Company No. 10360031

ASCOT UNDERWRITING GROUP LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

Company Information

Directors	A L Brooks	
	K H Chung	Non-executive
	T A Kalvik	Non-executive
Company Secretary	E H Guyatt	
Independent auditors	Deloitte LLP Statutory Auditor Hill House 1 Little New Street London EC4A 3TR	
Company bankers	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN	
Registered office	20 Fenchurch Street London EC3M 3BY	
Registered number	10360031	

Strategic report for the year ended 31 December 2019

The directors present their strategic report on the Company for the year ended 31 December 2019.

Principal activity and review of business

Ascot Underwriting Group Limited ("the Company" or "AUGL") is a holding company for Ascot Underwriting Holdings Limited ("AUHL"), Ascot Corporate Name Limited ("ACNL"), Ascot Employees Corporate Member Limited ("AECM") and its indirect subsidiaries Ascot Underwriting Limited ("AUL"), Ascot Insurance Services Limited ("AISL") and Ascot Underwriting Asia (Private Limited) ("AUAL").

AUGL is a UK entity which was incorporated on 5 September 2016 and operates as a holding company for AUHL, ACNL and AECM. AUHL operates as an intermediate holding company for AUL, AISL and AUAL. ACNL and AECM are UK based companies acting as limited liability corporate members of the Society of Lloyd's ("Lloyd's"), providing underwriting capacity to Syndicate 1414 ("the Syndicate"). AUL trades as a managing agent for Syndicate 1414. AISL and AUAL are wholly owned subsidiaries of AUL that act as service companies of Syndicate 1414.

On 31 January 2019 the Company's indirect subsidiaries, Ascot Underwriting (Bermuda) Limited and Ascot Underwriting Inc, were sold. The gain resulting from these disposals has been recorded in the 2019 Statement of Comprehensive Income of AUHL and AUL respectively. Effective as of 1 April 2019, it was announced that business written through the Company's indirect subsidiary, AUAL, would be put into run-off.

During the period, a $54m loan held with Ascot Group Limited ("AGL") was waived via a capital contribution, with AGL allotted an additional 54,017,138 ordinary shares of par value $0.001 as consideration for the loan balance, valued at $54,017,138. In addition, parent company Ascot Bermuda Limited ("ABL") subscribed for 50 ordinary shares of par value $0.001 in the Company, for an aggregate subscription price of $50,000,000. AUGL subsequently subscribed for 10 ordinary shares of par value £1 in ACNL for an aggregate subscription price of £38,750,000.

Results and performance

The results of the Company for the year, as set out on pages 14 to 22, show a loss on ordinary activities before taxation of $6,041k (2018: loss of $6,077k). The Company continues to make a loss due to the interest being accrued on a $150m loan note instrument issued by the Company and held by ABL, and will continue to accrue the interest until the final maturity date of 18 November 2021. The tax credit was $1,047k (2018: credit of $1,369k) leaving a total loss for the financial year of $4,994k (2018: loss of $4,708k). The total shareholders' funds of the Company at the end of the year are $340,722k (2018: $241,699k).

Key performance indicators

	2019	2018
	$'000	$'000
Net assets	340,722	241,699

The Company is primarily a holding company; it does not generate income. As a holding company the performance of its subsidiaries, notably ACNL, are the Key Performance Indicators. ACNL's result is directly linked to the performance of Syndicate 1414.

Future outlook

The Directors have taken into consideration the potential impact of Covid-19 (see note 17) on the Company's net assets and despite the losses reported through the statement of comprehensive income, the Company continues be considered a going concern, as it can evidence a strong net asset position and ability to meet the financial obligations due for at least twelve months from the signing of the accounts.

Directors are planning to approve the sale of AUL to AUGL at the first Board Meeting of the 2020 financial year. This sale will be transacted at book value and completed in the form of a dividend in specie.

Principal risks and uncertainties

The risks set out below are considered to be the principal risks for the Company. The Board of Directors is ultimately responsible for Risk Management. All aspects of the Risk Management Framework have been approved by the Board of Directors.

The comments below represent only an overview of the key risks and some of the controls to mitigate these risks.

Strategic report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

Group risk – the risk that the activities of companies within Ascot Group have an adverse impact on each other. The key risks considered are sharing of resources (including financial, labour and infrastructure) and brand damage from negative publicity. These are mitigated through clear governance structures, financial monitoring (where applicable), communication between entities across the group as well as a coordinated marketing and communications strategy.

Liquidity risk – the risk is that sufficient cash may not be available to settle obligations when due at a reasonable cost.

Operational risk – the risk is the subsidiaries of the Company cannot trade due to the office infrastructure or people being unavailable. To counter the impact of this the subsidiaries maintain various contingency plans e.g. disaster recovery sites and backup to mitigate the impact of this risk.

Environmental, Social and Governance; Diversity and Inclusion; Climate change and Transitions risks – these risks have been considered at the Risk Committee, Executive Committee and the Board in order to assess the impact to Ascot as broadly as possible and to identify opportunities for improvement and mitigating actions. In addition to Catastrophe Realistic Disaster scenarios and an emerging risk framework, the risk management team have presented papers covering Principles for Responsible Investment, rating agency implications, UN Global Sustainable Development Goals (SDG), the protection gap and the impact of the "2 degree world" on Ascot. Examples of actions that have resulted include improving ways of acting more responsibly within our business, such as ethical procurement practices; identifying new products to support areas of society that are exposed to climate risk; and enabling modern working practices.

In light of the global pandemic, referred to as Covid-19 (see note 17), the Directors have considered whether there are any additional risks or uncertainties, other than those considered below that would be relevant to this business as a result of the far reaching impact of Covid-19. No additional risks or uncertainties have been determined that would have a material impact on this Company.

The strategic report was approved at a meeting of the Board of Directors and signed on its behalf by:

A L Brooks
Director
04 June 2020

Section 172 Statement

The directors are fully aware of their responsibilities to promote the success of the company in accordance with s172 of the Companies Act and have acted in accordance with these responsibilities during the year. In respect of this disclosure the board has identified that its key stakeholders are related to those of the Ascot UK Group as a whole, given the continued future performance of the Company in its role as a holding company for the Ascot UK Group is directly linked to the performance of its subsidiaries. The key stakeholders are the Ascot UK Group's workforce, shareholder, customers, brokers and regulators. Regarding our responsibilities to our key stakeholders the directors, individually and as a whole have considered and acted in consideration of:

- the likely consequences of any decision in the long term. The directors have performed a review of the business and have considered the future outlook of the Company within the strategic report;

- the employees of Ascot UK Group are employed by Ascot Underwriting Holdings Limited, the UK service company who pays expenses, employs individuals and holds assets on behalf of the Company. The workforce of Ascot UK Group is considered key stakeholders of the Company as their productivity, wellbeing and engagement levels impact the performance of its subsidiaries and therefore the ongoing performance of the Company itself. The directors strive to make Ascot an enjoyable and rewarding place to work, and periodically carry out employee surveys to ensure the level of staff engagement is on track with expectations. Any areas of concern or issues highlighted following these surveys are discussed at a board level. Town hall meetings for all staff are held at least quarterly, in order to discuss the Ascot UK group results, updates to Ascot's strategy, and opportunities and challenges that are being seen across the market. These regular meetings enable Ascot employees to be better informed and aligned to Ascot's core strategy, helping to keep standards and engagement at the expected level;

- the need to foster the business relationships with suppliers, customers and others of the Company's subsidiaries. Ascot strives to have a client-centric approach to business, and is constantly reviewing how we engage with our customers to ensure we are able to transact as seamlessly and dynamically as possible. This includes reviewing the products on offer, the distribution channels used and ensuring the claims response time is among best in class within the London market.

- the impact of the Company, and its subsidiaries' operations on the community and the environment. Ascot has an active Charity Committee, which meets regularly to assess ongoing charitable partnerships, and other ways in which the Company is able to support the local community. Previously this has included local reading support schemes in schools, as well as a more general support structure for staff raising money for charitable causes. The directors continue to consider the impact the Company and its subsidiaries have on the environment; staff are encouraged to take advantage of the cycle to work scheme and to limit the amount of printing in the office.

- the desirability of the Company and its subsidiaries to maintain a reputation for high standards of business conduct. This is a core value of Ascot and every member of staff is expected to act with professionalism and integrity, which is reiterated within job descriptions, the staff handbook and the annual appraisal process. In order to ensure proper structures are in place to deliver these high standards of business conduct, the directors have put in place relevant committees and sub-committees that report to the board for key areas of the business, including (but not limited to) Underwriting Management Committee, Risk Committee, Operations Committee, Executive Committee.

Directors' report for the year ended 31 December 2019

The directors present their report and audited Company financial statements for the year ended 31 December 2019.

Future outlook

This has been discussed in the Strategic Report.

Results and performance

This has been discussed in the Strategic Report.

Dividends

The Company did not pay or receive any dividends in the period (2018: $nil). There are no proposed dividends by the Company post the date of this report.

Directors

The directors and officers who held office during the year and up to the date of this report are listed below.

A L Brooks	
K H Chung	Non-executive
T A Kalvik	Non-executive

Company Secretary

E H Guyatt

Principal risks and uncertainties

This has been discussed in the Strategic Report.

Charitable Donations

No donations were made for charitable purposes during the year (2018: $nil). No donations were made for political purposes during the year (2018: $nil).

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to the auditors

So far as each person who was a director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors of the Company and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors.

The directors' report and the section 172 statement were approved at a meeting of the Board of Directors and signed on its behalf by:

A L Brooks
Director
04 June 2020

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ascot Underwriting Group Limited (the 'company'):
- ***give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;***
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of investments in subsidiaries. • Impact on COVID-19 as an event after the reporting period.
Materiality	The materiality that we used in the current year was $6.8m which was determined on the basis of 2% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach in the current year	Given the rapid spread of COVID-19 and the ongoing uncertainty surrounding its impact after the balance sheet date, and due to the inherent management judgement in determining the appropriateness in the financial statement disclosures, particularly those relating to going concern, and the increased level of audit effort, we considered this to be a key audit matter. There were no other significant changes in our approach in the current year.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • *the directors' use of the going concern basis of accounting* in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	**We have nothing to report in respect of these matters.**

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries	
Key audit matter description	Investments in subsidiaries are stated in the balance sheet at $506m (2018: $456m), having increased due to a loan capitalisation transaction. FRS 102 requires that investments in subsidiaries are held at cost less impairment. The company must assess at the reporting date whether there is any indication that these investments in subsidiaries are impaired, and impairment losses must consequently be recognised in the statement of profit or loss. Due to management judgements involved, such as expected future trading performance, assessment of both current and future market conditions and outlook, and the requirement to determine whether impairment of subsidiaries is required, we considered this a key audit matter. Further details are included within the strategic report on pages 3 to 4, and notes 2 and 9 to the financial statements.
How the scope of our audit responded to the key audit matter	We have reviewed whether the cost of investments held require impairment as at 31 December 2019 through obtaining a copy of the latest audited financial information. We have challenged the directors' judgements regarding the appropriateness of the carrying value and existence of indicators of impairment through gaining an understanding of the future trading performance of the subsidiaries by benchmarking against industry peers and by assessing the financial performance and position of the subsidiaries.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

Key observations	Based on the work performed we concluded that the valuation of investments in subsidiaries is appropriate.

Impact of COVID-19 as an event after the reporting period	
Key audit matter description	Subsequent to the balance sheet date a global pandemic of a new strain of Coronavirus (COVID-19) has emerged. The virus, and responses taken by organisations and governments to manage its spread in markets to which the Company are exposed, have led to increased volatility and economic disruption. The matter is a non-adjusting event since it is indicative of conditions that arose after the reporting period. Management has measured the Company's assets and liabilities to reflect only the conditions that existed at the reporting date. Subsequent to the year end, management has performed procedures to assess the solvency, liquidity and operational impacts of COVID-19 on the Company and its underlying investment in the subsidiaries. There are judgements in the valuation of the investment in subsidiaries. The assessment of the impact of COVID-19 on the Company requires management judgement and consideration of a range of factors. Having considered the results of the activities performed, management believes that the Company continues to be a going concern. The Company has made disclosures throughout the annual report and financial statements to reflect the results of its assessment, in line with applicable accounting standards. Due to the inherent management judgement, and the increased level of audit effort focused on the appropriateness of, the financial statement disclosures of both the Company, we considered this to be a key audit matter. Refer to management's disclosure in the strategic report on pages 3 to 4 and in notes 17 of the financial statements.
How the scope of our audit responded to the key audit matter	We evaluated management's approach to assessing the impact of COVID-19 on the Company and the subsidiaries it invests in, and challenged the financial statement disclosures by performing the following procedures: • evaluated management's assessment of the risks across the company and its the subsidiaries it invests in, including: solvency risk, liquidity risk and operational matters; • challenging management assessment regarding impact of COVID-19 on asset valuation, particularly its investment in subsidiaries, through gaining an understanding of the assumptions used, discussions with stakeholders outside of finance and obtaining and reviewing evidence to support the assessment; and • assessed the mitigating actions management has put in place.
Key observations	Based on the work performed we concluded, in relation to the potential impact of COVID-19, the post balance sheet event and going concern disclosures in the financial statements are appropriate.

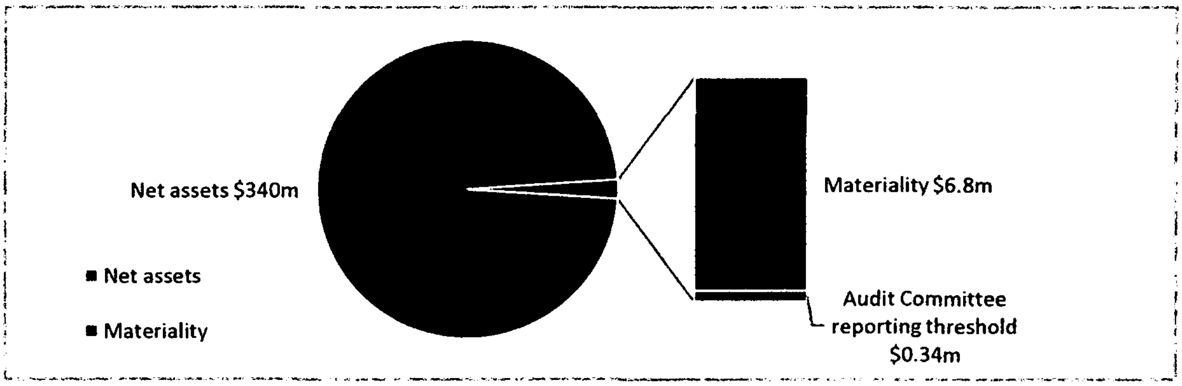
Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	$6.8m (2018: $4.8m)
Basis for determining materiality	Materiality was determined based on 2% of net assets (2018: 2% of net assets).
Rationale for the benchmark applied	The Company is the holding company for a privately owned group, underwriting insurance through a Lloyd's of London syndicate. As a holding company, we consider net assets to be the primary benchmark for users of the financial statements, being the parent company Ascot Reinsurance Company Limited.



We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%).

In determining performance materiality, we considered factors including:
-our risk assessment, including our assessment of the Company's overall control environment and the relatively low complexity of balances
-our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

We agreed with the Board of Directors that we would report to them all audit differences in excess of $0.34m (2018: $0.24m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Ascot Underwriting Group Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Ely

Adam Ely FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
05 June 2020

Statement of Comprehensive Income
for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Administrative expenses		719	(63)
Operating profit/ (loss)	4	719	(63)
Interest receivable and similar income		5	-
Interest payable and similar charges	7	(6,765)	(6,014)
Loss on ordinary activities before taxation		(6,041)	(6,077)
Tax on loss on ordinary activities	8	1,047	1,369
Loss for the financial year		(4,994)	(4,708)

All operations are continuing.

The notes on pages 17 to 22 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2019

	Note	2019 $'000	2018 $'000
Investment in subsidiaries	9	506,727	455,991
Total fixed assets		**506,727**	**455,991**
Debtors	10	1,155	2,387
Cash at bank		1,101	-
Deferred tax asset	11	1,273	138
Total current assets		**3,529**	**2,525**
Creditors: amounts falling due within one year	12	(39)	(54,087)
Net current assets		**3,490**	**(51,562)**
Total assets less current liabilities		510,217	404,429
Creditors: amounts falling due after one year	13	(169,495)	(162,730)
Net assets		**340,722**	**241,699**
Called up share capital	14	306	252
Share Premium	14	355,685	251,722
Profit and loss account		(15,269)	(10,275)
Total Shareholders' funds		**340,722**	**241,699**

The notes on pages 17 to 22 form an integral part of these financial statements.

The financial statements on pages 14 to 22 were approved at a meeting of the Board of Directors and signed on its behalf by:

A L Brooks
Director
04 June 2020

T A Kalvik
Director
04 June 2020

Statement of Changes in Equity
for the year ended 31 December 2019

	Note	Called-up Share Capital $'000	Share Premium $'000	Profit and Loss Account $'000	Total $'000
Balance as at 1 January 2018		252	251,722	(5,567)	246,407
Total comprehensive loss attributed to shareholders		-	-	(4,708)	(4,708)
Balances as at 31 December 2018		**252**	**251,722**	**(10,275)**	**241,699**
Balance as at 1 January 2019		252	251,722	(10,275)	241,699
Allotment of shares	14	54	-	-	54
Share premium on allotment of shares	14	-	103,963	-	103,963
Total comprehensive loss attributed to shareholders		-	-	(4,994)	(4,994)
Balances as at 31 December 2019		**306**	**355,685**	**(15,269)**	**340,722**

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Statement of compliance

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, which includes Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

2. Summary of significant accounting policies

Ascot Underwriting Group Limited acts primarily as a private holding company limited by its shares and is incorporated in the United Kingdom. The address of its registered office is 20 Fenchurch Street, London EC3M 3BY.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of presentation

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006, and reflect the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('SI2008/410'), the accounting policies as set out below, and in accordance with applicable accounting standards in the United Kingdom (FRS 102). In selecting appropriate accounting policies and the disclosures needed to help users to understand the accounting policies adopted and how they have been consistently applied, consideration has been given to the provision of FRS 102.

The Company's result is included within the consolidated financial statements of ABL. Consequently the Company has taken advantage of section 401(2) of the Companies Act 2006, which exempts an intermediate parent company that is a subsidiary of a parent not established under the law of an EEA State from the requirement to prepare consolidated financial statements if it is included in the consolidated financial statements of a larger group drawn in a manner equivalent to the consolidated financial statements produced in accordance with the provisions of the Seventh Directive.

As such, the financial statements contain information about AUGL as an individual Company and do not contain consolidated financial information.

Going Concern

In arriving at a determination of going concern, the Company considers a number of factors, taking into account economic, regulatory and environmental considerations.
In light of Covid-19 (see note 17), the Company has assessed the following factors;

a) the impact on operational disruption
b) the impact on legal and contractual obligations
c) the impact on liquidity and working capital requirements
d) assessed the access to capital
e) considered whether there is an impact on asset valuations; and
f) considered whether the information available to make the assessment was timely and of sufficient detail.

The Company has concluded that it continues to be a going concern after taking into account the above factors, as it can evidence a strong asset position and ability to meet the financial obligations due for at least twelve months from the signing of the accounts.

Key accounting policies

Turnover

Turnover represents dividend income received from subsidiary operations. Interim dividends are recognised when paid and final dividends are recognised as when they are approved by members passing a written resolution.

Expenditure

The Company retains expenses which are incurred directly in relation to the running of the Company, for example audit fees.

Interest receivable and payable

Interest is recognised in the financial statements in the period to which it relates.

Notes to the financial statements for the year ended 31 December 2019 (continued)

Taxation
Current and deferred income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on an undiscounted basis for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Current and deferred income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on an undiscounted basis for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Current and deferred income taxes are recognised as income or expense in statement of comprehensive income. The expense is charged or credited to operations based upon amounts payable or recoverable as a result of taxable operations for the current year. Where there are losses in the UK in any one year they can be carried back for one year or carried forward indefinitely to be offset against profits arising.

Investment in subsidiaries and other financial investments
Investments in subsidiary undertakings and other investments are stated at cost and are reviewed for impairment when events indicate the carrying value may be impaired.

Foreign currencies
The Company's functional currency is US Dollars. All income and expenses denominated in foreign currencies during the period are translated into US Dollars at the average rates of exchange during the year. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the statement of financial position date. Exchange differences arising from these transactions are recorded as a gain or loss in the statement of comprehensive income.

Financial assets and liabilities
When financial assets and liabilities are payable or recoverable in more than one year, they are initially recognised at cost and subsequently re-measured at amortised cost using the effective interest rate method. The interest rate used is generally that as stated in the loan agreement (if applicable) or a standard market rate for a similar product. The unwinding of the associated discount is subsequently recognised in the Statement of Comprehensive Income. Financial assets and liabilities payable or receivable in less than one year are recognised at cost, and deemed to be at present value.

2. Cash flow statement

The Company is consolidated into the financial statements of ABL (see note 16). Consequently, the Company has taken advantage of the exemption from preparing a statement of cash flows under the terms of FRS 102.1.11, 1.12 and 1.13 which state that a qualifying entity is entitled to do so.

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2019	**2018**
	$'000	**$'000**
Auditor's remuneration	22	28
Tax fees	29	22
Foreign exchange losses	-	11
Foreign exchange (gains)	(770)	-

Auditor's remuneration relates purely to the audit of the statutory financial statements.

4. Staff costs

There are no employees. All staff are employed by other companies in the Ascot group.

Notes to the financial statements for the year ended 31 December 2019 (continued)

5. Directors' Remuneration

Aggregate directors' emoluments charged to the Company or paid for the benefit of the Company are as follows:

	2019 $'000	2018 $'000
Directors' emoluments	207	557
Other pension costs	21	56
Other benefits	4	8
Bonus and LTIP awards	387	491
	619	1,112

The highest paid director for the year ended 31 December 2019 received $618,144 of remuneration in the year (2018: $1,112,462). During the year no directors exercised share options resulting in a gain of £nil (2018: £nil).

6. Interest payable and similar charges

	2019 $'000	2018 $'000
Amounts accrued on interest bearing loans	6,610	6,482
Loan discounting	155	(468)
	6,765	6,014

7. Tax on profit on ordinary activities

a) Analysis of charge in the year

The tax charge comprises:

	2019 $'000	2018 $'000
Current Tax on loss on ordinary activities:		
UK Corporation tax	-	1,155
Adjustments in respect of prior years	(88)	76
Current tax on income for the year	(88)	1,231
Deferred taxation:		
Deferred tax – origination and reversal of timing differences	1,135	-
Adjustments in respect of prior years	-	138
	1,047	1,369

b) Factors affecting tax charge for the year

The standard rate of Corporation Tax in the UK changed from 20.00% to 19.00% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting period are taxed at a rate of 19.00% (2018: 19.00%). The current tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK for 2019 of 19.00% (2018: 19.00%). The differences are explained below:

	2019 $'000	2018 $'000
Loss on ordinary activities before taxation	6,041	6,077
Loss on ordinary activities before tax multiplied by the standard rate of UK corporation tax of 19.00% (2018: 19.00%)	1,148	1,155
Expenses not deductible for tax purposes:		
Legal and professional	(2)	-
Foreign exchange gain on capital transaction	140	-
Tax rate differences	(151)	-
Adjustments to tax charge in respect of prior years	(88)	214
Tax charge for the period	1,047	1,369

Notes to the financial statements for the year ended 31 December 2019 (continued)

9. Investment in subsidiaries

The related undertakings of Ascot Underwriting Group Limited at 31 December 2019:

Subsidiary undertaking	Principal Activity	Registered Address	Class	Percentage
Ascot Underwriting Holdings Limited	Holding Company	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Employees Corporate Member Limited	Corporate member of Lloyds'	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Corporate Name Limited	Corporate member of Lloyds'	20 Fenchurch Street, London, UK	Ordinary	100%

Indirect related undertakings as at 31 December 2019 were:

Subsidiary undertaking	Principal Activity	Registered Address	Class	Percentage
Ascot Underwriting Limited	Managing Agent	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Insurance Services Limited	Service Company	20 Fenchurch Street, London, UK	Ordinary	100%
Ascot Underwriting Asia (Private Limited)	Service Company	Capita Green, 138 Market Street, Singapore	Ordinary	100%

Shares in subsidiary undertakings and other investments

During the year, the Company subscribed for 10 ordinary shares of par value GBP 1.00 in ACNL for an aggregate subscription price of £38,750,000.

Cost	2019 $'000	2018 $'000
Ascot Corporate Name Limited	239,539	188,803
Ascot Employees Corporate Member Limited	10,840	10,840
Ascot Underwriting Holdings Limited	256,348	256,348
At Year End	**506,727**	**455,991**

10. Debtors

	2019 $'000	2018 $'000
Amounts due from subsidiaries	1,155	1,143
Corporation tax receivable (Group relief)	-	1,244
	1,155	**2,387**

Amounts due from subsidiaries do not have any applicable terms and conditions applied and will be settled within one year.

11. Deferred tax asset

Deferred tax is provided as follows:

	2019 $'000	2018 $'000
At 1 January	138	-
Deferred tax credit to other comprehensive income	1,135	138
At 31 December	**1,273**	**138**

The closing deferred tax balance comprise:

	2019 $'000	2018 $'000
Trading losses	1,273	138
	1,273	**138**

The calculation of the deferred tax assets and liabilities is based on corporation tax rates, as at the balance sheet date, for the financial years in which the timing difference is expected to reverse, please see note 17. The net deferred tax asset expected to reverse in 2020 is £nil.

Notes to the financial statements for the year ended 31 December 2019 (continued)

12. Creditors: amounts falling due within one year

	2019	2018
	$'000	$'000
Amounts due to subsidiaries	-	31
Intercompany loan – due to intermediate parent	-	54,017
Accruals and deferred income	39	39
	39	**54,087**

The $54m due from the Company to AGL, present in 2018, was waived via a capital contribution during 2019 (see note 14).

13. Creditors: amounts falling due after one year

	2019	2018
	$'000	$'000
Loan notes issued to immediate parent	169,495	162,730
	169,495	**162,730**

A resolution was passed by the board of AUGL on 17 November 2016 to create up to 200,000,000 loan notes with a value of $1 per note. The loan notes were issued on 18 November 2016 and 150,000,000 were taken up by the Company's parent, Ascot Holdings Limited ("AHL"). Interest on the notes accrues on a days basis of a 360-day year. The issuer (AUGL) will pay interest on the principal amount of each note at a rate of 4% per annum, with any interest accrued but unsettled at the period end being added to the principal. The final maturity date of the notes is 18 November 2021 at which point AUGL shall redeem the notes at their principal amount together with any accrued but unpaid interest thereon.

On 10 January 2018, the $150m loan note instrument issued by AUGL and held by AHL was listed on the Bermuda Stock Exchange.

The balance of the financial liability at the end of the year has been measured at amortised cost using the effective interest rate method (loan rate of 4%); this has given rise to a discount being expensed to the statement of comprehensive income of $155,514 (2018: income of $467,662) and a discount to the balance sheet value of the loan of $312,149 (2018: $467,662).

On 25 January 2019, ABL amalgamated with AHL, with ABL continuing as the surviving entity. As a result of this, ABL now holds the loan instrument that was issued to AUGL.

14. Share capital and other reserves

	2019	2018
	$	$
Authorised	305,992	251,976
Allotted and fully paid	305,992	251,965

The capital consists of 305,992,224 ordinary shares of $0.001 each. The entire issued share capital of the Company is owned by ABL.

	2019 Share Capital $'000	2019 Share Premium $'000	2019 Retained Earnings $'000	2018 Share Capital $'000	2018 Share Premium $'000	2018 Retained Earnings $'000
Balance at 1 January	252	251,722	(10,275)	252	251,722	(5,567)
(Loss for the period)	-	-	(4,994)	-	-	(4,708)
Allotment of shares	54	-	-	-	-	-
Share premium	-	103,963	-	-	-	-
Balance at 31 December	**306**	**355,685**	**(15,269)**	**252**	**251,722**	**(10,275)**

During the year, a $54m loan held with AGL was waived via a capital contribution, with AGL allotting an additional 54,017,138 ordinary shares of par value $0.001 as consideration for the loan balance, valued at $54,017,138. In addition, parent company ABL subscribed for 50 ordinary shares of par value $0.001 in the Company, for an aggregate subscription price of $50,000,000.

Notes to the financial statements for the year ended 31 December 2019 (continued)

15. Related party transactions

The only related parties that have transacted with Ascot Underwriting Group Limited are companies within the Ascot group of companies.

The Company has taken advantage of exemptions under FRS 102 Section 33 to not disclose inter-group transactions as the Company is a wholly-owned subsidiary of ABL and AGL. Copies of the Ascot Group Limited consolidated financial statements can be obtained from Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, Bermuda.

At the statement of financial position date, outstanding amounts due from AUHL were $nil (2018: $31,176). The 2018 outstanding amount was in respect of expenses incurred by AUHL on behalf of the Company. In 2019 no expenses were incurred on the Company's behalf.

During the year the Company recharged tax losses of $1,154,661 (2018: $1,143,882) to ACNL. At the statement of financial position date, outstanding amounts due from ACNL were $1,154,661 (2018: $1,143,882).

A resolution was passed by the board of AUGL on 17 November 2016 to create up to 200,000,000 loan notes with a value of $1 per note. The loan notes were issued on 18 November 2016 and 150,000,000 were taken up by the Company's parent, AHL. At the statement of financial position date, outstanding amounts payable in respect of the $150m loan note were $169,807,589, including accrued and outstanding interest.

Other than those mentioned above and in the relevant disclosure notes, there are no other material related party transactions during the year.

16. Ultimate controlling party

The Company's immediate parent undertaking is ABL. Copies of ABL financial statements can be obtained from Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, Bermuda.

The intermediate parent undertaking and largest group to consolidate these financial statements AGL. Copies of the AGL consolidated financial statements can be obtained from Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, Bermuda.

The ultimate parent undertaking and controlling party is Canada Pension Plan Investment Board, incorporated in Canada with a registered address of: 1 Queen Street East, Suite 2500, Toronto ON M5C 2W5, Canada.

17. Post balance sheet events

Coronavirus, ("Covid-19") started in Wuhan, China in December 2019 with a limited number of cases of the then unidentified virus being notified to the World Health Organisation ("WHO"). It was unknown at that time the impact of the virus and it's contagious nature would have across the world and it wasn't until Q1 2020 that it was declared a Public Health Emergency of International Concern, by the WHO. We are satisfied that this is a non-adjusting event and that there is no financial impact on this entity as at the reported balance sheet date, 31 December 2019.

Subsequent to the statement of financial position date and before the date of this report, the Chancellor of the Exchequer announced in his annual budget on the 11 March 2020 that the rate of corporation tax will be maintained at 19%, rather than reduced to 17% during the 2020 financial year as originally enacted. The Company has recognised deferred tax at the rate at which it expected the tax to unwind and to the extent it deemed the balance recoverable at the statement of financial position date. The impact to the statement of comprehensive income of maintaining the rate of corporation tax at the current rate of 19% is a deferred tax credit of £149,795. This adjustment will be recognised during 2020 once the finance bill is approved by parliament and the new tax rate becomes enacted.

Ascot Group Limited

Consolidated Audited Financial Statements

December 31, 2019 and 2018

Filed by Ascot Underwriting Group Limited (company number 10360031) to take advantage of the exemption under s401 of the Companies Act 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Ascot Group Limited

We have audited the accompanying consolidated financial statements of Ascot Group Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Ascot Group Limited and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 8 be presented to supplement the basic financial statements. Such information, although not part of basic financial statements, is required by the Financial Accounting Standards Board 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 inquires with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 no provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

March 20, 2020

ASCOT GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
	(in thousands U.S dollars)	
ASSETS		
Fixed maturities, at fair value (amortized cost: 2019 - $1,739,978; 2018 - $1,584,603)	$ 1,761,679	$ 1,566,400
Other fixed income investments, at fair value	51,028	—
Short term investments, at cost and fair value	98,766	43,529
Total investments	1,911,473	1,609,929
Cash and cash equivalents	183,996	594,788
Accrued investment income	10,313	9,904
Premiums receivable	341,706	265,751
Deferred tax assets	29,369	28,009
Prepaid reinsurance premiums	85,911	48,159
Reinsurance recoverable on paid losses	20,391	34,042
Reinsurance recoverable on unpaid losses	384,244	563,691
Deferred acquisition costs	94,608	81,892
Goodwill	69,551	69,551
Intangible assets	176,924	184,171
Other assets	62,842	52,389
TOTAL ASSETS	**3,371,328**	**3,542,276**
LIABILITIES		
Reserve for loss and loss adjustment expenses	1,082,498	1,217,174
Unearned premiums	498,860	363,469
Insurance and reinsurance balances payable	82,389	65,353
Deferred tax liabilities	49,381	52,961
Other liabilities	67,733	90,707
TOTAL LIABILITIES	**1,780,861**	**1,789,664**
SHAREHOLDERS' EQUITY		
Common shares	297	297
Additional paid-in capital	1,968,276	1,962,405
Treasury shares	(250,045)	(45)
Accumulated other comprehensive income	4,808	3,070
Retained deficit	(132,869)	(213,115)
TOTAL SHAREHOLDERS' EQUITY	**1,590,467**	**1,752,612**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 3,371,328**	**$ 3,542,276**

See accompanying notes to the consolidated financial statements.

ASCOT GROUP LIMITED
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
	(in thousands U.S. dollars)	
REVENUES		
Gross premiums written	$ 1,162,050	$ 962,817
Reinsurance premiums ceded	(350,865)	(298,307)
Net premiums written	811,185	664,510
Earned premiums	1,026,664	921,731
Earned premiums ceded	(313,125)	(303,692)
Net premiums earned	713,539	618,039
Net investment income	48,505	48,656
Net realized and unrealized gains (losses) on investments	40,499	(18,274)
Other income	21,771	19,049
TOTAL REVENUES	**824,314**	**667,470**
LOSSES AND EXPENSES		
Net incurred losses and loss adjustment expenses	367,778	330,236
Acquisition costs	190,526	177,990
General and administrative expenses	175,436	171,580
Amortization of intangible assets	7,247	10,881
Net foreign exchange losses	121	152
TOTAL LOSSES AND EXPENSES	**741,108**	**690,839**
INCOME (LOSS) BEFORE TAXES	**83,206**	**(23,369)**
Income tax expense	(2,960)	(10)
NET INCOME (LOSS)	**$ 80,246**	**$ (23,379)**
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	1,738	(819)
Total other comprehensive income (loss), net of tax	1,738	(819)
COMPREHENSIVE INCOME (LOSS)	**$ 81,984**	**$ (24,198)**

See accompanying notes to the consolidated financial statements.

ASCOT GROUP LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
	(in thousands U.S. dollars)	
COMMON SHARES		
Balance at beginning of year	$ 297	$ 296
Common shares issued	—	1
Balance at end of year	297	297
ADDITIONAL PAID IN CAPITAL		
Balance at beginning of year	1,962,405	1,957,195
Common shares issued	25	1,412
Share based compensation	5,846	3,798
Balance at end of year	1,968,276	1,962,405
TREASURY SHARES		
Balance at beginning of year	(45)	(15,449)
Treasury shares issued	—	15,404
Shares repurchased	(250,000)	—
Balance at end of year	(250,045)	(45)
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at beginning of year	3,070	3,889
Foreign currency translation adjustment	1,738	(819)
Balance at end of year	4,808	3,070
RETAINED DEFICIT		
Balance at beginning of year	(213,115)	(189,736)
Net income (loss)	80,246	(23,379)
Balance at end of year	(132,869)	(213,115)
TOTAL SHAREHOLDERS' EQUITY	$ 1,590,467	$ 1,752,612

See accompanying notes to the consolidated financial statements.

ASCOT GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASHFLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
	(in thousands U.S. dollars)	
CASHFLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 80,246	$ (23,379)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(40,499)	18,274
Amortization of fixed maturities	983	1,022
Amortization of intangible assets	7,247	10,881
Depreciation of fixed assets	2,994	2,137
Share-based compensation expense	5,846	20,260
Changes in:		
Accrued investment income	(409)	(4,834)
Premiums receivable	(75,955)	(38,772)
Reinsurance recoverables	193,098	(143,805)
Deferred acquisition costs	(12,716)	(24,073)
Prepaid reinsurance premiums	(37,752)	5,329
Reserve for loss and loss adjustment expenses	(134,676)	105,049
Unearned premiums	135,391	41,143
Insurance and reinsurance balances payable	17,036	8,265
Other items, net	(34,290)	19,153
Net cash provided by (used in) operating activities	106,544	(3,350)
CASHFLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed maturities	(751,029)	(1,183,659)
Proceeds from sale of fixed maturities	491,600	485,391
Proceeds from maturities and redemptions of fixed maturities	105,814	46,153
Purchases of short term investments	(55,036)	—
Proceeds from sale and maturities of short term investments	—	7,098
Purchases of other fixed income investments	(50,000)	—
Purchases of other investments	(4,077)	(7,678)
Acquisition of subsidiary, net of cash acquired	—	(13,267)
Net cash used in investing activities	(262,728)	(665,962)
CASHFLOW FROM FINANCING ACTIVITIES		
Repurchase of common shares	(250,000)	—
Net cash used in financing activities	(250,000)	—
Effect of exchange rate changes on foreign currency cash and cash equivalents	(4,608)	3,655
Decrease in cash and cash equivalents	(410,792)	(665,657)
Cash and cash equivalents - beginning of year	594,788	1,260,445
Cash and cash equivalents - end of year	$ 183,996	$ 594,788
Supplemental disclosures of cash flow information:		
Income taxes paid	5,035	20,090
Interest paid	—	—

See accompanying notes to the consolidated financial statements.

1. History and principal operations

Ascot Group Limited ("AGL" or "the Company") was incorporated in Bermuda on September 8, 2016. AGL acts primarily as the ultimate holding company of Ascot Bermuda Limited ("Ascot Bermuda") (formerly Ascot Reinsurance Company Limited), Ascot Underwriting Group Limited ("AUGL") and Ascot Insurance Holdings Limited ("AIHL").

Ascot Bermuda was incorporated in Bermuda on September 8, 2016 and operates as a Class 3B insurance and reinsurance company regulated by the Bermuda Monetary Authority providing both third party reinsurance and quota share reinsurance to Syndicate 1414 ("the Syndicate") at Lloyd's and Ascot Corporate Name Limited ("ACNL").

AUGL operates as a holding company for a number of entities including ACNL which is a UK based company providing underwriting capacity as the corporate member for the Syndicate.

AIHL operates as a holding company for Ethos Specialty Insurance Services LLC ("Ethos"), a managing general agent ("MGA") as well as for Ascot Insurance Company ("AIC") and Ascot Specialty Insurance Company ("ASIC") which were acquired on October 4, 2018 to write both admitted and non-admitted business in the United States. AIC and ASIC commenced underwriting operations on January 1, 2019.

Canada Pension Plan Investment Board ("CPPIB") is the principal shareholder of AGL.

2. Significant accounting policies

Basis of Presentation and Consolidation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the results of operations and the financial position of AGL and its wholly owned subsidiaries. These consolidated financial statements also include the results of operations and the financial position of the Ascot Group Limited Employee Trust ("EBT"), a Jersey based trust which holds cash and AGL ordinary shares for the benefit of certain employees of the Company (see Note 13. Employee Benefit Trust for further information). All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the consolidated financial statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company's principal estimates include:

- reserve for losses and loss adjustment expenses;
- reinsurance recoverables on unpaid losses, including the provision for uncollectible amounts;
- gross and net premiums written and earned;
- fair value measurements for financial assets;
- consideration of impairment of goodwill and indefinite life intangible assets; and
- recoverability of deferred tax assets.

Significant accounting policies are as follows:

Investments and investment income

Fixed maturity securities

The Company's investments in fixed maturity securities are classified as trading and are carried at fair value, with related unrealized gains and losses recorded in net realized and unrealized gains (losses) on investments included in the consolidated statements of income and comprehensive income.

Fair values of the Company's fixed maturity securities are based on quoted market prices or, when such prices are not available, by reference to broker quotes and/or internal pricing valuation techniques. Investment transactions are recorded on a trade date basis with balances pending settlement recorded as receivable for securities sold or payable for securities purchased and included within other assets and other liabilities, respectively.

For mortgage-backed and other asset-backed debt securities, fair value includes estimates regarding prepayment assumptions, which are based on current market conditions. Amortized cost in relation to these securities is calculated using a constant effective yield based on anticipated prepayments and estimated economic lives of the securities. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date. Changes in estimated yield are recorded on a retrospective basis, which results in future cash flows being used to determine current book value.

Realized gains and losses on sales of fixed maturity securities are determined based on the specific identification method.

Other fixed income investments

The Company's investments in other fixed income investments principally include an investment in a senior secured credit fund. The investment is recorded at fair value with changes in fair value included in net investment income.

Short term investments

Short term investments primarily comprise highly-liquid debt securities with maturities greater than three months but less than one year from the date of purchase. These investments are carried at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities.

Equity method investments

Investments in which the Company has the ability to exert significant influence over the operating and financial policies of the investee are accounted for under the equity method of accounting. Equity method investments are recorded in other assets in the balance sheet. Under this method, the Company records its proportionate share of income or loss from such investments in its results for the period. These amounts are recorded in general and administrative expenses in the consolidated statements of income and comprehensive income.

Net investment income

Net investment income includes interest income on fixed maturity securities, short term investments and cash and cash equivalents, recorded when earned and the amortization of premiums and discounts on investments. The amortization of premium and accretion of discount is computed using the effective interest rate method. Net investment income also includes the change in fair value of the Company's other fixed income investments. Net investment income is recorded net of investment expenses.

Cash and Cash Equivalents

Cash equivalents include money-market funds and fixed interest deposits with a maturity of less than three months when purchased. Cash and cash equivalents are recorded at amortized cost, which approximates fair value due to the short-term, liquid nature of these securities.

Premiums

Direct insurance and assumed facultative reinsurance premiums are recognized as earned on a pro rata basis over the applicable policy or contract periods. For assumed treaty reinsurance written on a losses occurring basis, premiums written are earned on a pro rata basis over the risk period. For assumed treaty reinsurance written on a risks attaching basis, premiums written are earned on a pro rata basis over the periods of the underlying policies. Premiums may include estimates based on information received from brokers, ceding insurers and insureds, and any subsequent differences from such estimates are recorded in the period in which they are determined. In each case, the portions of the premiums written applicable to the unexpired terms are recorded as unearned premiums.

The accounting for reinsurance ceded depends on the method of reinsurance. If the policy is on a losses occurring basis, reinsurance premiums ceded and associated commissions are expensed on a pro rata basis over the period reinsurance coverage is provided. If the policy is on a risk attaching basis, reinsurance premiums ceded and associated commissions are expensed in line with gross premiums earned to which the risk attaching policy relates. Prepaid reinsurance premiums represent the portion of premiums ceded on the unexpired terms of the policies purchased. Reinsurance commissions that will be earned in the future are deferred and recorded as deferred acquisition costs on the balance sheets.

Reinstatement premiums are recognized and earned at the time a loss event occurs, where the coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms.

Acquisition costs

Acquisition expenses are costs that vary with, and are directly related to, the production of new and renewal business, and consist principally of commissions and brokerage expenses. Acquisition expenses are shown net of commissions on reinsurance ceded. Acquisition costs associated with the successful acquisition of new or renewal policies are deferred and amortized over the periods in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated loss and loss adjustment expenses based on historical and current experience and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

Acquisition expenses also include profit commissions associated with the (re)insurance contracts written by the Company. Profit commissions are recognized when earned.

Losses and loss adjustment expenses

Reserve for losses and loss expenses represents an estimate of the unpaid portion of the ultimate liability for losses and loss expenses for (re)insured events that have occurred at or before the balance sheet date. The balance reflects both claims that have been reported ("case reserves") and claims that have been incurred but not yet reported ("IBNR"). These amounts are reduced for estimated amounts of salvage and subrogation recoveries.

The Company reviews its reserve for losses and loss expenses on a quarterly basis. Case reserves are primarily established based on amounts reported from insureds and/or their brokers. Management estimates IBNR after reviewing detailed actuarial analyses and applying informed judgment regarding qualitative factors that may not be fully captured in the actuarial estimates. A variety of actuarial methods are utilized in this process, including the Expected Loss Ratio, Loss Development Method and Bornhuetter-Ferguson methods. The estimate is highly dependent on management's judgment as to which method(s) are most appropriate for a particular accident year and class of business. Historical claims data is often supplemented with industry benchmarks when applying these methodologies.

Any adjustments to previous reserve for losses and loss expenses estimates are recognized in the period they are determined. While the Company believes that its reserves for losses and loss expenses are adequate, this estimate requires significant judgment and new information, events or circumstances may result in ultimate losses that are materially greater or less than provided for in the consolidated balance sheets.

Reinsurance
In the normal course of business, the Company purchases reinsurance protection to limit its ultimate losses from catastrophic events and to reduce its loss aggregation risk.

Reinsurance recoverable related to case reserves is estimated on a case-by-case basis by applying the terms of any applicable reinsurance coverage to individual case reserve estimates. The estimate of reinsurance recoverable related to IBNR reserves is generally developed as part of the loss reserving process.

Reinsurance recoverable is presented net of a provision for uncollectible amounts, reflecting the amount the Company believes will ultimately not be recovered due to reinsurer insolvency, contractual disputes and/or some other reason.

The estimates of reinsurance recoverable and the associated provision require management's judgment. Any adjustments to amounts recognized in prior periods are reported in net losses and loss expenses in the consolidated statements of income for the period when the adjustments were identified.

Foreign exchange
The Company's reporting currency is the U.S. dollar. In translating the financial statements of its subsidiaries where the functional currency is other than the U.S. dollar, assets and liabilities are converted into U.S. dollars using the rates of exchange in effect at the balance sheet dates and revenues and expenses are converted using the weighted average foreign exchange rates for the period. The effect of translation adjustments is reported as a separate component of accumulated other comprehensive income in shareholders' equity.

In recording foreign currency transactions, revenue and expense items are converted to the relevant functional currency at the exchange rate prevailing at the transaction date. Assets and liabilities originating in currencies other than the functional currency are remeasured to the functional currency at the rates of exchange in effect at the balance sheet date. The resulting foreign currency gains or losses are recognized in the consolidated statements of income and comprehensive income.

Share based compensation
The Company has granted restricted stock awards, restricted stock units ("RSU's) and performance stock options to certain employees. The compensation expense for these awards is recognized in the financial statements over the requisite service period based on their grant date fair values. The Company has elected to recognize forfeitures as they occur rather than estimating service-based forfeitures over the requisite service period.

Goodwill and other intangible assets
The Company recognized goodwill and other intangible assets in connection with certain acquisitions. Goodwill represents the excess of the purchase price paid over the fair value of the net assets acquired in these acquisitions and is not amortized. The Company classifies its intangible assets into two categories: (1) intangible assets with finite lives subject to amortization over the estimated useful live of the intangible asset and (2) intangible assets with indefinite lives not subject to amortization. Intangible assets, other than goodwill, generally consist of distribution channels, syndicate capacity, value of business acquired ("VOBA") and insurance licenses.

The Company assesses goodwill and indefinite life intangible assets for potential impairment during the fourth quarter each year. Such events or circumstances may include an economic downturn in a geographic market or a change in the assessment of future operations.

The Company has the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill and other intangible asset impairment test. Under this option, the Company would not be required to calculate the fair value of a reporting unit unless the Company determines, based on its qualitative assessment, that it is more likely than not that a reporting unit's fair value is less than its carrying amount. If goodwill or other intangible assets are impaired, they are written down to their estimated fair value with a corresponding expense reflected in the consolidated statements of income and comprehensive income.

Income taxes
Certain subsidiaries and branches of the Company operate in jurisdictions where they are subject to taxation. Current and deferred income taxes are charged or credited to net income based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the consolidated balance sheets and those used in the various jurisdictional tax returns. When the assessment indicates that it is more likely than not that a portion of a deferred tax asset will not be realized in the foreseeable future, a valuation allowance against deferred tax assets is recorded. The Company recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained upon audit by the relevant taxing authorities.

Other income
The Company earns commissions paid by insurance carriers for the binding of insurance coverage. Commissions are earned at a point in time upon the effective date of bound insurance coverage, as no performance obligation exists after coverage is bound. If there are other services within the contract, the Company estimates the stand-alone selling price for each separate performance obligation, and the corresponding apportioned revenue is recognized over a period of time as the performance obligations are fulfilled. The Company earns other fee revenue from providing services other than securing insurance coverage. Fee revenues from these agreements are recognized depending on when the services within the contract are satisfied and when control of the related services has been transferred to the customer. Profit-sharing commissions represent a form of variable consideration associated with the placement of coverage, for which the Company earns commissions. Profit-sharing commissions are estimated such that a significant reversal of revenue is not probable.

The commission income and other fee revenue are recognized in other income in the consolidated statements of income and comprehensive income.

Recently adopted accounting standards

Revenue from Contracts with Customers
In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further ASU's, ASU 2016-08, ASU 2016-10 and 2016-12, associated with Revenue from Contracts with Customers were issued in 2016. All of these ASU's were effective for non-public companies for annual periods beginning after December 15, 2018. These ASU's exclude the accounting for insurance contracts, leases, financial instruments and guarantees.The adoption of ASU No. 2014-09 did not have a material impact on the Company's consolidated statements of income and comprehensive income and balance sheet.

Recognition and Measurement of Financial Assets and Financial Liabilities
In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, simplifies the impairment assessment of equity investments without readily determinable values, requires separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the organization has elected to measure the liabilities in accordance with the fair value option, requires the separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and clarifies that the reporting organization should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the organization's other deferred tax assets. ASU 2016-01 is effective for non-public companies for annual

periods beginning after December 15, 2018. The adoption of ASU 2016-01 did not have a material impact on the Company's consolidated statements of income and comprehensive income and balance sheet.

Classification of Certain Cash Receipts and Cash Payments
In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). ASU 2016-15 clarifies the classification of receipts and payments in the statement of cash flows. ASU 2016-15 provides guidance related to (1) settlement and payment of zero coupon debt instruments, (2) contingent consideration, (3) proceeds from settlement of insurance claims, (4) proceeds from settlement of corporate and bank owned life insurance policies, (5) distributions from equity method investees, (6) cash receipts from beneficial interests obtained by a transferor, and (7) general guidelines for cash receipts and payments that have more than one aspect of classification. ASU 2016-15 is effective for non-public business entities for annual periods beginning after December 15, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated statement of cashflows.

Intra-Entity Transfers of Assets Other Than Inventory
In October 2016, the FASB issued ASU No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory ("ASU 2016-16"). ASU 2016-16 requires entities to recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfers occur; this is a change from current guidance which prohibits the recognition of current and deferred income taxes until the underlying assets have been sold to outside entities. ASU 2016-16 is effective for non-public companies for annual periods beginning after December 15, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated statements of income and comprehensive income and balance sheet.

Recently issued accounting standards not yet adopted

Leases
In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous guidance. The effective date of ASU 2016-02 has been delayed by the issuance of ASU 2019-10 and is now effective for non-public companies for annual periods beginning after December 15, 2020. Early application is permitted. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated statements of income and comprehensive income and balance sheet.

Measurement of Credit Losses on Financial Instruments
In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 modifies the recognition of credit losses by replacing the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is applicable to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables, and other financial assets that have the contractual right to receive cash. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Company's invested assets are measured at fair value through net income, and therefore those invested assets would not be impacted by the adoption of ASU 2016-13. The Company has other financial assets, such as reinsurance recoverables, that could be impacted by the adoption of ASU 2016-13. The effective date of ASU 2016-13 has been delayed by the issuance of ASU 2019-10 and is now effective for non-public companies for annual periods beginning after December 15, 2022. The Company is currently evaluating the impact of this guidance.

Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement
In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). The ASU 2018-13 modifies the disclosure

(Expressed in thousands of U.S. dollars, except share data)

requirements of fair value measurements as part of the disclosure framework project with the objective to improve the effectiveness of disclosures in the notes to the financial statements. ASU 2018-13 allows for removal of the amount and reasons for transfer between Level 1 and Level 2 of the fair value hierarchy; the policy for transfers between levels; and the valuation processes for Level 3 fair value measurements. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated financial statements disclosures.

3. Investments

The amortized cost, gross unrealized gains and losses and fair value of fixed maturity investments as of December 31, 2019 are as follows:

	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
U.S. government and government agency securities	$ 151,412	$ 1,195	$ (182)	$ 152,425
Non-U.S. government and government agency securities	94,771	1,213	(275)	95,709
Municipal securities	90,173	1,405	(383)	91,195
Corporate securities	1,071,658	16,871	(504)	1,088,025
Asset-backed securities	146,663	737	(975)	146,425
Mortgage-backed securities	18,128	276	(33)	18,371
Residential mortgage-backed securities	167,173	2,531	(175)	169,529
Total fixed maturity securities	1,739,978	24,228	(2,527)	1,761,679
Short term investments	98,766	—	—	98,766
	$1,838,744	$ 24,228	$ (2,527)	$ 1,860,445

The amortized cost, gross unrealized gains and losses and fair value of fixed maturity investments as of December 31, 2018 are as follows:

	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
U.S. government and government agency securities	$ 131,725	$ 1,004	$ (421)	$ 132,308
Non-U.S. government and government agency securities	97,975	208	(765)	97,418
Municipal securities	64,977	21	(462)	64,536
Corporate securities	1,065,250	461	(13,973)	1,051,738
Asset-backed securities	118,710	1	(1,634)	117,077
Mortgage-backed securities	1,701	—	(11)	1,690
Residential mortgage-backed securities	104,265	1	(2,633)	101,633
Total fixed maturity securities	1,584,603	1,696	(19,899)	1,566,400
Short term investments	43,529	—	—	43,529
	$1,628,132	$ 1,696	$ (19,899)	$ 1,609,929

(Expressed in thousands of U.S. dollars, except share data)

The contractual maturities of fixed maturities are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2019	
	Amortized cost	Fair value
Due in one year or less	$ 219,931	$ 220,863
Due after one year through five years	1,075,706	1,091,582
Due after five years through ten years	106,781	109,262
Due after ten years	5,596	5,647
Asset-backed securities	146,663	146,425
Mortgage-backed securities	18,128	18,371
Residential mortgage-backed securities	167,173	169,529
Total fixed maturity securities	$ 1,739,978	$ 1,761,679

Realized and unrealized investment gains (losses)

The following represents an analysis of net realized and unrealized gains (losses) on investments for the years ended:

	December 31, 2019		
	Realized gains	Realized losses	Net realized gains (losses)
Fixed maturity securities	$ 2,998	$ (994)	$ 2,004
Short term investments	543	(2)	541
	3,541	(996)	2,545
Net unrealized gains			37,954
			$ 40,499

	December 31, 2018		
	Realized gains	Realized losses	Net realized gains (losses)
Fixed maturity securities	$ 66	$ (4,116)	$ (4,050)
Short term investments	—	(288)	(288)
	66	(4,404)	(4,338)
Net unrealized losses			(13,936)
			$ (18,274)

(Expressed in thousands of U.S. dollars, except share data)

Net Investment Income

Net investment income for the years ended December 31, 2019 and 2018 was derived from the following sources:

	2019	2018
Fixed maturity securities	$ 43,475	$ 43,506
Other fixed income investments	1,028	—
Short term investments	662	2,647
Cash and cash equivalents	5,138	4,388
Total gross investment income	50,303	50,541
Investment expenses	(1,798)	(1,885)
Net investment income	$ 48,505	$ 48,656

Restricted cash and investments

The Company operates in the Lloyd's market through its corporate member, ACNL, which represents its participation in Syndicate 1414. Lloyd's sets capital requirements, or Funds at Lloyd's ("FAL") for corporate members annually through the application of a capital model which is based on the regulatory capital rules pursuant to Solvency II, as further adjusted by Lloyd's. The Company holds cash and investments to satisfy a portion of the FAL requirements. In addition, the Company holds cash and investments to satisfy other Lloyd's requirements including Premium Trust Deeds, Funds in Syndicates and overseas deposits.

The Company also holds cash and investments which are on deposit with U.S. insurance regulators to meet certain statutory requirements and also collateral to support bank credit facilities and certain insurance and reinsurance transactions. In addition, through its Ethos MGA business, the Company acts as a fiduciary for various insureds and in this role holds cash received from premiums and other amounts collected.

The restricted cash and investments held on the Company's consolidated balance sheet as of December 31, 2019 and 2018 were as follows:

	December 31, 2019			
	Cash and cash equiv.	**Short term investments**	**Fixed maturities**	**Other fixed income investments**
Deposited at Lloyd's for FAL	$ 1,718	$ —	$ 306,086	$ 51,028
Other Lloyd's requirements	10,231	48,762	533,558	—
Deposits for U.S Insurance regulators	5,762	—	3,743	—
Collateral pledged for letters of credit	152	—	13,630	—
Collateral pledged for insurance and reinsurance transactions		—	6,895	—
Fiduciary cash	19,106	—	—	—
	36,969	48,762	863,912	51,028

(Expressed in thousands of U.S. dollars, except share data)

	December 31, 2018			
	Cash and cash equiv.	Short term investments	Fixed maturities	Other fixed income investments
Deposited at Lloyd's for FAL	$ 3,698	$ —	$ 335,194	$ —
Other Lloyd's requirements	5,389	43,529	420,422	—
Deposits for U.S Insurance regulators	3,094	—	4,795	—
Collateral pledged for letters of credit	—	—	5,005	—
Fiduciary cash	24,747	—	—	—
Employee Benefit Trust	2,809	—	—	—
	$ 39,737	$ 43,529	$ 765,416	$ —

4. Fair value measurement

Fair value hierarchy

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. U.S. GAAP prescribes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement. The hierarchy is broken down into three levels as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Company's own judgments about assumptions that market participants might use.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment.

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This may lead the Company to change the selection of its valuation technique (from market to cash flow approach) or may cause it to use multiple valuation techniques to estimate the fair value of a financial instrument. This circumstance could cause an instrument to be reclassified between levels within the fair value hierarchy.

Valuation techniques

The valuation techniques, including significant inputs and assumptions generally used to determine the fair values of the Company's financial instruments as well as the classification of the fair values of its financial instruments in the fair value hierarchy are described in detail below.

Fixed maturities
At each valuation date, the market approach valuation technique is used to estimate the fair value of the Company's fixed maturities portfolio, when possible. This market approach includes, but is not limited to, prices obtained from third party pricing services for identical or comparable securities and the use of "pricing matrix models" using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. Pricing from third party pricing services is sourced from multiple vendors, when available, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. When prices are unavailable from pricing services, non-binding quotes are obtained from broker-dealers who are active in the corresponding markets. The valuation techniques including significant inputs generally used to determine the fair values of the Company's fixed maturities by asset class as well as the classifications of the fair values of these securities in the fair value hierarchy are described in detail below.

U.S. government and government agency securities
U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the such as the Federal National Mortgage Association ("FNMA"), and the Federal Home Loan Mortgage Corp ("FHLMC"). As the fair values of U.S. Treasury securities are based on unadjusted market prices in active markets, the fair values of these securities are generally classified as Level 1. The fair values of U.S. government agency securities are determined using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads are observable market inputs, the fair values of U.S. government agency securities are classified as Level 2.

Non-U.S. government and government agency securities
Non-U.S. government securities include bonds issued by non-U.S. governments and their agencies along with supranational organizations (collectively also known as sovereign debt securities). The fair values of these securities are based on prices obtained from international indices or valuation models that include inputs such as interest rate yield curves, cross-currency basis index spreads and country credit spreads for structures similar to the sovereign bond held in terms of issuer, maturity and seniority. As the significant inputs used to price these securities are observable market inputs, the fair values of non-U.S. government securities are generally classified as Level 2.

Municipal securities
Municipals comprise revenue and general obligation bonds issued by U.S. domiciled state and municipal entities. The fair values of these securities are determined using spreads obtained from the new issue market, trade prices and broker-dealers quotes. As the significant inputs used to price these securities are observable market inputs, the fair values of municipals are generally classified as Level 2.

Corporate securities
Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are generally determined using the spread above the risk-free yield curve. These spreads are generally obtained from the new issue market, secondary trading and broker-dealer quotes. As the yields for the risk-free yield curve and the spreads are observable market inputs, the fair values of corporate debt securities are generally classified as Level 2. Where pricing is unavailable from pricing services, non-binding quotes are obtained from broker-dealers to estimate fair value. In this event, the fair value of these securities are classified as Level 3.

Asset-backed securities ("ABS")
ABS include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, student loans, credit card receivables, and collateralized loan obligation debt originated by a variety of financial institutions. The fair values of these securities are determined using a model which uses prepayment speeds and spreads sourced primarily from the new issue market. As the significant inputs used to price these securities are observable market inputs, the fair

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values of ABS are generally classified as Level 2. Where pricing is unavailable from pricing services, non-binding quotes are obtained from broker-dealers to estimate fair value. In this event, the fair values of these securities are classified as Level 3.

Mortgage-backed and residential mortgage-backed securities
This category includes residential and commercial mortgages originated by both U.S. government agencies (such as the FNMA) and non-U.S. government agencies. The fair values of mortgage-backed securities originated by U.S. government agencies and non-U.S. government agencies are based on a pricing model that incorporates prepayment speeds and spreads to determine appropriate average life of mortgage-backed securities. The spreads are sourced from broker-dealers, trade prices and the new issue market. As the significant inputs used to price the mortgage-backed securities are observable market inputs, the fair values of these securities are generally classified as Level 2.

Short-Term Investments
Short-term investments primarily comprise highly liquid securities with maturities greater than three months but less than one year from the date of purchase. These securities are generally classified as Level 2 as these securities are not typically actively traded due to their approaching maturity, and, as such, their amortized cost approximates fair value.

Measuring fair value using Net Asset Valuations
At December 31, 2019, the Company had $51,028 ($nil as at December 31, 2018) invested in a senior secured credit fund which is measured at fair value using a Net Asset Valuation ("NAV") as advised by the external fund manager. For this fund, NAV is based on the manager's valuation of the underlying holdings in accordance with the funds governing documents and in accordance with U.S. GAAP. The Company can redeem its investment in the senior secured credit fund on a monthly basis.

The tables below present the financial instruments measured at fair value on a recurring basis at December 31, 2019 and 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair value based on NAV practical expedient	Total
2019					
U.S. government and government agency securities	$ 142,481	$ 9,944	$ —	$ —	$ 152,425
Non-U.S. government and government agency securities	—	95,709	—	—	95,709
Municipal securities	—	91,195	—	—	91,195
Corporate securities	—	1,088,025	—	—	1,088,025
Asset-backed securities	—	146,425	—	—	146,425
Mortgage-backed securities	—	18,371	—	—	18,371
Residential mortgage-backed securities	—	169,529	—	—	169,529
Total fixed maturity securities	142,481	1,619,198	$ —	$ —	1,761,679
Short term investments	—	98,766	—	—	98,766
Other fixed income investments	—	—	—	51,028	51,028
	$ 142,481	$ 1,717,964	$ —	$ 51,028	$ 1,911,473

(Expressed in thousands of U.S. dollars, except share data)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2018				
U.S. government and government agency securities	$ 122,091	$ 10,217	$ —	$ 132,308
Non-U.S. government and government agency securities	—	97,418	—	97,418
Municipal securities	—	64,536	—	64,536
Corporate securities	—	1,051,738	—	1,051,738
Asset-backed securities	—	117,077	—	117,077
Mortgage-backed securities	—	1,690	—	1,690
Residential mortgage-backed securities	—	101,633	—	101,633
Total fixed maturity securities	122,091	1,444,309	—	1,566,400
Short term investments	—	43,529	—	43,529
	$ 122,091	$ 1,487,838	$ —	$ 1,609,929

Financial instruments disclosed, but not carried, at fair value
The fair value of financial instruments accounting guidance also applies to financial instruments disclosed, but not carried, at fair value, except for certain financial instruments, including insurance contracts.

The carrying values of cash and cash equivalents and accrued investment income approximated their fair values at December 31, 2019 and 2018, due to their respective short maturities. As these financial instruments are not actively traded, their fair values are classified as Level 2.

5. Equity method investments

As of December 31, 2019, the Company owns 1,584,361 ordinary shares of Azur Group (1,473,382 ordinary shares as of December 31, 2018). This investment has been recorded using the equity method basis of accounting.

6. Business combination

Acquisition of Greyhawk
On October 4, 2018, Ascot US Holding Corporation acquired Greyhawk Insurance Company, a Colorado domiciled admitted carrier, and its wholly owned subsidiary Greyhawk Specialty Insurance Company, a Rhode Island domiciled surplus lines carrier. Following the completion of the acquisition, the companies were renamed as Ascot Insurance Company and Ascot Specialty Insurance Company, respectively. The purchase price was $22,646.

(Expressed in thousands of U.S. dollars, except share data)

The fair value of the assets acquired and liabilities assumed and the allocation of the purchase price on the acquisition date are summarized in the following table:

Total purchase price	$	22,646
Assets		
Investments		5,048
Cash and cash equivalents		9,379
Indefinite lived intangible assets - U.S. licenses		8,402
Other assets		344
Total assets acquired		23,173
Liabilities		
Deferred tax liabilities		1,754
Other liabilities		527
Total liabilities assumed		2,281
Excess purchase price over fair value of net assets acquired assigned to goodwill	$	1,754

The purchase price was allocated to the assets acquired and liabilities assumed based on estimated fair values at the acquisition date and $1,754 of goodwill was recognized.

7. Goodwill and intangible assets

Goodwill and intangible assets as of December 31, 2019 and 2018 are as follows:

	Goodwill	**Intangible assets**			**Goodwill & Intangible assets**
	Gross	**Gross**	**Amortization**	**Total**	**Total**
Balances as of December 31, 2017	$ 67,797	$ 229,816	$ (43,166)	$ 186,650	$ 254,447
Acquired during year	1,754	8,402	—	8,402	10,156
Amortization	—	—	(10,881)	(10,881)	(10,881)
Balance as of December 31, 2018	69,551	238,218	(54,047)	184,171	253,722
Acquired during year	—	—	—	—	—
Amortization	—	—	(7,247)	(7,247)	(7,247)
Balance as of December 31, 2019	$ 69,551	$ 238,218	$ (61,294)	$ 176,924	$ 246,475

(Expressed in thousands of U.S. dollars, except share data)

The gross carrying value and accumulated amortization by major category of intangible assets as of December 31, 2019 is shown below:

	Gross carrying value	Accumulated amortization	Total
Lloyd's Syndicate capacity	$ 94,000	$ —	$ 94,000
U.S. licenses	8,402	—	8,402
Indefinite life	**102,402**	—	**102,402**
Distribution network	95,000	(20,478)	74,522
VOBA	40,816	(40,816)	—
Definite life	**135,816**	**(61,294)**	**74,522**
Total intangible assets	**$ 238,218**	**$ (61,294)**	**$ 176,924**

The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2018 is shown below:

	Gross carrying value	Accumulated amortization	Total
Lloyd's Syndicate capacity	$ 94,000	$ —	$ 94,000
U.S. licenses	8,402	—	8,402
Indefinite life	**102,402**	—	**102,402**
Distribution network	95,000	(14,012)	80,988
VOBA	40,816	(40,035)	781
Definite life	**135,816**	**(54,047)**	**81,769**
Total intangible assets	**$ 238,218**	**$ (54,047)**	**$ 184,171**

The remaining useful life of intangible assets with finite lives ranges from 9 to 12 years with a weighted average remaining amortization period of 11.6 years. Expected amortization of the intangible assets is shown below:

	Other intangible assets
2020	$ 6,467
2021	6,467
2022	6,467
2023	6,467
2024 and thereafter	48,654
Total remaining amortization expense - definite life	74,522
Indefinite life	102,402
Total	$ 176,924

On November 18, 2016, AUGL, a wholly owned subsidiary of the Company, acquired 100% ownership in Ascot Employee Corporate Member Limited ("AECM"), AUHL and ACNL (together "the UK Group") for an aggregate purchase price of $422,391. The UK Group provides underwriting capacity to Syndicate 1414. The purchase price was allocated to the assets acquired (including certain intangible assets) and liabilities assumed of the UK group based on estimated fair values at the acquisition date and AUGL recognized goodwill of $67,797.

As described in Note 2, Significant accounting policies, the annual qualitative impairment test was performed and neither goodwill nor the intangible assets were deemed to be impaired.

8. Reserves for loss and loss adjustment expenses

Reserving Methodology

The Company believes that the most significant accounting judgment made by management is the estimate of reserve for losses and loss expenses ("loss reserves"). The loss reserves represent management's estimate of the unpaid portion of the ultimate liability for losses and loss expenses for events that have occurred at or before the balance sheet date. The reserves are estimated on an undiscounted basis.

The process of establishing loss reserves is complex and subject to considerable variability, as it requires the use of judgment to make informed estimates. These estimates are based on numerous factors, and may be revised as additional experience and other data become available and are reviewed. Loss reserves are categorized into two types:

- Case reserves - reserves for reported losses and loss expenses that have not yet been settled; and
- IBNR reserves - reserves for incurred but not reported losses or for reported losses over and above the amount of case reserves.

For all case and IBNR reserves, net of reinsurance reserves are estimated by first estimating gross of reinsurance reserves, then estimating reinsurance recoverables.

Case reserves
Case reserves generally are analyzed and established by the claims department, making use of third party input where appropriate (including, for the reinsurance business, reports of losses from ceding companies).

For insurance contracts, the Company is generally notified of insured losses by the insureds and/or their brokers. Based on this information, the Company's claims personnel estimate the ultimate losses arising from the claim, including the cost of administering the claims settlement process. These estimates reflect the judgment of the Company's claims personnel based on general reserving practices, the experience and knowledge of such personnel regarding the nature of the specific claim and, where appropriate, the advice of legal counsel, loss adjusters and other relevant consultants.

For reinsurance contracts, case reserves for reported claims are generally established based on reports received from ceding companies and/or their brokers. For excess of loss contracts, the Company is typically notified of insured losses on specific contracts and records a case reserve for the estimated ultimate liability arising from the claim. With respect to contracts written on a proportional basis, the Company typically receives aggregated claims information and records a case reserve based on that information. However, proportional reinsurance contracts typically require that losses in excess of pre-defined amounts be separately notified so that the Company can adequately evaluate them. The Company's claims department evaluates each specific loss notification received and records additional case reserves when a ceding company's reserve for a claim is not considered adequate.

IBNR reserves
IBNR reserves represent management's best estimate, at a given point in time, of the amount in excess of

case reserves that is needed for the future settlement and loss adjustment costs associated with claims incurred. The estimation of IBNR reserves is necessary due to the time lags between when a loss event occurs and when it is actually reported to the Company, referred to as the reporting lag. Reporting lags may arise from a number of factors, including but not limited to the nature of the loss, the use of intermediaries and complexities in the claims adjusting process.

IBNR reserves on known catastrophe and shock losses are reviewed on a monthly basis, and are adjusted as new information becomes available. Any such adjustments are accounted for as changes in estimates and are reflected in the results of operations in the period in which they are made. IBNR reserves are estimated separately for all other losses.

Attritional losses

Consistent with industry practice, the Company utilizes a variety of standard actuarial methods together with management judgment to estimate IBNR for attritional losses. The loss reserve selection from these methods is based on the loss development characteristics of the specific line of business and contracts, which take into consideration coverage terms, type of business, maturity of loss data, reported claims and paid claims.

The principal actuarial methods used by the Company to perform the quarterly loss reserve analysis are:

- Expected Loss Ratio Method. The Expected Loss Ratio method multiplies premiums by an expected loss ratio to produce ultimate loss estimates for an underwriting year. Expected loss ratios are generally based on an analysis of historical loss experience to date, industry data or pricing information. This method is insensitive to actual incurred losses for the accident year or underwriting year in question and is, therefore, often useful in the early stages of development when very few losses have been incurred.

- Loss Development Method. This method assumes that the losses incurred/paid for each underwriting year at a particular development stage follow a relatively similar pattern. It assumes that on average, every accident or underwriting year will display the same percentage of ultimate losses incurred/paid at the same point in time after the inception of that year. The percentages incurred/paid are established through analyzing the historical loss development data and/or external benchmark information.

- Bornhuetter-Ferguson Method. These methods are a weighted average of the Expected Loss Ratio and the Loss Development Method. The weighting between the two methods depends on the maturity of the business. This means that for the more recent years a greater weight is placed on the Expected Loss Ratio Method, while for the more mature years a greater weight is placed on the Loss Development Method. These methods avoid some of the distortions that could result from a large development factor being applied to a small base of paid or reported losses to calculate ultimate losses.

Known catastrophe events

IBNR reserves are established for known catastrophe events (such as hurricanes and earthquakes) for which not all claims are believed to have been reported to the Company and to allow for reported losses over and above the amount of case reserves. Loss reserves for such events are estimated by management in collaboration with actuaries, claim handlers and underwriters after a catastrophe occurs by completing an analysis based on several sources of information, including:

- Estimates of the size of insured industry losses from the catastrophic event and the Company's corresponding market share;
- A review of the Company's portfolio to identify those contracts which may be exposed to the catastrophic event;
- A review of modeled loss estimates based on information previously reported by customers and brokers, including exposure data obtained during the underwriting process;

(Expressed in thousands of U.S. dollars, except share data)

- Discussions of the impact of the event with insureds and brokers;
- Information that has been provided by insureds or brokers as claims are notified; and
- Catastrophe bulletins published by various independent statistical reporting agencies.

A blend of these information sources is generally used to arrive at aggregate estimates of the ultimate losses arising from the catastrophic event. Paid losses and case reserves are then deducted from the ultimate loss to ascertain the IBNR estimate for these individual catastrophe events. The size of event for which the Company establishes a separate ultimate loss estimate may vary based on an assessment of the materiality of the event, as well as on other factors such as complexity and volatility.

In subsequent reporting periods, changes in paid and incurred losses in relation to each significant catastrophe are reviewed and adjustments are made to estimates of ultimate losses for each event if there are developments that are different from previous expectations. Adjustments are recorded in the period in which they are identified.

The reserving process produces a point estimate for the Company's loss reserves. Although the Company believes that the assumptions and methodologies used are reasonable, the Company cannot be certain that the ultimate payments will not vary, potentially materially, from the estimates made.

Reserve Roll-Forward

The following table presents a reconciliation of the beginning and ending gross reserve for losses and loss expenses and net reserve for unpaid losses and loss expenses for the years ended December 31, 2019 and 2018:

	2019	2018
Gross reserves for losses and loss adjustment expenses, beginning of year	$ 1,217,174	$ 1,112,125
Less: reinsurance recoverable balances, beginning of year	563,691	404,820
Net reserves for losses and loss adjustment expenses, beginning of year	653,483	707,305
Increase (decrease) in net losses and loss adjustment expenses incurred in respect of losses occurring in:		
Current year	321,203	388,937
Prior years	46,575	(58,701)
Total incurred losses and loss adjustment expenses	367,778	330,236
Less: net losses and loss adjustment expenses paid in respect of losses occurring in:		
Current year	64,889	74,043
Prior years	260,394	300,160
Total net paid losses	325,283	374,203
Net foreign currency on loss and loss adjustment expenses	2,276	(9,855)
Net reserve for losses and loss adjustment expenses, end of year	698,254	653,483
Plus reinsurance recoverable balances, end of year	384,244	563,691
Gross reserve for losses and loss adjustment expenses, end of year	$ 1,082,498	$ 1,217,174

For the year ended December 31, 2019, the Company recorded net unfavorable prior year reserve development primarily related to 2017 and 2018 accident year catastrophe events as a result of updated information received from cedents during the year.

For the year ended December 31, 2018, the Company recorded net favorable prior year reserve development primarily related to higher than expected recoveries against losses for the 2017 accident year within the Treaty and Property lines of business.

(Expressed in thousands of U.S. dollars, except share data)

Net incurred and paid claims development tables by accident year

The following information presents the incurred and paid claims information as of December 31, 2019, net of reinsurance, as well as cumulative claim frequency and total IBNR reserves by accident year. The information about incurred and paid claims development presented for the years ended December 31, 2010 to December 31, 2019 is presented as supplementary information.

Non-U.S. dollar denominated loss data is converted to U.S. dollar at the rates of exchange in effect at the balance sheet date for material underlying currencies. Fluctuations in currency exchange rates may cause material shifts in loss development. Reserves for losses and loss expenses, disclosed in the Consolidated Balance Sheets, are also revalued using the exchange rate at the balance sheet date.

Consolidated

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2019	
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total IBNR	Cum. No. of Reported Claims
2010	251,643	255,586	251,705	252,170	250,183	257,117	254,287	254,189	253,440	253,970	16	7,895
2011		433,210	457,209	456,981	448,586	438,932	433,390	434,090	434,286	433,904	61	17,497
2012			203,810	247,486	235,754	231,648	233,531	226,272	221,656	217,265	285	28,381
2013				243,760	274,095	276,103	269,358	263,807	258,433	256,359	517	40,954
2014					239,330	266,740	266,504	257,929	254,757	247,712	3,180	54,659
2015						259,541	299,601	298,925	291,238	284,782	6,829	69,333
2016							256,324	291,811	282,443	287,347	17,562	87,387
2017								397,518	366,513	353,983	21,616	109,363
2018									355,098	429,560	80,398	124,983
2019										321,376	171,939	130,665
										$3,086,258	$302,403	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	46,202	127,522	180,246	210,990	226,508	243,585	247,534	250,391	250,853	251,467
2011		128,548	297,664	366,303	396,886	415,980	421,723	427,212	428,704	430,349
2012			49,703	118,058	144,783	168,828	187,830	198,924	206,911	208,751
2013				61,084	158,225	218,295	236,266	245,822	249,183	250,924
2014					75,874	161,818	202,369	219,669	228,650	234,605
2015						61,053	172,669	216,911	235,597	250,846
2016							66,271	168,266	219,449	229,725
2017								(15,355)	195,803	257,164
2018									67,907	229,618
2019										61,491
										$ 2,404,940

(Expressed in thousands of U.S. dollars, except share data)

The following table reconciles the net reserve for losses and loss expenses derived from the incurred and paid loss development triangles to the reserve for losses and loss expenses in the consolidated balance sheet as of December 31, 2019:

	December 31, 2019
Total incurred claims and allocated loss and loss adjustment expenses, net of reinsurance	$ 3,086,258
Less: Cumulative paid claims and loss adjustment expenses, net of reinsurance	(2,404,940)
All outstanding liabilities before 2009, net of reinsurance	9,279
Unallocated claims adjustment expenses	7,657
	$ 698,254

Property Treaty

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2019	
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total IBNR	Cum. No. of Reported Claims
2010	86,602	83,811	86,034	89,859	90,003	98,646	96,644	96,652	96,383	96,712	(18)	290
2011		211,154	227,518	220,173	220,581	215,132	211,131	213,681	212,892	213,318	3	694
2012			86,650	59,699	53,962	36,170	41,490	37,985	34,488	29,734	4,671	1,199
2013				45,375	43,915	48,311	45,386	44,119	42,352	41,992	(6)	1,631
2014					37,671	34,235	31,499	31,373	31,894	31,911	25	1,842
2015						25,893	26,448	29,888	28,314	26,604	10	2,093
2016							27,031	28,987	24,085	23,563	2,162	2,249
2017								103,794	88,611	70,373	(861)	2,459
2018									83,488	157,085	(9,322)	2,850
2019										42,097	34,586	3,280
										$ 733,389	$ 31,250	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	10,122	35,395	56,224	69,243	77,485	92,821	94,927	95,364	95,511	95,727
2011		77,048	145,985	174,412	190,694	205,199	207,262	210,766	211,314	212,443
2012			21,367	31,866	26,966	17,958	21,297	18,359	23,043	24,545
2013				2,559	17,696	39,061	42,571	42,241	41,551	41,583
2014					16,109	24,930	27,204	28,029	29,368	29,787
2015						2,568	7,759	12,977	16,003	18,673
2016							1,934	13,188	21,805	24,754
2017								(67,778)	36,371	50,840
2018									29,936	69,366
2019										3,741
										$571,459

(Expressed in thousands of U.S. dollars, except share data)

Property

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2019	
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total IBNR	Cum. No. of Reported Claims
2010	73,808	71,378	68,390	67,190	66,814	67,204	67,264	67,469	67,331	67,289	41	3,382
2011		128,653	133,105	138,411	135,147	133,349	133,441	131,861	132,256	131,674	64	8,102
2012			67,527	65,552	87,224	91,140	88,544	89,446	88,349	88,723	(2,857)	14,029
2013				78,648	101,699	101,063	102,177	100,184	97,796	96,528	257	21,100
2014					93,704	119,937	120,050	118,990	118,582	115,693	591	27,511
2015						95,304	116,440	115,366	112,739	113,003	649	33,360
2016							101,004	120,570	112,456	114,308	(325)	41,212
2017								115,016	104,931	105,316	(9,285)	48,687
2018									49,818	51,311	1,980	53,129
2019										57,346	14,403	54,341
										$ 941,191	$ 5,518	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	11,930	38,549	52,695	61,451	65,029	66,101	66,456	66,925	66,942	66,943
2011		25,617	86,329	114,614	124,349	126,604	127,857	129,298	130,023	130,088
2012			17,418	43,606	57,555	69,972	77,483	86,603	86,951	87,026
2013				18,601	54,277	77,250	85,115	91,987	94,090	93,993
2014					33,089	76,401	99,547	109,160	112,312	114,742
2015						32,727	82,198	99,338	106,117	111,013
2016							28,394	83,331	98,188	104,763
2017								17,619	82,489	100,670
2018									7,742	60,522
2019										12,327
										$ 882,087

(Expressed in thousands of U.S. dollars, except share data)

Marine & Energy

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2019	
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total IBNR	Cum. No. of Reported Claims
2010	87,884	97,571	94,335	92,681	91,232	89,181	88,284	87,974	87,631	87,875	(8)	3,988
2011		91,319	94,744	95,257	91,984	89,624	88,464	88,194	88,784	88,558	(7)	8,283
2012			47,393	98,762	90,430	100,268	101,370	96,716	96,700	96,690	(1,530)	12,699
2013				113,145	125,584	124,514	119,768	118,063	117,042	116,423	18	17,526
2014					93,939	97,225	97,975	93,379	92,080	88,390	(52)	23,240
2015						117,444	128,787	123,623	122,303	118,649	258	29,315
2016							92,200	97,720	96,514	96,894	2,136	35,940
2017								123,310	109,556	111,811	2,521	44,968
2018									118,073	111,609	11,148	51,858
2019										119,437	37,623	54,468
										$1,036,336	$ 52,107	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	24,007	53,219	70,384	78,212	81,910	82,579	84,057	86,008	86,305	86,702
2011		25,877	65,199	77,085	81,606	83,914	86,340	86,884	87,103	87,554
2012			10,817	42,364	59,963	80,536	86,909	91,806	94,764	95,027
2013				39,885	86,170	101,568	108,155	111,083	112,963	114,483
2014					26,618	58,220	71,968	78,368	82,025	83,896
2015						25,245	80,062	98,968	105,773	110,292
2016							35,142	64,697	85,125	78,169
2017								32,079	66,615	86,419
2018									27,602	81,074
2019										41,867
										$865,483

(Expressed in thousands of U.S. dollars, except share data)

Casualty

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2019	
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total IBNR	Cum. No. of Reported Claims
2010	—	—	—	—	—	—	—	—	—	—	—	—
2011		—	—	—	—	—	—	—	—	—	—	—
2012			—	—	—	—	—	—	—	—	—	—
2013				17	2,137	1,872	1,700	1,128	942	1,117	246	223
2014					11,632	13,343	15,218	12,459	10,497	10,034	2,590	1,572
2015						19,578	26,326	28,385	26,530	25,197	5,842	4,043
2016							33,455	39,165	43,602	46,507	13,418	7,005
2017								47,725	53,548	54,698	28,263	11,532
2018									94,020	98,099	73,818	14,808
2019										92,286	79,175	16,023
										$ 327,938	$203,352	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	—	—	—	—	—	—	—	—	—	—
2011		—	—	—	—	—	—	—	—	—
2012			—	—	—	—	—	—	—	—
2013				—	19	80	88	174	242	528
2014					58	646	2,012	2,474	3,287	4,522
2015						340	2,316	4,366	6,442	9,589
2016							447	5,030	10,939	17,367
2017								1,667	6,020	12,537
2018									1,218	12,288
2019										2,140
										$ 58,971

(Expressed in thousands of U.S. dollars, except share data)

Political Risk, Terror and Personal Accident

Incurred claims and allocated loss adjustment expenses, net of reinsurance

	Unaudited										As of December 31, 2019	
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total IBNR	Cum. No. of Reported Claims
2010	3,349	2,826	2,946	2,440	2,134	2,086	2,095	2,094	2,095	2,094	1	235
2011		2,084	1,842	3,140	874	827	354	354	354	354	1	418
2012			2,240	23,473	4,138	4,070	2,127	2,125	2,119	2,118	1	454
2013				6,575	760	343	327	313	301	299	2	474
2014					2,384	2,000	1,762	1,728	1,704	1,684	26	494
2015						1,322	1,600	1,663	1,352	1,329	70	522
2016							2,634	5,369	5,786	6,075	171	981
2017								7,673	9,867	11,785	978	1,717
2018									9,699	11,456	2,774	2,338
2019										10,210	6,152	2,553
										$ 47,404	$ 10,176	

Cumulative paid claims and loss adjustment expenses, net of reinsurance

	Unaudited									
Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2010	143	359	943	2,084	2,084	2,084	2,094	2,094	2,095	2,095
2011		6	151	192	237	263	264	264	264	264
2012			101	222	299	362	2,141	2,156	2,153	2,153
2013				39	63	336	337	337	337	337
2014					—	1,621	1,638	1,638	1,658	1,658
2015							334	1,262	1,262	1,279
2016							354	2,020	3,392	4,672
2017								1,058	4,308	6,698
2018									1,409	6,368
2019										1,416
										$ 26,940

(Expressed in thousands of U.S. dollars, except share data)

9. Reinsurance

In the ordinary course of business, the Company purchases treaty and facultative reinsurance to reduce exposure to significant losses. Facultative reinsurance provides coverage for all or a portion of the losses incurred for a single policy and each facultative contract is negotiated separately.

Treaty reinsurance provides coverage for a specified type or category of risks. Treaty reinsurance agreements provide this cover on either an excess of loss or a proportional basis. Excess of loss covers provide a contractually set amount of coverage after a specified loss amount has been reached. These treaties can provide cover for a number of lines of business within one contract. Under proportional reinsurance, the Company cedes an agreed proportion of the premiums and the losses and loss expenses on the policies it underwrites. These treaties provide a specified percentage of coverage from the first dollar of loss.

All of these reinsurance covers provide the Company the right to recover a portion of specified losses and loss expenses from reinsurers. However, to the extent that the reinsurers do not meet their obligations under these agreements due to solvency issues, contractual disputes or other reasons, the Company remains liable.

(a) Effects of reinsurance on premiums written and earned

The effects of reinsurance on premiums written and earned and on losses and loss adjustment expenses is as follows:

	2019	2018
Net premiums written		
Direct	$ 674,855	$ 607,545
Assumed	487,195	355,272
Ceded	(350,865)	(298,307)
Net premiums written	811,185	664,510
Net premiums earned		
Direct	610,008	596,538
Assumed	416,656	325,193
Ceded	(313,125)	(303,692)
Net premiums earned	713,539	618,039
Losses and loss adjustment expenses		
Gross losses and loss adjustment expenses incurred	373,370	715,090
Losses and loss adjustment expense recoveries	(5,592)	(384,854)
Net losses and loss adjustment expenses	$ 367,778	$ 330,236

(b) Credit risk

The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers. As of December 31, 2019, 53.7% of reinsurance recoverables were from reinsurers rated A- or better, 45.4% from unrated reinsurers all of which is collateralized and 0.9% from unrated reinsurers on an uncollateralized basis.

As of December 31, 2018, 45.8% of reinsurance recoverables were from reinsurers rated A- or better and The remaining 45.2% was from unrated reinsurers and all of this was collateralized.

Reserves for reinsurance recoverables deemed uncollectible are based on an estimate of the amount of the reinsurance recoverable balance that will ultimately not be recovered due to reinsurer insolvency, contractual dispute or some other reason. The valuation of the reserve for uncollectible reinsurance includes a review of the credit ratings of the reinsurance recoverable by reinsurer on a continuous basis with any resulting adjustments recorded in earnings in the period that collection issues are identified. As of December 31, 2019 and 2018, the reserves for reinsurance recoverables deemed uncollectible was $1,838 and $2,766, respectively.

10. Financing arrangements

Letter of Credit Facilities

On November 2, 2018, Ascot Bermuda and the Company (as Guarantor) entered into an unsecured $250,000 letter of credit facility (the "FAL LOC Facility") with Lloyds Bank plc, ING Bank N.V. London Branch and The Bank of Nova Scotia, London Branch (the "Banks"). The facility may be collateralized at the option of Ascot Bermuda. Under the terms of the FAL LOC Facility, letters of credit to a maximum aggregate amount of $250,000 are available for issuance. These letters of credit will be used to provide Funds at Lloyd's to support the underwriting capacity provided by ACNL to the Syndicate for the 2019 and 2020 years of account and any prior open years of account for the Syndicate. The FAL LOC Facility is subject to certain covenants, including the requirement to maintain a minimum consolidated tangible net worth and a maximum leverage ratio, as defined in the FAL LOC Facility Documents. Obligations under the FAL LOC Facility include contingent reimbursement obligations for outstanding letters of credit and fees. In the event of default, the Banks may exercise certain remedies, including the exercise of control over pledged collateral and the termination of the availability of the FAL LOC Facility.

On December 20, 2018, Ascot Bermuda and the Company (as Guarantor) entered into an uncommitted secured letter of credit facility with Wells Fargo Bank, National Association (the "Wells Fargo LOC Facility"). Under the terms of the Wells Fargo LOC Facility, letters of credit to a maximum aggregate amount of $50,000 are available for issuance. The Wells Fargo LOC Facility is subject to certain covenants, including the requirement to maintain a minimum level of collateral in the form of cash and fixed maturity securities. Obligations under the Wells Fargo LOC Facility include contingent reimbursement obligations for outstanding letters of credit and fees. In the event of default, the Banks may exercise certain remedies, including the exercise of control over pledged collateral and the termination of the availability of the Wells Fargo LOC Facility.

At December 31, 2019, Ascot Bermuda had $250,000 letters of credit outstanding under the FAL LOC Facility and $10,247 outstanding under the Wells Fargo LOC Facility. Ascot Bermuda was in compliance with all covenants for both facilities at December 31, 2019.

11. Commitments and contingencies

a) Concentrations of credit risk

Credit risk is the risk of default of a counterparty or obligor including the risk of default under mitigating contracts like reinsurance, financial instruments and premium payments from policy holders. The Company mitigates credit risk through the application of detailed counterparty credit assessments, working to ensure that contractual terms are fit for purpose and that full disclosure of relevant information is made, and through exerting contractual and other credit control measures in pursuit of premium and reinsurance recoverables due.

The assets that potentially subject the Company to concentrations of credit risk consist principally of cash and investments, reinsurance recoverable and premiums receivable balances, as described below.

Cash and investments

The Company's cash and cash equivalents are on deposit with various financial institutions. Credit risk arises from the failure of the counterparty to perform according to the terms of a contract. The Company's deposits are with reputable banks to minimize this risk and they are located principally in Bermuda, the U.S. and the U.K.

The Company's investment portfolio is managed by external investment managers in accordance with its investment guidelines. The Company limits such credit risk through diversification, issuer exposure limitation graded by ratings and, with respect to custodians, through contractual and other legal remedies. Some of the key limits are:

- Excluding securities issued by Sovereigns and Sovereign agencies rated AA- or better, the Company limits its concentration of credit risk to any single issuer to 2% or less of its investment portfolio;
- Limiting the Company's exposure to non investment grade fixed maturities to less than 15% of its investment portfolio, and
- A minimum average portfolio quality of A- is required for fixed maturity securities.

At December 31, 2019, the Company was in compliance with these limits.

Reinsurance recoverable balances

See Note 9. Reinsurance for information with respect to reinsurance recoverables.

Premiums receivable balances

The diversity of the Company's client base limits the credit risk associated with its premium balances receivable. In addition, for insurance contracts, the Company has contractual rights to cancel coverage for non-payment of premiums and for reinsurance contracts, it has contractual rights to offset premiums receivable with corresponding payments for losses and loss expenses.

Brokers and other intermediaries collect premiums from customers to be paid to the Company. The Company has policies and standards in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions.

These contractual rights contribute to the mitigation of credit risk, as does the monitoring of aged receivable balances. In light of these mitigating factors, and considering that a significant portion of premium balances receivable are not currently due based on the terms of the underlying contracts, the Company does not utilize specific credit quality indicators to monitor its premium balances receivable balance. At December 31, 2019 and 2018, the Company had determined that no allowance for uncollectible premium balances receivable was needed.

b) Brokers

The Company produces its business through brokers and direct relationships with insurance companies. During the years ended December 31, 2019 and 2018, the following brokers were used to generate greater than 10% of the Company's consolidated gross premiums written:

(Expressed in thousands of U.S. dollars, except share data)

	% of Gross Premiums Written	
Broker	**2019**	**2018**
Aon plc	20.4 %	14.8 %
Marsh & McLennan Companies	15.2 %	15.4 %
Willis Towers Watson	14.8 %	10.9 %
JLT Group plc	5.6 %	10.8 %

c) Lease commitments

The Company leases office space under operating leases which expire at various dates. The Company renews and enters into new leases in the ordinary course of business, as required. Total rent expense with respect to these operating leases for the year ended December 31, 2019 was $6,067 (2018: $4,785).

Future minimum lease payments under the leases are expected to be as follows:

2020	$ 5,853
2021	5,777
2022	5,778
2023	5,087
2024	5,097
Later years	20,921
Total minimum future lease commitments	$ 48,513

d) Litigation

The Company is subject to litigation and arbitration in the normal course of its business. These lawsuits and arbitrations principally involve claims on policies of insurance and contracts of reinsurance and are typical for the Company and for the property and casualty insurance and reinsurance industry in general. Such legal proceedings are considered in connection with the Company's loss and loss expense reserves. In addition to litigation relating to insurance and reinsurance claims, the Company and its subsidiaries are subject to lawsuits in the normal course of business. The status of any such legal actions is actively monitored by management. If management believed, based on available information, that an adverse outcome upon resolution of a given legal action was probable and the amount of that adverse outcome was reasonable to estimate, a loss would be recognized and a related liability recorded. No such liabilities were recorded by the Company as of December 31, 2019 and 2018.

(Expressed in thousands of U.S. dollars, except share data)

12. Share capital

(a) Authorized and issued

The issued shares as of December 31, 2019 by each class of ordinary share capital was as follows:

	Issued	Nominal value	Issued and Paid (US$)
Class A	1,895,863,158	0.0001	$ 189,586
Class B1	73,224,584	0.0001	7,322
Class B2	1,000,000	0.1000	100,000
Class C1	45	0.0001	—
Class C2	55	0.0001	—
	1,970,087,842		$ 296,908

As of December 31, 2019 and 2018, the authorized share capital of the Company was $2,500,000.

During 2019, the Company repurchased 260,688,216 Class A ordinary shares with a par value of $0.0001 each. The shares were repurchased at a price of $0.959 per share for total consideration of $250,000. These shares, which are included in the Class A issued shares in the table above, are held in treasury by the Company. During 2019, the Company also issued 3,259,799 Class B1 shares in the form of restricted shares. See Note 15. Share based compensation for further details.

During 2018, the Company issued 9,310,896 Class B1 ordinary shares with a par value of $0.0001 each.

Class A shares have both economic and voting rights. Class B1 shares have economic rights but no voting rights. Class B2 shares have economic rights and voting rights subject to a maximum voting percentage of 5% in total. Class C1 shares have no economic or voting rights, other than the right to vote on Director appointments. Class C2 shares have no economic or voting rights, other than the right to vote on Director appointments.

(b) Dividends

The Company did not declare any dividends during the years ended December 31, 2019 and 2018.

13. Employee Benefit Trust

The Ascot Group Limited Employee Trust ("EBT") was established on November 5, 2010. The EBT is incorporated in Jersey and Estera Trust (Jersey) Limited act as trustee. Management has determined that the EBT is a Variable Interest Entity and that the Company is the primary beneficiary therefore the results of the EBT are consolidated within these financial statements.

The amounts included within these financial statements for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Cash	$ 13	$ 2,809
Investment in AGL	45	45
Share based compensation expense	—	16,462
Compensation expense	2,853	11,775
Interest income	$ 21	$ 197

(Expressed in thousands of U.S. dollars, except share data)

The initial purpose of the EBT was to hold an 80% shareholding in AUHL for the benefit of employees of the AUHL group. On November 18, 2016, CPPIB purchased 100% of the share capital of AUHL from the EBT (80%) and AIG PC European Insurance Investments Inc. (which owned 20%). The consideration paid by CPPIB to the EBT was in the form of AGL shares and cash. These AGL shares and cash were distributed to employees of AUHL and its subsidiaries in installments following the acquisition. The AGL shares are subject to certain holdings periods.

14. Retirement plans

The Company maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation.

For the year ended December 31, 2019, the Company's total pension expenses were $3,958 (2018: $4,083) for the above retirement benefits.

15. Share based compensation

Restricted shares and restricted share units

During 2018, the Company established a stock incentive plan, the "Restrictive Share Incentive Plan", under which the Company may periodically grant restricted share awards and restricted share units to employees. The restricted share awards granted generally vest in annual installments over a 4 year service period and the restricted share units granted generally vest at the end of a 3 year service period.

Activity with respect to restricted share awards for the years ended December 31, 2019 and 2018 was as follows:

	Restricted shares	Weighted average grant date fair value
Restricted shares outstanding as of December 31, 2017	—	$ —
Restricted shares issued	7,725,000	0.891
Restricted shares vested	(2,306,250)	0.891
Restricted shares outstanding as of December 31, 2018	5,418,750	0.891
Restricted shares issued	3,259,799	0.959
Restricted shares vested	(2,106,250)	0.891
Restricted shares forfeited	(112,500)	0.891
Restricted shares outstanding as of December 31, 2019	6,459,799	$ 0.925

Activity with respect to restricted share units for the year ended December 31, 2019 was as follows:

	Restricted share units	Weighted average grant date fair value
Restricted share units outstanding as of December 31, 2018	—	$ —
Restricted share units issued	5,879,041	0.959
Restricted share units vested	—	—
Restricted share units forfeited	—	—
Restricted share units outstanding as of December 31, 2019	5,879,041	$ 0.959

(Expressed in thousands of U.S. dollars, except share data)

No restricted share units were issued prior to December 31, 2018.

The share based compensation expense related to restricted stock awards and restricted stock units recorded in general and administrative expenses in the statement of income and comprehensive income was $4,135 for the year ended December 31, 2019 (2018: $3,798).

Performance share options

During 2019, the Company established a Performance Share Option Plan under which the Company may grant share options to employees. The exercise price of the options granted is equal to the share price of the Company's shares on the grant date. Options granted will vest after 4 years, subject to the satisfaction of service and performance conditions. The number of options vesting is dependent on the employees continuous service and the growth in the market value of the Company's shares over the four year period. Options are exercisable for a period of up to 10 years after the grant date.

The expense recognized during the year ended December 31, 2019 related to options was $1,711 (2018: $nil) recorded in general and administrative expenses in the statement of income and comprehensive income.

The expense recognized was based on the grant date fair value of options issued which was estimated using a Monte Carlo simulation model with the weighted average assumptions detailed below.

	2019
Expected term	8.7 years
Expected dividend yield	— %
Expected volatility	20.3 %
Risk-free interest rate	2.4 %
Post vesting restrictions discount	7.0 %

Activity with respect to options for the year ended December 31, 2019 was as follows:

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value	Range of exercise prices
Options outstanding as of January 1, 2019	—	$ —			
Options issued	25,591,706	0.959			
Options outstanding as of December 31, 2019	25,591,706	$ 0.959	9 years	$ —	$ 0.959
Total options exerciseable at December 31, 2019	—				

See Note 13. Employee Benefit Trust for discussion of the share based compensation related to the Employee Benefit Trust.

(Expressed in thousands of U.S. dollars, except share data)

16. Taxation

(a) Bermuda
Under current Bermuda law, AGL and the Company's Bermuda subsidiaries are exempt from all Bermuda income, withholding and capital gains taxes. At the present time, no such taxes are levied in Bermuda. In the event that such taxes are imposed, Ascot Bermuda would be exempt until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act 1966, and Amended Act of 1987.

(b) United Kingdom
The Company operates in the U.K. through its U.K. subsidiaries and the profits of these companies are subject to U.K. corporation taxes. Income from the Company's operations at Lloyd's is also subject to U.S. income taxes. Under a Closing Agreement between Lloyd's and the U.S. Internal Revenue Service ("IRS"), Lloyd's Members pay U.S. income tax on U.S.- connected income written by Lloyd's Syndicates. U.S. income tax due on this U.S.- connected income is calculated by Lloyd's and remitted directly to the IRS and is charged by Lloyd's to Members in proportion to their participation on the relevant Syndicates. The Company's Corporate Member is subject to this arrangement and will receive a U.K. corporation tax credit for any U.S. income tax incurred up to the value of the equivalent U.K. corporation tax charge on the U.S. income.

The Company's U.K. operating companies are taxed at the U.K. corporate tax rate of 19%.

(c) United States
The Company's U.S. subsidiaries are subject to federal, state, and local corporate income taxes and other taxes applicable to U.S. corporations. A valuation allowance has been established for the Company's net deferred tax asset related to U.S. operations, as management believes that the realization of the tax benefits from these deferred tax assets is uncertain.

The Company's U.S. operating companies are subject to a U.S. federal income tax rate of 21%.

(d) Others
The Company is subject to income taxation in other jurisdictions than those stated above, but the impact of the other jurisdictions is not material to the provision for income taxes for 2019 and 2018.

The components of the provision for income taxes attributable to operations consist of the following:

	2019	2018
Current tax expense:		
United Kingdom	$ 7,675	$ 9,119
U.S. Federal	—	190
U.S. State & local	27	1
Other	198	20
Total	7,900	9,330
Deferred tax benefit:		
United Kingdom	(4,554)	(10,316)
U.S. Federal	—	1,010
U.S. State & local	—	—
Other	(386)	(14)
Total	(4,940)	(9,320)
Income tax expense (benefit)	$ 2,960	$ 10

(Expressed in thousands of U.S. dollars, except share data)

Deferred income taxes reflect the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Significant components of the net deferred tax assets were as follows:

		2019		2018
Deferred tax assets:				
Loss carryforwards	$	13,557	$	8,481
Deferred underwriting loss		23,174		22,966
Accrued expenses		2,506		944
Unearned premium reserve		824		—
Stock based compensation		580		189
Other temporary differences		458		1,392
Total deferred tax assets		41,099		33,972
Valuation allowance		(11,730)		(5,963)
Deferred tax assets, net of valuation allowance		**29,369**		**28,009**
Deferred tax liabilities:				
Intangible assets		(32,358)		(33,735)
Equalization provision reserves		(12,064)		(18,708)
Profit commission		(4,070)		—
Investments		(620)		(170)
Other temporary differences		(269)		(348)
Total deferred tax liabilities		**(49,381)**		**(52,961)**
Net deferred tax liabilities	**$**	**(20,012)**	**$**	**(24,952)**

The Company's net deferred tax asset or liability relates primarily to net operating loss carry-forwards and U.S. GAAP versus tax basis accounting differences. As of December 31, 2019, the Company has provided a valuation allowance of $11,730 ($5,963 as at December 31, 2018) to reduce certain deferred tax assets in the Company's U.S. operations to an amount that management expects will more likely than not be realized.

(Expressed in thousands of U.S. dollars, except share data)

The expected tax provision computed on pre-tax income at the weighted average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. A reconciliation of income before tax expense by taxing jurisdiction to the expected income tax provision by taxing jurisdiction and consolidated weighted average effective income tax rate is as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Income (loss) before tax expense by taxing jurisdiction		
Bermuda	$ 107,176	$ (22,968)
United Kingdom	5,070	11,131
United States	(28,424)	(11,620)
Singapore	(616)	88
Consolidated income (loss) before tax	$ 83,206	$ (23,369)
Statutory tax rates		
Bermuda	— %	— %
United Kingdom	19 %	19 %
United States	21 %	21 %
Singapore	17 %	17 %
Expected income tax expense (benefit) by taxing jurisdiction		
Bermuda	$ —	$ —
United Kingdom	963	2,115
United States	(5,969)	(2,440)
Singapore	(105)	15
Consolidated	$ (5,111)	$ (310)
Consolidated weighted average effective income tax rate	(6.1)%	1.3 %

A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate is as follows for the years ended December 31, 2019 and 2018:

	2019	%	2018	%
Expected income tax (benefit) expense at weighted average rate	$ (5,111)	(6.1)%	(310)	1.3 %
Change in valuation allowance	5,767	6.9 %	(6,619)	28.3 %
Restriction of operating loss utlization	—	— %	10,266	(43.9)%
Non-taxable disposition of subsidiary	(1,162)	(1.4)%	—	— %
Prior year adjustments	659	0.8 %	(2,912)	12.5 %
Foreign exchange on deferred profits	—	— %	(1,138)	4.9 %
Foreign tax	1,252	1.5 %	—	— %
Disallowed deductions	1,077	1.3 %	—	— %
Other	478	0.6 %	723	(3.1)%
Income tax expense (benefit)	$ 2,960	3.6 %	10	— %

During 2019 and 2018, the Company had no unrecognized benefits from uncertain tax positions. The Company does not anticipate any significant changes in the amount of unrecognized tax benefits during the next 12 months. Interest and penalties related to unrecognized tax benefits will be included in income tax expense.

The Company's U.K. corporation tax returns for certain subsidiaries for fiscal years 2017 to 2018 are open for examination by the U.K. tax authorities.

The U.S. corporation tax returns for fiscal years 2016 to 2018 are open for examination by the U.S. tax authorities.

17. Statutory financial information

The Company's operations are subject to insurance and/or reinsurance laws and regulations in the jurisdictions in which they operate, the most significant of which include Bermuda, the United States and Lloyd's. These regulations include certain restrictions on the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

Bermuda

The Company's Bermuda subsidiary, Ascot Bermuda, commenced underwriting operations in 2018. Under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Act"), Ascot Bermuda is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin ("MSM") and the Enhanced Capital Requirement ("ECR"). The MSM is the greater of $100 million, 50% of net premiums written,15% of the net reserve for losses and loss expenses or 25% of the ECR. The ECR is calculated based on either an internally developed risk-based capital model or a standard risk-based capital model developed by the Bermuda Monetary Authority. Under the Act, Ascot Bermuda is restricted as to the payment of dividends for amounts greater than 25% of the prior year's statutory capital and surplus, whereby an affidavit signed by at least two members of the Board of Directors is required, attesting that any dividend in excess of this amount would not cause the company to fail to meet its relevant margins.

As of December 31, 2019, the required statutory capital and surplus was $471,735 and the available statutory capital and surplus was $1,488,618. As of December 31, 2018, the required statutory capital and surplus was $238,788 and the available statutory capital and surplus was $1,532,468. As of December 31, 2019, the maximum dividend Ascot Bermuda could pay, without a signed affidavit, is approximately $372,000 (2018: $383,000).

United States

The required statutory capital and surplus of the Company's U.S. insurance subsidiaries, AIC and ASIC, is determined using the risk-based capital formula ("RBC"), which is the National Association of Insurance Commissioners' ("NAIC") method of measuring the minimum capital appropriate for a U.S. reporting entity to support its overall business operations in consideration of its size and risk profile. If a company falls below the authorized control level as determined under the RBC, the NAIC is authorized to take whatever regulatory actions may be considered necessary to protect policyholders and creditors. The maximum dividend that may be paid by the Company's U.S. insurance subsidiaries is restricted by the regulatory requirements of the domiciliary states. Generally, the maximum dividend that may be paid by each of the Company's U.S. insurance subsidiaries is limited to unassigned surplus (statutory equivalent of retained earnings) and may also be limited to statutory net income, net investment income or 10% of total statutory capital and surplus. At December 31, 2019, for AIC (which owns ASIC) the required statutory capital and surplus was $17,486 and the actual statutory capital and surplus was $66,201. At December 31, 2018, the required statutory capital and surplus was $564 and the actual statutory capital and surplus was $102,544. As of December 31, 2019 and 2018 the maximum dividend that could be paid without regulatory approval was $nil.

Lloyd's

The Company operates in the Lloyd's market through ACNL which is the corporate member of Syndicate 1414. Corporate members of Lloyd's and Lloyd's syndicates are bound by the rules of Lloyd's, which are prescribed by Bye-laws and Requirements made by the Council of Lloyd's under powers conferred by the Lloyd's Act 1982. These rules prescribe members' membership subscription, the level of their contribution to the Lloyd's Central Fund and the assets they must deposit with Lloyd's in support of their underwriting. The Council of Lloyd's has broad powers to sanction breaches of its rules, including the power to restrict or prohibit a member's participation on Lloyd's syndicates. The capital provided to support underwriting, or FAL, is not available for distribution for the payment of dividends or for working capital requirements. Corporate members may also be required to maintain funds under the control of Lloyd's in excess of their capital requirements and such funds also may not be available for distribution for the payment of dividends. Lloyd's sets the corporate members' required capital annually through the application of a capital model that is based on regulatory rules pursuant to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of business of Insurance and Reinsurance (Solvency II).

FAL may be satisfied by cash, certain investments and letters of credit provided by approved banks. As of December 31, 2019 fixed maturities and other fixed income investments with a fair value of $357,114 (2018: $335,194) and cash of $1,718 (2018: $3,698), respectively, were restricted to satisfy FAL requirements. In addition, as of December 31, 2019 a letter of credit facility of $250,000 supported the FAL requirements (2018: $250,000).

18. Subsequent events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2019 through March 20, 2020, the date the financial statements were available to be issued, and concluded that there are no subsequent events requiring recognition or disclosure.