ODYSSEY GROUP®

A FAIRFAX Company

ANNUAL REPORT 2019

ODYSSEYRE • HUDSON • NEWLINE

ODYSSEY GROUP®

A FAIRFAX Company

CONTENTS


Expertise. Focus. Discipline. Patience.
These traits are just as important in assessing risks as they are in any sport. In fact, they also define Odyssey Group's culture.
Knowing when to swing at a pitch or when to put our pencils down is fundamental to our business strategy. We keep our eye on the ball by staying true to our defined risk appetite. Focusing on our sweet spots around the world, we bring our expertise and capital to the table, successfully delivering (re)insurance solutions to meet our clients' needs.
Our disciplined underwriting and diversified portfolio also mean we have the financial security to meet our client obligations today, tomorrow and beyond.
In today's unpredictable market, it's important to have a partner you can count on, who will be there for you during wins and losses. Picking a business partner is not a coin-toss decision. The choice is clear when you work with Odyssey Group.
OdysseyRe®
Hudson Insurance Group®
Newline Group®

A MESSAGE FROM THE CEO

"2019 was a gratifying year for the Odyssey Group as we connected on all of our key performance metrics. We produced an underwriting profit for the 8th consecutive year and generated more than $500 million of pre-tax earnings."

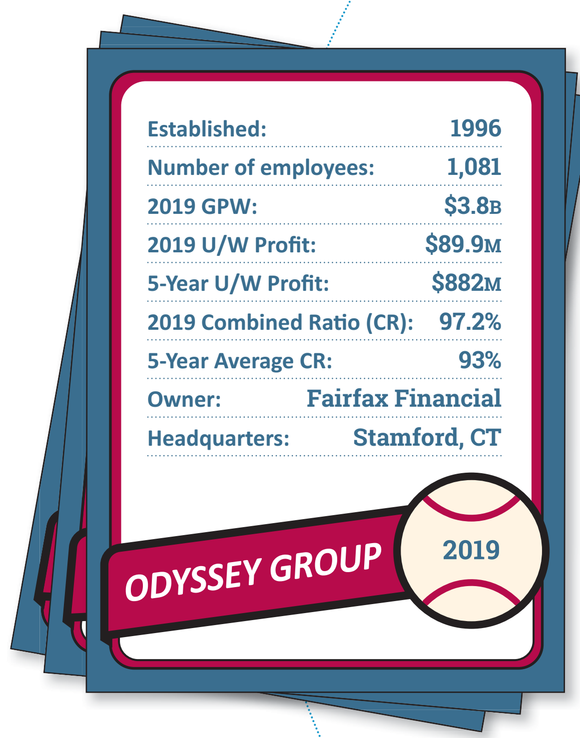
Dear Friends, Business Partners and Colleagues,

I am pleased to present Odyssey Group's 2019 Annual Report, **Keeping Our Eye on the Ball**. In a competitive market like ours knowing when to swing at a "pitch" requires skill, discipline and, above all, patience. These traits have successfully guided us the past 23 years and will continue to drive our long-term growth and profitability for years to come.

2019 was a gratifying year for the Odyssey Group as we connected on all of our key performance metrics. We produced an underwriting profit for the 8th consecutive year and generated more than $500 million of pre-tax earnings. Shareholders' equity grew 14% to $4.6 billion (which included a capital contribution of $225.5 million) and the return on equity for the year was 9.4%.

Gross premiums written grew 15% to $3.8 billion and underwriting cash flow was approximately $600 million in 2019. Solid growth was achieved across each of our three diverse and distinctive operating platforms: OdysseyRe, Hudson and Newline. We are encouraged to see rates continuing to move in the right direction, however this remains a market where you still can't swing at every pitch. You have to be selective, exercise discipline and never lose your focus, something we've done with great consistency throughout our history.

In the pages that follow, you will find an operational and financial review of the Odyssey Group, as well as detailed narratives for each of our three operating platforms. We hope you find this information helpful. If you would like to learn more, please visit odysseygroup.com, from which the OdysseyRe, Hudson and Newline websites can be accessed.



A MESSAGE FROM THE CEO (continued)

Giving back to the communities in which we live and work has always been core to our mission. Based on our 2019 results, we are pleased to be able to earmark an additional $5.2 million for the Odyssey Group Foundation and its business affiliates. To date, we have pledged over $50 million, with donations made to more than 350 charities around the world. Additional information about our Foundation can be found on page 11 of this report.

Our success and good fortune would not be possible without the enduring support from you: our valued clients and business partners. On behalf of everyone at Odyssey, we offer our heartfelt appreciation and gratitude for your business and the trust you place in us.

To Prem Watsa and Andy Barnard, we cannot thank you and the rest of Fairfax enough for your steady leadership, thoughtful guidance and unwavering support. We are very proud to be a part of the Fairfax family.

To my 1,080 colleagues around the world, congratulations on another great year. I am honored to work with each and every one of you. Thank you for your commitment to serving our clients and meeting their ever-changing (re)insurance needs. Continue to **keep your eye on the ball** and the best is yet to come!

Brian D. Young
President & Chief Executive Officer

OUR MISSION

We are an underwriting company that aspires to be a world-class reinsurer and specialty insurer, providing excellent security and high-quality service to our clients.

We seek to maintain a global business focus that emphasizes patient, profitable growth and ultimately supports Fairfax Financial Holdings' goal to achieve a 15% annual return over the long term.

We aim to meet this financial objective by:

- Maximizing underwriting profitability and growing invested assets
- Responding to clients' needs with local resources
- Delivering exceptional service to clients and colleagues alike
- Expanding our global reach through product and territorial diversification
- Possessing superior underwriting, claims and actuarial expertise
- Adapting to changing market conditions while maintaining a consistent, disciplined underwriting approach
- Investing in our employees and providing opportunities for growth within the organization to preserve our culture for the long term
- Embracing Fairfax Financial Holdings' values and guiding principles

We recognize that our prosperity and good fortune are dependent on our underwriting prowess and our clients' success; and when we succeed, those in the communities in which our employees live and work will benefit too.

AT A GLANCE

$405.4

NET INCOME

97.2%

COMBINED RATIO

$3,816.0

GROSS PREMIUMS WRITTEN

$4,589.9

TOTAL EQUITY

$3,475.7

STATUTORY SURPLUS

(U.S. $ in millions)

A
(EXCELLENT)
A.M. BEST

A-
(STRONG)
STANDARD & POOR'S

A2
(GOOD)
MOODY'S

Odyssey Group Holdings, Inc. and its subsidiaries, collectively referred to as Odyssey Group, is one of the world's leading providers of reinsurance and specialty insurance, with total assets of $13.2 billion and $4.6 billion in total equity as of December 31, 2019.

Reinsurance is available around the world through OdysseyRe, while specialty insurance is offered by Hudson Insurance Group in the U.S. and by Newline Group internationally.

Odyssey Group Holdings, Inc. is wholly-owned by Fairfax Financial Holdings Limited, a financial services holding company with total assets of $70.5 billion and $17.9 billion in total equity as of December 31, 2019. Fairfax is traded on the Toronto Stock Exchange under the symbol FFH.

Odyssey Group is rated A (Excellent) by A.M. Best Company, A- (Strong) by Standard & Poor's and A2 (Good) by Moody's.

FINANCIAL HIGHLIGHTS

ODYSSEY GROUP HOLDINGS, INC.

(U.S. $ in millions)

	2019	2018	2017
Gross premiums written	**$3,816.0**	$3,328.6	$2,783.1
Net premiums written	**3,393.8**	2,897.8	2,495.9
Net premiums earned	**3,179.2**	2,755.4	2,333.4
Net investment income	**245.8**	209.2	191.8
Operating income before income taxes[a]	**321.8**	364.4	240.2
Net realized investment gains (losses)	**211.3**	(117.4)	378.1
Income before income taxes	**533.1**	247.0	618.3
Net income	**405.4**	223.8	325.3
Total assets	**13,241.6**	11,870.1	11,207.6
Total equity	**4,589.9**	4,015.8	4,012.5
Underwriting income	**89.9**	175.1	55.2
Combined ratio	**97.2%**	93.6%	97.6%

[a] Represents income before income taxes excluding net realized investment gains and losses.

GROSS PREMIUMS WRITTEN BY DIVISION

(U.S. $ in millions)

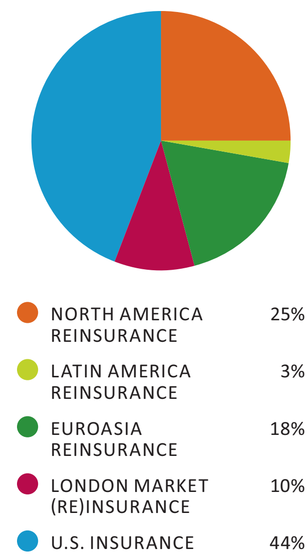
	2019	2018	2017
North America	**$953.2**	$881.6	$774.6
Latin America	**118.5**	112.6	102.5
EuroAsia	**676.4**	620.8	533.6
London Market	**398.1**	309.1	288.0
U.S. Insurance	**1,669.8**	1,404.5	1,084.4
Total gross premiums written	**$3,816.0**	$3,328.6	$2,783.1

OPERATIONS OVERVIEW

$3.8 BILLION
2019 GROSS PREMIUMS WRITTEN

Odyssey Group is a globally diversified underwriter of property and casualty reinsurance and specialty insurance that operates through five Divisions: **North America, Latin America, EuroAsia, London Market** and **U.S. Insurance.**

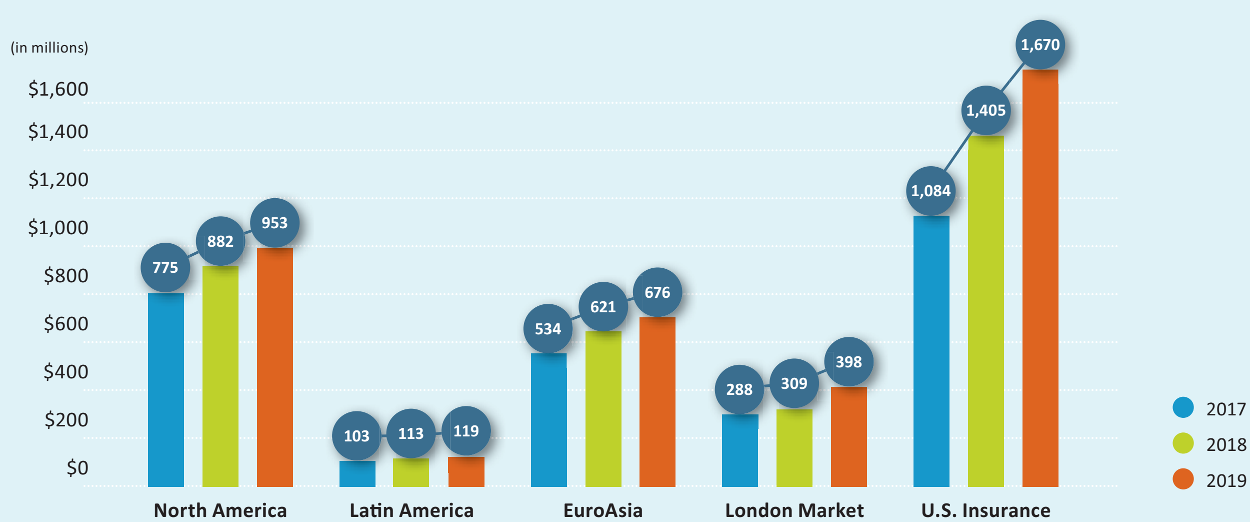
We write business in more than **100 territories** through a network of **over 30 offices** located in **13 countries**. Gross premiums written were $3.8 billion in 2019 compared to $3.3 billion in 2018.



DIVERSIFICATION

Diversification is a critical focus of our business strategy, as it provides portfolio stability and, with our global network, we are able to rapidly respond to business opportunities as they emerge around the world. We have 35 discrete business units organized along different product, territorial and distribution lines, with 19 of these focused on reinsurance and 16 dedicated to insurance markets.

GROSS PREMIUMS WRITTEN BY DIVISION AND YEAR



PROPERTY

Property accounted for 26% of gross premiums written compared to 27% in 2018. Our property portfolio is heavily weighted to reinsurance where margins remain more attractive, tail risk is more limited and we can respond to changing market conditions more rapidly. Catastrophe business, which represents 30% of our property book, was impacted in 2019 by losses from Typhoons Faxai and Hagibis, and Hurricane Dorian. While we have seen improvement in rates and terms in loss-affected areas following the Cat events during the past three years, we will need to see further price increases globally before we consider deploying significantly more capacity.

CASUALTY

Casualty represented 31% of our gross premiums written compared to 30% in 2018. Casualty insurance currently represents 72% of our total casualty portfolio. The book of business is very diverse in terms of product mix and geographic scope. We have more appetite for casualty insurance today because we not only have greater control over pricing, risk selection and claims handling, and we can use reinsurance to reduce volatility. The casualty reinsurance market is showing modest signs of improvement, and we are fortunate to have a core base of quality clients with whom we have partnered for many years. We remain attuned to new opportunities, and are an attractive partner for willing buyers due to our expertise and lead market capabilities, particularly in specialty casualty.

SPECIALTY

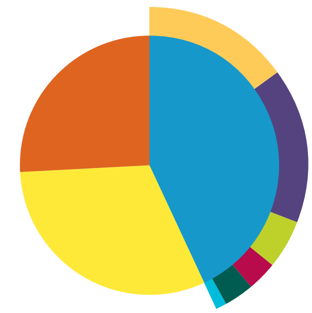
Other specialty lines, including Crop, Surety, Credit, Marine, Aerospace, Motor, Accident & Health and Affinity & Special Risks represented 43% of gross premiums written in both 2019 and 2018. Crop, Motor, Affinity & Special Risks and Surety/Credit were significant growth drivers and we expect specialty lines will continue to be a growth area for us. The pricing environment in many specialty lines tends to be more local and with our global reach we have been able to take advantage of opportunities as they have arisen. Specialty lines offer a diversified stream of earnings that are generally less volatile and capital-intensive, making further expansion attractive.

REINSURANCE

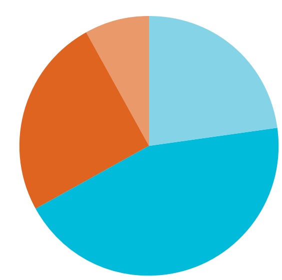
Underwritten primarily through our flagship company, Odyssey Reinsurance Company, we write a global reinsurance portfolio of $1.8 billion through a branch and representative office network of 14 offices in 10 countries. In 2019, we saw growth across all regions and most product lines. Our reinsurance results were excellent despite higher than expected losses from catastrophes and we produced a net combined ratio of 93.7%, compared to 89.9% in 2018.

INSURANCE

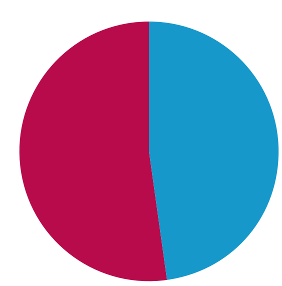
Specialty insurance is underwritten in the U.S. through Hudson Insurance Group and outside the U.S. through Newline Group. Global gross premiums written generated by our insurance operations were $2.0 billion, and the net combined ratio was 96.3%, compared to 98.4% in 2018. We expect our insurance portfolio to continue to drive Odyssey's growth and be a major contributor to our profitability.



PROPERTY	**26%**	
CASUALTY	**31%**	
SPECIALTY	**43%**	
CROP		16%
MOTOR/AUTO		15%
SURETY & CREDIT		5%
ACCIDENT & HEALTH		3%
MARINE & AVIATION		3%
AFFINITY & SPECIAL RISKS		1%



U.S. TOTAL	**67%**	
REINSURANCE		23%
INSURANCE		44%
NON-U.S. TOTAL	**33%**	
REINSURANCE		25%
INSURANCE		8%



REINSURANCE	**48%**
INSURANCE	**52%**

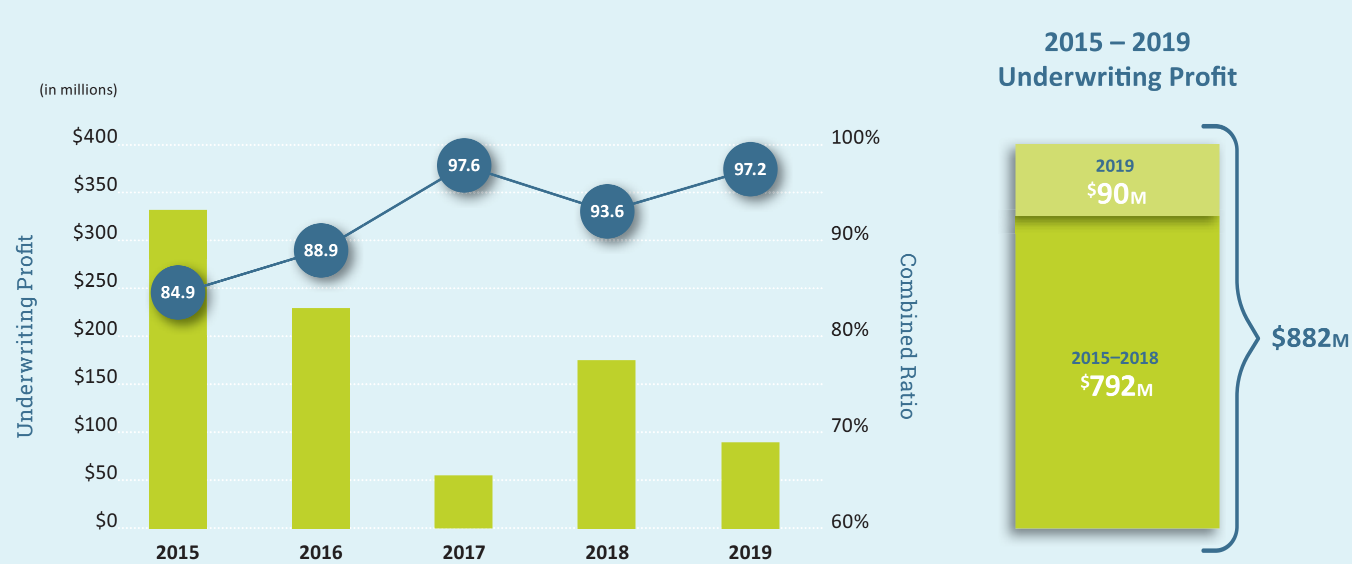
2019 UNDERWRITING RESULT

Odyssey Group reported a net combined ratio of 97.2% for 2019 driven by disciplined underwriting throughout the Group and a focus on growing only where profitable. This result was a bit higher than last year largely due to reduced favorable prior year development.

Reserve releases in 2019 were $239 million, which reduced the combined ratio by 7.6 points, compared to 12.3 points the previous year. Favorable development was recorded in all operating divisions, although its impact on 2019 was less. Decreases in non-Cat loss reserves represented 65% of the releases in 2019, compared to 51% in 2018.

Property Cat losses for 2019 were $93 million greater than expectations, impacting the combined ratio by 3.0 points, compared to 2018 when property Cat losses were $94 million greater than expectations, impacting the combined ratio by 3.4 points.

UNDERWRITING PROFIT AND COMBINED RATIO HISTORY



OUR DEFINITION OF SUCCESS: GIVING BACK

Long before the Foundation was established, the employees and operating companies of Odyssey Group fully embraced the idea of giving back to local communities and helping those in need. The execution of this overarching philosophy, inspired by our parent, Fairfax Financial, took many forms: corporate donations, employee-matching donations, participation in fundraising events and simply volunteering time.

The establishment of the Odyssey Group Foundation in 2007 formalized our culture of giving by setting aside a percentage of profit every year to fund charitable organizations active in communities in which Odyssey employees live and work, as well as those dedicated to worldwide disaster relief efforts.

Since its inception, the Foundation and its business affiliates have pledged over $50 million to more than 350 charities around the world.

The Foundation's corporate partners listed below focus on disaster relief, cancer research, healthcare, human services and education. The Foundation has also kept true to supporting employees' involvement in local philanthropic endeavors. On a biennial basis, the Foundation holds a voting campaign that empowers employees to nominate charitable organizations and ultimately direct funding to charities that are meaningful to them. 2019 was an employee voting year and the campaign resulted in $2 million distributed to 92 charities around the world.

" Thanks to Odyssey's success, we have been able to make significant investments in our local communities around the world, providing hope to those who need it most. We proudly support charitable organizations whose visions align with our corporate and employee values. We are pleased to see the positive impact our giving dollars have made in disaster relief, cancer research, education and many other areas."

Alane Carey

Executive Vice President of Odyssey Group and Grants Review Officer for the Foundation

OdysseyRe®

REINSURANCE

Making the right call

Having a diversified underwriting strategy while exercising discipline produces a stable portfolio and optimal results.

OdysseyRe prides itself on its consistent, long-term underwriting approach, well-defined risk appetite and commitment to providing quality service. Our reinsurance operations include a global network of 14 branch and representative offices across five regions:

- **North America**
- **Latin America**
- **Europe, Middle East and Africa (EMEA)**
- **AsiaPacific**
- **London**

Each region is comprised of talented, dedicated teams of underwriters, actuaries, auditors, claims professionals and catastrophe modelers.

Reinsurance is primarily underwritten through our flagship company, Odyssey Reinsurance Company, with Odyssey Re Europe S.A. available only under specific circumstances.

In 2019, gross premiums written for reinsurance grew by 8.6% from 2018. All of our regions and most product lines contributed to this growth, with Property, Casualty, Auto and Facultative as the primary drivers.

Our reinsurance results were strong despite Cat losses from Typhoons Faxai and Hagibis, and Hurricane Dorian. In 2019,

PRODUCT OFFERING

TREATY

- Property (Assumed & Retro)
- Casualty
- Surety & Trade Credit
- Marine & Aviation
- Motor/Auto
- Accident & Health
- Agriculture
- Terrorism
- Cyber Liability

FACULTATIVE

- Casualty (U.S. Only)
- Property (Latin America Only)
- Terrorism
- Energy

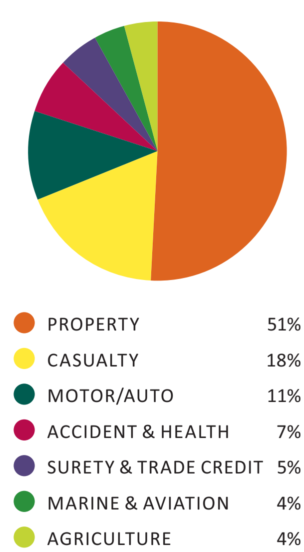
OFFICE LOCATIONS

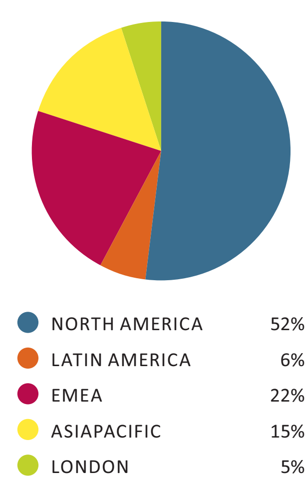
STAMFORD	**300 First Stamford Place Stamford, CT 06902 USA +1 203 977 8000**
BEIJING	+86 10 6618 2171
CHICAGO	+1 312 596 0226
LONDON	+44 020 7090 1800
MEXICO CITY	+52 55 5662 8660
MIAMI	+1 305 722 8401
MONTREAL	+1 514 228 7560
NEW YORK	+1 212 978 2700
PARIS	+33 1 49 26 1000
SÃO PAULO	+55 11 3512 6922
SINGAPORE	+65 6438 3806
STOCKHOLM	+46 8 598 115 00
TOKYO	+81 3 3261 2570
TORONTO	+1 416 862 0162

we produced a net combined ratio of 93.7% compared to 89.9% in 2018. Our risk appetite and diversified underwriting strategy continued to serve us well, as did favorable prior year development in many lines.

We are encouraged by the modest improvements in market conditions, positive reinsurance rate changes for loss-affected business and the rising demand for reinsurance.

We pride ourselves on the stability of our workforce and the consistency of our underwriting and claims handling, and are prepared to meet our clients' unique reinsurance needs for many years to come.





REINSURANCE
Global Regions

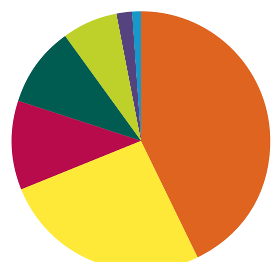
Global Reach. Immeasurable Expertise.

With the right people in the right places, OdysseyRe consistently delivers exceptional service, excellent security and innovative reinsurance solutions to our clients and business partners around the world.

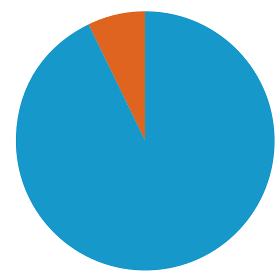
Brian D. Quinn
Chief Executive Officer

$953.2 MILLION

2019 GROSS PREMIUMS WRITTEN



PROPERTY	43%
CASUALTY	26%
ACCIDENT & HEALTH	11%
MOTOR/AUTO	10%
FACULTATIVE CASUALTY	7%
SURETY	2%
MARINE & AVIATION	1%



U.S.	93%
CANADA	7%

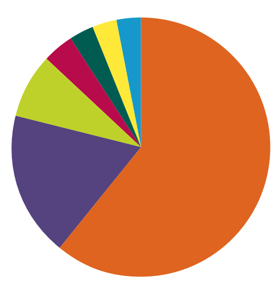
North America

OdysseyRe's North America team offers treaty and facultative reinsurance to clients in the U.S. and Canada. Treaty facilities are based in Stamford, with additional offices in Toronto and Montreal. Casualty facultative underwriters operate from New York and Chicago.

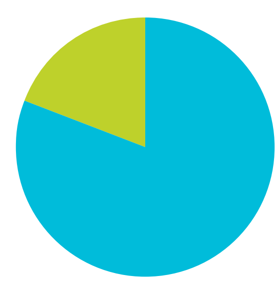
Philippe E. Mallier
Chief Executive Officer

$118.5 MILLION

2019 GROSS PREMIUMS WRITTEN



PROPERTY	61%
SURETY	18%
CROP	8%
ACCIDENT & HEALTH	4%
MOTOR/AUTO	3%
CASUALTY	3%
MARINE	3%



TREATY	81%
FACULTATIVE	19%

Latin America

OdysseyRe provides treaty and facultative reinsurance to clients located in all countries throughout Latin America and the Caribbean. Underwriters are based in Mexico City, Miami and São Paulo, Brazil.

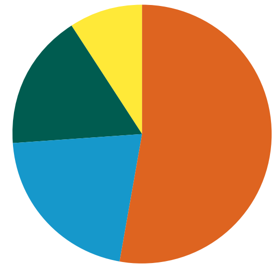
Carl A. Overy
Chief Executive Officer

London

OdysseyRe's London branch provides treaty solutions to reinsurance clients in the London Market, including Lloyd's. Its remit is global in scope allowing access to business where we have particular expertise.

$100.5 MILLION

2019 GROSS PREMIUMS WRITTEN



PROPERTY	53%
MARINE & AEROSPACE	21%
MOTOR/AUTO	17%
CASUALTY	9%

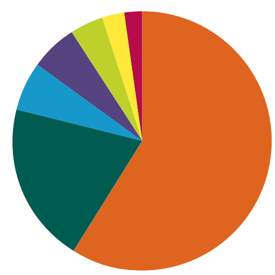
Isabelle Dubots-Lafitte
Chief Executive Officer

EMEA

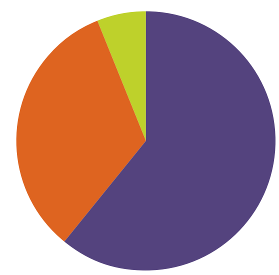
OdysseyRe offers treaty reinsurance in Europe, the Middle East and Africa (EMEA) from its offices in Paris and Stockholm. The Paris-based underwriting team is responsible for writing property and casualty treaties in EMEA, while the Stockholm office services the Nordic and Baltic markets.

$408.7 MILLION

2019 GROSS PREMIUMS WRITTEN



PROPERTY	59%
MOTOR/AUTO	20%
MARINE & AEROSPACE	6%
CREDIT & BOND	6%
CROP	4%
CASUALTY	3%
ACCIDENT & HEALTH	2%



EUROPE	61%
MIDDLE EAST	33%
AFRICA	6%

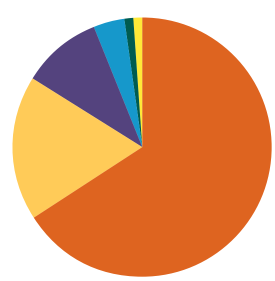
Lucien Pietropoli
Chief Executive Officer

AsiaPacific

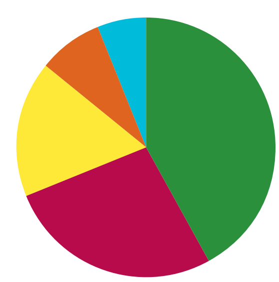
OdysseyRe's AsiaPacific team underwrites treaty reinsurance from Singapore, with the support of two representative offices in Beijing and Tokyo. Its geographical focus includes China, Japan, South Korea, Indonesia, Hong Kong, India, South East Asia, Australia and New Zealand.

$267.7 MILLION

2019 GROSS PREMIUMS WRITTEN



PROPERTY	66%
CROP	18%
CREDIT & BOND	10%
MARINE & AEROSPACE	4%
MOTOR/AUTO	1%
CASUALTY	1%



CHINA	42%
JAPAN	27%
SOUTH EAST ASIA/PACIFIC	17%
INDIA	8%
SOUTH KOREA	6%

Hudson Insurance Group®

INSURANCE
U.S. Only

Christopher L. Gallagher
Chief Executive Officer
Hudson Insurance Group

A disciplined approach

Being patient and having a defined risk appetite are key factors behind our insurance growth.

Hudson Insurance Group is a market-leading specialty insurer that operates in the United States and offers a wide range of property and casualty products to corporations, professional firms and individuals through a vast network of retail and wholesale brokers and program administrators.

From its headquarters in New York and offices across the U.S. and in Vancouver, Canada, Hudson offers primary and excess insurance on an admitted basis through Hudson Insurance Company and on a non-admitted basis through Hudson Specialty Insurance Company and Hudson Excess Insurance Company.

Its nine business units include Commercial Auto, Crop, Financial Products, General Liability & Package, Healthcare Liability, Non-medical Professional Liability, Specialty Property & Energy, Surety and Tribal.

Hudson's strength was again evident in 2019. We recorded $1.7 billion in gross premiums written, which represents an increase of 18.9% compared to gross premiums written of $1.4 billion in 2018. Growth was most notable within the Crop, Management Liability, Commercial Auto and Non-medical Professional Liability business units.

Our 2019 underwriting performance was positive, and we produced a net combined ratio of 96.4% compared to 99.5% in 2018. Current year extraordinary losses in Crop were primarily a result of extended and intense rainfall, which prevented Hudson's insureds from planting crops.

However, we benefited from favorable prior year development in many lines including Professional Liability, Healthcare and Tribal.

In 2019, we established a new Specialty Auto Liability team, launched a new Professional Liability program for Architects & Engineers and added a team of best-in-class underwriters targeting E&S general liability for contractors and projects. Hudson also acquired Surety Partners of America Midwest,

PRODUCTS

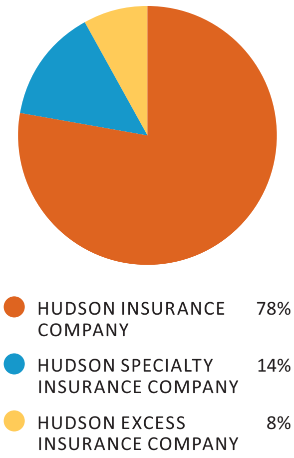
- Crop
- Commercial Auto
- Management Liability
- Professional Liability
- Medical Malpractice
- General Liability & Package
- Wholesale Casualty Primary & Excess
- Personal Umbrella
- Specialty Property & Energy
- Commercial Surety
- Contract Surety
- Subcontractor Default Insurance

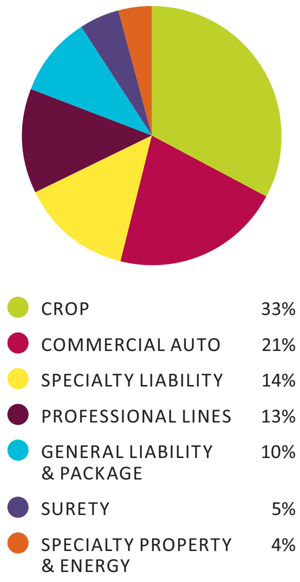
OFFICE LOCATIONS

NEW YORK	100 William Street New York, NY 10038 USA +1 212 978 2800
ATLANTA	+1 678 331 4200
AVON	+1 203 977 6400
CALABASAS	+1 818 206 1500
CHICAGO	+1 312 596 0222
CORONA	+1 951 278 5648
FORT WASHINGTON	+1 212 978 2714
INDIANAPOLIS	+1 317 582 0073
KANSAS CITY	+1 816 778 0708
LAKE MARY	+1 407 710 1880
MINEOLA	+1 212 384 0100
NAPA	+1 707 225 3300
OVERLAND PARK	+1 913 345 1515
SCOTTSDALE	+1 480 566 6601
VANCOUVER	+1 604 449 5360

our long-term and valued program administrator, which will consolidate Hudson's contract surety underwriting capabilities on an in-house basis. Our reputation and relationships across industries will only continue to strengthen our market position.

Our agility within changing market conditions and innovation in developing specialty insurance products continue to prove valuable year after year. With the ever-changing needs of our clients as our driving force, we are very excited for the future and are well-positioned to capitalize on the opportunities and improved conditions that exist in today's market.





INSURANCE

International

Carl A. Overy
Chief Executive Officer
Newline Group

Knowing our sweet spot

Our stability stems from knowing the classes of business that we like and having the expertise to select what looks good.

Newline Group offers a suite of specialty casualty insurance products in more than 80 countries around the world. Our territorial focus is predominantly the U.K., Continental Europe, Australia, Asia Pacific, Canada and Latin America.

Headquartered in London, Newline Group operates through three underwriting platforms: Newline Syndicate 1218 at Lloyd's, Newline Insurance Company Limited and Newline Europe Versicherung AG (Newline Europe).

Newline Syndicate 1218 transacts business at its underwriting box at Lloyd's and through its service companies that act as "coverholders" around the world, providing local, customized service from its offices in Singapore, Melbourne, Malaysia and Toronto. Newline also participates in Lloyd's Insurance Company (China) Limited's platform in Shanghai. In 2019, Newline joined Lloyd's representative office in Mexico City to offer liability and financial lines coverage to clients in Latin America and the Caribbean.

Newline Insurance Company Limited, headquartered in London with a regional office in Leeds, offers casualty insurance and facultative reinsurance in most jurisdictions around the world. Its new subsidiary based in Germany, Newline Europe, was established in 2019 to provide casualty insurance throughout the European Community.

Our product offerings include Public Liability, Employers Liability, Products Liability, Commercial Crime, Bankers Blanket Bond, Professional Liability, Directors & Officers Liability, Medical Malpractice, Satellite, Cargo, Specie and Affinity & Special Risks.

Newline again delivered excellent results in 2019, with gross premiums written of $297.6 million and a net combined ratio of 96.0%. This compares to gross premiums written of $221.7 million and a net combined ratio of 92.1% in 2018. Growth in 2019 was principally driven by Affinity & Special Risks, Liability and Directors & Officers. We saw positive rate

PRODUCTS

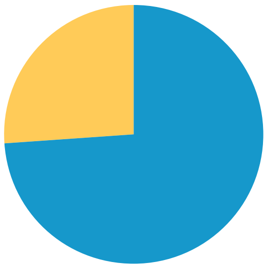
- Affinity & Special Risks
- Cargo
- Directors & Officers
- Financial Institutions/Crime
- Liability
- Life Sciences/Clinical Trials
- Medical Malpractice
- Professional Indemnity
- Space
- Specie

OFFICE LOCATIONS

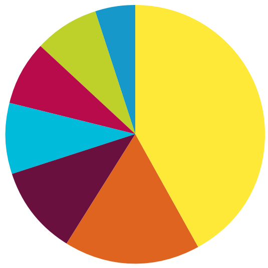
LONDON	**Corn Exchange** **55 Mark Lane** **London EC3R 7NE** **England** **+44 020 7090 1700**
COLOGNE	+49 221 9669 4510
LABUAN	+65 6212 1290
LEEDS	+44 0113 350 8734
MELBOURNE	+61 03 9999 1901
MEXICO CITY	+52 55 9171 1016
SINGAPORE	+65 6212 1290
SHANGHAI	Newline Underwriting Division at Lloyd's +86 021 6162 8278
TORONTO	+1 416 572 4729

movement across all Financial and Professional Lines, as well as Cargo, and anticipate similar increases in Medical Malpractice and Liability going forward. We also benefitted from favourable loss development as well as negligible exposure to the catastrophe events of 2019.

Being closer to our distribution partners and clients has always been an important part of our business strategy, which continued in 2019 with further expansion in Latin America and Europe. We are excited about the opportunities that lie ahead and look forward to developing our business as the needs of our clients evolve.



NEWLINE SYNDICATE AT LLOYD'S	74%
NEWLINE INSURANCE COMPANY LIMITED	26%



LIABILITY	42%
AFFINITY & SPECIAL RISKS	17%
MEDICAL MALPRACTICE	11%
DIRECTORS & OFFICERS	9%
FINANCIAL INSTITUTIONS	8%
PROFESSIONAL LIABILITY	8%
SPACE, CARGO & SPECIE	5%

EXECUTIVE LEADERSHIP

ODYSSEY GROUP HOLDINGS, INC.

BOARD OF DIRECTORS

[(1)] Compensation Committee
[(2)] Audit Committee
* Retired February 13, 2020

Andrew A. Barnard [(1)]
Chairman of the Board,
President and
Chief Operating Officer
Fairfax Insurance Group

Brandon W. Sweitzer [(1)] [(2)]
Dean, School of Risk
Management
St. John's University School
of Risk Management

Peter S. Clarke [(2)]
Vice President and
Chief Operating Officer
Fairfax Financial
Holdings Limited

Brian D. Young
President and
Chief Executive Officer
Odyssey Group Holdings, Inc.

Jennifer J. S. Allen [(2)]
Vice President and
Chief Financial Officer
Fairfax Financial
Holdings Limited

Paul C. Rivett*
President
Fairfax Financial
Holdings Limited

OFFICERS

Brian D. Young
President and
Chief Executive Officer

Michael G. Wacek
Executive Vice President
and Chief Risk Officer

Elizabeth A. Sander
Executive Vice President
and Chief Actuary

Jan Christiansen
Executive Vice President and
Chief Financial Officer

Peter H. Lovell
Senior Vice President,
General Counsel and
Corporate Secretary

EXECUTIVE TEAM

Alane R. Carey
Executive Vice President
Director of Global Marketing

Philippe E. Mallier
Chief Executive Officer
Latin America

Brian D. Quinn
Chief Executive Officer
North America

Isabelle Dubots-Lafitte
Chief Executive Officer
Europe, Middle East & Africa

Carl A. Overy
Chief Executive Officer
London Market

Jeffrey M. Rubin
Senior Vice President
Director of Global Claims

Christopher L. Gallagher
Chief Executive Officer
U.S. Insurance

Lucien Pietropoli
Chief Executive Officer
AsiaPacific

Report of Independent Auditors

To the Board of Directors of Odyssey Group Holdings, Inc.:

We have audited the accompanying consolidated financial statements of Odyssey Group Holdings, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Odyssey Group Holdings, Inc. and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the three years in the period ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that information about incurred and paid claims development that precedes the current reporting period and the historical claims payout percentages included in Note 6 from page 56 to 62 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 Board (FASB) who 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.

/s/ PricewaterhouseCoopers LLP

March 2, 2020

ODYSSEY GROUP HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2019	December 31, 2018
	(In thousands, except share and per share amounts)	
ASSETS		
Investments and cash:		
Fixed income securities, available for sale, at fair value (amortized cost $15,902 and $74,648, respectively)	$ 16,503	$ 76,654
Fixed income securities, held for trading, at fair value (amortized cost $3,329,206 and $4,445,491, respectively)	3,362,775	4,432,603
Preferred stocks, held for trading, at fair value (cost $16,273 and $31,395, respectively)	17,082	24,125
Equity securities:		
Common stocks, available for sale, at fair value (cost $0 and $106,367, respectively)	—	111,665
Common stocks, held for trading and fair value options, at fair value (cost $1,729,805 and $1,028,168, respectively)	1,649,983	785,330
Common stocks, at equity	580,280	816,322
Short-term investments, held for trading, at fair value (amortized cost $1,912,842 and $531,957, respectively)	1,913,820	531,957
Cash and cash equivalents	866,712	786,019
Cash and cash equivalents held as collateral	21,910	28,381
Other invested assets	1,465,675	1,182,069
Total investments and cash	9,894,740	8,775,125
Accrued investment income	40,186	24,232
Premiums receivable	1,286,325	1,089,758
Reinsurance recoverable on paid losses	85,256	159,611
Reinsurance recoverable on unpaid losses	894,255	927,035
Prepaid reinsurance premiums	158,857	121,465
Funds held by reinsureds	188,738	163,372
Deferred acquisition costs	260,222	230,335
Federal and foreign income taxes receivable	213,467	232,863
Other assets	219,528	146,346
Total assets	$ 13,241,574	$ 11,870,142
LIABILITIES		
Unpaid losses and loss adjustment expenses	$ 6,080,670	$ 5,728,203
Unearned premiums	1,338,051	1,077,182
Reinsurance balances payable	248,757	277,902
Funds held under reinsurance contracts	91,475	78,223
Debt obligations	89,942	89,900
Other liabilities	802,779	602,962
Total liabilities	8,651,674	7,854,372
Commitments and Contingencies (Note 11)		
SHAREHOLDERS' EQUITY		
Non-controlling interest - preferred shares of subsidiaries	29,299	29,299
Common shares, $10.00 par value; 60,000 shares authorized; 51,752 and 49,170 shares issued and outstanding, respectively	518	492
Additional paid-in capital	1,962,263	1,725,992
Accumulated other comprehensive loss, net of deferred income taxes	(80,560)	(68,729)
Retained earnings	2,678,380	2,328,716
Total shareholders' equity	4,589,900	4,015,770
Total liabilities and shareholders' equity	$ 13,241,574	$ 11,870,142

See accompanying notes to consolidated financial statements.

ODYSSEY GROUP HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2019	2018	2017
		(In thousands)	
REVENUES			
Gross premiums written	$ 3,815,959	$ 3,328,628	$ 2,783,105
Ceded premiums written	422,190	430,808	287,218
Net premiums written	3,393,769	2,897,820	2,495,887
Increase in net unearned premiums	(214,616)	(142,391)	(162,486)
Net premiums earned	3,179,153	2,755,429	2,333,401
Net investment income	245,773	209,226	191,790
Net realized investment gains (losses):			
Realized investment gains (losses)	211,327	(117,106)	390,367
Other-than-temporary impairment losses	—	(299)	(12,286)
Total net realized investment gains (losses)	211,327	(117,405)	378,081
Total revenues	3,636,253	2,847,250	2,903,272
EXPENSES			
Losses and loss adjustment expenses	2,154,031	1,715,745	1,539,522
Acquisition costs	629,859	588,740	492,482
Other underwriting expenses	305,396	275,868	246,181
Other expenses, net	6,013	15,811	3,526
Interest expense	7,814	4,132	3,260
Total expenses	3,103,113	2,600,296	2,284,971
Income before income tax	533,140	246,954	618,301
Federal and foreign income tax provision (benefit):			
Current	106,812	51,071	144,491
Deferred	20,937	(27,892)	148,556
Total federal and foreign income tax provision	127,749	23,179	293,047
Net income	$ 405,391	$ 223,775	$ 325,254

See accompanying notes to consolidated financial statements.

ODYSSEY GROUP HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2019	2018	2017
		(In thousands)	
Net income	$ 405,391	$ 223,775	$ 325,254
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX			
Unrealized net appreciation (depreciation) on securities arising during the year	55,502	(64,946)	56,831
Reclassification adjustment for net realized investment gains included in net income	(71,544)	(17,956)	(100,845)
Foreign currency translation adjustments	40,447	(62,689)	528
Change in benefit plan liabilities	(40,433)	11,411	(13,180)
Other comprehensive loss, before tax	(16,028)	(134,180)	(56,666)
TAX (PROVISION) BENEFIT			
Unrealized net (appreciation) depreciation on securities arising during the year	(11,729)	13,690	(20,025)
Reclassification adjustment for net realized investment gains included in net income	15,024	3,771	35,296
Foreign currency translation adjustments	(8,494)	13,164	(185)
Change in benefit plan liabilities	8,491	(2,396)	4,613
Total tax benefit	3,292	28,229	19,699
Other comprehensive loss, net of tax	(12,736)	(105,951)	(36,967)
Comprehensive income	$ 392,655	$ 117,824	$ 288,287

See accompanying notes to consolidated financial statements.

ODYSSEY GROUP HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Years Ended December 31,		
	2019	2018	2017
	(In thousands, except common share amounts)		
NON-CONTROLLING INTEREST - PREFERRED SHARES OF SUBSIDIARIES			
Balance, beginning and end of year	$ 29,299	$ 29,299	$ 29,299
COMMON SHARES (par value)			
Balance, beginning of year	492	492	492
Common shares capital contributions	26	—	—
Balance, beginning and end of year	518	492	492
ADDITIONAL PAID-IN CAPITAL			
Balance, beginning of year	1,725,992	1,738,968	1,746,290
Common shares capital contributions	225,480	—	—
Net change due to stock option exercises and restricted share awards	10,791	(12,976)	(7,322)
Balance, end of year	1,962,263	1,725,992	1,738,968
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME NET OF DEFERRED INCOME TAXES			
Balance, beginning of year	(68,729)	37,222	67,581
Unrealized - cumulative effect of adoption of accounting changes	905	—	—
Adjusted beginning balance	(67,824)	37,222	67,581
Unrealized depreciation on securities, net of reclassification adjustments	(12,747)	(65,441)	(28,743)
Foreign currency translation adjustments	31,953	(49,525)	343
Change in benefit plan liabilities	(31,942)	9,015	(8,567)
U.S. tax reform deferred income tax reclassification	—	—	6,608
Balance, end of year	(80,560)	(68,729)	37,222
RETAINED EARNINGS			
Balance, beginning of year	2,328,716	2,206,552	1,989,517
Retained earnings - cumulative effect of adoption of accounting changes	(4,116)	—	—
Adjusted beginning balance	2,324,600	2,206,552	1,989,517
Net income	405,391	223,775	325,254
Dividends to preferred shareholder and non-controlling interest	(1,611)	(1,611)	(1,611)
Dividends to common shareholder	(50,000)	(100,000)	(100,000)
U.S. tax reform deferred income tax reclassification	—	—	(6,608)
Balance, end of year	2,678,380	2,328,716	2,206,552
TOTAL SHAREHOLDERS' EQUITY	$ 4,589,900	$ 4,015,770	$ 4,012,533
COMMON SHARES OUTSTANDING			
Balance, beginning of year	49,170	49,170	49,170
Shares issued	2,582	—	—
Balance, end of year	51,752	49,170	49,170

See accompanying notes to consolidated financial statements.

ODYSSEY GROUP HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2019	2018	2017
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 405,391	$ 223,775	$ 325,254
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in premiums receivable and funds held, net of reinsurance	(165,974)	(302,471)	(71,061)
Increase in unearned premiums and prepaid reinsurance premiums, net	219,148	139,269	159,249
Increase in unpaid losses and loss adjustment expenses, net of reinsurance	375,281	292,180	200,386
Decrease (increase) in current and deferred federal and foreign income taxes, net	23,947	(60,301)	277,366
Increase in deferred acquisition costs	(29,909)	(28,766)	(33,549)
Change in other assets and other liabilities, net	18,346	129,620	(97,962)
Net realized investment (gains) losses	(211,327)	117,405	(378,081)
Bond discount amortization, net	(15,442)	(27,041)	(8,934)
Amortization of compensation plans	17,023	17,234	15,021
Net cash provided by operating activities	636,484	500,904	387,689
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturities of fixed income securities, available for sale	22,782	530,941	147,492
Sales of fixed income securities, available for sale	4,125	43,750	158,332
Purchases of fixed income securities, available for sale	—	(13,983)	(15,179)
Sales of equity securities, available for sale	57,025	5,771	275,373
Purchases of equity securities, available for sale	(5,030)	(29,584)	(362,353)
Net settlements of other invested assets	525,991	244,245	485,327
Purchases of other invested assets	(654,997)	(486,805)	(308,411)
Sales of trading securities	4,392,909	5,063,733	4,272,564
Purchases of trading securities	(4,835,657)	(6,854,273)	(3,930,490)
Net purchases of fixed assets	(12,785)	(15,323)	(10,769)
Net cash (used in) provided by investing activities	(505,637)	(1,511,528)	711,886
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchases of restricted shares	(6,950)	(29,492)	(22,696)
Dividends paid to preferred shareholder	(1,611)	(1,611)	(1,611)
Dividends paid to common shareholder	(45,424)	(50,001)	(1)
Net cash used in financing activities	(53,985)	(81,104)	(24,308)
Effect of exchange rate changes on cash and cash equivalents	(2,640)	(34,431)	41,771
Increase (decrease) in cash and cash equivalents	74,222	(1,126,159)	1,117,038
Cash and cash equivalents, beginning of year	814,400	1,940,559	823,521
Cash and cash equivalents, end of year	$ 888,622	$ 814,400	$ 1,940,559
Supplemental disclosures of cash flow information:			
Interest paid	$ 4,381	$ 4,068	$ 3,193
Income taxes paid	$ 104,271	$ 83,367	$ 17,991
Non-cash activity:			
Dividends paid to common shareholder	$ 4,576	$ 49,999	$ 99,999
Receipt of securities for issuance of common shares	$ 225,506	$ —	$ —

See accompanying notes to consolidated financial statements.

ODYSSEY GROUP HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Odyssey Group Holdings, Inc., a Delaware corporation (together with its subsidiaries, the “Company”, or “OGHI” on a stand-alone basis), is an underwriter of reinsurance, providing a full range of property and casualty products on a worldwide basis, and of specialty insurance, primarily in the United States and through the Lloyd’s of London (“Lloyd’s”) marketplace. OGHI owns all of the common shares of Odyssey Reinsurance Company (“ORC”), its principal operating subsidiary, which is domiciled in the state of Connecticut. ORC directly or indirectly owns all of the common shares of the following subsidiaries:

- Hudson Insurance Company (“Hudson”) and its subsidiaries:
    - Hudson Specialty Insurance Company (“Hudson Specialty”);
    - Hudson Excess Insurance Company (“Hudson Excess”);
- Greystone Insurance Company (“Greystone”);
- Newline Holdings U.K. Limited and its subsidiaries (collectively, “Newline”):
    - Newline Underwriting Management Limited, which manages Newline Syndicate (1218), a member of Lloyd’s;
    - Newline Insurance Company Limited (“NICL”);
        - Newline Europe Holdings GmbH
            - Newline Europe Versicherung AG (“NV”); and
    - Newline Corporate Name Limited (“NCNL”), which provides capital for and receives distributed earnings from Newline Syndicate (1218);
- Odyssey Re Europe Holdings S.A.S. (“OREH”):
    - Odyssey Re Europe S.A. (“ORESA”).

Fairfax Financial Holdings Limited (“Fairfax”), a publicly traded financial services holding company based in Canada, ultimately owns 100% of the common shares of OGHI and 100% of the non-controlling interest - preferred shares of OGHI’s subsidiaries. OGHI’s direct 100% owner is Odyssey US Holdings Inc. (“OUSHI”), all of the common shares of which are ultimately owned by Fairfax.

Dividends and returns of capital from the Company are expected to be the source of funds for servicing OUSHI’s debt obligations owed to various Fairfax entities.

2. Summary of Significant Accounting Policies

(a) *Basis of Presentation*. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions have been eliminated.

The preparation of consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that could differ materially from actual results affecting the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. The Company considers its accounting policies that are most dependent on the application of estimates and assumptions as critical accounting estimates, which are defined as estimates that are both: i) important to the portrayal of the Company's financial condition and results of operations and ii) require the Company to exercise significant judgment. These estimates, by necessity, are based on assumptions about numerous factors.

The Company reviews its critical accounting estimates and assumptions on a quarterly basis, including: the estimate of reinsurance premiums and premium related amounts; establishing deferred acquisition costs; goodwill and intangible impairment evaluations; an evaluation of the adequacy of reserves for unpaid losses and loss adjustment expenses; review of its reinsurance and retrocession agreements; estimates related to income taxes, including an analysis of the recoverability of deferred income tax assets; and an evaluation of its investment portfolio, including a review for other-than-temporary declines in estimated fair value.

(b) *Investments*. The majority of the Company's investments in fixed income securities and common stocks are categorized as "held for trading" and are recorded at their estimated fair value based on quoted market prices (see Note 3). Most investments in common stocks of affiliates are carried at the Company's proportionate share of the equity of those affiliates. Short-term investments, which are classified as "held for trading" and which have a maturity of one year or less from the date of purchase, are carried at fair value. The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include certificates of deposits totaling $10.6 million and $19.5 million as of December 31, 2019 and 2018, respectively. Investments in limited partnerships, investment funds, mortgage loans, affiliate loans and real estate have been reported in other invested assets. Other invested assets also include accounts relating to the Company's unqualified benefit plans and derivative securities, all of which are carried at fair value. The Company routinely evaluates the carrying value of its investments in common stocks of affiliates and in partnerships and investment funds. In the case of limited partnerships and investment funds, the carrying value is generally established on the basis of the net valuation criteria as determined by the managers of the investments. Such valuations could differ significantly from the values that would have been available had markets existed for the securities. Investment transactions are recorded on their trade date, with balances pending settlement reflected in the consolidated balance sheets as a component of other assets or other liabilities.

Investment income, which is reported net of applicable investment expenses, is recorded as earned. Realized investment gains or losses are determined on the basis of average cost. The Company records, in investment income, its proportionate share of income or loss, including realized gains or losses, for those securities for which the equity method of accounting is utilized, which include most common stocks of affiliates, limited partnerships and investment funds. Due to the timing of when financial information is reported by equity investees and received by the Company, results attributable to these investments are generally reported by the Company on a one month or one quarter lag. Unrealized appreciation and depreciation related to trading securities is recorded as realized investment gains or losses in the consolidated statements of operations.

The net amount of unrealized appreciation or depreciation on the Company's available for sale investments, net of applicable deferred income taxes, is reflected in shareholders' equity in accumulated other comprehensive income. A decline in the fair value of an available for sale investment below its cost or amortized cost that is deemed other-than-temporary is recorded as a realized investment loss in the consolidated statements of operations, resulting in a new cost or amortized cost basis for the investment. Other-than-temporary declines in the carrying values of investments recorded in accordance with the equity method of accounting are recorded in net investment income in the consolidated statements of operations.

(c) *Revenue Recognition*. Reinsurance assumed premiums written and related costs are based upon reports received from ceding companies. When reinsurance assumed premiums written have not been reported by the ceding company they are estimated, at the individual contract level, based on historical patterns and experience from the ceding company and judgment of the Company. Subsequent adjustments to premiums written, based on actual results or revised estimates from the ceding company, are recorded in the period in which they become known. Reinsurance assumed premiums written related to proportional treaty business are established on a basis that is consistent with the coverage periods under the terms of the underlying insurance contracts. Reinsurance assumed premiums written related to excess of loss and facultative reinsurance business are recorded over the coverage term of the contracts, which is generally one year. Unearned premium reserves are established for the portion of reinsurance assumed premiums written that are to be recognized over the remaining contract period. Unearned premium reserves related to proportional treaty contracts are computed based on reports received from ceding companies, which show premiums written but not yet earned. Premium adjustments made over the life of the contract are recognized as earned premiums based on the applicable contract period. Insurance premiums written are based upon the effective date of the underlying policy and are generally earned on a pro rata basis over the policy period, which is usually one year. A reserve for uncollectible premiums is established when deemed necessary. The Company has established a reserve for potentially uncollectible premium receivable balances of $10.9 million and $8.4 million as of December 31, 2019 and 2018, respectively, which has been netted against premiums receivable.

The cost of reinsurance purchased by the Company (reinsurance premiums ceded) is reported as prepaid reinsurance premiums and amortized over the contract period in proportion to the amount of reinsurance protection provided. The ultimate amount of premiums, including adjustments, is recognized as premiums ceded, and amortized over the applicable contract period. Premiums earned are reported net of reinsurance ceded premiums earned in the consolidated statements of operations. Amounts paid by the Company for retroactive reinsurance that meet the conditions for reinsurance accounting are reported as reinsurance receivables to the extent those amounts do not exceed the associated liabilities. If the liabilities exceed the amounts paid, reinsurance receivables are increased to reflect the difference, and the resulting gain is deferred and amortized over the estimated settlement period. If the amounts paid for retroactive reinsurance exceed the liabilities, the related liabilities are increased or the reinsurance receivable is reduced, or both, at the time the reinsurance contract is effective, and the excess is charged to net income. Changes in the estimated amount of liabilities relating to the underlying reinsured contracts are recognized in net income in the period of the changes. Assumed and ceded reinstatement premiums represent additional premiums related to reinsurance coverages, principally catastrophe excess of loss contracts, which are paid when the incurred loss limits have been utilized under the reinsurance contract and such limits are reinstated. Premiums written and earned premiums related to a loss event are estimated and accrued as earned. The accrual is adjusted based upon any change to the ultimate losses incurred under the contract.

Leasing revenue is generally recognized ratably over the term of the leases. All of the Company’s leasing revenue are generated from operating leases. Assets held for leases consist of land and buildings with estimated useful lives of 30 to 40 years and are valued at $298.2 million.

(d) *Deferred Acquisition Costs*. Acquisition costs, which are reported net of costs recovered under ceded contracts, consist of commissions and brokerage expenses incurred on insurance and reinsurance business written, and premium taxes on direct insurance written, and are deferred and amortized over the period in which the related premiums are earned. Commission adjustments are accrued based on changes in premiums and losses recorded by the Company in the period in which they become known. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premium, which considers anticipated losses and loss adjustment expenses and estimated remaining costs of servicing the business, all based on historical experience. The realizable value of the Company’s deferred acquisition costs is determined without consideration of investment income.

Included in acquisition costs in the consolidated statements of operations are amortized deferred acquisition costs of $613.6 million, $569.8 million and $483.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

(e) *Goodwill and Intangible Assets*. The Company accounts for goodwill and intangible assets as permitted or required by GAAP. A purchase price paid that is in excess of net assets arising from a business combination is recorded as an asset ("goodwill") and is not amortized. Intangible assets with finite lives are amortized over the estimated useful life of the asset. Intangible assets with indefinite useful lives are not amortized. Goodwill and intangible assets are analyzed for impairment on a quarterly basis to determine if the carrying amount may not be recoverable. If the goodwill or intangible asset is impaired, it is written down to its realizable value with a corresponding expense reflected in the consolidated statements of operations. For the years ended December 31, 2019 and 2018, the Company did not impair any goodwill or intangible assets. For the year ended December 31, 2017, the Company impaired $0.3 million of intangible assets with finite lives related to its acquisition of an agency producing surety business.

The following table reflects the carrying amount of goodwill, intangible assets with indefinite lives and intangible assets with finite lives as of December 31, 2019 and 2018 (in thousands):

		Intangible Assets		
	Goodwill	Indefinite Lives	Finite Lives	Total
Balance, January 1, 2018	$ 52,257	$ 5,813	$ 2,720	$ 60,790
Acquired during 2018	11	—	11,416	11,427
Amortization during 2018	—	—	(2,581)	(2,581)
Balance, December 31, 2018	52,268	5,813	11,555	69,636
Acquired during 2019	—	—	12,768	12,768
Amortization during 2019	—	—	(4,453)	(4,453)
Balance, December 31, 2019	$ 52,268	$ 5,813	$ 19,870	$ 77,951

The Company amortized $3.7 million during the year ended December 31, 2017 related to its intangible assets with finite lives. The Company impaired $0.3 million during the year ended December 31, 2017 related to its intangible assets with finite lives.

The following table provides the estimated amortization expense related to intangible assets for the succeeding years (in thousands):

	Years Ended December 31,					
	2020	2021	2022	2023	2024	2025 and thereafter
Amortization of intangible assets	$ 4,827	$ 4,827	$ 4,406	$ 3,060	$ 1,897	$ 855

(f) *Unpaid losses and loss adjustment expenses*. The reserves for losses and loss adjustment expenses are estimates of amounts needed to pay reported and unreported claims and related loss adjustment expenses. The estimates are based on assumptions related to the ultimate cost to settle such claims. The inherent uncertainties of estimating reserves are greater for reinsurers than for primary insurers due to the diversity of development patterns among different types of reinsurance contracts and the necessary reliance on ceding companies for information regarding reported claims. As a result, there can be no assurance that the ultimate liability will not exceed amounts reserved, with a resulting adverse effect on the Company.

The reserves for unpaid losses and loss adjustment expenses are based on the Company's evaluations of reported claims and individual case estimates received from ceding companies for reinsurance business or the estimates advised by the Company's claims adjusters for insurance business. The Company utilizes generally accepted actuarial methodologies to determine reserves for losses and loss adjustment expenses on the basis of historical experience and other estimates. The reserves are reviewed continually during the year and changes in estimates in losses and loss adjustment expenses are reflected as an expense in the consolidated statements of operations in the period the adjustment is made. Reinsurance recoverables on unpaid losses and loss adjustment expenses are reported as assets. A reserve for uncollectible reinsurance recoverables is established based on an evaluation of each reinsurer or retrocessionaire and historical experience. The Company uses tabular reserving for workers' compensation indemnity loss reserves, which are considered to be fixed and determinable, and discounts such reserves using an interest rate of 3.5% and the Life Table for Total Population: United States, 2009.

(g) *Deposit Assets and Liabilities*. The Company may enter into assumed and ceded reinsurance contracts that contain certain loss limiting provisions and, as a result, do not meet the risk transfer provisions of GAAP. These contracts are deemed as either transferring only significant timing risk or only significant underwriting risk or transferring neither significant timing nor underwriting risk and are accounted for using the deposit accounting method, under which revenues and expenses from reinsurance contracts are not recognized as written premium and incurred losses. Instead, the profits or losses from these contracts are recognized net, as other income or other expense, over the contract or contractual settlement periods.

For such contracts, the Company initially records the amount of consideration paid as a deposit asset or received as a deposit liability. Revenue or expense is recognized over the term of the contract, with any deferred amount recorded as a component of assets or liabilities until such time it is earned. The ultimate asset or liability under these contracts is estimated, and the asset or liability initially established, which represents the consideration transferred, is increased or decreased over the term of the contract. The change during the period is recorded in the Company's consolidated statements of operations, with increases and decreases in the ultimate asset or liability shown in other expense, net. As of December 31, 2019 and 2018, the Company had reflected $3.1 million and $5.2 million in other assets and $0.3 million and $0.4 million in other liabilities, respectively, related to deposit contracts. In cases where cedants retain the consideration on a funds held basis, the Company records those assets in other assets, and records the related investment income on the assets in the Company's consolidated statements of operations as investment income.

(h) *Income Taxes.* The Company records deferred income taxes to provide for the net tax effect of temporary differences between the carrying values of assets and liabilities in the Company's consolidated financial statements and their tax bases. Such differences relate principally to deferred acquisition costs, unearned premiums, unpaid losses and loss adjustment expenses, investments and tax credits. Deferred tax assets are reduced by a valuation allowance when the Company believes it is "more likely than not" that all or a portion of deferred taxes will not be realized. The Company assessed the realization of its foreign tax credit carryovers ("FTC") and determined that it is more likely than not that all FTC carryovers related to foreign branch income will not be utilized prior to their expiration. As a result, a valuation allowance of $28.1 million was recorded against the FTC deferred tax asset as of December 31, 2019. The Company has elected to recognize accrued interest and penalties associated with uncertain tax positions as part of the income tax provision.

(i) *Derivatives*. The Company utilizes derivative instruments to manage against potential adverse changes in the value of its assets and liabilities. Derivatives include total return swaps, interest rate swaps, forward currency contracts, U.S. Treasury bond forward contracts, CPI-linked derivative contracts, credit default swaps, call options, put options and warrants and other equity and credit derivatives. In addition, the Company holds options on certain securities within its fixed income portfolio that allow the Company to extend the maturity date on fixed income securities or convert fixed income securities to equity securities. The Company categorizes these investments as trading securities, and changes in fair value are recorded as realized investment gains or losses in the consolidated statements of operations. All derivative instruments are recognized as either assets or liabilities on the consolidated balance sheets and are measured at their fair value. Gains or losses from changes in the derivative values are reported based on how the derivative is used and whether it qualifies for hedge accounting. For derivative instruments that do not qualify for hedge accounting, changes in fair value are included in realized investment gains and losses in the consolidated statements of operations. Margin balances required by counterparties in support of derivative positions are included in fixed income securities and short-term investments.

(j) *Foreign Currency*. Foreign currency transaction gains or losses resulting from a change in exchange rates between the currency in which a transaction is denominated, or the original currency, and the functional currency are reflected in the consolidated statements of operations in the period in which they occur. The Company translates the financial statements of its foreign subsidiaries and branches that have functional currencies other than the U.S. dollar into U.S. dollars by translating balance sheet accounts at the balance sheet date exchange rate and income statement accounts at the rate at which the transaction occurs or the average exchange rate for each quarter. Translation gains or losses are recorded, net of deferred income taxes, as a component of accumulated other comprehensive income.

The following table presents the foreign exchange effects, net of the effects of foreign currency forward contracts purchased as an economic hedge against foreign exchange rate volatility and of tax, on specific line items in the Company's financial statements for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Statements of operations:			
Realized investment (losses) gains:			
Foreign currency forward contracts (losses) gains	$ (26,919)	$ 58,841	$ (35,407)
Other investment (losses) gains	(38,289)	(24,139)	35,187
Non-Investment realized gains	16,742	—	—
Total realized investment (losses) gains	(48,466)	34,702	(220)
Net investment (loss) income	(378)	(4,214)	868
Other income, net	—	1,575	18,552
(Loss) income before income tax	(48,844)	32,063	19,200
Total federal and foreign income tax (benefit) provision	(10,257)	6,734	6,720
Net (loss) income	(38,587)	25,329	12,480
Other comprehensive income (loss):			
Other comprehensive income (loss) before income tax	40,447	(62,689)	528
Federal and foreign income tax provision (benefit) before income tax	8,494	(13,164)	185
Other comprehensive income (loss), net of tax	31,953	(49,525)	343
Total effects on comprehensive (loss) income and shareholders' equity	$ (6,634)	$ (24,196)	$ 12,823

(k) *Stock-Based Compensation Plans*. The Company reflects awards of restricted common stock of Fairfax to employees as a reduction to additional paid-in-capital when the shares are purchased. The award value is amortized through compensation expense over the related vesting periods.

(l) *Claims Payments*. Payments of claims by the Company, as reinsurer, to a broker on behalf of a reinsured company are recorded in the Company's financial statements as paid losses at the time the cash is disbursed and are treated as paid to the reinsured. Premiums due to the Company from the reinsured are recorded as receivables from the reinsured until the cash is received by the Company, either directly from the reinsured or from the broker.

(m) *Funds Held Balances*. "Funds held under reinsurance contracts" represents amounts due to reinsurers arising from the Company's receipt of a deposit from a reinsurer, or the withholding of a portion of the premiums due, in accordance with contractual terms, as a guarantee that the reinsurer will meet its loss and other obligations. Interest generally accrues on withheld funds in accordance with contract terms. "Funds held by reinsured" represents amount due from a ceding company that withholds, in accordance with the contractual terms, a portion of the premium due the Company as a guarantee that the Company will meet its loss and other obligations.

(n) *Fixed Assets*. Fixed assets, with a net book value of $95.9 million and $32.7 million as of December 31, 2019 and 2018, respectively, are recorded at amortized cost and are included in other assets. Depreciation and amortization are generally computed on a straight-line basis over the following estimated useful lives:

Leasehold improvements	10 years or term of lease, if shorter
Electronic data processing equipment and furniture	5 years
Personal computers and software	3 years

Depreciation and amortization expense for the years ended December 31, 2019, 2018 and 2017 was $26.9 million, $11.4 million and $9.4 million, respectively.

(o) *Contingent Liabilities*. Amounts are accrued for the resolution of claims that have either been asserted or are deemed probable of assertion if, in the opinion of the Company, it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. In many cases it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until years after the contingency arises, in which case no accrual is made until that time. As of December 31, 2019 and 2018, no contingent liabilities have been recorded (see Note 11).

(p) *Recent Accounting Pronouncements.* The Financial Accounting Standards Board ("FASB") is the organization responsible for establishing and improving GAAP.

In January 2016, the FASB issued Accounting Standards Update ("ASU") 2016-01, "Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 generally requires that equity investments (excluding those investments for which the equity method of accounting is utilized) be measured at fair value with changes in fair value recognized in net income. Under existing GAAP, changes in fair value of available-for-sale equity investments are recorded in other comprehensive income. The Company adopted ASU 2016-01 effective January 1, 2019 and elected to utilize a cumulative effect adjustment to the opening balance of retained earnings for the year of adoption. Accordingly, the Company's reporting for the comparative periods prior to adoption continue to be presented in the financial statements in accordance with the previous guidance where changes in fair value of available-for-sale equity investments were recorded in other comprehensive income. The adoption of ASU 2016-01 resulted in a cumulative change adjustment of $0.9 million between accumulated other comprehensive income and retained earnings, with no net impact on the Company's shareholders' equity.

In February 2016 and July 2018, the FASB issued ASU 2016-02 and ASU 2018-11, respectively, both entitled "Leases", requiring a lessee i) to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, and ii) to make additional qualitative and quantitative disclosures about its leases. The Company adopted ASU 2016-02 effective January 1, 2019 and elected to utilize a cumulative-effect adjustment to the opening balance of retained earnings in the year of adoption.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses," which provides for the recognition and measurement at the reporting date of all expected credit losses for financial assets that are not accounted for at fair value through net income, including investments in available-for-sale debt securities and loans, premiums receivable and reinsurance recoverable. The updated guidance amends the current other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. This guidance also applies a new current expected credit loss model for determining credit-related impairments for financial instruments measured at amortized cost. ASU 2016-13 is effective for the Company in 2021, with early adoption permitted. The Company is evaluating the effect this standard will have on its consolidated financial statements, although such effect is not expected to be significant.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts described as restricted cash or restricted cash equivalents. The Company adopted ASU 2016-18 effective January 1, 2019 using a retrospective transition method to the prior periods presented on the consolidated statements of cash flows. The adoption of ASU 2016-18 did not have a material impact on the Company's financial statements.

In March 2017, the FASB issued ASU 2017-08, "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." ASU 2017-08 requires that the premium on callable debt securities be amortized through the earliest call date rather than through the maturity date of the callable security. ASU 2017-08 is effective for the Company in 2020. The Company does not expect the adoption of ASU 2017-08 to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Changes to the Disclosure Requirements for Fair Value Measurement." ASU 2018-13 is effective for the Company in 2020. Implementation is on a prospective or retroactive basis, depending on the specific disclosure element. Early adoption is permitted. The Company does not expect the adoption of ASU 2018-13 to have a material impact on the Company's consolidated financial statements.

The Company has determined that all recently issued guidance and pronouncements, other than those directly referenced above, are either not applicable or are immaterial to the Company's consolidated financial statements.

(q) *Subsequent Events*. The Company has evaluated the significance of events occurring subsequent to December 31, 2019 with respect to disclosing the nature and expected impact of such events as of March 2, 2020, the date these consolidated financial statements were available to be issued.

3. Fair Value Measurements

The Company accounts for a significant portion of its financial instruments at fair value as permitted or required by GAAP.

Fair Value Hierarchy

The assets and liabilities recorded at fair value in the consolidated balance sheets are measured and classified in a three level hierarchy for disclosure purposes based on the observability of inputs available in the marketplace used to measure fair values. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Gains and losses for assets and liabilities categorized within the Level 3 table below, therefore, may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Financial assets and liabilities recorded in the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1: Level 1 financial instruments are financial assets and liabilities for which the values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access. Market price data generally is obtained from exchange markets. The Company does not adjust the quoted price for such instruments. The majority of the Company's Level 1 investments are common stocks that are actively traded in a public market and short-term investments and cash equivalents, for which the cost basis approximates fair value.

Level 2: Level 2 financial instruments are financial assets and liabilities for which the values are based on quoted prices in markets that are not active, or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

a) Quoted prices for similar assets or liabilities in active markets;

b) Quoted prices for identical or similar assets or liabilities in non-active markets;

c) Pricing models, the inputs for which are observable for substantially the full term of the asset or liability; and

d) Pricing models, the inputs for which are derived principally from, or corroborated by, observable market data through correlation or other means, for substantially the full term of the asset or liability.

Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 include government and corporate fixed income securities, which are priced using publicly traded over-the-counter prices and broker-dealer quotes. Observable inputs such as benchmark yields, reported trades, broker-dealer quotes, issuer spreads and bids are available for these investments. Also included in Level 2 are inactively traded convertible corporate debentures that are valued using a pricing model that includes observable inputs such as credit spreads and discount rates in the calculation.

Level 3: Level 3 financial instruments are financial assets and liabilities for which the values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Therefore, these inputs reflect the Company's own assumptions about the methodology and valuation techniques that a market participant would use in pricing the asset or liability.

For the years ended December 31, 2019 and 2018, no securities were transferred into or out of Level 3. For the year ended December 31, 2017, the Company transferred $79.2 million of Level 2 securities to Level 3 after determining that the valuation technique required unobservable inputs.

During the years ended December 31, 2019, 2018 and 2017, the Company purchased $19.7 million, $83.4 million and $159.0 million, respectively, of investments that are classified as Level 3. As of December 31, 2019 and 2018, the Company held $347.4 million and $470.0 million, respectively, of investments that are classified as Level 3. Level 3 investments include CPI-linked derivative contracts, and certain loans, bonds, preferred stocks and common stocks.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are generally reported as transfers in or out of the Level 3 category as of the beginning of the period in which the reclassifications occur. The Company has determined, after carefully considering the impact of recent economic conditions and liquidity in the credit markets on the Company's portfolio, that it should not re-classify any of its investments from Level 1 or Level 2 to Level 3 for the years ended December 31, 2019 and 2018. There were no transfers of securities between Level 1 and Level 2 during the years ended December 31, 2019, 2018 and 2017.

The Company is responsible for determining the fair value of its investment portfolio by utilizing market driven fair value measurements obtained from active markets, where available, by considering other observable and unobservable inputs and by employing valuation techniques that make use of current market data. For the majority of the Company's investment portfolio, the Company uses quoted prices and other information from independent pricing sources to determine fair values.

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018 (in thousands):

	Fair Value Measurements as of December 31, 2019			
	Reported Fair Value	Level 1	Level 2	Level 3
Fixed income securities, available for sale:				
United States government, government agencies and authorities	$ 612	$ —	$ 612	$ —
States, municipalities and political subdivisions	15,891	—	15,891	—
Total fixed income securities, available for sale	16,503	—	16,503	—
Fixed income securities, held for trading:				
United States government, government agencies and authorities	948,213	—	948,213	—
States, municipalities and political subdivisions	64,988	—	64,988	—
Foreign governments	642,495	—	642,495	—
Corporate	1,707,079	5,476	1,426,646	274,957
Total fixed income securities, held for trading	3,362,775	5,476	3,082,342	274,957
Preferred stocks, held for trading	17,082	2,230	—	14,852
Common stocks, held for trading and fair value options	1,382,296	1,367,875	165	14,256
Short-term investments, held for trading	1,913,820	1,333,984	579,836	—
Cash equivalents	378,315	375,913	2,402	—
Derivatives	34,922	—	34,193	729
Other investments	61,624	—	19,041	42,583
Total assets measured at fair value	$ 7,167,337	$ 3,085,478	$ 3,734,482	$ 347,377
Derivative liabilities	$ 61,581	$ —	$ 61,581	$ —
Total liabilities measured at fair value	$ 61,581	$ —	$ 61,581	$ —

	Fair Value Measurements as of December 31, 2018			
	Reported Fair Value	Level 1	Level 2	Level 3
Fixed income securities, available for sale:				
United States government, government agencies and authorities	$ 617	$ —	$ 617	$ —
States, municipalities and political subdivisions	39,062	—	39,062	—
Corporate	36,975	1,968	35,007	—
Total fixed income securities, available for sale	76,654	1,968	74,686	—
Fixed income securities, held for trading:				
United States government, government agencies and authorities	2,583,063	—	2,583,063	—
States, municipalities and political subdivisions	54,635	—	54,635	—
Foreign governments	624,229	—	624,229	—
Corporate	1,170,676	—	788,364	382,312
Total fixed income securities, held for trading	4,432,603	—	4,050,291	382,312
Preferred stocks, held for trading	24,125	1,109	—	23,016
Common stocks, available for sale	100,012	96,345	3,667	—
Common stocks, held for trading and fair value options	459,088	419,610	18,330	21,148
Short-term investments, held for trading	531,957	447,349	84,608	—
Cash equivalents	258,386	258,386	—	—
Derivatives	61,399	—	58,284	3,115
Other investments	55,305	—	14,875	40,430
Total assets measured at fair value	$ 5,999,529	$ 1,224,767	$ 4,304,741	$ 470,021
Derivative liabilities	$ 30,236	$ —	$ 30,236	$ —
Total liabilities measured at fair value	$ 30,236	$ —	$ 30,236	$ —

In accordance with ASU 2015-17, “Fair Value Measurement (Topic 820): Disclosure for Investments in Certain Entities That Calculate Net Asset Value (“NAV”) per Share (or Its Equivalent),” investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient, have not been classified in the fair value hierarchy. As of December 31, 2019 and 2018, $923.4 million and $1,003.0 million, respectively, of investments reported as equity securities and other invested assets, based upon NAV, are not included within the fair value hierarchy tables.

The following table provides a summary of changes in the fair value of Level 3 financial assets for the years ended December 31, 2019 and 2018 (in thousands):

	Fixed Income Securities	Other Invested Assets	Equity Securities
Balance, January 1, 2018	$ 428,294	$ 11,590	$ 78,987
Change in value related to securities sold	(2,634)	(670)	10,693
Change in value related to securities held	(63,953)	2,768	(17,451)
Purchases / advances	48,916	34,470	—
Settlements / paydowns	(28,311)	(4,613)	(28,065)
Balance, December 31, 2018	382,312	43,545	44,164
Change in value related to securities sold	(5,713)	—	1,276
Change in value related to securities held	(50,912)	(233)	(3,795)
Purchases / advances	19,715	—	—
Settlements / paydowns	(70,445)	—	(12,537)
Balance, December 31, 2019	$ 274,957	$ 43,312	$ 29,108

The following tables present changes in value included in net income related to Level 3 assets for the years ended December 31, 2019, 2018, and 2017 (in thousands):

Year ended December 31, 2019	Net Investment Income (Losses)	Net Realized Capital Gains (Losses)	Currency Translation	Total
Fixed income securities	$ (1,863)	$ (54,762)	$ —	$ (56,625)
Other invested assets	—	(233)	—	(233)
Equity securities	—	(2,603)	84	(2,519)
Total changes in value included in net (loss) income	$ (1,863)	$ (57,598)	$ 84	$ (59,377)
Year ended December 31, 2018				
Fixed income securities	$ (1,458)	$ (64,078)	$ (1,051)	$ (66,587)
Other invested assets	—	2,023	75	2,098
Equity securities	—	(6,630)	(128)	(6,758)
Total changes in value included in net loss	$ (1,458)	$ (68,685)	$ (1,104)	$ (71,247)
Year ended December 31, 2017				
Fixed income securities	$ 865	$ 89,489	$ (3)	$ 90,351
Other invested assets	—	(8,164)	—	(8,164)
Equity securities	—	(5,696)	255	(5,441)
Total changes in value included in net income	$ 865	$ 75,629	$ 252	$ 76,746

The Company uses valuation techniques to establish the fair value of Level 3 investments. The following table provides information on the valuation techniques, significant unobservable inputs and ranges for each major category of Level 3 assets measured at fair value on a recurring basis at December 31, 2019 and 2018 (in thousands):

	As of December 31,		Significant Unobservable	Range	
Valuation Technique/Asset Type	2019	2018	Inputs	2019	2018
Market Approach					
Fixed income securities, held for trading	$ 255,846	$ 260,956	Risk premium for credit risk	4.4%-5.1%	2.6%-5.7%
	12,214	—	Risk premium for credit risk	1.4%-1.9%	—
	6,897	—	Risk premium for credit risk	3.5%-4.2%	—
	—	121,356	Net Asset Valuation for secured loans and comparable transactions	—	60%-100%
Preferred stocks, held for trading	12,352	20,516	Risk premium for credit risk	3.6%-4.2%	5.1%-5.7%
	2,500	2,500	Transaction price	—	—
CPI-linked derivatives (1)	729	3,115	Broker quotes		
Total valued using market approach	290,538	408,443			
Market Price to Book Value					
Common stocks, fair value option (2)	14,256	21,148	Time lag in receiving book value of comparable companies		
Par Value					
Other investments	42,583	—	Risk premium for credit risk	11.9%-13.6%	—
	—	40,430	Yield to Maturity	—	5.0%
Total - Level 3	$ 347,377	$ 470,021			

(1) Valued using broker-dealer quotes that use market observable inputs except for the inflation volatility input, which is not market observable.

(2) The Company evaluates observable price-to-book multiples of peer companies and applies such to the most recently available book value per share.

Fair Value Option

The fair value option ("FVO") allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in the fair value of assets and liabilities for which the election is made are recognized in net income as they occur. The FVO election is permitted on an instrument-by-instrument basis at initial recognition of an asset or liability or upon the occurrence of an event that gives rise to a new basis of accounting for that instrument.

The Company elected the FVO for its investment in Advent Capital (Holdings) PLC ("Advent") as, at the time of the election, Advent was publicly traded and its trading price was believed to be a better indicator of its value than an amount computed under the equity method. Fairfax and its subsidiaries currently own 100% of Advent's common stock, of which the Company holds 15.7%. For 2018, following the placement of Advent into run-off, the Company began using Advent's book value as the best approximation of its fair value. Prior to 2018, in order to determine the fair value of Advent, the Company evaluated observable price-to-book multiples of peer companies and applied such to Advent's most recently available book value per share. As of December 31, 2019 and 2018, the Company's interest in Advent was recorded at fair value of $14.3 million and $21.1 million, respectively, in common stocks held for trading and fair value options, with related changes in fair value recognized as a realized investment gain or loss in the period in which they occurred. The change in Advent's fair value resulted in the recognition of realized investment losses of $6.9 million, $9.6 million and $8.6 million for the years ended December 31, 2019, 2018 and 2017, respectively. The value of the Company's interest in Advent as of December 31, 2019, calculated in accordance with the equity method of accounting, would have been $15.6 million.

The Company owns Classes A, C, E, G, H, J, K and Q common shares of HWIC Asia Fund ("HWIC Asia"), which is 100% owned by Fairfax and of which the Company owns 29.4% as of December 31, 2019. At the time of the purchase of each class of shares, the Company elected the FVO for these investments, as HWIC Asia is a multi-class investment company that reports its investments at fair value and provides a NAV on a monthly basis.

The Company owns shares of HWIC QIAIF Value Opportunities Fund ("HWIC VOF") and shares in HWIC QIAIF Property Fund I ("HWIC PFI"), which are each 100% owned by Fairfax and of which the Company owns 2.4% and 29.4%, respectively. At the time of purchase of the HWIC VOF and the HWIC PFI investments, the Company elected the FVO for these investments, as they are investment companies that report investments at fair value and provide a NAV on a monthly basis.

The carrying values of the Company's investment in the various HWIC Asia, HWIC VOF and HWIC PFI common share issues as of December 31, 2019 and 2018, which are included in common stocks held for trading and fair value option on the balance sheet, and the changes in fair value for each issue for the years then ended, are summarized below (in thousands):

	HWIC Asia Class A	HWIC Asia Class C	HWIC Asia Class E	HWIC Asia Class G	HWIC Asia Class H	HWIC Asia Class J	HWIC Asia Class K	HWIC Asia Class Q	HWIC VOF	HWIC PFI	Total
Fair value as of January 1, 2018	$ 4,585	$ 36,882	$ —	$ 87,535	$ 162,341	$ 44,749	$ —	$ 21,351	$ —	$ —	$ 357,443
Purchases (sales)	1,000	—	272	500	(22,565)	—	33,578	—	—	—	12,785
Change in fair value	(1,482)	(12,226)	(227)	(3,587)	(22,885)	1,803	(2,606)	(1,051)	—	—	(42,261)
Currency translation adjustment	—	—	—	—	(113)	(775)	(223)	(614)	—	—	(1,725)
Fair value as of December 31, 2018	4,103	24,656	45	84,448	116,778	45,777	30,749	19,686	—	—	326,242
(Sales) purchases	—	(18,000)	—	3,501	—	—	5,242	—	5,583	12,771	9,097
Change in fair value	(952)	(1,477)	11	(11,026)	(44,108)	(5,200)	(9,065)	2,286	303	(7)	(69,235)
Currency translation adjustment	—	—	—	—	44	444	93	430	96	476	1,583
Fair value as of December 31, 2019	$ 3,151	$ 5,179	$ 56	$ 76,923	$ 72,714	$ 41,021	$ 27,019	$ 22,402	$ 5,982	$ 13,240	$ 267,687

HWIC Asia's fair value increased by $63.5 million for the year ended December 31, 2017.

The Company did not elect the FVO for its other affiliated investments, as these affiliated investments were ultimately 100% owned by Fairfax and its subsidiaries, and fair values were deemed to be not readily obtainable.

As of December 31, 2019 and 2018, respectively, the Company has not elected the FVO for any of its liabilities.

4. Investments and Cash

A summary of the Company's available for sale investment portfolio as of December 31, 2019 and 2018, is as follows (in thousands):

2019	Cost or Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
Fixed income securities:				
United States government, government agencies and authorities	$ 553	$ 59	$ —	$ 612
States, municipalities and political subdivisions	15,349	542	—	15,891
Total fixed income securities	$ 15,902	$ 601	$ —	$ 16,503

2018	Cost or Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
Fixed income securities:				
United States government, government agencies and authorities	$ 567	$ 50	$ —	$ 617
States, municipalities and political subdivisions	37,106	1,956	—	39,062
Corporate	36,975	—	—	36,975
Total fixed income securities	74,648	2,006	—	76,654
Common stocks	106,367	13,101	7,803	111,665
Total	$ 181,015	$ 15,107	$ 7,803	$ 188,319

Common stocks accounted for under the equity method of accounting were carried at $580.3 million and $816.3 million as of December 31, 2019 and 2018, respectively. Common stocks at equity had gross unrealized appreciation of $10.2 million and $14.9 million and gross unrealized depreciation of $30.4 million and $20.5 million as of December 31, 2019 and 2018, respectively. Other invested assets were carried at $1,465.7 million and $1,182.1 million as of December 31, 2019 and 2018, respectively, reflecting no gross unrealized appreciation or depreciation.

A summary of the Company's held for trading and fair value option portfolios as of December 31, 2019 and 2018 is as follows (in thousands):

	2019 Fair Value	2018 Fair Value
Fixed income securities:		
United States government, government agencies and authorities	$ 948,213	$ 2,583,063
States, municipalities and political subdivisions	64,988	54,635
Foreign governments	642,495	624,229
Corporate	1,707,079	1,170,676
Total fixed income securities	3,362,775	4,432,603
Preferred stocks	17,082	24,125
Common stocks	1,649,983	785,330
Short-term investments	1,913,820	531,957
Cash and cash equivalents	866,712	786,019
Cash and cash equivalents held as collateral	21,910	28,381
Total	$ 7,832,282	$ 6,588,415

(a) Fixed Income Maturity Schedule

The amortized cost and fair value of fixed income securities as of December 31, 2019, by contractual maturity, are shown below (in thousands):

	At December 31, 2019					
	Available for Sale			Held for Trading		
	Cost or Amortized Cost	Fair Value	% of Total Fair Value	Cost or Amortized Cost	Fair Value	% of Total Fair Value
Due in one year or less	$ 103	$ 104	0.6%	$1,646,657	$1,635,053	48.6%
Due after one year through five years	15,795	16,385	99.3	933,714	946,877	28.2
Due after five years through ten years	—	—	0.0	308,497	326,668	9.7
Due after ten years	4	14	0.1	440,338	454,177	13.5
Total fixed income securities	$ 15,902	$ 16,503	100.0%	$3,329,206	$3,362,775	100.0%

Actual maturities may differ from the contractual maturities shown in the previous table due to the existence of call options. In the case of securities containing call options, the actual maturity will be the same as the contractual maturity if the issuer elects not to exercise its call option. Total securities subject to call options represent approximately 28.5% of the total fair value.

(b) Net Investment Income and Realized Investment Gains (Losses)

The following table sets forth the sources and components of net investment income for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Interest on fixed income securities	$ 111,489	$ 112,428	$ 103,052
Dividends on preferred stocks	1,435	1,495	60
Dividends on common stocks	24,891	16,396	20,831
Net (loss) income of common stocks, at equity	(35,331)	21,300	46,679
Interest on cash and short-term investments	34,828	26,816	20,984
Net income from other invested assets	165,670	65,666	26,020
Gross investment income	302,982	244,101	217,626
Less: investment expenses	57,209	34,875	25,836
Net investment income	$ 245,773	$ 209,226	$ 191,790

The following table summarizes the Company's net realized investment gains and losses for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Available for sale / equity method:			
From sales	$ 69,625	$ 12,106	$ 114,085
Other-than-temporary impairments	—	(299)	(12,286)
Total available for sale	69,625	11,807	101,799
Held for trading:			
From sales and settlements	(15,991)	49,431	(1,912)
From mark to market adjustments	157,693	(178,643)	278,194
Total held for trading	141,702	(129,212)	276,282
Total net realized investment gains (losses)	$ 211,327	$ (117,405)	$ 378,081

The following table sets forth the components of net realized investment gains and losses on the Company's available for sale and equity method securities for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Fixed income securities:			
Realized investment gains	$ 1,054	$ 18,805	$ 67,281
Realized investment losses	—	(6,526)	(1,523)
Other-than-temporary impairments	—	(56)	—
Net realized investment gains	1,054	12,223	65,758
Equity securities:			
Realized investment gains	—	—	20,052
Realized investment losses	—	(173)	—
Other-than-temporary impairments	—	(243)	(12,286)
Net realized investment (losses) gains	—	(416)	7,766
Common stocks, at equity:			
Realized investment gains	73,356	—	30,854
Realized investment losses	(4,785)	—	(2,579)
Net realized investment gains	68,571	—	28,275
Total available for sale securities:			
Realized investment gains	74,410	18,805	118,187
Realized investment losses	(4,785)	(6,699)	(4,102)
Other-than-temporary impairments	—	(299)	(12,286)
Net realized investment gains	$ 69,625	$ 11,807	$ 101,799

For those fixed income securities that were determined to be other-than-temporarily impaired, the Company determined that such impairments were related to credit, requiring the recognition of an impairment charge to income, and not related to other factors (e.g., interest rates and market conditions) which would have required charges to other comprehensive income.

The net realized investment gains or losses on disposal of held for trading securities in the table below represent the total gains or losses from the purchase dates of the investments and have been reported in net realized investment gains in the consolidated statements of operations. The change in fair value presented below consists of two components: (i) the reversal of the gain or loss recognized in previous years on securities sold and (ii) the change in fair value resulting from mark-to-market adjustments on contracts still outstanding. The following table sets forth the total net realized investment gains and losses on held for trading securities for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Fixed income securities:			
Net realized investment (losses) gains on disposal	$ (62,683)	$ (13,227)	$ 13,551
Change in fair value	53,378	(50,425)	105,547
Net realized investment (losses) gains	(9,305)	(63,652)	119,098
Preferred stock:			
Net realized investment (losses) gains on disposal	(3,748)	—	410
Change in fair value	8,079	(7,141)	(301)
Net realized investment gains (losses)	4,331	(7,141)	109
Equity securities:			
Net realized investment gains on disposal	14,027	62,577	84,714
Change in fair value	158,433	(206,038)	60,434
Net realized investment gains (losses)	172,460	(143,461)	145,148
Derivative securities:			
Net realized investment gains (losses) on disposal/ settlement	8,718	(32,456)	(95,186)
Change in fair value	(83,138)	48,221	(20,215)
Net realized investment (losses) gains	(74,420)	15,765	(115,401)
Other securities:			
Net realized investment gains (losses) on disposal	27,695	32,537	(5,401)
Change in fair value	20,941	36,740	132,729
Net realized investment gains	48,636	69,277	127,328
Total held for trading securities:			
Net realized investment (losses) gains on disposal	(15,991)	49,431	(1,912)
Change in fair value	157,693	(178,643)	278,194
Net realized investment gains (losses)	$ 141,702	$ (129,212)	$ 276,282

(c) Unrealized (Depreciation) Appreciation

The following table sets forth the changes in net unrealized (depreciation) appreciation of investments, and the related tax effect, reflected in accumulated other comprehensive income for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Fixed income securities	$ (1,407)	$ (27,720)	$ (77,126)
Equity securities	(14,694)	(55,290)	33,160
Other	59	108	(48)
Decrease in unrealized net appreciation of investments	(16,042)	(82,902)	(44,014)
Deferred income tax benefit on disposal	3,295	17,461	15,271
Change in net unrealized depreciation of investments included in other comprehensive (loss) income	$ (12,747)	$ (65,441)	$ (28,743)

On a quarterly basis, the Company reviews its investment portfolio classified as available for sale for declines in value and specifically evaluates securities with fair values that have declined to less than 80% of their cost or amortized cost at the time of review. Declines in the fair value of investments that are determined to be temporary are recorded as unrealized depreciation, net of tax, in accumulated other comprehensive income. If the Company determines that a decline relating to credit issues is “other-than-temporary,” the cost or amortized cost of the investment will be written down to the fair value, and a realized loss will be recorded in the Company’s consolidated statements of operations. If the Company determines that a decline related to other factors (e.g., interest rates or market conditions) is “other-than-temporary,” the cost or amortized cost of the investment will be written down to the fair value within other comprehensive income.

In assessing the value of the Company’s debt and equity securities that are classified as available for sale and possible impairments of such securities, the Company reviews (i) the issuer’s current financial position and disclosures related thereto, (ii) general and specific market and industry developments, (iii) the timely payment by the issuer of its principal, interest and other obligations, (iv) the outlook and expected financial performance of the issuer, (v) current and historical valuation parameters for the issuer and similar companies, (vi) relevant forecasts, analyses and recommendations by research analysts, rating agencies and investment advisors, and (vii) other information the Company may consider relevant. Generally, a change in the market or interest rate environment would not, of itself, result in an impairment of an investment. In addition, the Company considers its ability and intent to hold the security to recovery when evaluating possible impairments.

The facts and circumstances involved in making a decision regarding an other-than-temporary impairment are those that exist at that time. Should the facts and circumstances change such that an other-than-temporary impairment is considered appropriate, the Company will recognize the impairment by reducing the cost, amortized cost or carrying value of the investment to its fair value, and recording the loss in its consolidated statements of operations. Upon the disposition of a security where an “other-than-temporary” impairment has been taken, the Company will record a gain or loss based on the adjusted cost or carrying value of the investment.

The Company did not have any fixed income or common stocks, at fair value classified as available for sale, that have been in a continuous unrealized depreciation position for less than 12 months, as of December 31, 2019.

The following table reflects the fair value and gross unrealized depreciation of the Company's fixed income securities and common stocks, at fair value classified as available for sale, aggregated by investment category for individual securities that have been in a continuous unrealized depreciation position for less than 12 months, as of December 31, 2018 (in thousands):

	Fair Value	Gross Unrealized Depreciation	Number of Securities
December 31, 2018			
Common stock securities:			
Industrial and miscellaneous	$ 71,395	$ 7,803	2
Total common stock securities	71,395	7,803	2
Total temporarily impaired securities	$ 71,395	$ 7,803	2

The Company did not own any fixed income or common stocks, at fair value classified as available for sale, that have been in a continuous unrealized loss position for more than 12 months as of December 31, 2019 or 2018.

The Company believes the gross unrealized depreciation for securities classified as available for sale is temporary in nature and has not recorded a realized investment loss related to these securities. Given the size of the Company's investment portfolio and capital position, the Company believes it is likely that it will not be required to sell or liquidate these securities before the fair value recovers the gross unrealized depreciation.

(d) Common Stocks, at Equity

The following table sets forth the components of common stocks, at equity, as of December 31, 2019 and 2018 (in thousands):

	Carrying Value		Goodwill and Other included in Carrying Value		Quoted Market Value		Relative Economic Ownership
	2019	2018	2019	2018	2019	2018	2019
Recipe Unlimited Corporation	$ 133,021	$ 134,678	$ 98,121	$ 93,160	$ 108,735	$ 136,678	12.9%
Fairfax India Holdings Corp	116,522	132,479	—	—	110,082	129,388	5.6%
Fairfax Africa Holdings Corp	103,741	125,206	2,779	2,779	69,389	93,976	19.9%
EXCO Resources, Inc.	74,413	—	(6,569)	—	n/a	n/a	14.1%
Zenith National Insurance Corp	36,886	39,212	3,928	3,928	n/a	n/a	6.1%
Apple Bidco Limited	26,457	71,998	(944)	(653)	n/a	n/a	8.0%
Sigma Companies International Corp.	20,912	22,083	—	—	n/a	n/a	41.9%
AGT Food and Ingredients, Inc.	17,306	—	411	—	n/a	n/a	7.8%
Davos Brands LLC	16,132	17,679	12,824	12,824	n/a	n/a	14.3%
2018296 Alberta ULC	14,636	18,525	—	—	n/a	n/a	27.3%
Toys "R" Us (Canada) Ltd.	10,497	4,100	(812)	—	n/a	n/a	28.2%
Peak Achievement Athletics Inc.	9,757	11,910	469	469	n/a	n/a	3.8%
Grivalia Properties Real Estate Investment Company	—	198,791	—	2,710	—	174,609	0.0%
Boat Rocker Media Inc.	—	25,215	—	14,607	n/a	n/a	0.0%
Farmers Edge Inc.	—	14,446	—	14,446	n/a	n/a	0.0%
Total common stocks, at equity	$ 580,280	$ 816,322	$ 110,207	$ 144,270			

During 2017, the Company and Fairfax purchased additional common shares of Grivalia Properties Real Estate Investment Company ("Grivalia"), resulting in Grivalia becoming an affiliate of the Company and a change in the accounting for the Company's investment in Grivalia to the equity method. Prior to 2017, the Company's investment in Grivalia was reported as a common stock, held for trading, at fair value.

Zenith National Insurance Corp., Toys "R" Us (Canada) Ltd. and 2018296 Alberta ULC are wholly-owned subsidiaries of Fairfax, while Fairfax is the controlling or largest shareholder of Fairfax India Holdings Corp. (33.8%), Recipe Limited Corporation (47.9%), Fairfax Africa Holdings Corp. (62.0%), Apple Bidco Limited (67.8%), Boat Rocker Media Inc. (59.1%), Sigma Companies International Corp. (81.1%), Davos Brands LLC (35.7%), Farmers Edge

Inc. (57.2%), AGT Food and Ingredients, Inc. (59.6%), EXCO Resources, Inc. (46.4%) and Peak Achievement Athletics Inc. (42.6%).

(e) Other Invested Assets

The following table shows the components of other invested assets as of December 31, 2019 and 2018 (in thousands):

	2019	2018
Investment funds and partnerships, at fair value	$ 655,717	$ 665,143
Investment funds and partnerships, at equity	64,058	176,911
Real estate	306,475	136,891
Affiliate loans	163,437	99,873
Derivatives, at fair value	34,922	61,399
Mortgage loans	216,886	20,837
Benefit plan funds, at fair value	19,041	14,874
Other	5,139	6,141
Total other invested assets	$ 1,465,675	$ 1,182,069

The Company's investment funds and partnership investments may be subject to restrictions on redemptions or sales, which are determined by the governing documents thereof, and may limit the Company's ability to liquidate these investments in the short term. Due to a time lag in reporting by a majority of investment fund and partnership fund managers, valuations for these investments are recorded by the Company on a one month or one quarter lag. For the years ended December 31, 2019, 2018 and 2017, the Company recognized net investment income of $98.1 million, $38.5 million and $15.8 million, respectively, from its investment funds and partnership investments. For the years ended December 31, 2019, 2018 and 2017, the Company recognized net realized investment gains of $35.0 million, $73.8 million and $145.6 million, respectively, from its investment funds and partnerships that are held as trading securities. With respect to the Company's $719.8 million in investments in investment funds and partnerships, the Company has commitments that may require additional funding of up to $116.9 million.

The Company's investments in real estate consists of land of $81.9 million and $43.7 million and buildings of $231.7 million and $94.4 million, less accumulated depreciation of $7.1 million and $1.2 million, as of December 31, 2019 and 2018, respectively.

The Company's investments in mortgage loans consist of loans collateralized by commercial property in various locations in Canada, Great Britain, California and Hawaii, as of December 31, 2019.

(f) Derivative Investments

The Company has utilized CPI-linked derivative contracts, total return swaps, forward currency contracts, U.S. Treasury bond forward contracts and various other contracts, to manage against adverse changes in the values of assets and liabilities. These products are typically not directly linked to specific assets or liabilities on the consolidated balance sheets or a forecasted transaction. The following tables set forth the Company's derivative positions, which are included in other invested assets or other liabilities in the consolidated balance sheets, as of December 31, 2019 and 2018, respectively (in thousands):

As of December 31, 2019	Exposure/ Notional Amount	Cost	Fair Value Asset	Fair Value Liability
CPI-linked derivative contracts	$33,365,759	$ 221,407	$ 729	$ —
Option contracts	2,437,500	40,349	2,959	—
Forward currency contracts	701,822	—	25,257	37,826
U.S. Treasury bond forward contracts	224,175	—	1,602	55
Long total return swaps	129,836	—	4,375	1,194
Short total return swaps	89,400	—	—	22,506
Total		$ 261,756	$ 34,922	$ 61,581

As of December 31, 2018	Exposure/ Notional Amount	Cost	Fair Value Asset	Fair Value Liability
CPI-linked derivative contracts	$34,359,534	$ 229,779	$ 3,115	$ —
Forward currency contracts	1,077,687	—	42,965	11,896
Option contracts	437,500	7,519	7,431	—
Long total return swaps	135,147	—	2,396	17,732
Short total return swaps	134,586	—	5,492	—
U.S. Treasury bond forward contracts	10,175	—	—	608
Total		$ 237,298	$ 61,399	$ 30,236

The Company held long position common stock total return swaps, with a total notional value of $129.8 million and $135.1 million as of December 31, 2019 and 2018, respectively, as replications of investments in publicly-listed common stocks. The common stock total return swaps, which are carried at fair value, are recorded in other invested assets or other liabilities based on the positive or negative value of the underlying contracts as of the financial statement date. Changes in the fair value of common stock total return swaps are recorded as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

As of December 31, 2019 and 2018, the Company held short position common stock total return swaps with a notional value of $89.4 million and $134.6 million, respectively. The common stock total return swaps are recorded at fair value in other invested assets or other liabilities based on the positive or negative value of the underlying contracts as of the financial statement date. Changes in the fair value of the swaps are recorded as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

As a result of fundamental changes to the macroeconomic outlook for the U.S. during the fourth quarter of 2016 and the ensuing potential for a significant increase in market interest rates, the Company reduced its exposure to interest rate risk by selling certain U.S. state and municipal bonds and long dated U.S. Treasury bonds. To further reduce its exposure to interest rate risk (specifically exposure to U.S. state and municipal bonds and any remaining long dated U.S. Treasury bonds held in its fixed income portfolio), the Company began entering into, and continues to hold, forward contracts to sell long dated U.S. Treasury bonds. These contracts have an average term to maturity of less than one year and may be renewed at market rates. The U.S. Treasury bond forward contracts are recorded at fair value in other invested assets or in other liabilities based on the positive or negative value of the underlying contracts as of the financial statement date, with the related changes in fair value recognized as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

As an economic hedge against the potential adverse impact on the Company of decreasing price levels in the economy, the Company has purchased derivative contracts referenced to consumer price indices (“CPI”) in various geographic regions in which the Company operates. These contracts had a remaining average life of 2.2 years and 3.1 years as of December 31, 2019 and 2018, respectively. As the remaining life of a contract declines, the fair value of the contract (excluding the impact of CPI changes) will generally decline. The initial premium paid for the contracts is recorded as a derivative asset and subsequently adjusted for changes in the unrealized fair value of the contracts at each balance sheet date. Changes in the unrealized fair value of the contracts are recorded as realized gains or losses on investments in the Company’s consolidated statements of operations with a corresponding adjustment to the carrying value of the derivative asset. In the event of a sale, expiration or early settlement of one of the Company’s CPI-linked derivative contracts, the Company would receive the fair value of that contract on the date of the transaction. The Company’s maximum potential cash loss is limited to the premiums already paid to enter into the derivative contracts.

The Company has entered into forward currency contracts to manage its foreign currency exchange rate risk on a macro basis. Under a forward currency contract, the Company and the counterparty are obligated to purchase or sell an underlying currency at a specified price and time. Forward currency contracts are recorded at fair value in other invested assets or other liabilities based on the positive or negative value of the underlying contracts as of the financial statement date, with the related changes in fair value recognized as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

The Company has investments in call options, which are contracts that grant the holder the right (but not the obligation) to purchase a financial instrument at a specified price within a specific time period. Call options, which are included in other invested assets, are recorded at fair value, with changes in the fair value recognized as realized investment gains or losses in the consolidated statement of operations in the period in which they occur.

The Company had investments in warrants, which are contracts that grant the holder the right (but not the obligation) to purchase an underlying financial instrument at a given price and time or at a series of prices and times. Warrants, which were included in other invested assets, are recorded at fair value, with the related changes in fair value recognized as realized investment gains or losses in the consolidated statements of operations in the period in which they occur.

The Company had investments in put options, which are contracts that grant the holder the right (but not the obligation) to sell a financial instrument at a specified price within a specific time period. Put options, which were included in other invested assets, are recorded at fair value, with the changes in the fair value recognized as realized gains or losses in the consolidated statements of operations in the period in which they occur.

Pursuant to the agreements governing various derivative contracts, the fair value of collateral deposited by the Company with the contracts' counterparties totaled \$44.9 million and \$38.3 million as of December 31, 2019 and 2018, respectively, while the fair value of collateral deposited by various counterparties for the benefit of the Company was \$5.2 million and \$7.8 million as of December 31, 2019 and 2018, respectively.

Counterparties to the derivative instruments expose the Company to credit risk in the event of non-performance. The Company believes this risk is low, given the diversification of the placement of the contracts among various highly rated counterparties. The credit risk exposure is reflected in the fair value of the derivative instruments.

The net realized investment gains or losses on disposal of derivatives in the table below represent the total gains or losses for the years ended December 31, 2019, 2018 and 2017 from the purchase dates of the investments and have been reported in net realized investment gains in the consolidated statements of operations; the change in fair value presented consists of two components: (i) the reversal of the gain or loss recognized in previous years on securities sold and (ii) the change in fair value resulting from mark-to-market adjustments on contracts still outstanding (in thousands):

	2019	2018	2017
CPI-linked derivative contracts:			
Net realized investment losses on disposal	$ (8,371)	$ —	$ —
Change in fair value	5,985	(3,267)	(7,233)
Net realized investment losses	(2,386)	(3,267)	(7,233)
Forward currency contracts:			
Net realized investment gains (losses) on disposal	17,576	8,636	(8,241)
Change in fair value	(44,495)	50,205	(27,166)
Net realized investment (losses) gains	(26,919)	58,841	(35,407)
U.S. Treasury bond forward contracts:			
Net realized investment (losses) gains on disposal	(5,644)	388	(35,950)
Change in fair value	2,155	6,297	6,961
Net realized investment (losses) gains	(3,489)	6,685	(28,989)
Long total return swaps:			
Net realized investment (losses) gains on disposal	(3,282)	(16,258)	6,469
Change in fair value	18,517	(17,722)	(367)
Net realized investment gains (losses)	15,235	(33,980)	6,102
Short total return swaps:			
Net realized investment gains (losses) on disposal	15,479	(14,451)	(53,848)
Change in fair value	(27,997)	6,130	7,605
Net realized investment losses	(12,518)	(8,321)	(46,243)
Warrants:			
Net realized investment losses on disposal	—	(10,771)	—
Change in fair value	—	6,665	(6,638)
Net realized investment losses	—	(4,106)	(6,638)
Put options:			
Net realized investment losses on disposal	(7,040)	—	—
Call options:			
Net realized investment gains on disposal	—	—	3,007
Change in fair value	(37,303)	(87)	—
Net realized investment (losses) gains	(37,303)	(87)	3,007
Other:			
Net realized investment losses on disposal	—	—	(6,623)
Change in fair value	—	—	6,623
Net realized investment gains (losses)	—	—	—
Total derivatives:			
Net realized investment gains (losses) on disposal	8,718	(32,456)	(95,186)
Change in fair value	(83,138)	48,221	(20,215)
Net realized investment (losses) gains	$ (74,420)	$ 15,765	$ (115,401)

(g) Assets on Deposit

The Company is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations. These requirements are generally promulgated in the statutes and regulations of the individual jurisdictions. The assets on deposit are available to settle insurance and reinsurance liabilities. For certain reinsurance contracts, derivative contracts and affiliate guarantees, the Company utilizes trust funds to collateralize its obligations or potential obligations to the ceding companies and counterparties. As of December 31, 2019, restricted assets supporting these deposits and trust fund requirements totaled $1.0 billion, as depicted in the following table (in thousands):

	Restricted Assets Relating to:				
	Fixed Income Securities	Cash Cash Equivalents Short-term Investments	Common Stocks	Partnerships	Total
U.S. regulatory requirements	$ 69,580	$ —	$ —	$ —	$ 69,580
Foreign regulatory/Lloyd's requirements	206,424	78,903	12,172	—	297,499
Derivative collateral requirements	31,875	12,986	—	—	44,861
Reinsurance collateral requirements	287,303	117,579	165,570	19,674	590,126
Guarantee collateral requirements	6,727	30,277	—	—	37,004
Total	$ 601,909	$ 239,745	$ 177,742	$ 19,674	$ 1,039,070

5. Accumulated Other Comprehensive Income

The following table shows the components of the change in accumulated other comprehensive income, net of deferred income taxes, for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	2019	2018	2017
Beginning balance of unrealized net appreciation on securities prior to adjustments	$ 5,205	$ 58,115	$ 86,858
Adjustment for U.S. tax reform	—	12,531	—
Adjustment for ASU 2016-01	(5,839)	—	—
Beginning balance of unrealized net (depreciation) appreciation on securities after adjustments	(634)	70,646	86,858
Ending balance of unrealized net (depreciation) appreciation on securities	(13,381)	5,205	58,115
Current period change in unrealized net depreciation on securities	(12,747)	(65,441)	(28,743)
Beginning balance of foreign currency translation adjustments prior to adjustments	(35,916)	11,197	10,854
Adjustment for U.S. tax reform	—	2,412	—
Adjustment for ASU 2016-01	6,744	—	—
Beginning balance of foreign currency translation adjustments after adjustments	(29,172)	13,609	10,854
Ending balance of foreign currency translation adjustments	2,781	(35,916)	11,197
Current period change in foreign currency translation adjustments	31,953	(49,525)	343
Beginning balance of benefit plan liabilities prior to adjustments	(38,018)	(38,698)	(30,131)
Adjustment for U.S. tax reform	—	(8,335)	—
Beginning balance of benefit plan liabilities after adjustments	(38,018)	(47,033)	(30,131)
Ending balance of benefit plan liabilities	(69,960)	(38,018)	(38,698)
Current period change in benefit plan liabilities	(31,942)	9,015	(8,567)
Other comprehensive loss	$ (12,736)	$ (105,951)	$ (36,967)
Beginning balance of accumulated other comprehensive (loss) income	$ (68,729)	$ 37,222	$ 67,581
Beginning balance adjustment for ASU 2016-01	905	—	—
Adjusted beginning balance	(67,824)	37,222	67,581
Other comprehensive loss	(12,736)	(105,951)	(36,967)
U.S. tax reform deferred income tax reclassification	—	—	6,608
Ending balance of accumulated other comprehensive (loss) income	$ (80,560)	$ (68,729)	$ 37,222

In February 2018, the FASB issued ASU 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220)." This ASU allows the effect of remeasuring deferred tax assets and liabilities related to the Tax Cuts and Jobs Act of 2017 with respect to items with accumulated other comprehensive income to be reclassified to retained earnings. The amount of the reclassification is the difference between the amount initially charged or credited directly to other comprehensive income at the previously enacted U.S. federal corporate income tax rate that remains in accumulated other comprehensive income and the amount that would have been charged or credited using the newly enacted 21 percent rate. The Company implemented this ASU in its 2017 consolidated financial statements; the effect of the reclassification was to increase accumulated other comprehensive income and decrease retained earnings by $6.6 million.

The following table shows the components of accumulated other comprehensive income and the related deferred income taxes on each component, as of December 31, 2019 and 2018 (in thousands):

	2019	2018
Gross:		
Unrealized (depreciation) appreciation on securities	$ (16,891)	$ 6,543
Foreign currency translation adjustments	3,520	(45,463)
Benefit plan liabilities	(88,558)	(48,125)
Total accumulated other comprehensive loss, gross of deferred income taxes	$ (101,929)	$ (87,045)
Deferred taxes:		
Unrealized appreciation (depreciation) on securities	$ 3,510	$ (1,338)
Foreign currency translation adjustments	(739)	9,547
Benefit plan liabilities	18,598	10,107
Total deferred taxes on accumulated other comprehensive income	$ 21,369	$ 18,316

The following table shows the changes in the balances of each component of accumulated other comprehensive income (loss), for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Unrealized Gains and Losses on Securities	Foreign Currency Items	Benefit Plan Items	Total
Balance, January 1, 2017	$ 86,858	$ 10,854	$ (30,131)	$ 67,581
Amounts arising during the period	36,806	11,116	(10,000)	37,922
Reclassification adjustment included in net (loss) income	(65,549)	(10,773)	1,433	(74,889)
Net other comprehensive (loss) income	(28,743)	343	(8,567)	(36,967)
Adjustment for U.S. Tax Reform	12,531	2,412	(8,335)	6,608
Balance, December 31, 2017	70,646	13,609	(47,033)	37,222
Amounts arising during the period	(51,256)	(51,137)	6,204	(96,189)
Reclassification adjustment included in net (loss) income	(14,185)	1,612	2,811	(9,762)
Net other comprehensive (loss) income	(65,441)	(49,525)	9,015	(105,951)
Balance, December 31, 2018	5,205	(35,916)	(38,018)	(68,729)
Unrealized - adjustment for ASU 2016-01	(5,839)	6,744	—	905
Adjusted balance, December 31, 2018	(634)	(29,172)	(38,018)	(67,824)
Amounts arising during the period	43,773	39,961	(34,108)	49,626
Reclassification adjustment included in net (loss) income	(56,520)	(8,008)	2,166	(62,362)
Net other comprehensive (loss) income	(12,747)	31,953	(31,942)	(12,736)
Balance, December 31, 2019	$ (13,381)	$ 2,781	$ (69,960)	$ (80,560)

The following table shows the significant amounts reclassified out of each component of accumulated other comprehensive income for the years ended of December 31, 2019, 2018 and 2017 (in thousands):

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (a) 2019	2018	2017	Affected Line Item in the Consolidated Statement of Operations Where Net Income is Presented
Unrealized net (appreciation) depreciation of securities:				
	$ (71,544)	$ 17,956	$ 100,845	Net realized investment (losses) gains
	15,024	(3,771)	(35,296)	Total federal and foreign income tax provision (benefit)
	$ (56,520)	$ 14,185	$ 65,549	Net income (loss)
Foreign currency translations:				
	$ (10,137)	$ (2,041)	$ 16,574	Net realized investment (losses) gains
	2,129	429	(5,801)	Total federal and foreign income tax provision (benefit)
	$ (8,008)	$ (1,612)	$ 10,773	Net (loss) gain
Amortization of benefit plan items:				
Net actuarial gain (loss)	$ 2,742	$ (3,563)	$ (2,242)	Other underwriting expenses (b)
Prior service costs	—	5	37	Other underwriting expenses (b)
	2,742	(3,558)	(2,205)	Gain (loss) before federal and foreign income tax benefit
	(576)	747	772	Total federal and foreign income tax (benefit) provision
	$ 2,166	$ (2,811)	$ (1,433)	Net gain (loss)
Total reclassifications	$ (62,362)	$ 9,762	$ 74,889	

(a) Amounts in parentheses indicate decreases to the indicated line item of the consolidated statements of operations.
(b) These accumulated other comprehensive income components are included in the computation of net periodic benefit plan costs (see Note 14 for additional details).

6. Unpaid Losses and Loss Adjustment Expenses

Estimates of reserves for unpaid losses and loss adjustment expenses, which relate to loss events that have occurred on or before the balance sheet date, are contingent on many assumptions that may or may not occur in the future. The estimates reflect assumptions regarding initial expectations of losses and patterns of loss reporting, both for claims with higher frequency and lower severity as well as for claims with lower frequency and higher severity associated with individual large loss events, such as earthquakes, windstorms, and floods. The eventual outcome of these loss events may be different from the assumptions underlying the Company's reserve estimates. When the business environment and loss trends diverge from expected trends, the Company may have to adjust its reserves accordingly, potentially resulting in adverse or favorable effects to the Company's financial results. The Company believes that the recorded estimate represents the best estimate of unpaid losses and loss adjustment expenses based on the information available as of December 31, 2019. The estimate is reviewed on a quarterly basis and the ultimate liability may be greater or less than the amounts provided, for which any adjustments will be reflected in the periods in which they become known.

The Company's estimate of ultimate loss is determined based on a review of the results of several commonly accepted actuarial projection methodologies incorporating the quantitative and qualitative information described above. The specific methodologies the Company utilizes in its loss reserve review process include, but may not be limited to (i) incurred and paid loss development methods, (ii) incurred and paid Bornhuetter Ferguson ("BF") methods and (iii) loss ratio methods. The incurred and paid loss development methods utilize loss development patterns derived from historical loss emergence trends usually based on cedant/insured claim information to determine ultimate loss. These methods assume that the ratio of losses in one period to losses in an earlier period will remain constant in the future. Loss ratio methods multiply expected loss ratios, derived from aggregated analyses of internally developed pricing trends, by earned premium to determine ultimate loss. The incurred and paid BF methods are a blend of the loss development and loss ratio methods. These methods utilize both loss development patterns, as well as expected loss ratios, to determine ultimate loss. When using the BF methods, the initial treaty year ultimate loss is based predominantly on expected loss ratios. As loss experience matures, the estimate of ultimate loss using this methodology is based predominantly on loss development patterns. The Company generally does not utilize methodologies that are dependent on claim counts reported, claim counts settled or claim counts open. Due to the nature of the Company's business, this information is not routinely provided for every treaty/program. Consequently, actuarial methods utilizing this information generally cannot be relied upon by the Company in its loss reserve estimation process. As a result, for much of the Company's business, the separate analysis of frequency and severity of loss activity underlying overall loss emergence trends is not practical. Generally, the Company relies on BF and loss ratio methods for estimating ultimate loss liabilities for more recent treaty years. These methodologies, at least in part, apply a loss ratio, determined from aggregated analyses of internally developed pricing trends across reserve cells, to premium earned on that business. Adjustments to premium estimates generate appropriate adjustments to ultimate loss estimates in the quarter in which they occur, using the BF and loss ratio methods. To estimate losses for more mature treaty years, the Company generally relies on the incurred loss development methodology, which does not rely on premium estimates. In addition, the Company may use other methods to estimate liabilities for specific types of claims. For property catastrophe losses, the Company may utilize vendor catastrophe models to estimate ultimate loss soon after a loss occurs, where loss information is not yet reported to the Company from cedants/insureds. Incurred but not reported reserves are determined by subtracting the total of paid loss and case reserves, including additional case reserves, from ultimate loss.

The Company completes comprehensive loss reserve reviews, which include a reassessment of loss development and expected loss ratio assumptions, on an annual basis. The Company completed this year's annual review in the fourth quarter of 2019. The results of these reviews are reflected in the period in which they are completed. Quarterly, the Company compares actual loss emergence to expectations established by the comprehensive loss reserve review process. In the event that loss trends diverge from expected trends, the Company may have to adjust its reserves for losses and loss adjustment expenses ("LAE") accordingly. Any adjustments will be reflected in the periods in which they become known, potentially resulting in adverse or favorable effects to our financial results. The Company believes that the recorded estimate represents the best estimate of unpaid losses and LAE based on the information available at December 31, 2019. The Company's most significant assumptions underlying its estimate of losses and LAE reserves are as follows: (i) that historical loss emergence trends are indicative of future loss development trends; (ii) that internally developed pricing trends provide a reasonable basis for determining loss ratio expectations for recent underwriting years; and (iii) that no provision is made for extraordinary future emergence of new classes of loss or types of loss that are not sufficiently represented in its historical database or that are not yet quantifiable if not in its database.

U.S. Casualty Reinsurance

The following tables present i) incurred loss and allocated loss adjustment expenses (net of reinsurance), ii) total incurred but not reported ("IBNR") liabilities plus expected development on reported loss and iii) cumulative paid loss and allocated loss adjustment expenses (net of reinsurance) for the U.S. Casualty Reinsurance line of business for the year ended and as of December 31, 2019 (in thousands):

	Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,							As of December 31, 2019
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	Total of IBNR Liabilities Plus Expected Development on Reported Losses
2013	$ 173,475	$ 179,282	$ 185,531	$ 188,566	$ 185,102	$ 171,977	$ 160,415	$ 32,192
2014	—	185,498	190,946	193,123	193,832	189,183	180,073	49,974
2015	—	—	191,774	189,549	192,900	195,409	191,416	39,334
2016	—	—	—	202,289	206,397	209,425	215,396	53,954
2017	—	—	—	—	225,702	230,950	239,231	97,444
2018	—	—	—	—	—	260,949	275,391	156,482
2019	—	—	—	—	—	—	264,515	202,490
						Total incurred loss and loss adjustment expenses	$1,526,437	

	Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,						
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2013	$ 9,984	$ 17,035	$ 46,501	$ 70,275	$ 89,405	$ 102,698	$ 111,885
2014	—	13,067	30,912	52,326	74,662	92,160	107,407
2015	—	—	11,379	29,271	56,207	79,217	111,846
2016	—	—	—	18,126	44,246	68,903	102,620
2017	—	—	—	—	20,463	42,548	78,661
2018	—	—	—	—	—	31,578	64,253
2019	—	—	—	—	—	—	24,938
Total paid loss and loss adjustment expenses							601,610
Total incurred loss and loss adjustment expenses							1,526,437
Outstanding liabilities for loss and allocated loss adjustment expenses for accident years prior to 2013							255,938
Liabilities for loss and allocated loss adjustment expenses, net of reinsurance							$ 1,180,765

	Average Annual Percentage Payout of Incurred Loss and Allocated Loss Adjustment Expenses by Age, Net of Reinsurance						
In Year:	1	2	3	4	5	6	7
Average of each year	8.5%	9.6%	12.6%	13.1%	11.4%	6.5%	8.0%

U.S. Property Reinsurance

The following tables present i) incurred loss and allocated loss adjustment expenses (net of reinsurance), ii) total IBNR liabilities plus expected development on reported loss and iii) cumulative paid loss and allocated loss adjustment expenses (net of reinsurance) for the U.S. Property Reinsurance line of business for the year ended and as of December 31, 2019 (in thousands):

	Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,							As of December 31, 2019
Accident Year	**2013 (unaudited)**	**2014 (unaudited)**	**2015 (unaudited)**	**2016 (unaudited)**	**2017 (unaudited)**	**2018 (unaudited)**	**2019**	**Total of IBNR Liabilities Plus Expected Development on Reported Losses**
2013	$ 228,551	$ 227,495	$ 215,505	$ 204,527	$ 197,149	$ 197,000	$ 196,754	$ 782
2014	—	156,667	155,917	142,372	139,164	138,660	138,619	693
2015	—	—	147,929	142,909	135,004	134,504	133,983	1,256
2016	—	—	—	141,626	137,726	136,687	136,980	3,257
2017	—	—	—	—	318,837	275,226	283,633	6,662
2018	—	—	—	—	—	284,336	291,294	20,837
2019	—	—	—	—	—	—	260,456	166,535
						Total incurred loss and loss adjustment expenses	$ 1,441,719	

	Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,						
Accident Year	**2013 (unaudited)**	**2014 (unaudited)**	**2015 (unaudited)**	**2016 (unaudited)**	**2017 (unaudited)**	**2018 (unaudited)**	**2019**
2013	$ 90,254	$ 149,693	$ 177,151	$ 188,531	$ 190,908	$ 191,500	$ 193,221
2014	—	53,474	96,942	124,606	132,990	135,271	136,497
2015	—	—	65,754	100,765	117,262	125,827	129,951
2016	—	—	—	48,509	117,928	122,070	132,133
2017	—	—	—	—	93,193	236,714	277,618
2018	—	—	—	—	—	66,513	217,228
2019	—	—	—	—	—	—	59,920
						Total paid loss and loss adjustment expenses	1,146,568
						Total incurred loss and loss adjustment expenses	1,441,719
						Outstanding liabilities for loss and allocated loss adjustment expenses for accident years prior to 2013	6,284
						Liabilities for loss and allocated loss adjustment expenses, net of reinsurance	$ 301,435

	Average Annual Percentage Payout of Incurred Loss and Allocated Loss Adjustment Expenses by Age, Net of Reinsurance						
In Year:	1	2	3	4	5	6	7
Average of each year	33.1%	44.7%	14.2%	3.6%	1.6%	0.6%	0.4%

Non-U.S. Casualty Reinsurance

The following tables present i) incurred loss and allocated loss adjustment expenses (net of reinsurance), ii) total IBNR liabilities plus expected development on reported loss and iii) cumulative paid loss and allocated loss adjustment expenses (net of reinsurance) for the Non-U.S. Casualty Reinsurance line of business for the year ended and as of December 31, 2019 (in thousands):

	Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,							As of December 31, 2019
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	Total of IBNR Liabilities Plus Expected Development on Reported Losses
2013	$ 94,176	$ 91,815	$ 92,690	$ 92,319	$ 81,205	$ 77,880	$ 73,139	$ 13,668
2014	—	83,121	84,572	89,580	95,051	93,793	84,593	22,642
2015	—	—	81,515	82,368	100,430	99,160	89,628	24,030
2016	—	—	—	89,196	95,496	100,931	93,621	22,819
2017	—	—	—	—	119,381	122,252	119,487	46,516
2018	—	—	—	—	—	134,956	132,653	62,146
2019	—	—	—	—	—	—	165,029	118,198
					Total incurred loss and loss adjustment expenses		$ 758,150	

	Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,						
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2013	12,723	$ 22,159	$ 27,077	$ 30,804	$ 35,036	$ 37,851	$ 42,043
2014	—	9,078	19,836	25,709	30,634	34,723	39,044
2015	—	—	8,188	17,675	24,325	28,318	32,675
2016	—	—	—	8,477	22,602	29,280	34,159
2017	—	—	—	—	10,496	24,558	35,091
2018	—	—	—	—	—	13,636	31,577
2019	—	—	—	—	—	—	16,470
Total paid loss and loss adjustment expenses							231,059
Total incurred loss and loss adjustment expenses							758,150
Outstanding liabilities for loss and allocated loss adjustment expenses for accident years prior to 2013							297,248
Liabilities for loss and allocated loss adjustment expenses, net of reinsurance							$ 824,339

	Average Annual Percentage Payout of Incurred Loss and Allocated Loss Adjustment Expenses by Age, Net of Reinsurance						
In Year:	1	2	3	4	5	6	7
Average of each year	10.4%	12.9%	7.4%	5.6%	5.1%	7.3%	8.7%

Non-U.S. Property Reinsurance

The following tables present i) incurred loss and allocated loss adjustment expenses (net of reinsurance), ii) total IBNR liabilities plus expected development on reported loss and iii) cumulative paid loss and allocated loss adjustment expenses (net of reinsurance) for the Non-U.S. Property Reinsurance line of business for the year ended and as of December 31, 2019 (in thousands):

	Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,							As of December 31, 2019
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	Total of IBNR Liabilities Plus Expected Development on Reported Losses
2013	$ 384,238	$ 317,961	$ 297,840	$ 286,977	$ 272,695	$ 267,539	$ 267,205	$ 4,089
2014	—	381,953	322,538	298,478	279,431	272,551	269,163	6,223
2015	—	—	386,170	288,673	244,899	236,478	226,608	11,425
2016	—	—	—	371,717	345,906	329,925	315,725	24,423
2017	—	—	—	—	429,412	348,421	321,052	33,854
2018	—	—	—	—	—	438,701	409,253	81,530
2019	—	—	—	—	—	—	544,747	185,186
					Total incurred loss and loss adjustment expenses		$ 2,353,753	

	Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,						
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2013	$ 59,404	$ 157,800	$ 213,585	$ 235,007	$ 245,696	$ 251,888	$ 255,364
2014	—	82,102	181,086	224,764	238,798	246,654	250,693
2015	—	—	66,266	154,890	182,372	195,505	202,023
2016	—	—	—	76,785	191,857	234,879	251,847
2017	—	—	—	—	85,128	210,120	251,298
2018	—	—	—	—	—	58,220	229,683
2019	—	—	—	—	—	—	84,991
Total paid loss and loss adjustment expenses							1,525,899
Total incurred loss and loss adjustment expenses							2,353,753
Outstanding liabilities for loss and allocated loss adjustment expenses for accident years prior to 2013							74,308
Liabilities for loss and allocated loss adjustment expenses, net of reinsurance							$ 902,162

	Average Annual Percentage Payout of Incurred Loss and Allocated Loss Adjustment Expenses by Age, Net of Reinsurance						
In Year:	1	2	3	4	5	6	7
Average of each year	21.8%	40.4%	16.9%	6.3%	5.6%	2.7%	1.9%

U.S. Casualty Insurance

The following tables present i) incurred loss and allocated loss adjustment expenses (net of reinsurance), ii) total IBNR liabilities plus expected development on reported loss, iii) cumulative number of reported loss (determined by the number of events, not claimants, regardless of whether or not any payments were ultimately made) and iv) cumulative paid loss and allocated loss adjustment expenses (net of reinsurance) for the U.S. Casualty Insurance line of business for the year ended and as of December 31, 2019 (in thousands):

	Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,							As of December 31, 2019	
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	Total of IBNR Liabilities Plus Expected Development on Reported Losses	Cumulative Number of Reported Claims
2013	$ 244,726	$ 241,873	$ 238,051	$ 217,364	$ 207,109	$ 206,216	$ 205,179	$ 7,218	23,075
2014	—	294,177	275,305	269,942	259,288	252,427	243,118	9,887	29,599
2015	—	—	287,419	286,650	278,209	258,870	250,801	12,796	27,588
2016	—	—	—	278,509	278,025	263,819	244,709	24,703	18,666
2017	—	—	—	—	341,698	356,730	349,488	95,002	17,332
2018	—	—	—	—	—	458,328	476,153	206,093	17,384
2019	—	—	—	—	—	—	541,703	364,623	15,096
					Total incurred loss and loss adjustment expenses		$ 2,311,151		

	Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,						
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2013	$ 51,986	$ 86,527	$ 128,490	$ 162,146	$ 174,795	$ 186,538	$ 192,374
2014	—	59,690	94,896	143,152	177,765	209,941	221,230
2015	—	—	66,555	103,030	154,993	196,107	217,701
2016	—	—	—	59,657	100,615	154,153	187,563
2017	—	—	—	—	60,032	118,611	191,339
2018	—	—	—	—	—	74,198	177,531
2019	—	—	—	—	—	—	91,475
						Total paid loss and loss adjustment expenses	1,279,213
						Total incurred loss and loss adjustment expenses	2,311,151
						Outstanding liabilities for loss and allocated loss adjustment expenses for accident years prior to 2013	12,638
						Liabilities for loss and allocated loss adjustment expenses, net of reinsurance	$ 1,044,576

	Average Annual Percentage Payout of Incurred Loss and Allocated Loss Adjustment Expenses by Age, Net of Reinsurance						
In Year:	1	2	3	4	5	6	7
Average of each year	20.1%	18.4%	21.2%	17.0%	9.5%	4.8%	2.8%

U.S. Property Insurance

The following tables present i) incurred loss and allocated loss adjustment expenses (net of reinsurance), ii) total IBNR liabilities plus expected development on reported loss, iii) cumulative number of reported loss (determined by the number of events, not claimants, regardless of whether or not any payments were ultimately made) and iv) cumulative paid loss and allocated loss adjustment expenses (net of reinsurance) for the U.S. Property Insurance line of business for the year ended and as of December 31, 2019 (in thousands):

	Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,							As of December 31, 2019	
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	Total of IBNR Liabilities Plus Expected Development on Reported Losses	Cumulative Number of Reported Claims
2013	$ 212,167	$ 203,970	$ 197,496	$ 197,124	$ 196,391	$ 196,374	$ 196,272	$ 1	10,604
2014	—	227,198	233,124	232,178	231,401	230,867	229,538	10	12,401
2015	—	—	187,266	197,486	195,061	194,253	193,911	81	13,917
2016	—	—	—	221,585	209,572	205,659	205,579	209	14,007
2017	—	—	—	—	230,670	224,065	221,793	993	19,421
2018	—	—	—	—	—	289,059	267,568	2,282	24,566
2019	—	—	—	—	—	—	374,697	104,595	21,846
						Total incurred loss and loss adjustment expenses	$ 1,689,358		

	Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,						
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2013	101,466	$ 190,056	$ 192,033	$ 194,391	$ 195,998	$ 196,122	$ 196,127
2014	—	80,295	221,162	228,772	230,614	230,488	229,214
2015	—	—	77,398	181,585	193,617	193,539	193,551
2016	—	—	—	75,333	199,384	203,238	204,060
2017	—	—	—	—	77,377	208,714	217,062
2018	—	—	—	—	—	113,119	259,647
2019	—	—	—	—	—	—	205,868
						Total paid loss and loss adjustment expenses	1,505,529
						Total incurred loss and loss adjustment expenses	1,689,358
						Outstanding liabilities for loss and allocated loss adjustment expenses for accident years prior to 2013	19
						Liabilities for loss and allocated loss adjustment expenses, net of reinsurance	$ 183,848

	Average Annual Percentage Payout of Incurred Loss and Allocated Loss Adjustment Expenses by Age, Net of Reinsurance						
In Year:	1	2	3	4	5	6	7
Average of each year	43.3%	52.6%	2.9%	0.9%	0.4%	-0.2%	0.0%

Non-U.S. Casualty Insurance

The following tables present i) incurred loss and allocated loss adjustment expenses (net of reinsurance) and ii) total IBNR liabilities plus expected development on reported loss and iii) cumulative paid loss and allocated loss adjustment expenses (net of reinsurance) for the Non-U.S. Casualty Insurance line of business for the year ended and as of December 31, 2019 (in thousands):

	Incurred Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,							As of December 31, 2019
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019	Total of IBNR Liabilities Plus Expected Development on Reported Losses
2013	$ 83,682	$ 80,284	$ 80,801	$ 81,819	$ 80,221	$ 84,175	$ 78,596	$ 12,468
2014	—	84,273	85,660	84,009	81,477	75,435	75,383	18,900
2015	—	—	84,307	83,006	81,309	73,819	76,667	28,654
2016	—	—	—	79,193	75,746	78,577	76,736	35,844
2017	—	—	—	—	89,735	91,388	87,985	52,920
2018	—	—	—	—	—	102,153	102,216	62,959
2019	—	—	—	—	—	—	137,629	108,939
				Total incurred loss and loss adjustment expenses			$635,212	

	Cumulative Paid Loss and Allocated Loss Adjustment Expenses, Net of Reinsurance For the Years Ended December 31,						
Accident Year	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019
2013	$ 5,603	$ 9,038	$ 16,742	$ 24,738	$ 34,345	$ 40,221	$ 45,919
2014	—	4,952	11,847	19,426	31,556	36,716	42,920
2015	—	—	3,802	8,722	18,554	25,621	32,704
2016	—	—	—	3,368	10,470	18,022	24,125
2017	—	—	—	—	4,093	12,624	21,703
2018	—	—	—	—	—	4,954	21,771
2019	—	—	—	—	—	—	13,274
						Total paid loss and loss adjustment expenses	202,416
						Total incurred loss and loss adjustment expenses	635,212
						Outstanding liabilities for loss and allocated loss adjustment expenses for accident years prior to 2013	208,740
						Liabilities for loss and allocated loss adjustment expenses, net of reinsurance	$ 641,536

	Average Annual Percentage Payout of Incurred Loss and Allocated Loss Adjustment Expenses by Age, Net of Reinsurance						
In Year:	1	2	3	4	5	6	7
Average of each year	6.3%	8.7%	8.9%	10.6%	10.5%	9.0%	4.4%

The reconciliation of the net incurred and paid claims development tables (preceding) to the liability for unpaid losses and loss adjustment expenses in the consolidated statement of financial position as of December 31, 2019 is as follows (in thousands):

	December 31, 2019
Net unpaid loss and allocated loss adjustment expenses:	
U.S. Casualty Reinsurance	$ 1,180,765
U.S. Property Reinsurance	301,435
Non-U.S. Casualty Reinsurance	824,339
Non-U.S. Property Reinsurance	902,162
U.S. Casualty Insurance	1,044,576
U.S. Property Insurance	183,848
Non-U.S. Casualty Insurance	641,536
Unallocated loss adjustment expenses	81,725
Workers' compensation discount	(34,866)
Other	151,686
Effect of foreign exchange rates	(90,791)
Total unpaid loss and allocated loss adjustment expenses, net of reinsurance	5,186,415
Reinsurance recoverable on unpaid losses and loss adjustment expenses:	
U.S. Casualty Reinsurance	14,312
U.S. Property Reinsurance	116,998
Non-U.S. Casualty Reinsurance	81
Non-U.S. Property Reinsurance	101,287
U.S. Casualty Insurance	252,861
U.S. Property Insurance	82,713
Non-U.S. Casualty Insurance	283,291
Unallocated loss adjustment expenses	300
Effect of foreign exchange rates	(4,625)
Other	47,037
Total reinsurance recoverable on unpaid losses	894,255
Total gross unpaid loss and loss adjustment expenses	$ 6,080,670

The following table sets forth the activity in the liability for unpaid losses and loss adjustment expenses for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Gross unpaid losses and loss adjustment expenses, beginning of year	$ 5,728,203	$ 5,463,595	$ 4,876,848
Less: Ceded unpaid losses and loss adjustment expenses, beginning of year	927,035	866,985	658,607
Net unpaid losses and loss adjustment expenses, beginning of year	4,801,168	4,596,610	4,218,241
Add: Net incurred losses and loss adjustment expenses related to:			
Current year	2,383,580	2,061,397	1,827,571
Prior years	(229,549)	(345,652)	(288,049)
Total net incurred losses and loss adjustment expenses	2,154,031	1,715,745	1,539,522
Less: Net paid losses and loss adjustment expenses related to:			
Current year	521,425	399,891	376,331
Prior years	1,254,766	1,033,807	953,050
Total net paid losses and loss adjustment expenses	1,776,191	1,433,698	1,329,381
Effect of exchange rate changes	7,407	(77,489)	168,228
Net unpaid losses and loss adjustment expenses, end of year	5,186,415	4,801,168	4,596,610
Add: Ceded unpaid losses and loss adjustment expenses, end of year	894,255	927,035	866,985
Gross unpaid losses and loss adjustment expenses, end of year	$ 6,080,670	$ 5,728,203	$ 5,463,595

Net incurred losses and loss adjustment expenses related to the current year were $2,383.6 million, $2,061.4 million and $1,827.6 million for the years ended December 31, 2019, 2018 and 2017, respectively. The increase in incurred losses and loss adjustment expenses for the year ended December 31, 2019 was principally attributable to an increase losses associated with premium growth. The increase in incurred losses and loss adjustment expenses for the year ended December 31, 2018 was principally attributable to increased losses associated with premium growth partially offset by a reduction in current year catastrophe losses. For the years ended December 31, 2019, 2018 and 2017, current year property catastrophe losses were $289.4 million, $257.4 million and $406.0 million, respectively. For the year ended December 31, 2019, current year property catastrophe losses included $91.5 million related to Typhoon Hagibis, $46.5 million related to Typhoon Faxai, and $25.9 million related to Hurricane Dorian. For the year ended December 31, 2018, current year catastrophe losses included $35.0 million related to the Northern California Wildfires, $30.9 million related to Hurricane Michael, $28.1 million related to Typhoon Jebi, and $15.0 million related to the Southern California Wildfires. For the year ended December 31, 2017, current year property catastrophe losses included $105.9 million related to Hurricane Maria, $75.7 million related to Hurricane Irma, $54.1 million related to Hurricane Harvey, $25.0 million related to the Northern California Wildfires, and $25.0 million related to the Southern California Wildfires.

Net incurred losses and loss adjustment expenses related to prior years included reductions in loss estimates of $229.5 million, $345.7 million and $288.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. The reductions in prior years' incurred losses and loss adjustment expenses were attributable to decreased loss estimates due to loss emergence lower than expectations in most regions and lines of business.

Net paid losses and loss adjustment expenses related to the current year were $521.4 million, $399.9 million and $376.3 million for the years ended December 31, 2019, 2018 and 2017, respectively. The increase in paid losses and loss adjustment expenses for the year ended December 31, 2019 was principally due to Crop business in U.S. Property Insurance. The increase in paid losses and loss adjustment expenses for the year ended December 31, 2018 was principally attributable to increased losses associated with premium growth partially offset by a reduction in current year catastrophe losses.

The effects of exchange rate changes on net unpaid losses and loss adjustment expenses resulted in an increase of $7.4 million for the year ended December 31, 2019, a decrease of $77.5 million for the year ended December 31, 2018 and an increase of $168.2 million for the year ended December 31, 2017, and were attributable to Non-U.S. Reinsurance and Non-U.S. Insurance.

Ceded unpaid losses and loss adjustment expenses were $894.3 million, $927.0 million and $867.0 million as of December 31, 2019, 2018 and 2017, respectively. The decrease in ceded unpaid losses and loss adjustment expenses for the year ended December 31, 2019 was principally attributable to a decrease in ceded unpaid reinsurance recoverables on catastrophe losses. The increase in ceded unpaid losses and loss adjustment expenses for the year ended December 31, 2018 was principally attributable to an increase in ceded unpaid reinsurance recoverables on catastrophe losses.

The Company uses tabular reserving for workers' compensation indemnity loss reserves, which are considered to be fixed and determinable, and discounts such reserves using an interest rate of 3.5%. Workers' compensation indemnity loss reserves have been discounted using the Life Table for Total Population: United States, 2009. Reserves reported at the discounted value were $49.9 million and $52.4 million as of December 31, 2019 and 2018, respectively. The amount of case reserve discount was $16.2 million and $16.8 million as of December 31, 2019 and 2018, respectively. The amount of incurred but not reported reserve discount was $18.7 million and $20.2 million as of December 31, 2019 and 2018, respectively.

The Company is not materially exposed to asbestos and environmentally-related liabilities and does not establish a specific reserve for such exposures.

7. Reinsurance and Retrocessions

The Company utilizes reinsurance and retrocessional agreements to reduce and spread the risk of loss on its insurance and reinsurance business and to limit exposure to multiple claims arising from a single occurrence. The Company is subject to accumulation risk with respect to catastrophic events involving multiple treaties, facultative certificates and insurance policies. To protect against these risks, the Company purchases catastrophe excess of loss protection. The retention, the level of capacity purchased, the geographical scope of the coverage and the costs vary from year to year. Additionally, the Company purchases specific protections related to the insurance business underwritten in both the U.S. and abroad.

There is credit risk with respect to reinsurance, which would result in the Company recording a charge to earnings in the event that such reinsuring companies are unable, at some later date, to meet their obligations under the reinsurance agreements in force. Reinsurance recoverables are recorded as assets and a reserve for uncollectible reinsurance recoverables is established based on the Company's evaluation of each reinsurer's or retrocessionaire's ability to meet its obligations under the agreements. Premiums written and earned are stated net of reinsurance ceded in the consolidated statements of operations. Direct, reinsurance assumed, reinsurance ceded and net amounts for the years ended December 31, 2019, 2018 and 2017 follow (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Premiums Written			
Direct	$ 1,967,401	$ 1,626,198	$ 1,289,551
Add: assumed	1,848,558	1,702,430	1,493,554
Less: ceded	422,190	430,808	287,218
Net	$ 3,393,769	$ 2,897,820	$ 2,495,887
Premiums Earned			
Direct	$ 1,784,599	$ 1,491,083	$ 1,195,849
Add: assumed	1,779,967	1,652,231	1,420,639
Less: ceded	385,413	387,885	283,087
Net	$ 3,179,153	$ 2,755,429	$ 2,333,401

The total amount of reinsurance recoverable on paid and unpaid losses as of December 31, 2019 and 2018 was $979.5 million and $1,086.6 million, respectively. The reserve for uncollectible reinsurance recoverable was $11.7 million and $14.0 million, as of December 31, 2019 and 2018, respectively, and has been netted against reinsurance recoverables on loss payments in the consolidated balance sheets.

8. Reinsurance Recoverables

The Company's ten largest reinsurers represent 70.0% of its total reinsurance recoverables as of December 31, 2019. Amounts due from all other reinsurers are diversified, with no other individual reinsurer representing more than $21.6 million, or 2.2%, of reinsurance recoverables as of December 31, 2019, and the average balance is less than $1.9 million. The Company held total collateral of $296.5 million as of December 31, 2019, representing 30.3% of total reinsurance recoverables. The following table shows the total amount as of December 31, 2019 that is recoverable from each of the Company's ten largest reinsurers for paid and unpaid losses, the amount of collateral held and each reinsurer's A.M. Best rating (in thousands):

Reinsurer	Reinsurance Recoverable	% of Total	Collateral	A.M. Best Rating
Lloyd's Syndicates (excluding Brit PLC Syndicate 2987)	$ 174,243	17.6%	$ 2,751	A
Markel CatCo Reinsurance Ltd.	141,640	14.5	141,591	NR
Federal Crop Insurance Corporation	135,294	13.8	—	NR
CRC Reinsurance Limited	55,735	5.7	55,735	NR
Berkley Insurance Company	38,706	4.0	—	A+
Markel Global Reinsurance Company	37,264	3.8	—	A
Hannover Rueck SE	28,997	3.0	223	A+
Chubb Tempest Reinsurance Ltd.	27,388	2.8	27,388	A++
Brit (Lloyds Syndicate 2987)	24,555	2.5	954	A
National Indemnity Company	22,090	2.3	—	A++
Sub-total	685,912	70.0	228,642	
All other	293,599	30.0	67,843	
Total	$ 979,511	100.0%	$ 296,485	

Several individual reinsurers are part of the same corporate group. The following table shows the five largest aggregate amounts that are recoverable from all individual entities that form part of the same corporate group as of December 31, 2019 and the amount of collateral held from each group (in thousands):

Reinsurer	Reinsurance Recoverable	% of Total	Collateral
Markel Corporation	$ 193,547	19.8%	$ 141,654
Lloyd's Syndicates (excluding Brit PLC Syndicate 2987)	174,243	17.8	—
Federal Crop Insurance Corporation	135,294	13.8	2,751
Fairfax Financial Holdings Ltd	102,548	10.5	58,939
WR Berkley Corporation	38,706	3.9	—
Sub-total	644,338	65.8	203,344
All other	335,173	34.2	93,141
Total	$ 979,511	100.0%	$ 296,485

Reinsurance recoverables were $1,086.6 million and collateral was $373.6 million, or 34.4% of the reinsurance recoverable balance, as of December 31, 2018.

The Company is the beneficiary of letters of credit, cash and other forms of collateral to secure certain amounts due from its reinsurers. Collateral held by the Company as of December 31, 2019 was comprised of the following forms (in thousands):

Form of Collateral	Collateral	% of Recoverables
Trust agreements	$ 187,198	19.2%
Funds withheld from reinsurers	65,934	6.7
Letters of credit	43,353	4.4
Total	$ 296,485	30.3%

Each reinsurance contract between the Company and the reinsurer describes the losses that are covered under the contract and terms upon which payments are to be made. The Company generally has the ability to utilize collateral to settle unpaid balances due under its reinsurance contracts when it determines that the reinsurer has not met its contractual obligations. Letters of credit are for the sole benefit of the Company to support the obligations of the reinsurer, providing the Company with the unconditional ability, in its sole discretion, to draw upon the letters of credit in support of any unpaid amounts due under the relevant contracts. Cash and investments supporting funds withheld from reinsurers are included in the Company's invested assets. Funds withheld from reinsurers are typically used to automatically offset payments due to the Company in accordance with the terms of the relevant reinsurance contracts. Amounts held under trust agreements are typically comprised of cash and investment grade fixed income securities and are not included in the Company's invested assets. The ability of the Company to draw upon funds held under trust agreements to satisfy any unpaid amounts due under the relevant reinsurance contracts is typically unconditional and at the sole discretion of the Company.

9. Debt Obligations, Common Shares and Non-Controlling Interest – Preferred Shares of Subsidiaries

Debt Obligations

The amortized cost by component of the Company's debt obligations as of December 31, 2019 and 2018 were as follows (in thousands):

	December 31, 2019	December 31, 2018
Series A Floating Rate Senior Debentures due 2021	$ 49,971	$ 49,944
Series C Floating Rate Senior Debentures due 2021	39,971	39,956
Total debt obligations	$ 89,942	$ 89,900

On November 28, 2006, the Company completed the private sale of a $40.0 million aggregate principal amount of floating rate senior debentures, Series C, due December 15, 2021 (the "Series C Notes"). Interest on the Series C Notes accrues at a rate per annum equal to the three-month London Interbank Offer Rate ("LIBOR"), reset quarterly, plus 2.50%, and is payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. The Company has the option to redeem the Series C Notes at par, plus accrued and unpaid interest, in whole or in part on any interest payment date. For the years ended December 31, 2019 and 2018, the average annual interest rate on the Series C Notes was 4.94% and 4.65%, respectively.

On February 22, 2006, the Company issued a $50.0 million aggregate principal amount of floating rate senior debenture Series A, due March 15, 2021 (the "Series A Notes"), pursuant to a private placement offering. Interest on the Series A Notes is due quarterly in arrears on March 15, June 15, September 15 and December 15 of each year at an interest rate equal to the three-month LIBOR, reset quarterly, plus 2.20%. The Series A Notes are callable by the Company on any interest payment date at their par value, plus accrued and unpaid interest. For the years ended December 31, 2019 and 2018, the average annual interest rate on Series A Notes was 4.64% and 4.35%, respectively.

As of December 31, 2019 and 2018, the estimated fair value of the Company's debt obligations was $92.6 million and $92.3 million, respectively. The estimated fair value is based on quoted market prices of the Company's debt, where available, for debt similar to the Company's, and discounted cash flow calculations.

Common Shares

The Company issued 2,582 common shares to OUSHI during the fourth quarter of 2019, in exchange for a $225.5 million capital contribution.

The Company did not issue any common shares during the years ended December 31, 2018 and 2017.

The Company declared and paid $50.0 million in common share dividends during the year ended December 31, 2019. The Company declared and paid $100.0 million in common share dividends during each of the years ended December 31, 2018 and 2017.

Non-Controlling Interest – Preferred Shares of Subsidiaries

TIG Insurance Company ("TIG"), a Fairfax affiliate, holds all 23,807 shares of Hudson's 5.5% Series A preferred stock with a liquidation preference of $1,000 per share and an aggregate book value of $23.8 million, and all 5,492 shares of Greystone's 5.5% Series A preferred stock, with a liquidation preference of $1,000 per share and an aggregate book value of $5.5 million. The shares are not redeemable by Hudson or Greystone prior to January 1, 2031. On or after January 1, 2031, the shares are redeemable, in whole or in part, by Hudson or Greystone. On October 9, 2019, Greystone's Board of Directors declared a preferred dividend to TIG in the amount of $0.3 million, which was paid on October 23, 2019 and Hudson's Board of Directors declared a preferred dividend to TIG in the amount of $1.3 million, which was paid on October 24, 2019. On October 4, 2018, Greystone's Board of Directors declared a preferred dividend to TIG in the amount of $0.3 million, which was paid on October 22, 2018. On December 6, 2018, Hudson's Board of Directors declared a preferred dividend to TIG in the amount of $1.3 million, which was paid on December 21, 2018. On October 3, 2017, Greystone's Board of Directors declared a preferred dividend to TIG in the amount of $0.3 million and Hudson's Board of Directors declared a preferred dividend to TIG in the amount of $1.3 million. Both dividends were paid on October 20, 2017. The aggregate amount of the preferred shares of Hudson and Greystone owned by TIG is presented on the balance sheet as non-controlling interest – preferred shares of subsidiaries in the amount of $29.3 million.

10. Federal and Foreign Income Taxes

The components of the federal and foreign income tax provision included in the consolidated statements of operations for the years ended December 31, 2019, 2018 and 2019 are as follows (in thousands):

	2019	2018	2017
Current:			
United States	$ 71,233	$ 19,516	$ 98,131
Foreign	35,579	31,555	46,360
Total current income tax provision	106,812	51,071	144,491
Deferred:			
United States tax (benefit) expense	(1,987)	(28,134)	158,583
United States change in valuation allowance on certain foreign tax credits	28,124	—	—
Foreign tax (benefit) expense	(5,200)	242	(10,027)
Total deferred income tax provision (benefit)	20,937	(27,892)	148,556
Total federal and foreign income tax provision	$ 127,749	$ 23,179	$ 293,047

Deferred federal and foreign income taxes reflect the tax impact of temporary differences between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. Components of federal and foreign income tax assets and liabilities as of December 31, 2019 and 2018 are as follows (in thousands):

	2019	2018
Unpaid losses and loss adjustment expenses	$ 48,583	$ 44,322
Unearned premiums	44,011	36,388
Reserve for potentially uncollectible balances	2,981	3,170
Pension and benefit accruals	27,952	25,538
Investments	108,869	142,456
Foreign tax credit	50,860	19,381
Other	5,084	3,966
Total deferred tax assets	288,340	275,221
Less valuation allowance	(28,124)	—
Deferred tax assets after valuation allowance	260,216	275,221
Deferred acquisition costs	48,430	44,139
Foreign deferred items	15,113	9,913
Subsidiary net operating loss	—	4,653
Total deferred tax liabilities	63,543	58,705
Net deferred tax assets	196,673	216,516
Deferred income taxes on accumulated other comprehensive income (loss)	21,369	18,316
Deferred federal and foreign income tax asset	218,042	234,832
Current federal and foreign income tax payable	(4,575)	(1,969)
Federal and foreign income taxes receivable	$ 213,467	$ 232,863

The following table reconciles federal and foreign income taxes at the statutory federal income tax rate to the Company's tax provision and effective tax rate for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019		2018		2017	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Income before income tax	$533,140		$246,954		$618,301	
Income tax provision computed at the U.S. statutory tax rate on income	$111,959	21.0%	$ 51,860	21.0%	$216,405	35.0%
(Decrease) increase in income tax resulting from:						
Dividend received deduction	(4,400)	(0.8)	(1,499)	(0.6)	(3,013)	(0.5)
Tax-exempt income	(719)	(0.1)	(3,325)	(1.3)	(14,135)	(2.3)
Proration recovery of tax preferred income	205	0.0	831	0.3	2,140	0.3
Foreign tax expense	1,300	0.2	380	0.2	(176)	(0.0)
State tax expense	483	0.1	1,226	0.5	(364)	(0.1)
True-up of prior year taxes	(5,659)	(1.1)	(7,434)	(3.0)	(430)	(0.1)
Write-off of subsidiary NOL DTL	(3,473)	(0.7)	—	—	—	—
U.S. tax reform - tax rate adjustment	(2,249)	(0.4)	(22,156)	(9.0)	95,074	15.4
U.S. tax reform - mandatory deemed repatriation	—	—	—	—	(6,643)	(1.1)
Change in valuation allowance	28,124	5.3	—	—	—	—
Other, net	2,178	0.5	3,296	1.3	4,189	0.8
Total federal and foreign income tax provision	$127,749	24.0%	$ 23,179	9.4%	$293,047	47.4%

Pre-tax income (loss) generated in the United States was $515.9 million, $132.0 million and $463.7 million for the years ended December 31, 2019, 2018 and 2017, respectively. Foreign pre-tax income was $17.2 million, $115.0 million and $154.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company has claimed the benefit of a foreign tax credit ("FTC") in the tax years ended December 31, 2019, 2018 and 2017.

The Company is included in the United States tax group of Fairfax (US) Inc. ("Fairfax (US)"). The method of allocation among the companies is subject to a written agreement. Tax payments are made to, or refunds received from, Fairfax (US) in amounts equal to the amounts as if separate income tax returns were filed with federal taxing authorities.

The United States Tax Cuts and Jobs Act (the "Act") was signed into law on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21% and requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred. The Act also includes the following provisions for tax years beginning after December 31, 2017: repeal of the alternative minimum tax regime, changes to loss reserve discounting, a new minimum base erosion and anti-abuse tax ("BEAT") on certain payments to foreign affiliates and a US tax on foreign earnings for certain global intangible low-taxed income ("GILTI"), as well as a number of other provisions expected to have an immaterial impact on the Company. As of December 31, 2018, the Company completed the estimates of the impact of the Act, as discussed below.

Pursuant to Accounting Standards Codification ("ASC") 740 "Income Taxes", deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") as of December 31, 2017, were measured using the new enacted tax rate of 21% that is expected to apply to taxable income in the periods in which the DTAs and DTLs are expected to be settled or realized. The impact of the federal rate change was determined as of December 31, 2017. Any difference between the impact measured as of that date and the date of enactment was considered not material to the financial statements. Changes in DTAs and DTLs resulting from changes in tax law or tax rates are recognized in continuing operations, including DTAs and DTLs related to accumulated other comprehensive income. The remeasurement of deferred taxes due to the change in tax rate resulted in a reduction of net deferred tax assets of $95.1 million, as of December 31, 2017. The Company recorded a benefit of $22.2 million in 2018 for the effects of the change in tax rates on certain return-to-provision adjustments reflected on the 2017 filed US corporate income tax return. See Note 5 for discussion of the effects on accumulated other comprehensive income and the application of ASU 2018-02.

For tax years beginning before January 1, 2018, the Act requires that U.S. companies include in income the impacts of a mandatory deemed repatriation of post-1986 undistributed foreign earnings ("transition tax" or "toll charge"):

> As of December 31, 2017, the Company estimated that income on previously untaxed foreign earnings would be $36.8 million. The amount estimated as of December 31, 2017 noted above was finalized with the filing of the 2017 income tax return during 2018, which included $32.4 million in taxable income related to mandatory deemed repatriation. The effects of the $4.4 million adjustment to the transition tax estimate had no material impact due to the Company utilizing foreign tax credits (“FTCs”) to reduce the transition tax liability to zero. As a result of the transition tax, as of December 31, 2017 the Company recognized a reduction in net deferred tax liability of $37.6 million related to previously deferred earnings of the Newline Group as well as a reduction in its FTCs of $31.3 million related to FTCs that no longer have value due to the mandatory repatriation.
>
> As of December 31, 2018, the Company estimated a reduction in net deferred tax liability of $43.9 million related to previously deferred earnings of the Newline Group as well as a reduction in its FTCs of $36.7 million. The net $0.9 million adjustment to the estimate in foreign deferred tax attributes resulted in an effective tax rate benefit of 0.4% which was included in the Company’s 2018 effective tax rate reconciliation as true-up of prior year taxes.
>
> Due to foreign investments with fiscal years ending during 2018, in 2019 the Company recognized an additional true-up to the transition tax income of $5.5 million, which was completely offset by FTCs.

The effects of the Act related to loss reserve discounting included a special transition rule allowing for the changes to loss reserve discounting as of December 31, 2017 to be spread ratably over 8 years. During 2019 the Internal Revenue Service (“IRS”) issued final regulations and Revenue Procedure 2019-31 resulting in a $2.0 million increase to the initial computation. The Company will recognize the adjusted benefit of $11.4 million ratably from years ending December 31, 2018 to December 31, 2025.

The tax effects included in these consolidated financial statements represent the Company's best estimate based upon the information available, as of December 31, 2019. The finalization during 2020 of proposed regulations issued by the U.S. tax authorities during 2018 and 2019 could potentially affect the estimates of the tax impacts related to BEAT and GILTI as of December 31, 2019.

The Company paid federal and foreign income taxes of $104.3 million, $83.4 million and $18.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019, the Company had a current tax payable of $4.6 million, which included $2.7 million receivable from Fairfax (US) and a net payable of $7.3 million to various foreign governments. As of December 31, 2018, the Company had a current tax payable of $2.0 million, which included $6.4 million receivable from Fairfax (US) and a net payable of $8.4 million to various foreign governments. The Company files income tax returns with various federal, state and foreign jurisdictions.

The Company’s U.S. federal income tax returns for tax years prior to 2018 are closed. The IRS is expected to complete their audit of the Company’s 2018 returns during 2020. Effective for 2018 and 2019 tax years, the Company participates in the IRS’s Compliance Assurance Program (“CAP”). Under CAP, the IRS begins their examination of the tax year before the income tax return is filed. The goal of CAP is to expedite the exam process and reduce the level of uncertainty regarding a taxpayer’s filing positions by examining significant transactions and events as they occur. The IRS has not proposed any material adjustments as part of the Company’s ongoing examinations. Income tax returns filed with various state and foreign jurisdictions remain open to examination in accordance with individual statutes.

The Company has elected to recognize accrued interest and penalties associated with uncertain tax positions as part of the income tax provision. The Company does not have any material unrecognized tax benefits and has not recognized any accrued interest or penalties associated with uncertain tax positions.

For federal income tax return purposes, the Company has FTC carryovers of $50.9 million, of which $4.3 million, $18.5 million, $5.6 million and $22.5 million expire in 2026, 2027, 2028 and 2029 respectively.

When necessary, valuation allowances are established to reduce the deferred tax assets to amounts that are “more likely than not” to be realized. In assessing the need for a valuation allowance, the Company considers all available evidence for each tax jurisdiction, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. The Company assessed the realization of its FTC carryovers based on currently enacted U.S. and foreign tax laws and determined that it is “more likely than not” that FTC carryovers related to foreign branch income will not be utilized prior to their expiration. As a result, a valuation allowance of $28.1 million was recorded against the FTC carryovers, which is included in the Company’s 2019 effective tax rate reconciliation as change in valuation allowance. The amount of the deferred tax asset considered realizable, however, could change if future taxable income during the carryforward period differs from current estimates.

11. Commitments and Contingencies

(a) *Contingencies*

The Company participates in Lloyd’s through its 100% ownership of the capital provider for Newline Syndicate (1218), for which the Company directly or indirectly provides 100% of the capacity. The results of Newline Syndicate (1218) are consolidated in the financial statements of the Company. In support of Newline Syndicate (1218)’s capacity at Lloyd’s, the Company has pledged securities and cash with a fair value of $310.1 million as of December 31, 2019 in a deposit trust account in favor of the Society and Council of Lloyd’s. The securities may be substituted with other securities at the discretion of the Company, subject to approval by Lloyd’s. The securities are carried at fair value and are included in investments and cash in the Company’s consolidated balance sheets. Interest earned on the securities is included in investment income. The pledge of assets in support of Newline Syndicate (1218) provides the Company with the ability to participate in writing business through Lloyd’s, which remains an important part of the Company’s business. The pledged assets effectively secure the contingent obligations of Newline Syndicate (1218) should it not meet its obligations. The Company’s contingent liability to the Society and Council of Lloyd’s is limited to the aggregate amount of the pledged assets. The Company has the ability to remove funds at Lloyd’s annually, subject to certain minimum amounts required to support outstanding liabilities as determined under risk-based capital models and approved by Lloyd’s. The funds used to support outstanding liabilities are adjusted annually and the obligations of the Company to support these liabilities will continue until they are settled or the liabilities are reinsured by a third party approved by Lloyd’s. The Company expects to continue to actively operate Newline Syndicate (1218) and support its requirements at Lloyd’s. The Company believes that Newline Syndicate (1218) maintains sufficient liquidity and financial resources to support its ultimate liabilities and the Company does not anticipate that the pledged assets will be utilized.

ORC agreed to guarantee the performance of all the insurance and reinsurance contract obligations of Compagnie Transcontinentale de Réassurance (“CTR”), a former subsidiary of Fairfax, in the event CTR became insolvent and CTR was not otherwise indemnified under its guarantee agreement with a Fairfax affiliate. CTR was dissolved and its assets and liabilities were assumed by subsidiaries of Fairfax that have the responsibility for the run-off of its liabilities. Fairfax has agreed to indemnify ORC for all its obligations incurred under its guarantee. The Company’s potential exposure in connection with this agreement stems from the remaining gross reserves relating to these liabilities, which are estimated to be $48.9 million as of December 31, 2019. The Company believes that the financial resources of the Fairfax subsidiaries that have assumed CTR’s liabilities provide adequate protection to satisfy the obligations that are subject to this guarantee. The Company does not expect to make payments under this guarantee and does not consider its potential exposure under this guarantee to be material to its consolidated financial position.

ORC has agreed to guarantee the payment of all of the insurance contract obligations (the “Subject Contracts”), whether incurred before or after the agreement, of Falcon Insurance Company (Hong Kong) Limited (“Falcon”), a subsidiary of Fairfax Asia, in the event Falcon becomes insolvent. The guarantee by ORC was made to assist Falcon in writing business through access to ORC’s financial strength ratings and capital resources. ORC is paid a fee for this guarantee of one quarter of one percent of all gross premiums earned associated with the

Subject Contracts on a quarterly basis. For each of the years ended December 31, 2019, 2018 and 2017, Falcon paid $0.1 million to ORC in connection with this guarantee. ORC's potential exposure in connection with this agreement is estimated to be $140.5 million, based on Falcon's loss reserves at December 31, 2019. Fairfax has agreed to indemnify ORC for any obligation under this guarantee. The Company believes that the financial resources of Falcon provide adequate protection to support its liabilities in the ordinary course of business. The Company anticipates that Falcon will meet all of its obligations in the normal course of business and does not expect to make any payments under this guarantee. The Company does not consider its potential exposure under this guarantee to be material to its consolidated financial position.

During 2015, in consideration for an appropriate fee, ORC agreed to guarantee the payment of certain obligations of TIG with respect to a certain contract of reinsurance of asbestos, pollution and health hazard claims (the "APH contract") entered into by TIG with an unrelated third party. The guarantee was made to enable TIG to access ORC's financial strength ratings and capital resources for securing the APH Contract. ORC's maximum exposure in connection with this guarantee is $350.0 million; as of December 31, 2019, the Company's estimated exposure under the guarantee is $63.5 million, based on TIG's loss reserves for the APH Contract at December 31, 2019. The Company i) believes that the financial resources of TIG provide adequate protection to support is liabilities in the ordinary course of business; ii) anticipates that TIG will meet all of its obligations in the normal course of business; and iii) does not expect to make any payments under this guarantee.

The Company and its subsidiaries are involved, from time to time, in ordinary litigation, arbitration proceedings and regulatory assessments as part of the Company's business operations. In the Company's opinion, the outcome of these actions, individually or collectively, is not likely to result in outcomes that would be material to the financial condition or results of operations of the Company.

(b) *Commitments*

The Company and its subsidiaries lease office space and furniture and equipment under long-term operating leases expiring through the year 2033. Minimum annual rentals follow (in thousands):

	Amount
2020	$ 10,749
2021	9,632
2022	9,218
2023	9,212
2024	9,101
2025 and thereafter	50,947
Total	$ 98,859

The Company leases certain office and retail space held as an investment under various operating leases. Lease income for the years ended December 31, 2019, 2018 and 2017 was $37.0 million, $5.6 million and $1.1 million, respectively. Future rental income from these leases are as follows (in thousands):

	Amount
2020	$ 29,686
2021	27,074
2022	25,341
2023	23,881
2024	16,703
2025 and thereafter	96,303
Total	$ 218,988

Rental expense, before sublease income under these operating leases, was $15.9 million, $12.2 million and $11.9 million for the years ended December 31, 2019, 2018 and 2017, respectively. The Company recovered $0.1 million for each of the years ended December 31, 2019, 2018 and 2017.

The adoption of ASU 2016-02 and ASU 2018-11, both entitled "Leases", did not have a material effect on the Company's results of operations or liquidity. Additional information regarding the Company's operating leases are as follows (in thousands):

	As of 01/01/2019	As of 12/31/2019
Operating lease right of use asset	$ 71,242	$ 60,722
Operating lease liabilities	$ 75,307	$ 67,071
Weighted average remaining operating lease term		4 years
Weighted average discount rate on operating leases		4.45%

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

2020	$ 9,242
2021	8,285
2022	7,818
2023	7,716
2024	7,848
Thereafter	47,267
Undiscounted lease payments	88,176
Less: present value adjustment	21,105
Total operating lease liability	$ 67,071

12. Statutory Information and Dividend Restrictions

ORC, the Company's principal operating subsidiary, is subject to state regulatory restrictions that limit the maximum amount of dividends payable. In any 12-month period, ORC may pay dividends equal to the greater of (i) 10% of statutory capital and surplus as of the prior year end or (ii) net income for such prior year, without prior approval of the Insurance Commissioner of the State of Connecticut (the "Connecticut Commissioner"). Connecticut law further provides that (i) ORC must report to the Connecticut Commissioner, for informational purposes, all dividends and other distributions within five business days after the declaration thereof and at least ten days prior to payment and (ii) ORC may not pay any dividend or distribution in excess of its earned surplus, defined as the insurer's "unassigned funds surplus" reduced by 25% of unrealized appreciation in value or revaluation of assets or unrealized profits on investments, as reflected in its most recent statutory annual statement on file with the Connecticut Commissioner, without the Connecticut Commissioner's approval. The maximum ordinary dividend capacity available during 2020, without prior approval, is $347.6 million. ORC declared and paid to OGHI dividends of $50.0 million, $150.0 million and $100.0 million during the years ended December 31, 2019, 2018 and 2017, respectively. Hudson declared and paid dividends on its preferred shares owned by TIG of $1.3 million during each of the years ended December 31, 2019, 2018 and 2017. Greystone declared and paid dividends on its preferred shares owned by TIG of $0.3 million during each of the years ended December 31, 2019, 2018 and 2017.

The following is the consolidated statutory basis net income and policyholders' surplus of ORC and its subsidiaries, for each of the years ended and as of December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Net income	$ 317,879	$ 302,562	$ 64,095
Policyholders' surplus	3,518,242	3,336,595	3,285,326

13. Related Party Transactions

The Company has entered into various reinsurance arrangements with Fairfax and its affiliates. The amounts included in or deducted from income, expense, assets and liabilities in the accompanying consolidated financial statements with respect to reinsurance assumed and ceded from and to affiliates as of and for the years ended December 31, 2019, 2018 and 2017, follow (in thousands):

	2019	2018	2017
Assumed:			
Premiums written	$ 92,225	$ 75,672	$ 57,691
Premiums earned	82,125	81,975	53,713
Losses and loss adjustment expenses	66,579	59,295	43,705
Acquisition costs	16,201	14,749	9,523
Reinsurance payable on paid losses	5,838	6,873	1,223
Reinsurance balances receivable	28,108	22,033	13,956
Unpaid losses and loss adjustment expenses	167,154	158,833	147,010
Unearned premiums	32,953	22,751	22,871
Ceded:			
Premiums written	$ 56,189	$ 44,805	$ 43,283
Premiums earned	46,279	41,883	37,309
Losses and loss adjustment expenses	21,956	12,989	29,132
Acquisition costs	8,183	7,020	5,574
Ceded reinsurance balances payable	4,598	4,316	1,817
Reinsurance recoverables on paid losses	1,181	950	3,143
Reinsurance recoverables on unpaid losses	106,695	99,673	110,186
Unearned premiums	28,433	18,489	15,651

The Company's subsidiaries have entered into investment management agreements with Fairfax and its wholly-owned subsidiary, Hamblin Watsa Investment Counsel Ltd. These agreements generally provide for an annual base fee, calculated and paid quarterly based upon each subsidiary's average invested assets for the preceding three months, and an incentive fee, which is payable if realized gains on equity investments exceed certain benchmarks. These agreements may be terminated by either party on 30 days' notice. For the years ended December 31, 2019, 2018 and 2017, total fees, including incentive fees, of $18.7 million, $22.4 million and $13.5 million, respectively, are included in the consolidated statements of operations.

Included in other expenses, net, for the years ended December 31, 2019, 2018 and 2017, are charitable contribution expenses of $5.2 million, $2.5 million and $6.0 million, respectively, primarily representing amounts to be funded by OGHI to the Odyssey Group Foundation, a not-for-profit entity through which the Company provides funding to charitable organizations active in the communities in which the Company operates.

Due to expense sharing and investment management agreements with Fairfax and its affiliates, the Company has accrued, on its consolidated balance sheet, amounts receivable from affiliates of $2.9 million and $2.4 million as of December 31, 2019 and 2018, respectively, and amounts payable to affiliates of $2.3 million and $9.4 million as of December 31, 2019 and 2018, respectively.

On December 6, 2016, the Company loaned to 9938982 Canada Inc., $50.1 million, the proceeds of which were used to fund a debtor-in-possession loan to a Canadian retail company. The loan to 9938982 Canada Inc. bore interest at 8.0% per annum and was repaid on February 28, 2017.

During 2019, 2018 and 2017, the Company loaned an affiliate, Farmers Edge Inc. ("Farmers Edge"), $63.7 million. The loans bear interest at 12% per annum and are due on January 15, 2020. The Farmers Edge loans contain a conversion feature where the Company has the option (but not the obligation) to convert all or part of the unpaid principal amount and the accrued and unpaid interest on the loans as of the conversion into common shares at the conversion price.

On January 22, 2018, the Company loaned an affiliate, EXCO Resources, Inc. ("EXCO"), $59.4 million in the form of a senior secured debtor-in-possession revolving credit facility loan. The notes bear interest at 4.9% per annum on Tranche A and 5.9% per annum on Tranche B and had a maturity date of January 22, 2019, with a maturity extension clause until July 22, 2019. The EXCO loans were repaid on June 28, 2019.

On July 9, 2019 and October 8, 2019, the Company loaned Fairfax (US), $100.0 million and $50.0 million, respectively, at interest rates of 2.13% and 1.69% per annum, respectively. The loans were repaid on September 27, 2019 and December 27, 2019, respectively. On August 10, 2018 and October 29, 2018, the Company loaned to Fairfax (US), $50.0 million and $50.0 million, respectively, at interest rates of 2.42% and 2.55% per annum, respectively. The loans were repaid on September 28, 2018 and December 19, 2018, respectively.

On April 30, 2019, the Company loaned an affiliate, Sigma Co International Corp, $0.9 million. The loan bears interest at 5.0% and has a maturity date of April 30, 2024.

On April 17, 2019, the Company loaned an affiliate, AGT Food and Ingredients Inc. ("AGT"), $70.8 million. The loan to AGT bears interest at 6.0% and has a maturity date of April 16, 2020. The loan may be successively extended an additional 364 days with written notice.

On April 17, 2019, the Company loaned an affiliate, Alliance Pulse Processors Inc. ("Alliance"), $16.7 million. The loan to Alliance bears interest at 6.0% and has a maturity date of April 16, 2020. The loan may be successively extended an additional 364 days with written notice.

In the ordinary course of the Company's investment activities, the Company makes investments in investment funds, limited partnerships and other investment vehicles in which Fairfax or its affiliates may also be investors.

14. Employee Benefits

The Company provides its employees with benefits through various plans as described below.

Defined Benefit Pension Plan

The Company maintains a qualified, non-contributory, defined benefit pension plan (the "Pension Plan") covering substantially all employees in the United States hired prior to August 1, 2011 who have reached age twenty-one. Employer contributions to the Pension Plan are in accordance with the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended.

The following tables set forth the Pension Plan's unfunded status and accrued pension cost recognized in the Company's consolidated financial statements as of December 31, 2019 and 2018 (in thousands):

	2019	2018
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 195,448	$ 207,314
Service cost	8,669	9,739
Interest cost	8,123	7,607
Actuarial loss (gain)	36,196	(18,546)
Benefits paid	(6,401)	(10,666)
Benefit obligation at end of year	242,035	195,448
Change in Plan assets:		
Fair value of Pension Plan assets at beginning of year	127,183	142,969
Actual appreciation (depreciation) on Pension Plan assets	11,918	(12,920)
Actual contributions during the year	7,800	7,800
Benefits paid	(6,401)	(10,666)
Fair value of Pension Plan assets at end of year	140,500	127,183
Funded status and accrued pension cost	$ (101,535)	$ (68,265)

The net amount reported in the consolidated balance sheets related to the accrued pension cost for the Pension Plan of $101.5 million and $68.3 million, as of December 31, 2019 and 2018, respectively, is included in other liabilities. The unamortized amount of accumulated other comprehensive loss related to the Pension Plan is $72.6 million and $43.5 million, before taxes, as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the fair value and percentage of fair value of the total Pension Plan assets by type of investment are as follows (in thousands):

	As of December 31,			
	2019		2018	
Equity securities	$ 102,627	73.0%	$ 95,587	75.2%
Mutual funds - fixed income securities	25,585	18.2	24,556	19.3
Money market	12,288	8.8	7,039	5.5
Fair value of Plan assets	$ 140,500	100.0%	$ 127,182	100.0%

The Pension Plan seeks to maximize the economic value of its investments by applying a long-term, value-oriented approach to optimize the total investment returns of the Pension Plan's invested assets. Assets are transferred and allocated among various investment vehicles, when appropriate. The long-term rate of return assumption is based on this flexibility to adjust to market conditions. The actual return on assets has historically been in line with the Company's assumptions of expected returns. During each of the years ended December 31, 2019 and 2018, the Company contributed $7.8 million to the Pension Plan. The Company contributed $10.3 million to the Pension Plan during the year ended December 31, 2017. The Company currently expects to make a contribution to the Pension Plan of $7.8 million during 2020.

The Company accounts for its Pension Plan assets at fair value as required by GAAP. The Company has categorized its Pension Plan assets, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy, using the three-level hierarchy approach described in Note 3.

Quoted market prices are used for determining the fair value of the Company's Pension Plan assets. The majority of these Pension Plan assets are common stocks and mutual funds that are actively traded in a public market. The Pension Plan's money market account, for which the cost basis approximates fair value, is also classified as a Level 1 investment. As of December 31, 2019, a majority of the Pension's assets were categorized as Level 1 assets except for the investments measured using NAV.

In accordance with ASU 2015-07, investments that are measured at fair value using NAV per share (or its equivalent) as a practical expedient, have not been classified in the fair value hierarchy. The Company reclassified the hedge fund from Level 3 assets to NAV during the year ended December 31, 2019. As of December 31, 2019, $12.4 million of investments reported as equity securities are not included within the fair value hierarchy tables.

The Company's Level 3 Pension Plan assets were valued by a third party, providing a net asset value, by using valuation techniques that include unobservable inputs. Generally, hedge funds invest in securities that trade in active markets, and as a result, their net asset values reflect their fair values. As of December 31, 2018, the Pension Plan investments that are classified as Level 3 had a fair value of $12.9 million. For the year ended December 31, 2018, there was a decrease in the market value of $1.6 million for the Pension Plan investments that were classified as Level 3. The Plan did not have Level 3 investments as of December 31, 2019. The Plan did have Level 3 investments as of December 31, 2018.

The following table provides a summary of changes in the fair value of Level 3 financial assets for the years ended December 31, 2019 and 2018 (in thousands):

	Hedge Fund
Balance, January 1, 2018	$ —
Purchases	14,500
Unrealized investment loss related to securities held	(1,562)
Balance, December 31, 2018	12,938
Reclassify from Level 3 to NAV	(12,938)
Balance, December 31, 2019	$ —

The following table provides a summary of the Plan's investment that is measured at fair value using reported NAV per share as a practical expedient for the year ended December 31, 2019 (in thousands):

	Fair Value Estimated Using Net Asset Value per Share as of December 31, 2019				
Investment	Fair Value	Unfunded Commitment	Settlement Terms	Redemption Frequency	Redemption Notice Period Frequency
India Fund	$ 12,379	$ —	(1)	Monthly	60 days + month end
Total	$ 12,379	$ —			

(1) The last business day of each month.

The NAV of each share is determined by dividing the NAV of that class of share by the number of redeemable participating preference shares in issue in that class of shares. The Plan invests in a fund that is valued at NAV per share as a practical expedient.

The following table presents the targeted asset allocation percentages for the Pension Plan's assets by type:

	Targeted Asset Allocation %
Equities	80.00
Mutual funds - fixed income securities	20.00
Total target asset allocations	100.00

The weighted average assumptions used to calculate the benefit obligation as of December 31, 2019 and 2018 are as follows:

	2019	2018
Discount rate	3.25%	4.25%
Rate of compensation increase	3.60%	3.60%

The discount rate represents the Company's estimate of the interest rate at which the Pension Plan's benefits could be effectively settled. The discount rates are used in the measurement of the Pension Plan's accumulated benefit obligations and the service and interest cost components of net periodic Pension Plan benefit cost.

The net periodic benefit cost included in the Company's consolidated statements of operations for the years ended December 31, 2019, 2018 and 2017 is comprised of the following (in thousands):

	2019	2018	2017
Net Periodic Benefit Cost:			
Service cost	$ 8,669	$ 9,739	$ 9,003
Interest cost	8,123	7,607	7,438
Return on Plan assets	(7,544)	(8,483)	(7,709)
Recognized actuarial loss	2,714	2,933	1,252
Net periodic benefit cost	$ 11,962	$ 11,796	$ 9,984

The amortization of actuarial losses and of prior service costs (currently reflected in accumulated other comprehensive income) as components of net periodic cost are expected to be $5.5 million and $0.0 million, respectively, for the year ended December 31, 2020.

The amortization period for unamortized pension costs and credits, including prior service costs, if any, and actuarial gains and losses, is based on the remaining service period for those employees expected to receive pension benefits. Actuarial gains and losses result when actual experience differs from that assumed or when actuarial assumptions are changed.

	2019	2018	2017
Change in accumulated other comprehensive loss:			
Beginning balance	$ 43,536	$ 43,612	$ 27,987
Actuarial loss and return on plan assets arising during the year	31,822	2,857	16,877
Amortization of actuarial gain recognized in net periodic costs	(2,714)	(2,933)	(1,252)
Accumulated other comprehensive loss at end of year	$ 72,644	$ 43,536	$ 43,612

The weighted average assumptions used to calculate the net periodic benefit cost for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Discount rate	4.25%	3.75%	4.25%
Rate of compensation increase	3.60%	3.80%	3.80%
Expected long term rate of return on Pension Plan assets	6.00%	6.00%	6.00%

The accumulated benefit obligation for the Pension Plan was $211.5 million and $171.0 million as of the December 31, 2019 and 2018 measurement dates, respectively.

The Pension Plan's expected future benefit payments for the next 10 years are shown below (in thousands):

Year	Amount
2020	$ 9,794
2021	10,713
2022	11,093
2023	11,659
2024	12,951
2025 – 2029	75,616

The amortization of actuarial losses and of prior service costs (currently reflected in accumulated other comprehensive income) as components of net periodic cost are expected to be $5.5 million and $0.0 million, respectively, for the year ended December 31, 2020.

Excess Benefit Plans

The Company maintains two non-qualified excess benefit plans (the “Excess Plans”) that provide more highly compensated officers and employees in the United States hired prior to August 1, 2011 with defined retirement benefits in excess of qualified plan limits imposed by federal tax law. The following tables set forth the combined amounts recognized for the Excess Plans in the Company’s consolidated financial statements as of December 31, 2019 and 2018 (in thousands):

	2019	2018
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 26,833	$ 27,974
Service cost	1,100	1,410
Interest cost	1,098	1,011
Actuarial loss (gain)	3,671	(3,078)
Benefits paid	(1,608)	(484)
Benefit obligation at end of year	31,094	26,833
Change in Excess Plans’ assets:		
Fair value of Excess Plans’ assets at beginning of year	—	—
Actual contributions during the year	1,608	484
Benefits paid	(1,608)	(484)
Fair value of Excess Plans’ assets at end of year	—	—
Funded status and accrued pension cost	$ (31,094)	$ (26,833)

The net amount reported in the consolidated balance sheets related to the accrued pension cost for the Excess Plans of $31.1 million and $26.8 million, as of December 31, 2019 and 2018, respectively, is included in other liabilities. The unamortized amount of accumulated other comprehensive loss related to the Excess Plan is $5.6 million and $1.9 million, before taxes, as of December 31, 2019 and 2018, respectively.

The weighted average assumptions used to calculate the benefit obligation as of December 31, 2019 and 2018 are as follows:

	2019	2018
Discount rate	3.25%	4.25%
Rate of compensation increase	3.60%	3.60%

The discount rate represents the Company’s estimate of the interest rate at which the Excess Plans’ benefits could be effectively settled. The discount rates are used in the measurement of the Excess Plans’ accumulated benefit obligations and the service and interest cost components of net periodic Excess Plans’ benefit cost.

Net periodic benefit cost included in the Company’s consolidated statements of operations for the years ended December 31, 2019, 2018 and 2017 is comprised of the following (in thousands):

	2019	2018	2017
Net Periodic Benefit Cost:			
Service cost	$ 1,100	$ 1,410	$ 1,378
Interest cost	1,098	1,011	1,105
Recognized net actuarial loss	27	279	309
Recognized prior service cost	—	(5)	(37)
Net periodic benefit cost	$ 2,225	$ 2,695	$ 2,755

The amortization of actuarial losses and of prior service costs (currently reflected in accumulated other comprehensive income) as components of net periodic costs are expected to be less than $0.3 million and $0.0 million, respectively, for the year ended December 31, 2020.

The Company expects to contribute $2.6 million to the Excess Plans during the year ended December 31, 2020, which represents the amount necessary to fund the 2020 expected benefit payments.

	2019	2018	2017
Change in accumulated other comprehensive loss:			
Beginning balance	$ 1,919	$ 5,270	$ 5,519
Actuarial loss (gain) arising during the year	3,671	(3,077)	23
Amortization of actuarial gain recognized in net periodic costs	(27)	(279)	(309)
Amortization of prior service costs recognized in net periodic costs	—	5	37
Accumulated other comprehensive loss at end of year	$ 5,563	$ 1,919	$ 5,270

The weighted average assumptions used to calculate the net periodic benefit cost for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Discount rate	4.25%	3.75%	4.25%
Rate of compensation increase	3.60%	3.80%	3.80%

The accumulated benefit obligation for the Excess Plans was $26.1 million and $22.3 million as of December 31, 2019 and 2018, respectively.

The Excess Plans' expected benefit payments for the next 10 years are shown below (in thousands):

Year	Amount
2020	$ 2,591
2021	3,720
2022	3,570
2023	3,144
2024	3,379
2025 – 2029	14,481

Postretirement Benefit Plan

The Company provides certain health care and life insurance ("postretirement") benefits for retired employees in the United States. Substantially all employees in the United States hired prior to August 1, 2011 may become eligible for these benefits if they reach retirement age while working for the Company. The Company's cost for providing postretirement benefits other than pensions is accounted for in accordance with ASC 715, "Compensation – Retirement Benefits." The following tables set forth the amounts recognized for the postretirement benefit plan in the Company's consolidated financial statements as of December 31, 2019 and 2018 (in thousands):

	2019	2018
Change in accumulated post retirement obligation:		
Accumulated postretirement obligation at beginning of year	$ 79,183	$ 80,956
Service cost	3,715	4,007
Interest cost	3,330	3,010
Actuarial loss (gain)	7,681	(7,631)
Benefits paid	(1,980)	(1,382)
Participant contributions	140	120
Retiree Drug Subsidy receipts	54	103
Accumulated post retirement obligation at end of year	92,123	79,183
Funded status and accrued prepaid pension cost	$ (92,123)	$ (79,183)

The net amount reported in the consolidated balance sheets related to the accrued benefit cost for the postretirement plan of $92.1 million and $79.2 million, as of December 31, 2019 and 2018, respectively, is included in other liabilities. The unamortized amount of accumulated other comprehensive loss related to the postretirement plan is $10.4 million and $2.7 million, before taxes, as of December 31, 2019 and 2018, respectively.

The weighted average assumptions used to calculate the benefit obligation as of December 31, 2019 and 2018 are as follows:

	2019	2018
Discount rate	3.25%	4.25%
Rate of compensation increase	3.80%	3.80%

The discount rate represents the Company's estimate of the interest rate at which the postretirement benefit plan benefits could be effectively settled. The discount rates are used in the measurement of the postretirement accumulated postretirement benefit obligations and the service and interest cost of net periodic postretirement benefit cost.

Net periodic benefit cost included in the Company's consolidated statements of operations for the years ended December 31, 2019, 2018 and 2017 is comprised of the following (in thousands):

	2019	2018	2017
Net Periodic Benefit Cost:			
Service cost	$ 3,715	$ 4,007	$ 4,638
Interest cost	3,330	3,010	3,176
Recognized actuarial loss	—	351	681
Net periodic benefit cost	$ 7,045	$ 7,368	$ 8,495

The amortization of actuarial losses and of prior service costs (currently reflected in accumulated other comprehensive income) as components of net periodic costs are expected to be $0.2 million and $0.0 million, respectively, for the year ended December 31, 2020.

	2019	2018	2017
Change in accumulated other comprehensive loss:			
Beginning balance	$ 2,673	$ 10,655	$ 12,851
Actuarial loss (gain) arising during the year	7,681	(7,631)	(1,515)
Amortization of actuarial gain recognized in net periodic costs	—	(351)	(681)
Accumulated other comprehensive loss at end of year	$ 10,354	$ 2,673	$ 10,655

The weighted average assumptions used to calculate the net periodic benefit cost for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Discount rate	4.25%	3.75%	4.25%
Rate of compensation increase	3.80%	3.80%	3.80%

The postretirement plan's expected benefit payments for the next 10 years are shown below (in thousands):

Year	Amount
2020	$ 2,019
2021	2,356
2022	2,646
2023	2,890
2024	3,181
2025 – 2029	20,264

The annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 5.71% in 2020, gradually decreasing to 4.50% in 2038 and remaining constant thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation by $17.0 million (18.48% of the benefit obligation as of December 31, 2019) and the service and interest cost components of net periodic postretirement benefit costs by $1.6 million for the year ended December 31, 2019. Decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation and the service and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 2019 by $13.6 million and $1.3 million, respectively.

Other Plans

The Company also maintains a defined contribution profit sharing plan for all eligible employees. Each year, the Board of Directors may authorize payment of an amount equal to a percentage of each participant's basic annual earnings based on the results of the Company for that year. These amounts are credited to the employees' accounts maintained by a third party, which has contracted to provide benefits under the plan. No additional discretionary contributions were authorized for the years ended December 31, 2019, 2018 or 2017.

The Company maintains a qualified deferred compensation plan pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended. Employees may contribute up to 50% of base salary on a pre-tax basis, subject to annual maximum contributions set by law ($19,500 in 2020 plus an additional $6,500 if an employee is age 50 or older). The Company contributes an amount equal to 100% of each employee's pre-tax contribution up to certain limits. The maximum matching contribution is 4.0% of annual base salary, with certain government-mandated restrictions on contributions to highly compensated employees. The Company also maintains a non-qualified deferred compensation plan to allow for contributions in excess of qualified plan limitations. The Company's contributions to both of these plans, which totaled $3.4 million, $3.1 million, and $3.7 million for the years ended December 31, 2019, 2018 and 2017, respectively, are included primarily in other underwriting expenses in the consolidated statements of operations.

All employees in the United States hired on or after August 1, 2011 are eligible for an annual profit sharing contribution, subject to the profit sharing plan limitations. The Company makes this contribution regardless of whether or not elective deferrals were made during the year. The profit sharing contribution is paid each January and uses the prior year's 401(k) compensation (base pay, short-term disability earnings and any overtime earnings) to determine the actual contribution for each employee. These profit sharing contributions are calculated as a percentage of earnings at the end of each year and allocated to participant accounts in January of the following year.

The profit sharing contribution percentages are based upon each employee's years of service as follows:

Years of Service	Percent
Less than or equal to 5 years	6%
More than 5 years but less than or equal to 15	7%
More than 15 years	8%

The profit sharing contribution amounts vest based upon the following vesting schedule:

Years of Service	Percent
Less than 2 years	0%
2 years but less than 3	20%
3 years but less than 4	40%
4 years but less than 5	60%
5 years but less than 6	80%
6 years or more	100%

15. Stock-Based Compensation Plans

Fairfax Restricted Share Plan and Share Option Plan

In 1999, Fairfax established the Fairfax Financial 1999 Restricted Share Plan (the “Fairfax Restricted Share Plan”) and the Share Option Plan (the “Option Plan”) (collectively, the “Fairfax Plans”), in which the Company participates. The Fairfax Plans generally provide officers, key employees and directors who were employed by or provided services to the Company with awards of restricted shares or stock options (with a grant price of zero) of Fairfax common stock (collectively, “Restricted Share Awards”). The Restricted Share Awards generally vest over five years. The Company had 341,821 Restricted Share Awards outstanding as of December 31, 2019.

The fair value of the Restricted Share Awards is estimated on the date of grant based on the market price of Fairfax’s stock and is amortized to compensation expense on a straight-line basis over the related vesting periods. The Company purchases Fairfax common stock on the open market to cover the grant of a Restricted Share Award and reflects such purchase as a reduction in the Company’s additional paid-in capital. As of December 31, 2019, there was $59.8 million of unrecognized compensation cost related to unvested Restricted Share Awards granted from the Fairfax Plans that was netted against additional paid-in capital, which is expected to be recognized over a remaining weighted-average vesting period of 2.4 years. The total fair values of the Restricted Share Awards granted for the years ended December 31, 2019, 2018 and 2017 were $17.8 million, $18.8 million and $28.9 million, respectively. As of December 31, 2019, the aggregate fair value of the Restricted Share Awards outstanding was $101.5 million. For the years ended December 31, 2018, 2017 and 2016, the Company recognized expense related to the Fairfax Plans of $16.0 million, $17.2 million and $14.7 million, respectively.

The following table summarizes activity for the Fairfax Plans for the year ended December 31, 2019:

	Shares / Options	Weighted-Average Value at Grant Date
Awards outstanding as of December 31, 2018	314,204	$ 479.94
Granted	38,965	455.86
Vested	(34,201)	417.50
Forfeited	(7,603)	489.42
Unallocated	30,456	464.27
Awards outstanding as of December 31, 2019	341,821	$ 481.83
Vested and exercisable as of December 31, 2019	14,027	$ 392.77

Employee Share Purchase Plans

Under the terms of the Odyssey Re Holdings Corp. (Non-Qualified) 2010 Employee Share Purchase Plan (the “2010 ESPP”), eligible employees are given the election to purchase Fairfax common shares in an amount up to 10% of their annual base salary. The Company matches these contributions by purchasing, on the employee’s behalf, a number of Fairfax’s common shares equal in value to 30% of the employee’s contribution. In the event that the Company achieves a net combined ratio in any calendar year that is less than the lesser of i) 100% or ii) the average of the reported net combined ratios of the ten (10) most recent calendar years prior to the current calendar year, additional shares are purchased by the Company for the employee’s benefit, in an amount equal in value to 20% of the employee’s contribution during that year. During the year ended December 31, 2019, the Company purchased 18,389 Fairfax common shares on behalf of employees pursuant to the 2010 ESPP, at an average purchase price of $460.78. The compensation expense recognized by the Company for purchases of Fairfax’s common shares under the 2010 ESPP was $1.8 million, $1.5 million and $1.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

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