Nuclear Electric Insurance Limited

COMMITTED TO our Mission and our Members

Consolidated Financial Statements
As of and for the Years Ended December 31, 2014 and 2013,
Supplemental Schedule for the Year Ended December 31, 2014,
and Independent Auditors' Report

2014 ANNUAL REPORT

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Policyholders of
Nuclear Electric Insurance Limited
Hamilton, Bermuda

We have audited the accompanying consolidated financial statements of Nuclear Electric Insurance Limited and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive earnings, cash flows, and changes in policyholders' surplus for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Nuclear Electric Insurance Limited and Subsidiaries as of December 31, 2014 and 2013, 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.

Deloitte & Touche LLP

Philadelphia, Pennsylvania
March 31, 2015

NUCLEAR ELECTRIC INSURANCE LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

YEARS ENDED DECEMBER 31, 2014 AND 2013 *(In thousands of U.S. Dollars)*

ASSETS	2014	2013
Investments:		
Fixed maturities, at fair value	$1,626,325	$1,564,534
Equity securities, at fair value	2,262,721	2,229,848
Short-term investments	414,877	240,293
Alternative investments	754,603	716,142
Total investments	5,058,526	4,750,817
Cash	42,529	12,275
Accrued interest and distributions receivable	13,556	41,675
Amounts due from policyholders	16,073	21,717
Income taxes receivable	–	13,101
Foreign currency forward contracts receivable, at fair value	76,373	154,377
Prepaid expenses and other assets	9,235	25,551
Prepaid reinsurance premiums	32,296	41,150
	$5,248,588	$5,060,663
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 542,497	$ 364,536
Unearned premiums	115,284	120,991
Ceded premiums payable	13,368	19,688
Income taxes payable	8,624	–
Deferred income taxes, net	323,043	328,156
Distribution payable to policyholders	100,000	100,000
Foreign currency forward contracts payable, at fair value	74,334	154,019
Accounts payable, accrued expenses and other liabilities	100,645	52,932
Total liabilities	1,277,795	1,140,322
Commitments and contingencies (Notes 6 & 11)		
Policyholders' surplus:		
Reserve fund	$ 250	$ 250
Accumulated other comprehensive earnings	565,877	600,780
Surplus	3,404,666	3,319,311
Total policyholders' surplus	3,970,793	3,920,341
	$5,248,588	$5,060,663

See notes to consolidated financial statements

NUCLEAR ELECTRIC INSURANCE LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE EARNINGS

YEARS ENDED DECEMBER 31, 2014 AND 2013 *(In thousands of U.S. Dollars)*

	2014	2013
Direct premiums earned	$232,078	$229,508
Reinsurance premiums assumed	50,744	52,246
Reinsurance premiums ceded, net	(66,257)	(86,142)
Net Premiums Earned	216,565	195,612
Losses and loss adjustment expenses	297,928	181,452
Administrative expenses	37,461	34,824
Commissions expense	1,891	2,134
Total underwriting expenses	337,280	218,410
Earning (Loss) From Underwriting Operations	(120,715)	(22,798)
Investment income, net	107,182	46,073
Gains on alternative investments, net	70,107	83,771
Net realized investment gains (losses):		
Total other-than-temporary impairment losses on investments	(1,720)	(1,502)
Other net realized investment gains	177,326	257,625
Total net realized investment gains	175,606	256,123
Investment expenses	(10,805)	(11,044)
Earnings Before Distribution To Policyholders And Income Taxes	221,375	352,125
Distribution to policyholders	100,000	100,000
Earnings Before Income Taxes	121,375	252,125
Income tax expense	36,020	100,868
Net Earnings	85,355	151,257
Other Comprehensive Earnings, Net Of Income Taxes		
Foreign currency translation adjustment (net of income taxes of ($21,766)—2014 and ($3,653)—2013)	(40,423)	(6,784)
Net unrealized gains arising during the period (net of income taxes of $32,867—2014 and $102,257—2013)	61,038	189,907
Less: Reclassification adjustments for net investment gains included in net earnings (net of income taxes of $29,895—2014 and $36,892—2013)	55,518	68,515
Total net unrealized gains arising during the period	5,520	121,392
Other Comprehensive (Loss) Earnings, Net Of Income Taxes	(34,903)	114,608
Comprehensive Earnings	$ 50,452	$265,865

See notes to consolidated financial statements

NUCLEAR ELECTRIC INSURANCE LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013 *(In thousands of U.S. Dollars)*

OPERATING ACTIVITIES:	2014	2013
Net earnings	$ 85,355	$ 151,257
Adjustments to reconcile net earnings to net cash used in operating activities:		
Realized investment gains, including impairments, net	(175,606)	(256,123)
Amortization/accretion of premiums and discounts on investments	13,031	10,662
Loss/(income) from costless collars and covered calls	(67)	69,376
Gains on alternative investments, net of expenses	(69,931)	(83,028)
Deferred income taxes, net	13,680	102,247
Distribution to policyholders—declared	100,000	100,000
Payment of policyholders' distributions	(100,000)	–
Changes in assets and liabilities which provided (used) cash:		
Accrued interest and distributions receivable	1,480	410
Amounts due from policyholders	5,644	14,890
Prepaid reinsurance	8,854	26,080
Foreign currency forward contracts receivable	78,004	18,274
Prepaid expenses and other assets	(1,863)	1,256
Unpaid losses and loss adjustment expenses	177,961	(537,194)
Unearned premiums	(5,707)	(4,935)
Ceded premiums payable	(6,320)	(18,105)
Income taxes receivable	21,724	104,067
Foreign currency forward contracts payable	(79,685)	(15,462)
Accounts payable and accrued expenses	7,096	1,506
Total adjustments	(11,705)	(466,079)
Net cash provided by/(used in) operating activities	73,650	(314,822)
INVESTING ACTIVITIES:		
Proceeds from sales/distributions of investments:		
Fixed maturities	1,372,255	1,723,871
Equity securities	719,186	647,613
Alternative investments	109,353	85,722
Short-term investments	698,546	981,631
Maturities of investments—fixed maturities	144,625	153,488
Maturities of investments—short-term	3,050	3,550
Purchases of investments:		
Fixed maturities	(1,542,894)	(1,791,999)
Equity securities	(618,765)	(446,617)
Alternative investments	(51,243)	(39,014)
Short-term investments	(877,509)	(1,007,980)
Net cash (used in)/provided by investing activities	(43,396)	310,265
NET INCREASE (DECREASE) IN CASH	30,254	(4,557)
CASH:		
Beginning of year	12,275	16,832
End of year	$ 42,529	$ 12,275
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash (paid) during the year for interest	$ (17)	$ –
Net cash (paid) refunded during the year for income tax	$ (609)	$ 105,359

See notes to consolidated financial statements

NUCLEAR ELECTRIC INSURANCE LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN POLICYHOLDERS' SURPLUS

PERIODS ENDED DECEMBER 31, 2014 AND 2013 *(In thousands of U.S. Dollars)*

			Accumulated Other Comprehensive Earnings		
	Total	Surplus	Foreign Currency Translation	Unrealized Gains (Losses) and Benefit Obligations	Reserve Fund
Balance, January 1, 2013	$3,654,476	$3,168,054	$ 9,226	$476,946	$250
Comprehensive Earnings:					
Net earnings	151,257	151,257	–	–	–
Other comprehensive earnings (loss), (net of income taxes)	114,608	–	(6,784)	121,392	–
Comprehensive Earnings:	265,865	151,257	(6,784)	121,392	–
Balance, December 31, 2013	$3,920,341	$3,319,311	$ 2,442	$598,338	$250
Comprehensive Earnings:					
Net earnings	85,355	85,355	–	–	–
Other comprehensive earnings (loss), (net of income taxes)	(34,903)	–	(40,423)	5,520	–
Comprehensive Earnings:	50,452	85,355	(40,423)	5,520	–
Balance, December 31, 2014	$3,970,793	$3,404,666	$(37,981)	$603,858	$250

See notes to consolidated financial statements

1. NATURE OF BUSINESS

Nuclear Electric Insurance Limited (the "Company" or "NEIL") is incorporated under the laws of Bermuda, has its place of business in Delaware, and is a registered insurer under the Bermuda Insurance Act of 1978 and the Captive Insurance Companies Act of Delaware. The Company traces its roots to 1973 and the formation of Nuclear Mutual Limited (NML) in Bermuda, as a mutual insurance company. NML and the Company, which was formed as a mutual insurance company in 1980, were formed by groups of U.S. electric utilities as alternatives to the commercial nuclear insurance market. NML was merged into the Company in 1997. Each utility and energy company that is a Member of the Company today has, or had at the time of becoming a Member, an insurable interest in a commercial nuclear power generation plant. NEIL organized a subsidiary named NEIL Specialty Insurance Company (NSIC), a Delaware Corporation, which is licensed as an industrial insured captive insurer. NSIC was incorporated on March 14th, 2014 and began issuing policies on April 1st, 2014.

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

The Company also provides certain non-nuclear property and liability coverage to existing Members. This coverage is provided on a quota share basis, in conformity with the conventional property programs, following the terms and conditions underwritten by the program's lead underwriter. This business is written directly and as assumed reinsurance.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation & Basis of Presentation

The consolidated financial statements include the Company, its wholly owned subsidiaries, Nuclear Service Organization, Inc., Delaware Risk Management, Inc., Nuclear Electric (Cayman) Limited, Overseas NEIL Limited ("ONEIL") and NEIL Specialty Insurance Company, and variable interest entities ("VIEs") for which the Company is the primary beneficiary. All material intercompany transactions have been eliminated in consolidation. The financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America ("US GAAP").

Premiums Written/Unearned Premiums

Net premiums written reflect the premiums the Company retains after purchasing reinsurance protection. Net premiums earned reflect the portion of net premiums written that were recorded as revenues for the period as the exposure period expires. Premiums written and reinsurance premiums assumed and ceded are reflected in earnings on a pro-rata basis over the term of each policy, or in the case of Builders' Risk, written premiums and reinsurance premiums ceded are recognized over the contract period in proportion to the amount of insurance protection provided. Unearned premiums represent the portion of premiums written, which are applicable to the unexpired terms of policies in force. Unearned premiums are recorded at cost, which approximates fair value. The Company records advance payments of reinsurance premiums as "Prepaid Reinsurance Premiums." Premiums ceded under reinsurance agreements are recorded as "Ceded Premiums Payable," to the extent there is no "right of offset" with prepaid reinsurance amounts. Refer to Note 8.

Policyholders' Distribution

The Company insures nuclear plants and their generating units owned by the Members, primarily in the United States. The Company provides catastrophic insurance covering low frequency, high severity events and as such requires significant resources to satisfy potential catastrophic claims. To the extent that the full amount of these resources is not required during a given year, distributions to Members may be utilized as a method of sharing favorable financial results. Distributions are determined on an annual basis at the discretion of the Board of Directors, based on the authority approved by the Membership, and allocated to the Members in accordance with NEIL's Bye-Laws. If, for any reason, a Member ceases to maintain an insurance relationship with NEIL, the Member will lose its Membership status. The Member would remain eligible, for the ensuing five-year period only, to participate in future distributions. The Member would not be eligible to participate in any liquidation distributions, even if such distributions occur within the eligibility period. The Board of Directors declared a $100 million distribution to Policyholders on December 12, 2014 and September 13, 2013, payable to the Members by March 31, 2015 and March 31, 2014, respectively.

Investments

The Company applies the Fair Value Option for Financial Assets and Liabilities (embodied in Accounting Standards Codification ("ASC") Topic 825, *Financial Instruments*), which allows companies to make an election on an individual instrument basis to report financial assets and liabilities at fair value. The election must be made at the inception of a transaction and may not be reversed. The Company has made the election for fixed maturity and equity securities purchased on or after January 1, 2010. These securities are included in Fixed Maturities and Equity Securities on the Consolidated Balance Sheets, and changes in the fair value of the securities are reported in Net Realized Investment Gains (Losses) on the Statements of Operations and Comprehensive Earnings. Dividends on equity securities are recorded when declared, and interest on fixed income securities is recorded on an accrual basis. The Company believes that making the election for its portfolio of investment securities is consistent with its operating principle to manage investments for total return. The Company recognized net realized (losses) gains of ($8,001,000) and $99,109,000 in 2014 and 2013, respectively, on such securities.

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

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

Excluding those securities accounted for under the Fair Value Option, declines in the fair value of equity securities are evaluated by management for "other-than-temporary impairment" ("OTTI") as defined in ASC Topic 320, *Debt and Equity Securities.* For equity securities, the Company's intent and ability to retain the investment for a period of time sufficient for the anticipated recovery is not absolute, as the Company has granted the authority to its Investment Managers and does not direct the Managers' decision making. As a result, the Company considers any equity security in a loss position to be other-than-temporarily impaired. New information and the passage of time can change this determination. Refer to Note 3 for additional discussion of the Company's impairment evaluation.

Excluding those securities accounted for under the Fair Value Option, declines in the fair value of fixed maturity securities are evaluated by management for OTTI. When an OTTI related to a fixed maturity security has occurred, if the Company intends to either sell the security or determines that it is more likely than not that it will be required to sell a security before recovery of the entire amortized cost basis or maturity of the security, the Company recognizes the entire impairment in net earnings. If the Company does not intend to sell the fixed maturity security and it determines that it is more likely than not that it will not be required to sell the security, and it does not expect to recover the entire amortized cost basis, the impairment is bifurcated into the amount attributed to the credit loss, which is recognized in net earnings, and all other causes, which are recognized in Other Comprehensive Earnings. Refer to Note 3 for additional discussion of the Company's evaluation criteria.

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

The Company holds a variety of derivative financial instruments for risk management and investment purposes. The Company recognizes all derivatives as either assets or liabilities at fair value as prescribed in ASC Topic 815, *Derivatives and Hedging*. Gains and losses on derivatives are recorded in Investment income, net on the Statements of Comprehensive Earnings. See Note 4.

Components of Investment income, net for the years ended December 31, 2014 and 2013, are as follows:

(In thousands of U.S. Dollars)

	2014	2013
Interest and dividends	$ 96,315	$ 94,785
Derivative gains (losses), net	19,859	(41,285)
Accretion and amortization	(13,031)	(10,662)
Other income	4,039	3,235
Total investment income, net	$107,182	$ 46,073

Alternative investments consist of investments in real estate, private equity and hedge funds that are either carried on the equity method of accounting as prescribed in ASC Topic 323, *Investments, Equity Method and Joint Ventures,* or in limited instances are consolidated variable interest entities ("VIEs"), as prescribed in ASC Topic 810, *Consolidation.* The Company follows ASC Topic 970, *Real Estate, General,* in accounting for its Real Estate investments. For investments in Private Equity and Hedge Funds, the Company follows accounting as prescribed in ASC Topic 323, *Investments, Equity Method and Joint Ventures.* The Company records the activity of its alternative investments generally on a one-quarter lag or less, due to the timing of receipt of financial information from the fund managers. At December 31, the Company's alternative investments are generally reported at the Company's proportional interest in the fund as of September 30, on a fair value basis consistent with the underlying fund's method of accounting, except where more current information is available, adjusted for contributions and distributions through December 31.

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

Variable Interest Entities

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

The Company's VIEs consist of certain interests in hedge funds, real estate funds and private equity limited partnerships. The Company enters into the VIEs purely to diversify its investment portfolio. The VIEs are primarily financed by capital contributions by equity holders. The Company's involvement in financing the VIE is limited to its equity interest. The Company performed an economic analysis of the rights and obligations of its assets, liabilities, equity, and other contracts to identify its variable interests. On a subsequent basis, and at least annually, the Company has also performed an assessment of reconsideration events. The Company is a limited partner in its partnership investments and, as such, does not participate in the management of the entities. The limited partner agreement and the partnership entity's most current financial statements were also reviewed, to determine if the investment entity required subordinate financial support to permit it to finance its activities; whether there is an obligation to absorb expected losses or receive expected residual returns; and whether there are guaranteed returns on its interest or its returns are capped. As of December 31, 2014 and December 31, 2013, the Company was not required to consolidate any VIEs as the Company was not the primary beneficiary.

Included in alternative investments on the Consolidated Balance Sheets as of December 31, 2014 and 2013, were investment vehicles, which are considered VIEs and for which the Company is not the primary beneficiary. The following tables are the carrying amount, unfunded commitment and maximum exposure to loss relating to VIEs for which the Company is not the primary beneficiary and which have not been consolidated:

December 31, 2014 *(In thousands of U.S. Dollars)*

	Carrying Value	Remaining Commitment	Maximum Exposure to Loss[1]
Hedge Funds	$ 40,916	$ –	$ 40,916
Real Estate Partnerships	95,403	4,981	100,384
Private Equity Partnerships	63,511	21,181	84,692
	$199,830	$26,162	$225,992

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

December 31, 2013 *(In thousands of U.S. Dollars)*

	Carrying Value	Remaining Commitment	Maximum Exposure to Loss[1]
Hedge Funds	$ 41,024	$ –	$ 41,024
Real Estate Partnerships	91,020	10,030	101,050
Private Equity Partnerships	38,849	18,185	57,034
	$170,893	$28,215	$199,108

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

Subsequent Events

ASC Topic 855, *Subsequent Events,* contains certain provisions that set forth (1) the periods after the balance sheet date during which management of the reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the consolidated financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its consolidated financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the consolidated balance sheet date. Subsequent events have been evaluated through March 31, 2015, which is the date the financial statements were available to be issued.

Unpaid Losses and Loss Adjustment Expenses

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

Contingencies

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

Income Taxes

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

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

The Company accounts for its uncertain tax positions in accordance with ASC Topic 740. ASC Topic 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more likely than not recognition threshold to be recognized. ASC Topic 740 also provides guidance on measurement, de-recognition, classification, interest and penalties, and disclosure. The Company would recognize interest and penalties (if any) related to unrecognized tax benefits within the income tax expense line in the accompanying Statements of Operations and Comprehensive Earnings. Accrued interest and penalties (if any) would be included within the related tax liability line in the Consolidated Balance Sheets. There are no material uncertain tax positions reflected in the Company's Consolidated Financial Statements as of December 31, 2014 and 2013.

Statements of Cash Flows

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

New Accounting Pronouncements

In December 2011, FASB issued Accounting Standards Update ("ASU") 2011-11, *Disclosures about Offsetting Assets and Liabilities,* embodied in ASC Topic 210, *Balance Sheet.* The new standard requires enhanced disclosure information about offsetting and related arrangements, to facilitate comparison between financial statements prepared under US GAAP and financial statements prepared under IFRS. This guidance is effective for annual reporting periods beginning on or after January 1, 2013. The adoption of these provisions had no material impact on the Company's financial condition, results of operations, or cash flows.

In January 2013, the FASB issued ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities,* embodied in ASC Topic 210, *Balance Sheet.* The amendments in ASU 2013-01 clarify that the scope of ASU 2011-11 (as defined above), applies to derivatives, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions. This guidance is effective for annual reporting periods beginning on or after January 1, 2013. The adoption of these provisions had no material impact on the Company's financial condition, results of operations, or cash flows.

In January 2013, the FASB issued new guidance regarding comprehensive income ASU 2013-02, *Comprehensive Income (Topic 220): Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income,* effective prospectively for fiscal years beginning after December 15, 2013. The amendments require an entity to provide information about the amounts reclassified out of AOCI by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required under US GAAP to be reclassified to net income in its entirety in the same reporting period. The adoption of these provisions had no material impact on the Company's financial condition, results of operations, or cash flows.

In May 2014, the FASB issued an accounting standards update that provides new guidance on the recognition of revenue from contracts with customers. This new standard provides a principle-based revenue recognition framework that will eliminate the transaction- and industry-specific revenue recognition guidance under current US GAAP. The new standard establishes a new control-based revenue recognition model; changes the decision process on whether to recognize revenue over time or at a point in time; provides more detailed guidance on revenue recognition; and expands the disclosures about revenue. The new standard becomes effective for the Company on April 1, 2018 and for all annual and interim reporting periods thereafter. The Company may early adopt the new standard no earlier than April 1, 2017. The Company may adopt the new revenue standard by using either a full retrospective approach or through a modified retrospective approach that recognizes the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. The Company is currently evaluating the potential impacts that this new standard will have on its Consolidated Financial Statements.

In August 2014, the FASB issued authoritative guidance to determine when and how a company is required to disclose going-concern uncertainties in the financial statements. The guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. This guidance is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter, with early adoption permitted. The Company is currently evaluating the potential impacts that this new standard will have on its Consolidated Financial Statements.

3. INVESTMENTS

The amortized cost, gross unrealized gains and losses, and estimated fair value of Available for Sale Securities, excluding those securities accounted for under the Fair Value Option, at December 31, 2014 and 2013 are as follows:

December 31, 2014 *(In thousands of U.S. Dollars)*

	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Fixed Maturities:				
U.S. government obligations	$ 334	$ 24	$ –	$ 358
Foreign government obligations	1,345	492	–	1,837
Obligations of state and political subdivisions	1,197	402	–	1,599
Corporate debt securities	35,111	6,306	(7)	41,410
Mortgage-backed securities	49,863	5,381	(200)	55,044
Other debt securities	405	80	–	485
	88,255	12,685	(207)	100,733
Equities	298,811	924,885	(4,632)	1,219,064
	$387,066	$937,570	$(4,839)	$1,319,797

December 31, 2013 *(In thousands of U.S. Dollars)*

	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Fixed Maturities:				
U.S. government obligations	$ 350	$ 27	$ –	$ 377
Foreign government obligations	1,346	347	–	1,693
Obligations of state and political subdivisions	1,524	284	(17)	1,791
Corporate debt securities	49,245	9,026	(28)	58,243
Mortgage-backed securities	75,678	9,452	(437)	84,693
Other debt securities	404	71	–	475
	128,547	19,207	(482)	147,272
Equities	358,357	915,116	(2,359)	1,271,114
	$486,904	$934,323	$(2,841)	$1,418,386

The fixed maturity securities accounted for under the Fair Value Option had an amortized cost of $1,502,718,000 and $1,416,856,000 and an estimated fair value of $1,525,592,000 and $1,417,262,000 at December 31, 2014 and 2013, respectively. The equity securities accounted for under the Fair Value Options had a cost of $911,430,000 and $744,105,000 and an estimated fair value of $1,043,657,000 and $958,734,000 at December 31, 2014 and 2013, respectively.

The Company was required to hold $68,000,000 and $79,000,000 of equity securities in trust as collateral for a reinsurance agreement at December 31, 2014 and 2013, respectively. Refer to Note 6.

The following table contains an analysis of the Company's securities with gross unrealized losses, categorized by the period the securities were in a loss position as of December 31, 2014:

(In thousands of U.S. Dollars)	Number of Securities[1]	Less than 12 months Fair Value	Less than 12 months Gross Unrealized Losses	12 months or longer Fair Value	12 months or longer Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
Corporate debt securities	2	$ 135	$ (7)	$ –	$ –	$ 135	$ (7)
Mortgage-backed securities	57	2,926	(4)	983	(196)	3,909	(200)
		3,061	(11)	983	(196)	4,044	(207)
Equities	339	90,465	(4,284)	800	(348)	91,265	(4,632)
		$93,526	$(4,295)	$1,783	$(544)	$95,309	$(4,839)

[1]Based on the number of security lots in an unrealized position.

Gross realized gains and losses for Available for Sale Securities, including those securities accounted for under the Fair Value Option, including impairments of $1,720,000 and $1,502,000 during 2014 and 2013, respectively, were as follows:

(In thousands of U.S. Dollars)	2014	2013
Realized gains	$239,047	$ 417,234
Realized losses and impairments	(63,441)	(161,111)
	$175,606	$ 256,123

The amortized cost and estimated fair value of fixed maturity securities by maturity date at December 31, 2014 are as follows:

(In thousands of U.S. Dollars)	Cost or Amortized Cost	Estimated Fair Value
Due in one year or less	$ 155,483	$ 155,921
Due after one year through five years	788,528	797,142
Due after five years through ten years	243,439	249,245
Due after ten years	403,523	424,017
	$1,590,973	$1,626,325

The net change in unrealized investment gains/(losses) arising during the period, including foreign currency translation adjustments and excluding the net change in benefit obligations of ($1,278,000) and $1,280,000 for the years ended December 31, 2014 and 2013, respectively, is as follows:

(In thousands of U.S. Dollars)	2014	2013
Fixed Maturities	$ (14,320)	$ (14,271)
Equity Securities	(37,411)	188,622
Deferred Income Tax	18,106	(61,023)
	$ (33,625)	$ 113,328

The Company maintains specific restrictions on its investment portfolio based on policy guidelines as approved by the Board of Directors. These guidelines include restrictions with respect to diversification and credit quality. For fixed maturity investments, exposure to a single entity, with the exception of the U.S. Treasury and Government agencies, may not exceed 1% of the fair value of the aggregate NEIL portfolio. Asset-backed Securities, where the credit quality/rating is primarily based on specified collateral and not the issuer, are not subject to the 1% limit. Securities with an explicit guarantee from the issuer are also not subject to the 1% limit. The policy guidelines also require that no less than 90% of the fixed maturity portfolio must be rated investment grade by the Fitch, Standard & Poor's, or Moody's rating services. As of December 31, 2014, the Company's fixed maturity securities included U.S.

Government obligations, Foreign Government obligations, Corporate Debt Securities, Mortgage-backed Securities, and Other Debt Securities. Mortgage-backed Securities included Residential Mortgage-backed Securities (“RMBS”), Commercial Mortgage-backed Securities (“CMBS”), Collateralized Mortgage Obligations (“CMOs”), and other Asset-backed Securities (“ABS”). Other debt securities included Federal Agency debt issues from the Federal National Mortgage Association (“FNMA”), Federal Home Loan Mortgage Corporation (“FHLMC”), and Federal Home Loan Bank (“FHLB”). The Company’s fixed maturity portfolio had a fair value of $1,626,325,000 and $1,564,534,000 at December 31, 2014 and 2013, respectively. Of this amount, 95.8% was rated as investment grade credit quality with the remaining 4.2% rated as non-investment grade.

Impairment Evaluation for Fixed Maturity Securities

Excluding those securities accounted for under the Fair Value Option, the Company identifies the remaining fixed maturity securities where the fair value falls below the amortized cost basis. These securities are considered to be in an unrealized loss position. As described in Note 2, the Company evaluates the security to determine if an OTTI related to fixed maturity securities has occurred. If the Company intends to either sell the security or determines that it is more likely than not that it will be required to sell the fixed maturity security before recovery of the entire amortized cost basis or maturity of the fixed maturity security, the Company recognizes the entire impairment in net earnings. If the Company does not intend to sell the fixed maturity security, and it does not expect to recover the entire amortized cost basis, the impairment is bifurcated into the amount attributed to a credit loss, which is recognized in net earnings, and the amount attributed to all other causes, which is recognized in other comprehensive earnings.

In assessing whether the Company has intent to sell, the Company considers all available evidence. Among other things, the Company considers the following factors which could indicate intent to sell: (1) whether the investment managers have approved the sale of the security; and (2) whether the Company has directed its Investment Managers to sell the security, which is contingent on an event that is expected to occur. The Company assesses whether it is more likely than not that the Company will be required to sell the security. The Company does not anticipate that it will have to sell the fixed maturity security to meet expected cash requirements, and currently there are no circumstances that would lead a third party with the authority, to force the Company to sell a fixed maturity security. All significant assumptions used in determining credit losses are subject to change as market conditions evolve.

The Company evaluates the security to assess whether it is a candidate for credit loss. Specifically, the Company considers a combination of qualitative and quantitative factors such as type of security, credit rating, and discounted cash flow pricing model, where necessary, and issuer-specific financial information, among other factors, to assess the likelihood of collection of all principal and interest as contractually due. In general, credit loss recognized in net income equals the difference between the security’s amortized cost and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the fixed maturity security. The specific methodologies and significant assumptions used by asset class are discussed below. All significant assumptions used in determining credit losses are subject to change as market conditions evolve. For the years ended December 31, 2014 and 2013, the company has attributed all fixed maturity securities OTTI to credit loss.

The Company recorded the following other-than-temporary impairments on its investment portfolio for the year ended December 31, 2014 and 2013:

(In thousands of U.S. Dollars)

	2014	2013
Fixed Maturities:		
OTTI losses, gross	$ 37	$ 464
Portion of loss recognized in other comprehensive earnings (pre-tax)	–	–
Net debt security impairment losses recognized in earnings	37	464
Equities	1,683	1,038
Total	$1,720	$1,502

The following table presents, for the periods indicated, a roll-forward of pre-tax credit losses recognized in net earnings on fixed maturity securities held by the Company for the years ended December 31, 2014 and 2013:

(In thousands of U.S. Dollars)

	2014	2013
Balance of credit losses related to securities still being held as of January 1	$ 18,427	$ 34,623
Additions where an OTTI was previously recorded	37	207
Additions where no OTTI was previously recorded	–	257
Reductions for securities sold during the period	(12,259)	(16,660)
Balance of credit losses related to securities still being held as of December 31	$ 6,205	$ 18,427

Government Obligations

Government obligations include U.S. Treasury and agency obligations, Foreign Government obligations, and state and municipality subdivision obligations, which were in an unrealized loss position. These securities are evaluated for credit loss using a combination of quantitative and qualitative assessments of the likelihood of credit loss considering the credit ratings of the issuers and issuer specific information. The quantitative methodology is similar in approach to that described below for Corporate Debt Securities. All of the Company’s holdings in this category are investment grade securities. There were no OTTI during the years ended December 31, 2014 and 2013.

Corporate Debt Securities

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

The Company uses credit ratings as an indicator of the credit quality of fixed maturity issuers, the relative likelihood that the issue may default, and issuer specific current news and other information available in the public domain. The Company identifies the securities that are investment grade and the Company generally expects to recover the entire amortized cost basis of all securities that are investment grade. The Company generally considered any fixed maturity security with an Aaa to Baa rating (Moody’s) and with an AAA to BBB rating (S&P) as investment grade. There were no OTTI during the years ended December 31, 2014 and 2013.

Mortgage-Backed and Asset-Backed Securities

For Mortgage-backed Securities, credit impairment is assessed using a similar approach to corporate debt securities. The Company identifies the securities that are investment grade and the Company generally expects to recover the entire amortized cost basis of all securities that are investment grade, in the absence of any issuer specific negative information. The securities that fall below investment grade are analyzed further to calculate the credit and non-credit loss components. The Company determines its best estimate of projected cash flows and develops these estimates on a security by security basis. The Company recorded gross OTTI, all of which was attributable to credit loss, for mortgage-backed securities of $37,000 and $464,000 in 2014 and 2013, respectively.

Equities

As described in Note 2, declines in the fair value of equity securities are evaluated by management for OTTI. The Company’s intent and ability to retain the investment for a period of time sufficient for the anticipated recovery is not absolute. The Company has granted the authority to its Investment Managers and does not direct the Managers’ decision making. As a result, the Company considers any equity security in a loss position to be OTTI.

Other Investments

Within the Company's fixed maturity portfolio, the exposure to subprime and Alt-A Mortgage-backed securities as of December 31, 2014 and 2013 is as follows:

ESTIMATED FAIR VALUE *(In thousands of U.S. Dollars)*	2014	2013
Alt-A Residential Mortgage-backed—Investment Grade	$ 82	$ 84
Alt-A Residential Mortgage-backed—Below Investment Grade	–	771
Subprime Residential Mortgage-backed—Investment Grade	1,054	2,245
Subprime Residential Mortgage-backed—Below Investment Grade	4,746	11,663
	$5,882	$14,763

The Company participates in a securities lending program managed by Northern Trust. The Company receives a fee from Northern Trust for the lending of securities that is shown in the Investment income, net component of the Statements of Operations and Comprehensive Earnings. As a requirement of the lending program, the borrower of securities must pledge collateral in excess of 100% of the value of the loaned securities to Northern Trust. The loaned securities are reclassified to securities pledged to creditors. Cash received as collateral is invested in high-quality, short-term instruments and recorded in the Consolidated Balance Sheets as an investment at estimated fair value. A liability to return the cash collateral is also recorded on the Consolidated Balance Sheets as payable under securities loan agreements. Non-cash collateral is not recorded in the balance sheets, since "effective control" criteria are not met. A rate of interest termed the "Rebate" is guaranteed to the securities borrower for the cash collateral, and the Company earns a profit through the retention of any investment returns earned on the cash collateral in excess of the rebate guarantees. While the securities lending activities are fully collateralized, market risk arises from the possibility that a borrower of securities may be unable to return the securities if a sudden material change in the market occurs. There is minimal credit risk from the failure of counterparties to perform, since the Company receives collateral in excess of 100% of the value of the loaned securities, and losses stemming from the borrower's failure to return securities are fully indemnified by Northern Trust. There were securities with a market value of $0 on loan under the program at December 31, 2014 and 2013, as the Company actively works to close the securities lending program at the end of each year. Income earned for securities lending was $959,967 and $658,504 at December 31, 2014 and 2013, respectively.

4. FAIR VALUE MEASUREMENTS AND DERIVATIVES

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

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

- Level 1—inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2—inputs utilize other than quoted prices included in Level 1 that are observable for similar assets, either directly or indirectly.
- Level 3—inputs are unobservable for the asset, and include situations where there is little, if any, market activity for the asset.

The following table summarizes the Company's financial assets and financial liabilities measured at fair value at December 31, 2014:

(In thousands of U.S. Dollars)	Fair Value Measurements as of December 31, 2014				Changes in Fair Values for the Year Ended December 31, 2014, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option	
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**	**Total Assets/Liabilities Measured at Fair Value**	**Other net realized investment gains (losses)**	**Investment Income (Loss)**
Assets:						
Fixed Maturities:						
U.S. government obligations	$ –	$ 356,570	$ –	$ 356,570	$ 10,465	$ (765)
Foreign government obligations	–	100,308	–	100,308	4,254	(1,385)
Obligations of state and political subdivisions	–	10,729	–	10,729	1,015	(32)
Corporate debt securities	4,063	852,249	409	856,721	7,892	(5,934)
Mortgage- and asset-backed securities	–	250,296	–	250,296	4,934	(5,183)
Other debt securities	–	51,701	–	51,701	950	(26)
Total debt securities	$ 4,063	$1,621,853	$ 409	$1,626,325	$ 29,510	$(13,325)
Equities	$2,231,039	$ –	$ 31,682	$2,262,721	$(37,490)	$ –
Short-term securities[1]	–	41,944	–	41,944	(21)	(362)
Alternative investments:						
Hedge Funds	–	285,677	4,910	290,588	–	–
Real Estate	–	164,112	52,890	217,002	–	–
Private Equity	–	–	247,013	247,013	–	–
Foreign currency forward contracts	–	76,373	–	76,373	–	–
Total Assets	$2,235,102	$2,189,959	$336,904	$4,761,966	$ (8,001)	$(13,687)
Liabilities:						
Futures	220	–	–	220	–	–
Foreign currency forward contracts	–	74,334	–	74,334	–	–
Total Liabilities	$ 220	$ 74,334	$ –	$ 74,554	$ –	$ –

1) Short-term securities presented in the table above exclude short-term investments (e.g., time deposits, certain money market funds) of $372,933 which are not measured at fair value.

The following table summarizes the Company's financial assets and financial liabilities measured at fair value at December 31, 2013:

(In thousands of U.S. Dollars)	Fair Value Measurements as of December 31, 2013				Changes in Fair Values for the Year Ended December 31, 2013, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option	
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**	**Total Assets/Liabilities Measured at Fair Value**	**Other net realized investment gains (losses)**	**Investment Income (Loss)**
Assets:						
Fixed Maturities:						
U.S. government obligations	$ –	$ 352,860	$ –	$ 352,860	$ (7,881)	$ (1,335)
Foreign government obligations	–	165,137	21,908	187,045	(8,887)	(1,025)
Obligations of state and political subdivisions	–	11,022	–	11,022	(965)	(37)
Corporate debt securities	3,197	696,792	6,798	706,787	(17,543)	(4,973)
Mortgage- and asset-backed securities	–	264,174	–	264,174	(6,894)	(3,169)
Other debt securities	–	42,646	–	42,646	(1,245)	(154)
Total debt securities	$ 3,197	$1,532,631	$ 28,706	$1,564,534	$(43,415)	$(10,693)
Equities	$2,190,172	$ –	$ 39,676	$2,229,848	$ 143,158	$ –
Short-term securities[1]	–	34,968	–	34,968	(634)	(337)
Alternative investments:						
Hedge Funds	–	280,862	6,756	287,618	–	–
Real Estate	–	151,639	51,979	203,618	–	–
Private Equity	–	–	224,906	224,906	–	–
Foreign currency forward contracts	–	154,377	–	154,377	–	–
Futures	52	–	–	52	–	–
Total Assets	$2,193,421	$2,154,477	$352,023	$4,699,921	$ 99,109	$(11,030)
Liabilities:						
Covered call options	–	4,639	–	4,639	–	–
Foreign currency forward contracts	–	154,019	–	154,019	–	–
Total Liabilities	$ –	$ 158,658	$ –	$ 158,658	$ –	$ –

1) Short-term securities presented in the table above exclude short-term investments (e.g., time deposits, certain money market funds) of $205,325 which are not measured at fair value.

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

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

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

Securities classified as Level 2 consist of "Fixed Maturity Securities," "Short-Term Securities," "Alternative Investments," "Foreign Currency Forward Contracts," and "Covered Call Options." The market approach is used to price the Company's U.S. and foreign government obligations, and the primary inputs include bid and offer quotes from market makers or inter-dealer brokers. The Company's "Obligation of State and Political Subdivision" securities are priced using the matrix market approach where market information is used to derive a price based on similar securities. The primary inputs are spread benchmark curves, prepayment speeds, or spreads and quotes. The Company's "Corporate Debt Securities" are generally priced using the market approach and the primary inputs include U.S. Treasury curve, benchmark issues, and spreads above benchmarks from market sources. "Mortgage- and Asset-backed Securities" and "Other Debt Securities" prices are derived using a combination of matrix market approach and discounted cash flow income approach. The primary inputs include discount rates obtained from benchmark yield curves and discount margins, dealer quotes, spreads and prepayment speeds from market participants, and benchmark quotes from dealers. The "Short Term Securities" consist of U.S. government and corporate debt securities. The "Foreign Currency Forward Contracts" are priced by the FX forward rate. Discounts and premiums are taken from various sources to calculate the FX forward rate, which are added directly to the spot rate. The valuation of the "Hedge Funds" and the "Real Estate Funds" is based on the Company's proportionate interest in the underlying funds' net asset value, which approximates fair value. The investments in funds classified as Level 2 are redeemable either on the quarter with notice or with 90 days' notice.

Securities classified as Level 3 consist of "Foreign Government Obligations," "Corporate Debt Securities," "Equities," and "Alternative Investments." Generally, the market approach is used to price the Company's Corporate Debt Securities and Foreign Government Obligations, and the primary inputs include bid and offer quotes from brokers. "Equities" primarily consists of the Company's investment in a high income real estate fund whose fair value contains significant unobservable inputs. The valuation of the Hedge Funds, Real Estate Funds, and Private Equity Funds is based on the Company's proportionate interest in the underlying funds' net asset value, which approximates fair value. The Real Estate funds are not subject to redemption, and it is estimated that the investments will be liquidated in approximately one to seven years. The investments in the private equity funds are not subject to redemption and typically returned through distributions. It is estimated that the investments will be liquidated in approximately five to ten years.

The following table summarizes the change in fair value of Level 3 assets for the year ended December 31, 2014:

(In thousands of U.S. Dollars)	**Balance as of December 31, 2013**	**Net Gain (Loss)**	**Net Income (Loss)[1]**	**OCI on Statement of Financial Position**	**Purchases and Issuances**	**Sales and Settlements**	**Net Transfers in and/or out of Level 3**	**Balance as of December 31, 2014**	**Total losses included in Net Gain (Loss) for instruments held at December 31, 2014**
Foreign Government	$ 21,908	287	(94)	(3,659)	6,003	(15,978)	(8,467)	$ –	$ –
Corporate debt securities	$ 6,798	881	(225)	–	–	(1,891)	(5,154)	$ 409	$ –
Equities	$ 39,676	1,493	–	–	–	(10,182)	695	$ 31,682	$ (6)
Alternative Investments[2]									
Hedge Fund	$ 6,756	–	777	–	–	(2,623)	–	$ 4,910	$ (977)
Real Estate	$ 51,979	–	6,556	–	4,390	(10,035)	–	$ 52,890	$ –
Private Equity	$224,906	–	32,102	–	46,853	(56,848)	–	$247,013	$(3,713)

1) Amortization of premium/discount is included within net income (loss).

2) Amount presented in purchases, sales, issuances, and settlements for alternative investments represents contributions and distributions to and from the investments in private equity, real estate, and hedge funds.

The following table summarizes the change in fair value of Level 3 assets for the year ended December 31, 2013:

(In thousands of U.S. Dollars)	Balance as of December 31, 2012	Net Gain (Loss)	Net Income (Loss)[1]	OCI on Statement of Financial Position	Purchases and Issuances	Sales and Settlements	Net Transfers in and/or out of Level 3	Balance as of December 31, 2013	Total losses included in Net Gain (Loss) for instruments held at December 31, 2013
Foreign Government	$ 48,803	(4,371)	(179)	(482)	11,668	(33,531)	–	$ 21,908	$ –
Corporate debt securities	$ 469	201	(62)	(3)	6,602	(409)	–	$ 6,798	$ (4)
Equities	$ 48,978	135	–	–	653	(10,090)	–	$ 39,676	$ –
Alternative Investments[2]									
Hedge Fund	$ 11,151	–	577	–	–	(4,972)	–	$ 6,756	$ –
Real Estate	$ 31,846	–	2,348	–	20,587	(2,802)	–	$ 51,979	$ –
Private Equity	$225,951	–	33,162	–	18,421	(52,628)	–	$224,906	$(1,870)

1) Amortization of premium/discount is included within net income (loss).

2) Amount presented in purchases, sales, issuances, and settlements for alternative investments represents contributions and distributions to and from the investments in private equity, real estate, and hedge funds.

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

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

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

Derivative Instruments

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

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

GAINS (LOSSES) *(In thousands of U.S. Dollars)*

	2014	2013
Futures	$11,611	$ 22,746
Foreign exchange forwards	8,181	5,345
Costless collars	–	(61,270)
Covered calls	67	(8,106)
Total derivative gains (losses), net	$19,859	$(41,285)

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

The Company uses futures contracts to manage equity and U.S. Treasury security exposures pursuant to the Company's Investment Policy. Futures contracts are not used to leverage portfolios or for any speculative purpose. Total notional exposure to U.S. Treasury securities totaled $7,988,000 and $14,701,000 at December 31, 2014 and 2013, respectively. The Company recorded a payable and receivable of approximately ($220,000) and $52,000 at December 31, 2014 and 2013, respectively.

The Company entered into various put spread costless collar contracts ("collars") in 2012, to provide stability to the Company's surplus by hedging against significant equity market decline. The Company used this strategy to minimize its exposure to volatility in the equities market. These collars are not linked to specific assets that appear on the Consolidated Balance Sheets or to a forecasted transaction.

The Company entered into various covered call option contracts, which earn a guaranteed premium while limiting upside potential at a defined level, at times when the equity market appears fully valued. The Company uses this strategy to minimize its exposure to volatility in the equity market.

The Company uses deferred settlement mortgages as a cost efficient way to invest in mortgage-backed securities. In this approach, the investor accepts delayed settlement on the purchase of mortgage-backed securities in return for a modest reduction in the price paid for those mortgage-backed securities. The price differential is directly related to the fact that the investor does not enjoy the higher yield typically offered by mortgage-backed securities relative to the interest rate earned on cash equivalents held for the period between normal settlement and the agreed upon deferred settlement. At December 31, 2014 and 2013, these securities had an amortized cost of $76,829,000 and $116,139,000, respectively. At December 31, 2014 and 2013, these securities had a fair value of $76,843,000 and $115,708,000, respectively. The net of these amounts are included in fixed maturities on the Company's Consolidated Balance Sheets. Gains and losses on deferred settlement mortgages were immaterial to the financial statements during the years ended December 31, 2014 and 2013.

5. LINE OF CREDIT

The Company has a $50 million uncommitted line of credit with its investment custodian at December 31, 2014 ($50 million at December 31, 2013), effective during the period from May 1 through January 31, with a provision for increase to $100 million annually during the period of February 1 through April 30. Under the arrangement, the investment custodian has agreed to review the Company's consolidated financial statements on a regular basis so that the Company may borrow funds for general corporate purposes or place letters of credit without the normal lengthy credit review process. The uncommitted nature of the line provides the investment custodian the flexibility to deny use of this line if it is so inclined. In 2014 and 2013, the Company borrowed and repaid $90 million and $75 million against the Line of Credit, respectively. The amount available under the line was $50 million at December 31, 2014 and 2013.

6. RESERVE FUND, ESCROW DEPOSIT, AND TRUST ASSETS

The Company is required to maintain assets on deposit with various regulatory authorities to support insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. The assets on deposit are available to settle insurance and reinsurance liabilities. Under the Incorporating Act of Bermuda, the Company must, at all times, maintain a reserve fund. At December 31, 2014 and 2013, the reserve fund was $250,000. In addition, the Company is required to maintain a $750,000 escrow deposit (restricted cash) in connection with being licensed in the State of Delaware. In lieu of the escrow deposit, a $750,000 letter of credit has been established to comply with the State of Delaware licensing requirement. Distributions to policyholders may not be declared out of either of these sources. The Company established a trust held by its custodian, Northern Trust, with certain investments, in the event of default of its reinsurance obligation with Energy Insurance Mutual

Limited (EIM). The Company is required to maintain sufficient funds to cover 102% of reserves for claims including claim losses, loss expenses, and unearned premium under its reinsurance agreement with EIM. At December 31, 2014 and 2013, assets held in trust that are required to satisfy claim liabilities with EIM were approximately $68 million and $79 million, respectively, and are included in equity securities, at fair value on the balance sheets.

7. RETROSPECTIVE PREMIUM ADJUSTMENT

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

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

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

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

(In thousands of U.S. Dollars)

	2014	2013
Primary	$1,684,050	$1,109,906
Accidental Outage	512,975	493,126
Excess	264,115	745,110
	$2,461,140	$2,348,142

The Company requires its Members to maintain an investment grade credit rating or to take certain specified actions to ensure collectability of their retrospective premiums. All non-investment grade and unrated Members are required to provide security for their retrospective premium obligations in the form of one of the following mechanisms: Financial Guarantee, Letter of Credit, Deposit Premium, or Retrospective Premium Insurance. In 2014 and 2013, the retrospective premiums for non-investment grade Members represented 8.13% and 7.97% of the total, respectively. Management believes that it is unlikely that any retrospective premium adjustments will be required for policies whose terms have expired. No retrospective premium adjustments were required for the years ended December 31, 2014 and 2013.

8. REINSURANCE

In the normal course of business, the Company seeks to reduce its exposure to losses that may arise by reinsuring certain levels of risk with other insurance enterprises or reinsurers. Such reinsurance does not relieve the Company from its obligations to policyholders. With respect to the Accidental Outage and Primary programs, the Company purchases $200 million of all-risk coverage (excluding nuclear peril) in excess of $400 million for combined property and accidental outage losses, with an April 1 renewal date. Coverage under the Excess program is obtained as a single layer, $1.25 billion in excess of $875 million per site. Coverage on Builders' Risk consists of reinsurance participation at various attachment points, with or without nuclear exposure. Coverage under the Excess Non-nuclear program is obtained in a single layer, $625 million in excess of $1.5 billion per occurrence.

The Company assumed reinsurance from non-affiliated entities for up to approximately $200,000,000 per occurrence at December 31, 2014 and 2013. The risks are primarily property and liability for facilities involved in the nuclear industry as well as risks that are similar to the Company's direct business. Assumed premiums written in connection with these agreements in 2014 and 2013 were $29,630,000 and $29,937,000, respectively. Assumed premiums earned in connection with these agreements were $29,948,000 in 2014 and $30,309,000 in 2013.

The Company assumed reinsurance for the conventional property programs of its Members. Such assumed reinsurance was written on a quota share basis and the maximum limit was approximately $300,000,000 per occurrence. Premiums written in connection with this agreement in 2014 and 2013 were $20,237,000 and $22,076,000, respectively. Premiums earned in connection with this agreement were $20,797,000 in 2014 and $21,937,000 in 2013.

The effects of reinsurance on premiums written and earned in 2014 are as follows:

(In thousands of U.S. Dollars)

	Written	Earned
Direct	$234,719	$232,078
Assumed	49,866	50,744
Ceded	(57,585)	(66,257)
Net	$227,000	$216,565

The effects of reinsurance on premiums written and earned in 2013 are as follows:

(In thousands of U.S. Dollars)

	Written	Earned
Direct	$231,758	$229,508
Assumed	52,013	52,246
Ceded	(62,009)	(86,142)
Net	$221,762	$195,612

9. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

(In thousands of U.S. Dollars)

	2014	2013
Balance at January 1	$ 364,536	$ 901,730
Incurred related to:		
Current year	100,112	158,853
Prior years	197,816	22,599
Total—incurred	$ 297,928	$ 181,452
Paid related to:		
Current year	(760)	(20,465)
Prior years	(119,207)	(698,181)
Total—paid	$(119,967)	$(718,646)
Balance at December 31	$ 542,497	$ 364,536

The loss and loss adjustment expenses above include losses on both direct insured and direct and assumed reinsurance business. Based on the Company's current loss reserve position, no losses were ceded to reinsurers during the 2014 and 2013 calendar years, with respect to any claims for which coverage and reserve determinations have been made. Loss and loss adjustment expenses for the current year were $100,112,000 as compared with $158,853,000 in 2013. Reserve development on prior accident year losses was $197,816,000 and $22,599,000 for 2014 and 2013, respectively, reflecting the re-estimation and settlement of prior year claims after receiving additional information. Loss payments were $119,967,000 and $718,646,000 for 2014 and 2013, respectively. Loss payments made in 2013 included the settlement of certain large losses.

In August 2014, a Member filed Property Damage and Accidental Outage claims related to an event which resulted in significant damage to the turbine generator of one unit at this four unit site. The unit was in normal operation when the oil level in the lube oil reservoir for the turbine-generator began to decrease rapidly. A Low-Level alarm was received, followed moments later by a Low-Low Level alarm, which resulted in a turbine trip and a reactor scram. Oil continued to drain from the lube oil reservoir resulting in the turbine-generator coasting down without lubrication. Investigation revealed that a normally locked drain valve at the bottom of the lube oil reservoir had been opened allowing the oil to drain to a remote holding tank. The lock on the drain valve had been removed, and the handle on the valve had been loosened and repositioned to make it appear that the valve was still closed. This event appears to be the result of an intentional act of sabotage, which is the subject of an ongoing criminal investigation.

The Member maintains Property insurance through the Company to a maximum of $2.75 billion ($1.5 billion Non-Nuclear limit of liability), with a $5 million deductible. The Member also maintains a separate Accidental Outage policy with the company whereby, after a 20-week deductible period, the Member is entitled to weekly payments of $3.5 million per week, for the first 52 weeks following the deductible period. After the initial 52 weeks of indemnity, the policy pays $2.8 million per week for up to an additional 110 weeks to a total policy limit of $490.0 million ($327.6 Non-Nuclear Limit of Liability). Repairs were completed and the unit returned to operation several days before expiration of the deductible period.

In March 2012, a Member filed Property Damage and Accidental Outage claims for excessive wear damage to steam generator tubes at both units of its two-unit plant. The damage was discovered following a steam generator tube leak at one unit, which prompted inspections at both units. The steam generators had recently been replaced and were put into service in 2010 at one unit, and 2011 at the other. On June 6, 2013, after completing a root cause analysis, the Member announced that it was permanently retiring both units rather than attempting to repair the steam generators. The Member publicly disclosed that in October 2013, a formal request for binding arbitration was sent to the manufacturer seeking damages for all losses arising from the supply of faulty steam generators.

The Member maintains Property insurance through the Company to a maximum of $2.75 billion, with a $2.5 million deductible. The Member also maintains a separate Accidental Outage policy with the company whereby, after a 12-week deductible period, the Member is entitled to weekly payments of $3.5 million per week, for the first 52 weeks following the deductible period. After the initial 52 weeks of indemnity, the policy pays $2.8 million per week for up to an additional 110 weeks, to a total policy limit of $490 million. In addition, recovery is reduced to 10% of the stated weekly indemnity at the permanent shutdown date.

While a significant amount of information has been exchanged between the Company and the Member, and several meetings have been held between the parties, additional discussion and analysis will be required to finalize the evaluation of these claims. This work has not advanced to the point where a final coverage determination can be made.

In March 2013, a Member notified the Company of a potential claim resulting from an incident that occurred while replacing a main generator stator. During a scheduled refueling outage in which the generator stator was being moved out of the turbine building for replacement with a refurbished spare, the stator, weighing approximately 500 tons, was being moved using a specially designed lifting apparatus. A failure of the lifting rig equipment resulted in the stator being dropped from the turbine deck to ground level in the rail bay, a distance of approximately 35 feet. The falling stator and lifting equipment caused significant damage to equipment in the turbine building and structural damage to the building itself.

The Member maintains Property insurance through the Company to a maximum of $1.6 billion, with a $2.5 million deductible. The policy contains a $50 million Course of Construction sublimit, which the Company views as the limit of its exposure to this claim. The Company has paid a total of $50 million and has notified the Member that it considers the claim to be paid in full based on the Course of Construction Sublimit. The Member disagrees that the sublimit should apply and there are differences of opinion regarding other coverage for aspects of this claim. Discussions continue with the Member on possible methods to resolve the dispute.

In January 2013, a Member notified the Company of potential claims resulting from a main generator step-up transformer failure followed by a plant trip and a partial loss of offsite power. Following the turbine trip, the emergency lubricating oil pump began supplying oil to the turbine generator, but after approximately 10 minutes, the pump tripped allowing the unit to coast down without lubrication. Damage occurred along the entire turbine generator shaft line impacting most bearings, gland seals, and rotating and stationary components of the HP and LP turbines.

The Member filed Property Damage and Accidental Outage claims for all damages occurring following the transformer failure. The Member maintains Property insurance through the Company to a maximum of $2.75 billion, with a $2.5 million deductible. The Member also maintains a separate Accidental Outage policy with the company whereby, after a 23-week deductible period, the Member is entitled to weekly payments of $3.5 million per week, for the first 52 weeks following the deductible period. After the initial 52 weeks of indemnity, the policy pays $2.8 million per week for up to an additional 104 weeks, to a total policy limit of $473.2 million.

The failed transformer was replaced with an on-site spare, repairs to the damaged turbine generator components were completed, and the unit was returned to service several weeks before the expiration of the Accidental Outage deductible period. As a result, the Accidental Outage claim was withdrawn. A review of the root cause reports led the Company to conclude that two separate events occurred. The Member responsible for operating the plant notified the Company that it disagreed with the two-event scenario. In an effort to resolve this disagreement, a Senior Peer Review was conducted, and the Peer Review Panel found in favor of the Member's position. The separate Property claims were consolidated into a single claim, and to date, the Company has paid $32.4 million in Property damage repair costs.

In December 2011, a Member notified the Company of potential claims resulting from flooding and a switchgear fire that occurred on the site in 2011. The station was in the latter stages of a scheduled refueling outage when it began staging flood mitigation equipment in anticipation of high water levels. In accordance with procedures, the plant remained in Cold Shutdown due to the elevated water levels. The plant experienced an unrelated breaker failure and fire in a safety-related 480 volt load center. The resulting fire caused extensive damage to the switchgear and associated equipment. During 2012, the Company completed its review of the Property damage resulting from the breaker failure/fire, and paid a final settlement of $1.75 million for the Property damage. The Company also made a partial payment of $12.6 million for Accidental Outage related to the breaker failure/fire damage. In early 2013, the Company paid an additional $24 million in final settlement for the Accidental Outage claim related to the 2011 breaker failure/fire. The Property and Accidental Outage claims associated with the 2011 flooding event remain under review. The flood deductible under the property policy is $10 million plus 10% of the loss in excess of $10 million. The Accidental Outage deductible period is 12 weeks. The Company continues to work with the insured to understand the scope of the flood damage and associated time reasonably necessary to complete repairs.

The claims discussed above have been reserved accordingly in the Company's financial statements.

In October 2009, during an outage for normal refueling and maintenance and a steam generator replacement project to increase the generating capability of a unit, a Member notified the Company of the discovery of Property damage in the form of delamination (or separation) within the concrete of the reactor containment building. Following months of investigation and discussion, the Company and the Member agreed to enter into a confidential, non-binding mediation process, and reached a resolution of the Member's coverage claims through the mediation process on February 4, 2013. Under the terms of a Mediator's Proposal, the Company agreed to pay an additional $530 million, for a total of $835 million ($345 million in Property and $490 million in Accidental Outage), for all Property and Accidental Outage claims associated with the damage caused by the delamination of the containment building. Through December 31, 2012, the Company had paid $143 million in Property repair costs and $162 million for accidental outage to the Member. The remaining settlement amount of $530 million was paid in 2013.

In September 2008, a Member notified the Company of a plant shutdown and turbine loss that was ultimately determined to be caused by turbine blade failures, which resulted in extensive damage to the turbine generator. The Company worked with the Member and the turbine vendor to evaluate the extent of the damage resulting from the incident and the costs to return the unit to service. Following extensive investigation and disagreement about the extent of coverage under the policy, in 2012 the parties agreed to enter into a confidential non-binding mediation process, which culminated in the Company and the Member reaching a resolution of the Member's coverage claims through the mediation process in January 2013. Under the terms agreed to, the Company settled the claim for a total of $468 million, to be allocated as $300 million in Property and $168 million in Accidental Outage, on all claims associated with this turbine failure. Through December 31, 2012, the Company had paid $203 million in Property repair costs and $185 million for Accidental Outage to the Member. The remaining settlement amount of $80 million was paid in 2013.

Of the $297,928,000 and $181,452,000 in Loss and Loss Adjustment Expenses incurred during 2014 and 2013 respectively, $262,200,000 and $116,612,000 of expense in 2014 and 2013, respectively, relate to the Company's Member Nuclear policies. The significant majority of the Member Nuclear losses are associated with reserves for the large claim events described above. In addition, Conventional and Non-Member assumed business reflected new claims activity for the Company's participation in reinsurance programs, as well as unfavorable reserve adjustments for prior accident year claims.

While the Company has used its best judgment and the most current information available in recording the reserves, there is significant uncertainty in estimation of the ultimate claims. New information may lead to future developments in ultimate losses and loss expenses that are significantly greater or less than the reserves provided. Any such revision could result in future changes in estimates of losses or reinsurance recoverable, and would be reflected in the Company's results of operations in the period in which the estimates are changed.

10. INCOME TAXES

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

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

(In thousands of U.S. Dollars)

	2014	2013
Current	$22,334	$ (1,293)
Deferred	13,686	102,161
Total	$36,020	$100,868

The components of the net deferred tax liability as of December 31, 2014 and 2013 are as follows:

(In thousands of U.S. Dollars)

	2014	2013
Unearned premium reserve	$ 5,637	$ 5,430
Loss reserve discount	16,243	7,851
Alternative investments	349	1,403
Investment impairments	25,779	36,059
Deferred expenses	12,241	10,631
Bond amortization	(2,671)	(2,303)
Foreign tax credits	–	11,231
ONEIL operating loss and other, net	179	3,187
Total deferred tax assets	57,757	73,489
Deferred acquisition costs	(312)	(587)
Unrealized investment gains/losses	(305,999)	(324,104)
Gain/losses on fair value option securities	(74,489)	(76,954)
Total deferred tax liabilities	(380,800)	(401,645)
Net deferred tax liability	$(323,043)	$(328,156)

There was no valuation allowance recorded against the deferred tax assets at December 31, 2014 and 2013, as the Company believes it is more likely than not that the deferred tax assets would be realized.

A roll forward of the income tax receivable (payable) for the year ended December 31, 2014 and 2013 is as follows:

(In thousands of U.S. Dollars)

	2014	2013
Current tax receivable, January 1	$13,101	$117,167
Current tax expense (income)	(22,334)	1,293
Estimated payments	610	14,343
Income tax refund	–	(119,754)
Other	(1)	52
Current tax (payable) receivable, December 31	$(8,624)	$ 13,101

The provision for income taxes was determined by applying the 35% U.S. statutory federal tax rate to pre-tax net income (loss) adjusted as follows:

(In thousands of U.S. Dollars)

	2014	2013
Earnings before income taxes	$121,375	$252,125
Dividends received deduction	(18,921)	(14,586)
Other, net	6,830	5,072
Tax-basis earnings	109,284	242,611
Tax rate	35%	35%
	$38,249	$84,914
Foreign tax credits	(3,566)	(2,977)
Other, net	1,337	18,931
Income tax expense	$36,020	$100,868

The Company determined that all tax positions have been accounted for within these consolidated financial statements, and that all tax positions are more likely than not to be sustained in the event the Company was audited by the federal, state, and international tax authorities, and therefore, the Company does not have any unrecognized tax benefits as of December 31, 2014 and 2013. The "Other, net" adjustments of $1,337,000 and $18,931,000 consist primarily of prior year 2013 tax adjustments in 2014 and a bond accretion adjustment in 2013.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. The Internal Revenue Service ("IRS") audit for the 2005 through 2009 tax years has been finalized and closed. The results of this examination had no material effect on the Company's financial condition, results of operations, or cash flows. IRS statutes have expired for years 2006 and prior. The 2010 through 2013 tax years remain open.

11. COMMITMENTS AND CONTINGENCIES

As of December 31, 2014, the Company has committed to 77 private equity limited partnerships in the amount of $441,724,000. The unfunded portion of these commitments as of December 31, 2014 is $119,576,000 and is payable over the next three years. The Company has committed to three real estate partnerships in the amount of $45,000,000. The unfunded portion of these commitments as of December 31, 2014 is $15,640,000 payable over the next two years.

The Company leases office space under an operating lease, which expires July 2018. Future non-cancellable minimum rental commitments under the lease are as follows:

YEAR	*(In thousands of U.S. Dollars)*
2015	$1,321
2016	1,342
2017	1,364
2018	859
2019	98
Years thereafter	–
Total	$4,984

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

12. STATUTORY ACCOUNTING INFORMATION

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

Differences in statutory Policyholders' Surplus from that shown on the Consolidated Balance Sheets at December 31, 2014 and 2013 are as follows:

(In thousands of U.S. Dollars)

	2014	2013
Statutory Policyholders' Surplus	$3,882,063	$3,843,874
Valuation of fixed maturities	66,194	52,295
Provision for Schedule F	10,178	12,235
Non-admitted assets	9,584	7,533
Miscellaneous	2,774	4,404
Total Policyholders' Surplus	$3,970,793	$3,920,341

Differences in statutory Net Earnings from that shown on the Consolidated Statements of Operations and Comprehensive Earnings (Loss) for the years ended December 31, 2014 and 2013 are as follows:

(In thousands of U.S. Dollars)

	2014	2013
Statutory net earnings	$ 66,619	$ 178,513
Deferred income taxes	(14,491)	(102,260)
Underwriting income	(944)	10,421
Investment income	33,196	67,593
Miscellaneous	975	(3,010)
Net Earnings	$ 85,355	$ 151,257

Nuclear Electric Insurance Limited (NEIL), located in Wilmington, Delaware, insures domestic and international nuclear utilities for the costs associated with accidental interruptions, damages, contamination and related nuclear risks. NEIL was founded in 1973 with the formation of Nuclear Mutual Limited (NML) in Bermuda. NML was formed by a group of U.S. electric utilities as an alternative to the commercial nuclear insurance market. NEIL was formed in 1980 to issue excess property and accidental outage policies to complement the policies being issued by NML. In 1988, both companies moved their operations from Bermuda to Wilmington, Delaware, and, in 1997, NML was merged into NEIL. In 1999, the Company expanded operations by launching Overseas NEIL Limited (ONEIL) in Dublin, Ireland.

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