated into the amount attributed to the credit loss, which is recognized in net earnings, and all other causes, which are recognized in Other Comprehensive Earnings (Loss).

Short-term investments consist of income generating funds with maturities of less than one year in duration held within various externally managed portfolios. The income generated in these funds is included in Investment income, net. These investments are primarily recorded at cost, which approximates fair value.

The Company purchases a variety of derivative financial instruments for risk management and investment purposes. The Company recognizes all derivatives as either assets or liabilities at fair value as prescribed in ASC Topic 815, *Derivatives and Hedging*. Gains and losses on derivatives are recorded in Investment income, net on the Statements of Operations and Comprehensive Earnings (Loss).

Alternative investments consist of investments in real estate, private equity, and hedge funds that are either carried on the equity method of accounting as prescribed in ASC Topic 323, *Investments, Equity Method and Joint Ventures*, or in limited instances are consolidated variable interest entities ("VIEs"), as prescribed in ASC Topic 810, *Consolidation*. The Company follows ASC Topic 970, *Real Estate, General*, in accounting for its real estate investments. For investments in private equity and hedge funds, the Company follows accounting as prescribed in ASC Topic 323, *Investments, Equity Method and Joint Ventures*. The Company records the activity of its private equity and real estate investments generally on a one-quarter lag or less and hedge fund investments generally on a one-month lag or less, based upon the availability of fund financial information. At December 31, the Company's alternative investments are generally reported at the Company's proportional interest per the reporting lag on a fair value basis, consistent with the underlying fund's method of accounting, and adjusted for contributions and distributions through December 31.

The Company also considers fund transactions during the last three months of the year that may indicate a significant change in fair value has occurred. Due to the inherent uncertainty of valuation, the values determined by management may differ significantly from values that would have been used had a ready market for these investments existed, and the differences could be material.

Variable Interest Entities

In the normal course of investment activities, the Company enters into relationships with entities that could be considered VIEs. For most VIEs, the entity that has both the ability to direct the most significant activities of the VIE and the obligation to absorb losses or receive benefits that could be significant to the VIE, is considered the primary beneficiary. The Company's policy is to consolidate those VIEs for which it is deemed to be the primary beneficiary. The accounting guidance for the determination of when an entity is a VIE and when to consolidate a VIE is complex and requires significant management judgment. The determination of the VIEs primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with, or involvement in, the entity, an estimate of the entity's expected losses, and expected residual returns and the allocation of such estimates to each party involved in the entity. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary.

The Company's VIEs consist of certain interests in hedge funds, real estate funds and private equity limited partnerships. The Company enters into the VIEs purely to diversify its investment portfolio. The VIEs are primarily financed by capital contributions from equity holders. The Company's involvement in financing the VIE is limited to its equity interest. The Company performed an economic analysis of the rights and obligations of its assets, liabilities, equity, and other contracts to identify its variable interests. On a subsequent basis, and at least annually, the Company has also performed an assessment of reconsideration events. The Company is a limited partner in its partnership investments and, as such, does not participate in the management of the entities. The limited partner agreement and the partnership entity's most current financial statements were also reviewed, to determine if the investment entity required subordinate financial support to permit it to finance its activities; whether there is an obligation to absorb expected losses or receive expected residual returns; and whether there are guaranteed returns on its interest or its returns are capped.

The following tables are the carrying amount, unfunded commitment, and maximum exposure to loss relating to VIEs for which the Company is not the primary beneficiary and which have not been consolidated:

(In thousands of U.S. Dollars)

December 31, 2019		**Carrying Value**		**Remaining Commitment**		**Maximum Exposure to Loss[1]**
Hedge Funds	$	28,931	$	-	$	28,931
Real Estate Partnerships		130,847		89,192		220,039
Private Equity Partnerships		48,103		54,911		103,014
	$	207,881	$	144,103	$	351,984

1) The maximum exposure to loss is equal to the carrying amount plus any unfunded commitments of the Company.

December 31, 2018		**Carrying Value**		**Remaining Commitment**		**Maximum Exposure to Loss[1]**
Hedge Funds	$	27,407	$	-	$	27,407
Real Estate Partnerships		118,303		25,964		144,267
Private Equity Partnerships		48,731		27,793		76,524
	$	194,441	$	53,757	$	248,198

1) The maximum exposure to loss is equal to the carrying amount plus any unfunded commitments of the Company.

Unpaid Losses and Loss Adjustment Expenses
As an insurance and reinsurance company, the Company is required, by applicable laws and regulations, and by US GAAP, contained in ASC Topic 944, *"Financial Services-Insurance,"* to establish loss and loss expense reserves for the estimated unpaid portion of the ultimate liability for losses and loss expenses, under the terms of policies and agreements with its insured and reinsured Members. The estimate of liabilities includes provision for claims that have been reported but unpaid at the balance sheet date and for future obligations from claims that have been incurred but not reported ("IBNR") at the balance sheet date. The provision for unpaid losses and loss expenses is determined on the basis of management estimates based, where appropriate, on information from claims adjustors, independent consultants, and other evaluations, including estimates for IBNR. The process for establishing loss reserves can be complex and subject to considerable uncertainty, and requires the use of informed estimates and judgments based on circumstances known at the date of the accrual. The methods of making such estimates and establishing resulting liabilities are continually reviewed and updated, and any resultant adjustments are reflected in operations currently.

Contingencies
ASC Topic 450, *Contingencies*, defines a contingency as any material condition that involves a degree of uncertainty that will ultimately be resolved. Under US GAAP, the Company is required to establish reserves for contingencies when a loss is both probable and can be reasonably estimated. The Company determines the amount of reserves required for contingencies, if any, after carefully analyzing each issue using internal estimates, case level reviews by both inside and outside legal, technical, and claims experts, and other relevant information. In cases where the loss is not both probable and estimable, the Company has not established an accrual at this time. Appropriate disclosures are made in accordance with the requirements of ASC Topic 450. The required reserves may change due to new developments in information, or changes in approach to claim or loss resolution. Any such revision could result in future changes in estimates of losses or reinsurance recoverable, and would be reflected in the Company's financial statements in the period in which the estimates are changed.

Income Taxes
The Company accounts for income taxes under the asset and liability method as prescribed by ASC Topic 740, *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent financial operations. In the event the Company was to determine that it would be able to realize its deferred income tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

The Company accounts for its uncertain tax positions in accordance with ASC Topic 740. ASC Topic 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more likely than not recognition threshold to be recognized. ASC Topic 740 also provides guidance on measurement, derecognition, classification, interest and penalties, and disclosure. The Company would recognize interest and penalties (if any) related to unrecognized tax benefits within the income tax expense line in the accompanying Statements of Operations and Comprehensive Earnings (Loss). Accrued interest and penalties (if any) would be included within the related tax liability line in the Consolidated Balance Sheets. There are no material uncertain tax positions reflected in the Company's Consolidated Financial Statements as of December 31, 2019 and 2018.

Cash
Cash includes short-term securities with maturities of three months or less at the time of purchase, primarily deposits with banks, which are generally considered part of the Company's cash management activities rather than the Company's investing activities.

Recently Adopted Accounting Pronouncements
In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220), Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The guidance is effective for fiscal year beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted for reporting periods which financial statements have not yet been issued or made available for issuance. The ASU addresses the effect of TCJA on items in Accumulated Other Comprehensive Income ("AOCI"). Guidance requires the effect of the tax law and rate changes on deferred tax assets and liabilities be recognized in the year of the enactment and the change included in income from continuing operations as a tax benefit or expense, even if the deferred tax is related to items in AOCI. As a result of the guidance, AOCI items are reported at the historic tax rate ("stranded tax effect"). The ASU allows a one-time reclassification of the stranded tax effect from AOCI to Surplus. The amendment was early adopted and the effect of the TCJA's tax rate change was reclassified from AOCI to Surplus. As of December 31, 2017, AOCI was increased and Surplus was decreased by $109,685,000 on the Balance Sheet, respectively. The reclassification was also reflected on the Consolidated Statement of Change in Policyholders' Surplus.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash receipts and Cash Payments*. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with permissible early adoption. The purpose of this update is to provide guidance on the classification of certain cash receipts and payments in the statement of cash flows including, but not limited to: (i) debt prepayment or debt extinguishment costs; (ii) proceeds from the settlement of corporate-owned life insurance policies including bank-owned life insurance policies; (iii) distributions received from equity method investees; and (iv) separately identifiable cash flows and application of the predominance principle. As of December 31, 2017, the amendment was early adopted and applied retrospectively and did not have a material impact on Consolidated Statements of Cash Flows.

In October 2016, the FASB issued ASU 2016-17, *Interests Held through Related Parties that are under Common Control*. The amendments in this update are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. The update impacts an entity's consolidation analysis of its variable interest entities, particularly those that have related party relationships. The amendments reduce the extent to which related party arrangements cause an entity to be considered a primary beneficiary. A single decision maker is not required to consider indirect interests held through related parties that are under common control with the single decision maker to be the equivalent of direct interests in their entirety. Instead, a single decision maker is required to include those interests on a proportionate basis consistent with indirect interests held through other related parties. Based on the evaluation performed, the application resulted in no impact as the Company does not have any related entities with an indirect interest in VIEs. The assessment of VIEs for the adoption of this pronouncement was performed in conjunction with ASU 2015-02 (discussed below).

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis (Topic 810).* The update amends the guidance applicable to consolidation models. The amendments in this update are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. The amendment requires an additional step to determine if the holders of equity of the limited partnerships have the power to direct the activities that significantly impact the partnership. The holders of equity "lack that power if neither exists: 1.) a simple majority or lower threshold of limited partners (including a single limited partner) with equity at risk is able to exercise substantive kick-out rights through voting interest over the general partner(s), or 2.) limited partners with equity at risk are able to exercise substantive participating rights over the general partner(s)."

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. This update revises an entity's accounting related to the classification and measurement of investments in equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee), changes the presentation of certain fair value changes relating to instrument specific credit risk for financial liabilities, and amends certain disclosure requirements associated with the fair value of financial instruments. The guidance was adopted as of January 1, 2019.

New Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued (Accounting Standards Update ("ASU") 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The purpose of this update is to amend ASC 815 to "better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results." FASB believes this will improve transparency and simplify the application of hedge accounting. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. The Company is currently evaluating the potential impacts that this adoption could have on its Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The purpose of this update is to introduce a new approach to estimate credit losses on certain types of financial instruments based on expected losses. It also modifies the impairment model for available-for-sale debt securities and provided for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Earlier application is permitted only for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the potential impacts that this new standard could have on its Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The purpose of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Company is currently evaluating the potential impacts that this new standard could have on its Consolidated Financial Statements.

03. Investments

The amortized cost, gross unrealized gains and losses, and estimated fair value of available for sale securities, excluding those securities accounted for under the fair value option, at December 31, 2019 and 2018 are as follows. Marketable equity securities are not included for 2019 due to the adoption of ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10).

(In thousands of U.S. Dollars)

December 31, 2019	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturities:				
Foreign government obligations	$ 567	$ 315	$ -	$ 882
Obligations of state and political subdivisions	481	248	-	729
Corporate debt securities	2,398	1,479	-	3,878
Mortgage-backed securities	7,154	1,249	-	8,403
Other debt securities	409	15	-	424
	$ 11,010	**$ 3,306**	**$ -**	**$ 14,316**

December 31, 2018	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Maximum Exposure to Loss[1]
Fixed Maturities:				
Foreign government obligations	$ 781	$ 199	$ -	$ 980
Obligations of state and political subdivisions	986	185	-	1,171
Corporate debt securities	3,361	1,098	-	4,459
Mortgage-backed securities	9,094	1,171	(151)	10,114
Other debt securities	408	22	-	430
	$ 14,630	**$ 2,675**	**$ (151)**	**$ 17,154**
Equities	143,418	635,212	(2,707)	775,923
	$ 158,048	**$ 637,887**	**$ (2,858)**	**$ 793,077**

The fixed maturity securities accounted for under the fair value option had an amortized cost of $1,779,668,000 and $1,808,494,000 and an estimated fair value of $1,825,135,000 and $1,778,291,000 at December 31, 2019 and 2018, respectively. The equity securities accounted for under the fair value option had a cost of $1,364,213,000 and an estimated fair value of $1,427,558,000 at December 31, 2018.

The Company was required to hold $41,000,000 (exclusive of IBNR) and $47,000,000 of equity securities in trust as collateral for a reinsurance agreement at December 31, 2019 and 2018, respectively.

Gross realized gains and losses for available for sale securities, including fixed income securities accounted for under the Fair Value Option and equity securities accounted for at fair value in accordance with ASU 2016-01, were as follows:

(In thousands of U.S. Dollars)

	2019	2018
Realized gains	$ 312,935	$ 258,270
Realized loss	(101,461)	(128,426)
Net gain (loss) on fair value option securities	380,439	(313,902)
Impairments	(205)	(478)
	$ 591,708	$ (184,536)

Components of investment income, net for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of U.S. Dollars)

	2019	2018
Interest and dividends	$ 105,985	$ 114,077
Derivative gains (losses), net	21,449	20,158
Accretion and amortization	(2,223)	(4,556)
Other income	4,366	2,864
	$ 129,577	$ 132,543

The amortized cost and estimated fair value of fixed maturity securities by maturity date at December 31, 2019 are as follows:

(In thousands of U.S. Dollars)

	2019	2018
Due in one year or less	$ 191,118	$ 191,716
Due after one year through five years	858,438	872,166
Due after five years through ten years	276,878	288,850
Due after ten years	464,243	486,719
	$ 1,790,677	$ 1,839,451

The net change in unrealized investment gains (losses) arising during the period, excluding the net change in benefit obligation of $547,000 and $1,571,000 for the years ended December 31, 2019 and 2018, respectively, is as follows:

(In thousands of U.S. Dollars)

	2019	2018
Fixed maturities	$ 6,409	$ (4,096)
Equity securities	-	(168,159)
Foreign currency translation	22,758	(12,457)
Deferred income taxes	(6,125)	38,790
	$ 23,042	$ (145,922)

The Company maintains specific restrictions on its investment portfolio based on policy guidelines as approved by the Board of Directors. These guidelines include restrictions with respect to diversification and credit quality. For equity and fixed maturity investments, exposure to a single issuer, with the exception of the U.S. Treasury and Government agencies, may not exceed 1.5% of the fair value of the aggregate NEIL portfolio or 1.5 times the weight of the entity in the Policy Benchmark. Asset-backed Securities, where the credit quality/rating is primarily based on specified collateral and not the issuer, are not subject to these limits. The policy guidelines also require that no less than 90% of the fixed maturity portfolio must be rated investment grade by Fitch, Standard & Poor's or Moody's bond rating services. As of December 31, 2019, the Company's fixed maturity securities included U.S. Government obligations, Foreign Government obligations, Corporate Debt Securities, Mortgage-backed Securities and Other Debt Securities. Mortgage-backed Securities included Residential Mortgage-backed Securities ("RMBS"), Commercial Mortgage-backed Securities ("CMBS"), and Collateralized Mortgage Obligations ("CMOs"). Other debt securities included Federal Agency debt issues from the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") and Federal Home Loan Bank ("FHLB"). 99.5% and 99.4% of the Company's fixed maturity portfolio was rated as investment grade at December 31, 2019 and 2018, respectively.

Impairment Evaluation for Fixed Maturity Securities

Government Obligations

Government obligations include U.S. Treasury and agency obligations, Foreign Government obligations, and state and municipality subdivision obligations, which were in an unrealized loss position. These securities are evaluated for credit loss using a combination of quantitative and qualitative assessments of the likelihood of credit loss considering the credit ratings of the issuers and issuer specific information. The quantitative methodology is similar in approach to that described below for Corporate Debt Securities. All of the Company's holdings in this category are investment grade securities. There was no OTTI during the year ended December 31, 2019 and 2018.

Corporate Debt Securities

The Company determines its best estimate of projected cash flows and develops these estimates on a security by security basis using information based on market observable data, issuer specific information, and available cash flow information. The Company develops its default assumption by using credit rating data and average historical spreads obtained from observable indices.

The Company uses credit ratings as an indicator of the credit quality of fixed maturity issuers, the relative likelihood that the issue may default, and issuer specific current news and other information available in the public domain. The Company identifies the securities that are investment grade, and the Company generally expects to recover the entire amortized cost basis of all securities that are investment grade. The Company generally considers any fixed maturity security with an Aaa to Baa rating (Moody's) and with an AAA to BBB rating (S&P) as investment grade. There was no OTTI during the year ended December 31, 2019 and 2018.

Mortgage-Backed and Asset-Backed Securities

For Mortgage-backed securities, credit impairment is assessed using a similar approach to corporate debt securities. The Company identifies the securities that are investment grade and the Company generally expects to recover the entire amortized cost basis of all securities that are investment grade, in the absence of any issuer specific negative information. The securities that fall below investment grade are analyzed further to calculate the credit and non-credit loss components. The Company determines its best estimate of projected cash flows and develops these estimates on a security by security basis. OTTI on Mortgage-backed securities was de minimis in 2019 and 2018.

Other Investments

Within the Company's fixed maturity portfolio, the exposure to subprime and Alt-A Mortgage-backed securities as of December 31, 2019 and 2018 is $691,000 and $1,032,000, respectively.

The Company participates in a securities lending program managed by Northern Trust. The Company receives a fee from Northern Trust for the lending of securities that is shown in the Investment income, net component of the Statements of Operations and Comprehensive Earnings (Loss). As a requirement of the lending program, the borrower of securities must pledge collateral in excess of 100% of the value of the loaned securities to Northern Trust. The loaned securities are reclassified to securities pledged to creditors. Cash received as collateral is invested in high-quality, short-term instruments and recorded in the Consolidated Balance Sheet as an investment at estimated fair value. Non-cash collateral is not recorded in the balance sheets, since "effective control" criteria are not met. A rate of interest termed the "rebate" is guaranteed to the securities borrower for the cash collateral, and the Company earns a profit through the retention of any investment returns earned on the cash collateral in excess of the rebate guarantees. While the securities lending activities are fully collateralized, market risk arises from the possibility that a borrower of securities may be unable to return the securities if a sudden material change in the market occurs. There is minimal credit risk from the failure of counterparties to perform, since the Company receives collateral in excess of 100% of the value of the loaned securities, and losses stemming from the borrower's failure to return securities are fully indemnified by Northern Trust. There were securities with a market value of $0 on loan under the program at December 31, 2019 and 2018, as the Company actively works to close the securities lending program at the end of each year. Income earned for securities lending was $378,000 and $414,000 at December 31, 2019 and 2018, respectively.

04. Fair Value Measurements and Derivatives

The Company follows ASC Topic 820, Fair Value Measurements, for financial assets and financial liabilities measured at fair value. The Standard defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements about fair value. The Standard also established a hierarchy that prioritizes the input used to measure fair value into three levels.

In accordance with ASC Topic 820, assets and liabilities recorded at fair value are categorized based upon a fair value hierarchy:

Level 1 – inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – inputs utilize other than quoted prices included in Level 1 that are observable for similar assets, either directly or indirectly.

Level 3 – inputs are unobservable for the asset, and include situations where there is little, if any, market activity for the asset.

The following table summarizes the Company's financial assets and financial liabilities measured at fair value at December 31, 2019:

Fair Value Measurements at December 31, 2019 *(In thousands of U.S. Dollars)*

Changes in Fair Values for the Year Ended December 31, 2019, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option

	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**	**Investments Valued at NAV[2]**	**Total Assets/ Liabilities Measured at Fair Value**	**Other net realized investment gains (losses)**	**Investment Income (Loss)**
Assets:							
Fixed Maturities:							
U.S. government obligations		$ 407,402			$ 407,402	$ 9,025	$ 612
Foreign government obligations		49,842			49,842	1,638	(553)
Obligations of state and political subdivisions		15,396			15,396	769	(103)
Corporate debt securities		993,385			993,385	48,871	(1,713)
Mortgage- and asset-backed securities		360,502			360,502	9,877	(1,393)
Other debt securities		12,925			12,925	410	(59)
Total debt securities	$ -	$ 1,839,451	$ -	$ -	$ 1,839,451	$ 70,590	$ (3,209)
Equities	$ 2,168,419	$ -	$ 6	$ 59,420	$ 2,227,845	$ -	$ -
Short-term securities[1]		476,561			476,561	76	
Alternative investments							
Hedge Funds				258,762	258,762		
Real Estate				256,201	256,201		
Private Equity				215,061	215,061		
Foreign currency forward contracts		44,507			44,507		
Futures	1,658				1,658		
Total Assets	**$ 2,170,077**	**$ 2,360,518**	**$ 6**	**$ 789,444**	**$ 5,320,045**	**$ 70,666**	**$ (3,209)**
Liabilities:							
Put spread collar contracts							
Futures							
Foreign currency forward contracts		43,993			43,993		
Put spread collar							
Foreign currency forward contracts							
Total Liabilities	$ -	$ 59,420	$ -	$ -	$ 43,993	$ -	$ -

1) Short-term securities presented in the table above exclude short-term investments (e.g., time deposits, certain money market funds) of $294,970, which are not measured at fair value)

2) Investments valued using Net Asset Value (NAV) as a practical expedient are listed in a separate column

The following table summarizes the Company's financial assets and financial liabilities measured at fair value at December 31, 2018:

Fair Value Measurements at December 31, 2018 *(In thousands of U.S. Dollars)*

	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Valued at NAV[2]	Total Assets/ Liabilities Measured at Fair Value	Changes in Fair Values for the Year Ended December 31, 2018, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option: Other net realized investment gains (losses)	Investment Income (Loss)
Assets:							
Fixed Maturities:							
U.S. government obligations	$ -	$ 393,512	$ -	$ -	$ 393,512	$ 557	$ 307
Foreign government obligations	-	60,317	-	-	60,317	(2,302)	(936)
Obligations of state and political subdivisions	-	18,669	-	-	18,669	(469)	(120)
Corporate debt securities	-	972,654	-	-	972,654	(27,160)	(2,878)
Mortgage- and asset-backed securities	-	328,128	-	-	328,128	(4,288)	(1,465)
Other debt securities	-	22,166	-	-	22,166	23	(64)
Total debt securities	$ -	$ 1,795,446	$ -	$ -	$ 1,795,446	$ (33,639)	$ (5,156)
Equities	$ 2,146,277	$ -	$ 3,183	$ 54,020	$ 2,203,480	$ (280,292)	$ 303
Short-term securities[1]	-	43,243	-	-	43,243	29	
Alternative investments							
Hedge Funds	-			259,948	259,948		
Real Estate	-			250,843	250,843		
Private Equity	-			216,229	216,229		
Foreign currency forward contracts	-	43,381			43,381		
Futures	691				691		
Total Assets	**$ 2,146,968**	**$ 1,882,070**	**$ 3,183**	**$ 608,134**	**$ 4,640,355**	**$ (313,902)**	**$ (4,853)**
Liabilities:							
Put spread collar contracts							
Futures							
Foreign currency forward contracts		43,525			43,525		
Put spread collar							
Foreign currency forward contracts							
Total Liabilities	$ -	$ 59,420	$ -	$ -	$ 43,993	$ -	$ -

1) Short-term securities presented in the table above exclude short-term investments (e.g., time deposits, certain money market funds) of $105,110, which are not measured at fair value)

2) Investments valued using Net Asset Value (NAV) as a practical expedient are listed in a separate column

For marketable securities, the Company utilizes the services of its custodian to assist in the pricing of securities for the purposes of assessing fair value. The custodian collects various price types from its pricing providers. Price types include close of business, last traded, and mid-price. The prices are typically on a close of business basis; preferred price types are based on market convention. In most markets, this translates to a "last trade" price. In the event an asset does not receive its preferred price type; the custodian will consider the next highest price type received that exists in the price type hierarchy.

As is the case with all of the Company's held assets, the custodian strives to independently price as many assets as possible. For listed securities, their pricing providers deliver exchange closing prices each day. For those securities that trade over the counter, their pricing providers deliver evaluations (good faith opinion as to what a buyer in the marketplace would pay for a security – typically in an institutional round lot – in a current sale), based on broker quotes. Depending on the type of asset, those quotes or models may include inputs as supplied by the custodian for the individual issues.

Securities classified as Level 1 consist of actively traded, exchange listed U.S. and international equities, "Futures" and "Corporate Debt Securities." Valuation is based on unadjusted quoted prices for identical assets in active markets.

Securities classified as Level 2 consist of "Fixed Maturity Securities," "Short-Term Securities," "Foreign Currency Forward Contracts," and "Put Spread Collar Contracts." The market approach is used to price the Company's U.S. and foreign government obligations, and the primary inputs include bid and offer quotes from market makers or inter-dealer brokers. The Company's "Obligation of State and Political Subdivision" securities are priced using the matrix market approach where market information is used to derive a price based on similar securities. The primary inputs are spread benchmark curves, prepayment spreads, or spreads and quotes. The Company's "Corporate Debt Securities" are generally priced using the market approach and the primary inputs include U.S. Treasury curve, benchmark issues and spreads above benchmarks from market sources. "Mortgage- and Asset-backed Securities" and "Other Debt Securities" prices are derived using a combination of matrix market approach and discounted cash flow income approach. The primary inputs include discount rates obtained from benchmark yield curves and discount margins, dealer quotes, spreads and prepayment speeds from market participants and benchmark quotes from dealers. The "Short-Term Securities" consist of U.S. government and corporate debt securities. The "Foreign Currency Forward Contracts" are priced by the FX forward rate. Discounts and premiums are taken from various sources to calculate the FX forward rate, which are added directly to the spot rate.

Securities classified as Level 3 consist of "Equities." The change in fair value of Level 3 assets is immaterial to the Consolidated Financial Statements.

The valuation of the hedge funds, real estate funds and private equity funds are based on the Company's proportionate interest in the underlying funds' net asset value, which approximates fair value. Private real estate funds are not subject to redemption, and it is estimated that the investments will be liquidated in approximately one to ten years, up to twelve years with extensions. The investments in hedge funds and open-end real estate funds are redeemable at quarter end or annually with up to a 95-day notice. The investment in the private equity funds are not subject to redemption and typically returned through distributions. It is estimated that the investments will be liquidated in approximately one to ten years, up to 15 years with extensions.

If the inputs used to measure the financial instrument fall within different levels of the hierarchy, the categorization is based on the lowest level that is significant to the fair value measurement of the instrument. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains and losses for invested assets within the Level 3 category presented in the tables may include changes in fair value that are attributed to both observable (e.g., changes in market interest rates) and unobservable (e.g., cash flow projections) inputs.

Certain short-term investments do not qualify as securities and are recognized at amortized cost in the Consolidated Balance Sheet. For these instruments, the Company believes that there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value approximates carrying value. The Company monitors its short-term investments to ensure there is sufficient demand and issuer credit quality has been maintained. Short-term investments that meet the definition of a security are recognized at estimated fair value in the Consolidated Balance Sheets in the same manner described above for similar instruments that are classified within captions of other major investment classes.

Derivative Instruments

The Company uses derivatives in the normal course of business, primarily in an attempt to reduce its exposure to market risks (principally interest rate risk, equity stock price risk, and foreign currency risk) stemming from various assets and liabilities or as a temporary balancing tool to gain target market exposure. The Company's principle objective under such risk strategies is to achieve the desired reduction in economic risk. The Company does not apply hedge accounting treatment for any of its derivative instruments.

Gains and losses on derivatives are recorded in Investment income, net as follows:

(In thousands of U.S. Dollars)

	2019	2018
Futures	$ 22,051	$ 9,026
Options	-	(3,803)
Foreign exchange forwards	(603)	(1,581)
Put spread collar 0	0	16,516
	$ 21,449	$ 20,158

Foreign exchange forwards

The Company uses foreign currency forward contracts to limit the impact of currency fluctuations and exchange rate exposure of future sales and purchases of foreign securities. Foreign currency forward contracts are not used to leverage portfolios or for any speculative purpose.

Futures

The Company uses futures contracts to manage equity and U.S. Treasury security exposures pursuant to the Company's Investment Policy. Futures contracts are not used to leverage portfolios or for any speculative purpose. Total notional exposure to U.S. Treasury securities and equity indices through futures contracts totaled $189,017,000 and $114,872,000 at December 31, 2019 and 2018, respectively. The Company recorded a receivable and payable of approximately $225,000 and $698,000 at December 31, 2019 and 2018, respectively.

Other

The Company uses deferred settlement mortgages as a cost-efficient way to invest in mortgage-backed securities. In this approach, the investor accepts delayed settlement on the purchase of mortgage-backed securities in return for a modest reduction in the price paid for those mortgage-backed securities. The price differential is directly related to the fact that the investor does not enjoy the higher yield typically offered by mortgagebacked securities relative to the interest rate earned on cash equivalents held for the period between normal settlement and the agreed upon deferred settlement. At December 31, 2019 and 2018, these securities had an amortized cost of $2,274,738 and $5,783,000, respectively. At December 31, 2019 and 2018, these securities had a fair value of $2,274,936 and $5,813,000, respectively. The net of these amounts are included in fixed maturities on the Company's Consolidated Balance Sheets. Gains and losses on deferred settlement mortgages were immaterial to the financial statements during the years ended December 31, 2019 and 2018.

05. Line of Credit

The Company has a $125 million uncommitted line of credit with its investment custodian at December 31, 2019 and December 31, 2018, during the periods of March 1 through May 31 and from June 1 through February 28. Under the arrangement, the investment custodian has agreed to review the Company's Consolidated Financial Statements on a regular basis so that the Company may borrow funds for general corporate purposes or place letters of credit without the normal lengthy credit review process. The uncommitted nature of the line provides the investment custodian the flexibility to deny use of this line if it is so inclined. In 2019 and 2018, the Company did not borrow against the Line of Credit.

06. Reserve Fund, Escrow Deposit, and Trust Assets

The Company is required to maintain assets on deposit with various regulatory authorities to support insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. The assets on deposit are available to settle insurance and reinsurance liabilities. Under the Incorporating Act of Bermuda, the Company must, at all times, maintain a reserve fund. At December 31, 2019 and 2018, the reserve fund was $250,000. The Company established a trust held by its custodian, Northern Trust, with certain investments, in the event of default of its reinsurance obligation with Energy Insurance Mutual Limited (EIM). The Company is required to maintain sufficient funds to cover 102% of reserves for claims including reported claim loss and loss expense, and unearned premium under its reinsurance agreement with EIM. At December 31, 2019 and 2018, assets held in trust that are required to satisfy claim liabilities with EIM were approximately $41 million (exclusive of IBNR) and $47 million, respectively, and are included in equity securities, at fair value on the balance sheets.

07. Retrospective Premium Adjustments

Upon the sole discretion of the Board of Directors, the Company can call upon the Members for payment of proportionate retrospective premium adjustments, in whole or in part, to cover losses and the related costs incurred by the Company with respect to a policy year to which they have subscribed.

Each Member insured is contingently liable to the Company for retrospective premium adjustments based on losses occurring in each year. Under the Primary, Accidental Outage, Excess programs, and inclusive of Builders' Risk, the maximum adjustment is equal to ten times annualized policy premiums.

The liability of the Members for the retrospective premium adjustment for any policy year ceases six years after the end of that policy year, unless prior demand has been made. If a Member terminates its relationship with NEIL, it will still retain its obligation to respond to a retrospective premium call by the Company pursuant to the terms of any nuclear insurance policy that Member had with NEIL or NEIL Overseas prior to termination.

The maximum potential retrospective premiums, which could be demanded by the Company as of December 31, from the Members of each program, with respect to the current policy year, comprise:

(In thousands of U.S. Dollars)

	2019	2018
Primary	$ 1,754,593	$ 1,803,822
Accidental Outage	516,327	514,957
Excess	212,980	219,850
	$ 2,483,900	$ 2,538,629

The Company requires its Members to maintain an investment grade credit rating or to take certain specified actions to ensure collectability of their retrospective premiums. All non-investment grade and unrated Members are required to provide security for their retrospective premium obligations in the form of one of the following mechanisms: Financial Guarantee, Letter of Credit, Deposit Premium, or Retrospective Premium Insurance. In 2019 and 2018, the retrospective premiums for non-investment grade Members represented 13.99% and 13.09% of the total, respectively. Management believes that it is unlikely that any retrospective premium adjustments will be required for policies whose terms have expired. No retrospective premium adjustments were required for the years ended December 31, 2019 and 2018.

08. Reinsurance

In the normal course of business, the Company seeks to reduce its exposure to losses that may arise by reinsuring certain levels of risk with other insurance enterprises or reinsurers. Such reinsurance does not relieve the Company from its obligations to policyholders.

In 2019, reinsurance coverage for the Primary, Excess, and Excess Non-Nuclear Program (NSIC) consisted of $1.25 billion attaching excess of $750 million for nuclear losses and $1.35 billion attaching excess of $650 million for non-nuclear losses. Additional reinsurance coverage exists for the Excess Non-Nuclear Program (NSIC), consisting of a $125 million layer attaching excess of $2.125 billion.

Coverage for Builders' Risk programs consists of both facultative and treaty reinsurance participation at various attachment points, with or without the nuclear exposure.

The Company assumed reinsurance from non-affiliated entities for up to approximately $200,000,000 per occurrence at December 31, 2019 and 2018. The risks are primarily property damage and third-party liability for facilities involved in the nuclear industry as well as risks that are similar to the Company's direct business. Assumed premiums written in connection with these agreements in 2019 and 2018 were $38,759,000 and $55,852,000, respectively. Assumed premiums earned in connection with these agreements were $37,170,000 in 2019 and $35,614,000 in 2018.

The Company assumed reinsurance for the conventional property programs of its Members. Such assumed reinsurance was written on a quota share basis and the maximum limit was approximately $300,000,000 per occurrence. Premiums written in connection with this agreement in 2019 and 2018 were $30,703,800 and $20,942,630, respectively. Premiums earned in connection with this agreement were $26,183,322 in 2019 and $20,029,496 in 2018.

The effects of reinsurance on premiums written as of December 31, 2019 and 2018 are as follows:

(In thousands of U.S. Dollars)

	2019	2018
Direct	$ 254,161	$ 285,754
Assumed	66,875	49,935
Ceded	(51,204)	(55,383)
Net	$ 269,832	$ 280,306

09. Unpaid Losses and Loss Adjustment Expenses

Activity in unpaid losses and loss adjustment expenses is summarized as follows:

(In thousands of U.S. Dollars)

	2019	2018
Gross Balance at January 1	$ 239,486	$ 300,016
Less: reinsurance recoverables	59	2,290
Net Balance at January 1	239,427	297,726
Incurred related to:		
Current year	50,743	97,750
Prior years	(1,919)	(28,138)
Total incurred	48,825	69,611
Paid related to:		
Current year	(1,804)	(4,005)
Prior years	(48,054)	(123,906)
Total paid	(49,858)	(127,910)
Effects of foreign exchange rates	-	-
Net Balance at December 31	$ 238,394	$ 239,427
Plus: reinsurance recoverables	59	59
Gross Balance at December 31	$ 238,453	$ 239,486

The loss and loss adjustment expenses above include losses on both direct insured and assumed reinsurance business. Based on the Company's current loss reserve position, no material losses were ceded to reinsurers during the 2019 and 2018 calendar years, with respect to any claims for which coverage and reserve determinations have been made. Loss and loss adjustment expenses for the current year were $50,743,000 as compared with $97,751,000 in 2018. For the years ended December 31, 2019 and 2018, claims and claim adjustment expenses incurred included favorable development of $1,919,000 and $28,138,000, respectively. The favorable prior-year development experienced in 2019 and 2018 was the result of settlements of large claim liabilities that were less than was reserved in the prior year and a re-estimation of Incurred But Not Reported (IBNR) on prior-year claims after receiving additional information. Loss payments were $49,858,000 and $127,911,000 for 2019 and 2018, respectively.

The following information is presented by significant product lines of business. The lines are aggregated by Member Nuclear, Member Conventional, and Non-Member.

When a Member Nuclear claim is reported, the claim is assigned to NEIL Services for investigation and adjustment. The Company may engage an outside adjuster to assist in the analysis of the claim. In certain instances involving complex technical issues, outside experts may be retained to help evaluate the extent and value of the loss. Once a claim has been evaluated and believed to be a covered loss, a specific loss reserve based on the best information currently available is booked for the likely loss to be incurred. As new information becomes available or payments are made on a claim, the case reserve is adjusted to reflect the revised estimate of the ultimate amount to be paid out. Estimates and assumptions pertaining to individual claims are based on complex and subjective judgments and subject to change at any time as new information becomes available.

For claims involving the Member Conventional and Non-Member insurance programs, NEIL establishes reserves based on the loss amount determined by the lead insurer and NEIL's participation percentage on the policy.

In addition to case reserves, IBNR reserves are established to provide for claims which have not been reported to the Company as of the reporting date as well as potential adverse development on known case reserves. In general, IBNR reserve estimates are derived through a number of analytical techniques. Actuarial data is analyzed by line of business, coverage and accident year. Qualitative factors are also considered in determining IBNR reserves and include such factors as changes in policy forms and underwriting changes. Reserves are reviewed biannually, and any indicated adjustments are made. While the Company has used its best judgment and the most current information available in recording the reserves, there is significant uncertainty in estimation of the ultimate claims.

The following tables present incurred and paid claims development as of December 31, 2019, net of reinsurance, as well as cumulative claim frequency and the total IBNR liabilities plus expected development on reported claims included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended December 31, 2009 to 2018, is presented as supplementary information and is unaudited. For all significant lines, the number of claims presented below equals the number of occurrences reported to the Company. The number of claims reported during a given year corresponds to the number of claims records opened during the year. Frequency information is maintained on a cumulative basis by line of business.

Member Nuclear
Incurred Claims and Loss Adjustment Expenses, Net of Reinsurance **As of December 31, 2019**

(In thousands of U.S. Dollars)

Accident Year	2009 and Prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	IBNR Reserves	Cumulative Number of Reported Claims
2009 and Prior	1,742,424	191,618	42,827	502,752	(7,373)	92	(312)	-	-	-	-		
2010	-	25,526	(9,328)	4,541	(1,420)	(196)	(378)	(210)	(155)	-	-		7
2011	-	-	118,792	15,436	(22,589)	(3,842)	4,203	(8,563)	(433)	-	-		11
2012	-	-	-	68,828	(20,499)	198,411	206,590	(10,897)	(5,544)	-	-		7
2013	-	-	-	-	168,399	(41,915)	(9,991)	(5,909)	739	12,228	(462)		10
2014	-	-	-	-	-	109,810	(41,568)	(2,173)	(8,653)	(357)			7
2015	-	-	-	-	-	-	51,113	(13,463)	(8,834)	(1,674)	(195)	75	8
2016	-	-	-	-	-	-	-	80,126	(30,478)	(6,081)	(2,012)	-	7
2017	-	-	-	-	-	-	-	-	137,924	(19,295)	11,118	28,283	7
2018	-	-	-	-	-	-	-	-	-	50,080	(37,644)	5,406	1
2019	-	-	-	-	-	-	-	-	-	-	19,835	18,347	1
Total											**$ (9,360)**		

Member Nuclear
Cumulative Paid Claims and Loss Adjustment Expenses, Net of Reinsurance

(In thousands of U.S. Dollars)

Accident Year	2009 and Prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2009 and Prior	1,416,702	287,102	131,452	23,202	610,989	-	-	-	-	-	-
2010	-	20	3,429	13,467	1,465	-	-	-	-	-	-
2011	-	-	44	70,052	31,125	581	329	791	81	-	-
2012	-	-	-	26	1,813	19,651	401,651	10,884	2,863	-	-
2013	-	-	-	-	17,460	66,543	10,193	15,838	216	12,492	281
2014	-	-	-	-	-	100	23,211	17,817	20,161	18	-
2015	-	-	-	-	-	-	70	6,903	12,508	(75)	8
2016	-	-	-	-	-	-	-	1	16,051	25,456	47
2017	-	-	-	-	-	-	-	-	46	62,363	29,685
2018	-	-	-	-	-	-	-	-	-	-	30
2019	-	-	-	-	-	-	-	-	-	-	1,488
Total											**$ 31,538**

All outstanding liabilities relating to prior years, net of reinsurance	**115,236**
Liabilities for claims and claim adjustment expenses, net of reinsurance	**$ 74,338**

Member Conventional
Incurred Claims and Loss Adjustment Expenses, Net of Reinsurance **As of December 31, 2019**
(In thousands of U.S. Dollars)

Accident Year	2009 and Prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	IBNR Reserves	Cumulative Number of Reported Claims
2009 and Prior	196,277	(17,373)	(4,566)	(9)	(1,561)	369	(724)	(3)	261	-	-		
2010	-	14,555	(2,670)	(2,824)	(1,409)	(284)	(27)	(42)	(11)	-	-		30
2011	-	-	44,993	2,885	12,261	(1,553)	79	525	(459)	-	316		42
2012	-	-	-	53,009	12,002	8,754	583	(8,950)	(4,270)	(783)	(101)	-	37
2013	-	-	-	-	14,663	(3,946)	(3,240)	(1,131)	(705)	485	(91)	4	16
2014	-	-	-	-	-	11,890	(3,752)	(4,067)	(906)	(167)	(131)	50	19
2015	-	-	-	-	-	-	14,399	(8,964)	(2,536)	(993)	(26)	122	17
2016	-	-	-	-	-	-	-	15,115	(1,113)	(2,728)	(468)	381	39
2017	-	-	-	-	-	-	-	-	14,471	(2,865)	(2,038)	1,601	40
2018	-	-	-	-	-	-	-	-	-	30,453	(5,205)	3,519	31
2019	-	-	-	-	-	-	-	-	-	-	12,063	10,401	15
Total											**$ 4,319**		

Member Conventional
Cumulative Paid Claims and Loss Adjustment Expenses, Net of Reinsurance
(In thousands of U.S. Dollars)

Accident Year	2009 and Prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2009 and Prior	135,673	21,616	7,958	3,994	2,594	133	20	1	681	-	-
2010	-	82	1,351	1,526	4,204	84	41	-	-	-	-
2011	-	-	1,239	20,148	19,776	10,049	5,265	2,255	-	-	316
2012	-	-	-	16	20,170	9,807	25,065	2,928	1,099	(36)	-
2013	-	-	-	-	3,004	1,066	877	11	524	520	19
2014	-	-	-	-	-	660	1,457	475	208	2	0
2015	-	-	-	-	-	-	206	540	129	373	73
2016	-	-	-	-	-	-	-	17	3,748	5,039	1,375
2017	-	-	-	-	-	-	-	-	213	1,869	1,989
2018	-	-	-	-	-	-	-	-	-	2,665	1,735
2019	-	-	-	-	-	-	-	-	-	-	120
Total											**$ 5,627**

All outstanding liabilities relating to prior years, net of reinsurance	**42,056**
Liabilities for claims and claim adjustment expenses, net of reinsurance	**$ 40,748**

Non-Member
Incurred Claims and Loss Adjustment Expenses, Net of Reinsurance **As of December 31, 2019**
(In thousands of U.S. Dollars)

Accident Year	2009 and Prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	IBNR Reserves	Cumulative Number of Reported Claims
2009 and Prior	133,075	(16,077)	8,843	(2,522)	3,815	(3,111)	330	1,586	(9,688)	(3,205)	(355)	400	
2010	-	9,671	(1,073)	(874)	(714)	2,042	(691)	(535)	(4,132)	(632)	(1)		3
2011	-		6,896	(710)	4,838	1,651	(1,279)	(1,711)	(2,304)	(1,547)	(425)	490	7
2012	-			7,063	8,532	3,542	1,424	(2,251)	(1,128)	(589)	(1,923)	1,261	19
2013	-				12,401	2,171	13,901	(263)	(6,519)	(4,107)	(1,321)	1,838	22
2014	-					15,078	5,652	(4,028)	(7,989)	(1,769)	(1,125)	2,409	22
2015	-						31,348	332	(20,206)	2,102	16,118	2,868	42
2016	-							31,440	(9,666)	190	942	4,737	56
2017	-								24,579	3,648	18,367	24,158	94
2018	-									17,218	4,743	7,669	95
2019	-										18,845	14,642	43
Total											**$ 53,865**		

Non-Member
Cumulative Paid Claims and Loss Adjustment Expenses, Net of Reinsurance
(In thousands of U.S. Dollars)

Accident Year	2009 and Prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2009 and Prior	74,397	1,907	7,648	1,736	4,215	9,501	1,221	8,122	2,499	679	49
2010	-	-	2,933	-	-	-	-	-	-	21	-
2011	-	-	-	-	1,580	496	995	64	-	933	3
2012	-	-	-	-	250	219	2,727	3,368	1,180	4,109	770
2013	-	-	-	-	-	1,078	2,348	2,684	6,617	-	-
2014	-	-	-	-	-	-	1,418	325	1	-	-
2015	-	-	-	-	-	-	0	753	1,623	159	536
2016	-	-	-	-	-	-	-	19	2,750	4,512	3,058
2017	-	-	-	-	-	-	-	-	4	5,477	4,683
2018	-	-	-	-	-	-	-	-	-	1,340	3,398
2019	-	-	-	-	-	-	-	-	-	-	196
Total											**$ 12,693**

All outstanding liabilities relating to prior years, net of reinsurance	**82,136**
Liabilities for claims and claim adjustment expenses, net of reinsurance	**$ 123,308**

The reconciliation of the net incurred and paid claims development tables to the liability for loss and loss adjustment expenses in the Consolidated Balance Sheets is as follows:

(In thousands of U.S. Dollars)

	December 31, 2019	2018
Net outstanding liabilities		
Member Nuclear	74,338	115,236
Member Conventional	40,748	42,056
Non-Member	123,308	82,136
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	238,394	239,427
	59	59
Reinsurance recoverable on unpaid claims	-	-
Member Nuclear	-	-
Member Conventional		
Non-Member		
Total reinsurance recoverable on unpaid claims	59	59
Total gross liability for unpaid claims and claim adjustment expenses	**$ 238,453**	**$ 239,486**

The following is supplementary information to the Consolidated Financial Statements about average historical claims duration as of December 31, 2019.

Years	1	2	3	4	5	6	7	8	9	10
Member Nuclear	2.2%	32.7%	34.8%	21.2%	0.5%	2.3%	0.1%	0.0%	0.0%	0.0%
Member Conventional	10.1%	27.2%	22.0%	22.3%	4.6%	3.0%	0.1%	0.0%	0.3%	0.0%
Non-Member	0.7%	18.9%	10.7%	8.3%	14.0%	1.8%	7.0%	7.5%	0.4%	0.0%

10. Income Taxes

Bermuda presently imposes no income, withholding or capital gains taxes, and the Company is exempted until March 2035 from any such taxes pursuant to the Bermuda Exempted Undertakings Tax Protection Act 1966, Amendment Act 1973. The Company made an election pursuant to Internal Revenue Code Section 953(d) to be taxed as a U.S. domestic corporation.

The expense (benefit) for U.S. federal income tax is comprised of the following:

(In thousands of U.S. Dollars)

	2019	2018
Current	$ (47,790)	$ (38,224)
Deferred	72,207	(42,582)
Deferred - TCJA Effect	-	(4,563)
	$ 24,417	$ (85,369)

Bermuda presently imposes no income, withholding or capital gains taxes, and the Company is exempted until March 2035 from any such taxes pursuant to the Bermuda Exempted Undertakings Tax Protection Act 1966, Amendment Act 1973. The Company made an election pursuant to Internal Revenue Code Section 953(d) to be taxed as a U.S. domestic corporation.

The expense (benefit) for U.S. federal income tax is comprised of the following:

(In thousands of U.S. Dollars)

	2019	2018
Unearned premium reserve	3,644	3,601
Loss reserve discount	1,860	1,756
Unrealized Derivative Income	(103)	(242)
Investment impairments	4,894	6,446
Foreign Tax Credits	12,401	-
Deferred expenses	7,418	7,038
NEIL & NEILO operating loss and other, net	10,484	(629)
Total deferred tax assets	**40,598**	**17,970**
Deferred acquisition costs	(163)	(115)
Alternative investments	(15,761)	(9,070)
Bond amortization	(722)	(645)
Unrealized investment gains/losses	739	(126,134)
Gain/losses on fair value option securities	(226,599)	(14,521)
Other investments	25	0
Total deferred tax liabilities	**(242,481)**	**(150,485)**
Net deferred tax liability	**$ (201,883)**	**$ (132,515)**

There was no valuation allowance recorded against the deferred tax assets at December 31, 2019 and 2018, as the Company believes it is more likely than not that the deferred tax assets would be realized.

A roll forward of the income tax receivable (payable) for the year ended December 31, 2019 and 2018 are as follows:

(In thousands of U.S. Dollars)

	2019	2018
Current tax (payable) receivable, January 1	$ 32,366	$ 23,705
Current tax expense	47,790	38,224
Estimated payments	1,039	432
Other	(14,062)	(29,995)
	$ 67,133	**$ 32,366**

The provision for income taxes was determined by applying the 21% U.S. statutory federal tax rate to pre-tax net income (loss) adjusted as follows:

(In thousands of U.S. Dollars)

	2019	2018
Earnings (loss) before income taxes	$ 227,256	$ (308,091)
Dividends received deduction	(15,399)	(15,388)
Other, net	7,878	8,839
Tax-basis earnings (losses)	**219,735**	**(314,640)**
Tax rate	**21%**	**21%**
	46,144	**(66,074)**
Foreign tax credits	(3,318)	(4,250)
Deferred Federal Tax Expense - TCJA Effect	-	(4,568)
Net Operating Losses	(20,141)	(8,506)
Other, net	1,732	(1,971)
Income tax expense (benefit)	**$ 24,417**	**$ (85,369)**

The Company determined that all tax positions have been accounted for within these Consolidated Financial Statements, and that all tax positions are more likely than not to be sustained in the event the Company was audited by the federal, state, and international tax authorities, and therefore, the Company does not have any unrecognized tax benefits as of December 31, 2019 and 2018.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. The Internal Revenue Service ("IRS") audit for the 2005 through 2009 tax years has been finalized and closed. The results of this examination had no material effect on the Company's financial condition, results of operations, or cash flows. IRS statutes have expired for years 2008 and prior. The 2012 through 2018 tax years remain open.

11. Commitments and Contigencies

As of December 31, 2019, the Company has committed to 70 private equity limited partnerships in the amount of $656,416,000. The unfunded portion of these commitments as of December 31, 2019 is $213,725,000 and is payable over the funds' life. The Company has committed to 16 real estate partnerships in the amount of $433,366,000. The unfunded portion of these commitments as of December 31, 2019 is $111,626,000 payable over the funds' life.

The Company leases office space under an operating lease, which expiresSeptember 2028. Future non-cancellable minimum rental commitments under the lease are as follows:

Year	*(In thousands of U.S. Dollars)*
2020	$ 1,401
2021	1,426
2022	1,451
2023	1,218
2024	1,329
Years therafter	5,305
Total	**$ 12,130**

The Company is subject to certain legal proceedings and claims that arise in the normal course of business. In the opinion of management, the ultimate outcome of those actions will not have a material impact on the Company's Consolidated Financial Statements.

12. Statutory Accounting Information

Policyholders' Surplus and Earnings calculated in accordance with statutory accounting practices prescribed or permitted by the Insurance Department of the State of Delaware, differs from US GAAP in the reporting of investments, unsecured reinsurance recoverable amounts, fixed assets, deferred taxes, and certain other items. These differences include, but are not limited to, the investments in bonds, which the Company holds as available for sale and carries at amortized cost for statutory purposes, rather than at fair value; investments in common stocks, which are valued as prescribed by the Securities Valuation Office ("SVO") of the National Association of Insurance Commissioners ("the NAIC"); unsecured reinsurance amounts recoverable from unauthorized and certain authorized reinsurers, which are excluded from net assets by a direct charge to unassigned surplus; certain assets designated as non-admitted, which are excluded from the statutory statements of assets, liabilities, capital, and surplus by direct charge to unassigned surplus; and changes in deferred tax balances, which are recognized as a direct benefit or charge to unassigned surplus.

Differences in statutory Policyholders' Surplus from that shown on the Consolidated Balance Sheets at December 31, 2019 and 2018 are as follows:

(In thousands of U.S. Dollars)

	2019	2018
Statutory Policyholders' Surplus	$ 4,317,590	$ 4,137,004
Valuation of fixed maturities	70,802	15,881
Provision for Schedule F	3,975	11,676
Non-admitted assets	4,478	4,656
Miscellaneous	(2,372)	(1,171)
Total Policyholders' Surplus	**$ 4,394,473**	**$ 4,168,046**

Differences in statutory Net Earnings from that shown on the Consolidated Statements of Operations and Comprehensive Earnings (Loss) for the years ended December 31, 2019 and 2018 are as follows:

(In thousands of U.S. Dollars)

	2019	2018
Statutory net earnings	$ (61,145)	$ (108,149)
Deferred income taxes	(72,245)	47,055
Underwriting income	6,461	6,414
Investment income	321,990	(162,546)
Miscellaneous	7,778	(5,577)
Net Earnings	**$ 202,839**	**$ (222,803)**

13. Subsequent Events

Subsequent events have been evaluated through March 25, 2020, which is the date the Consolidated Financial Statements were available to be issued.

Nuclear Electric Insurance Limited (NEIL), located in Wilmington, Delaware, insures domestic and international nuclear utilities for thecosts associated with accidental interruptions, damages, contamination and related nuclear risks. NEIL was founded in 1973 with the formation of Nuclear Mutual Limited (NML) in Bermuda. NML was formed by a group of U.S. electric utilities as an alternative to the commercial nuclear insurance market. NEIL was formed in 1980 to issue excess property and accidental outage policies to complement the policies being issued by NML. In 1988, both companies moved their operations from Bermuda to Wilmington, Delaware, and, in 1997, NML was merged into NEIL.

In 1999, the Company expanded operations by launching NEIL Overseas dac in Dublin, Ireland.

1201 North Market Street
Suite 1100
Wilmington, DE 19801

T 302.888.3000

NEIL Overseas dac
Embassy House | Ballsbridge
Dublin 4 Ireland D04 H6Y0

T +353.1.637.5350

myneil.com