NEIL

2018
Annual Report

Nuclear Electric Insurance Limited

Consolidated Financial Statements

Contents

Independent Auditors' Report

To the Policyholders of
Nuclear Electric Insurance Limited
Hamilton, Bermuda

We have audited the accompanying consolidated financial statements of Nuclear Electric Insurance Limited and Subsidiaries (the "Company"), which comprise of the consolidated balance sheets as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive earnings, cash flows, changes in policyholders' surplus for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nuclear Electric Insurance Limited and its Subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Deloitte & Touche LLP

March 21, 2019

Nuclear Electric Insurance Limited and Subsidiaries
Consolidated Balance Sheets

YEARS ENDED DECEMBER 31, 2018 AND 2017 *(In thousands of U.S. Dollars)*

Assets	**2018**	**2017**
Investments:		
Fixed maturities, at fair value	$1,795,446	$1,924,093
Equity securities, at fair value	2,203,480	2,527,221
Short-term investments	148,353	257,720
Alternative investments	727,020	723,985
Total investments	**4,874,299**	**5,433,019**
Cash	16,700	16,984
Accrued interest and distribution receivable	16,232	16,047
Amounts due from policyholders	28,032	16,879
Reinsurance receivable	59	2,290
Income taxes receivable	32,366	23,705
Foreign currency forward contracts receivable, at fair value	43,381	56,205
Prepaid reinsurance premiums	18,017	17,103
Put spread collar contracts collateral	—	48,470
Prepaid expenses and other assets	7,750	9,574
Total assets	**5,036,836**	**5,640,276**

Liabilities And Policyholders' Surplus		
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 239,486	$ 300,016
Unearned premiums	106,504	97,607
Ceded premiums payable	2,268	3,699
Amounts due to policyholders	425	39,776
Deferred income taxes, net	132,515	218,068
Distribution payable to policyholders	290,000	285,000
Foreign currency forward contracts payable, at fair value	43,525	56,342
Put spread collar contracts, at fair value	—	48,407
Accounts payable, accrued expenses and other liabilities	54,067	56,160
Total liabilities	**868,790**	**1,105,075**
Policyholders' surplus:		
Reserve fund	$ 250	$ 250
Accumulated other comprehensive earnings	474,182	618,534
Surplus	3,693,614	3,916,417
Total policyholders' surplus	**4,168,046**	**4,535,201**
Total liabilities and policyholders' surplus	**$5,036,836**	**$5,640,276**

See notes to Consolidated Financial Statements.

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

YEARS ENDED DECEMBER 31, 2018 AND 2017 *(In thousands of U.S. Dollars)*

	2018	2017
Direct premiums earned	$ 265,604	$227,119
Reinsurance premiums assumed	53,558	61,814
Reinsurance premiums ceded, net	(54,468)	(57,980)
Net Premiums Earned	**264,694**	**230,953**
Losses and loss adjustment expenses	69,612	52,241
Administrative expenses	35,706	39,499
Commissions expense	2,048	2,690
Total underwriting expenses	**107,366**	**94,430**
Earnings From Underwriting Operations	**157,328**	**136,523**
Investment income, net	132,543	53,932
Gains on alternative investments, net	33,868	58,860
Net realized investment (losses) gains	(184,536)	334,117
Investment expenses	(11,375)	(12,707)
(Loss) Earnings From Investments	**(29,500)**	**434,202**
Earnings Before Distribution To Policyholders And Income Taxes	127,828	570,725
Distribution to policyholders	436,000	285,000
(Loss) Earnings Before Income Taxes	(308,172)	285,725
Income tax benefit	(85,369)	(56,296)
Net (Loss) Earnings	**(222,803)**	**342,021**
Other Comprehensive Earnings (Loss), Net Of Income Taxes		
Foreign currency translation adjustment		
(net of income taxes of ($3,272) in 2018 and $22,354 in 2017)	(12,309)	41,515
Net unrealized (loss) gain arising during the period		
(net of income taxes of ($16,350) in 2018 and $55,298 in 2017)	(61,509)	102,697
Less: Reclassification adjustments for net investment gains included in net earnings		
(net of income taxes of $18,750 in 2018 and $26,754 in 2017)	70,534	49,686
Total net unrealized (losses) gains arising during the period	(132,043)	53,011
Other Comprehensive (Loss) Earnings, Net Of Income Taxes	**(144,352)**	**94,526**
Comprehensive (Loss) Earnings	**$(367,155)**	**$436,547**

See notes to Consolidated Financial Statements.

Nuclear Electric Insurance Limited And Subsidiaries
Consolidated Statements Of Cash Flows

YEARS ENDED DECEMBER 31, 2018 AND 2017 *(In thousands of U.S. Dollars)*

Operating Activities	2018	2017
Net (loss) earnings	$ (222,803)	$ 342,021
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Realized losses (gains) including impairments, net	184,537	(334,117)
Amortization/accretion of premiums and discounts on investments	4,556	7,430
(Income) loss from put collar spread	(12,714)	48,143
Equity in earnings of alternative investments, net of expenses	(32,966)	(60,721)
Alternative investments return on capital distributions	15,508	27,898
Decrease in deferred income taxes, net	(47,146)	(111,890)
Distribution to policyholders - declared	436,000	285,000
Payment of policyholders' distributions	(431,000)	(100,000)
Changes in assets and liabilities which provided (used) cash:		
Accrued Interest and distribution receivable	(292)	(543)
Amounts due from policyholders	(11,153)	641
Reinsurance receivable	2,231	644
Income taxes receivable	(8,661)	(81,815)
Foreign currency contract receivable	12,824	719
Prepaid reinsurance	(914)	1,781
Prepaid expenses and other assets	(164)	241
Unpaid losses and loss adjustment expenses	(60,530)	(22,218)
Unearned premiums	8,897	3,866
Ceded premiums payable	(1,431)	(8,912)
Amounts due to policyholders'	(39,351)	14,885
Foreign currency contract payable	(12,817)	(308)
Accounts payable and accrued expenses	(1,143)	3,898
Net cash used provided by operating activities	**(218,532)**	**16,643**
Investing Activities		
Proceeds from sales and distributions of investments:		
Fixed maturities	1,164,627	1,117,692
Equity securities	917,598	932,239
Alternative investments	106,062	115,855
Short-term investments	996,168	948,465
Maturities of investments - fixed maturities	220,905	179,730
Maturities of investments - short-term	96,778	43,725
Purchases of investments:		
Fixed maturities	(1,304,142)	(1,497,237)
Equity securities	(918,687)	(689,687)
Alternative investments	(90,719)	(68,501)
Short-term investments	(970,342)	(1,100,183)
Net cash used (provided) in investing activities	**218,248**	**(17,902)**
NET DECREASE IN CASH	**(284)**	**(1,259)**
Cash		
Beginning of year	16,984	18,243
End of year	**$ 16,700**	**$ 16,984**
Supplemental Disclosure Of Cash Flow Information		
Cash paid during the year for interest	$ —	$ (87)
Net cash received (paid) during the year for income tax	$ 29,564	$ (137,132)

See notes to Consolidated Financial Statements.

Nuclear Electric Insurance Limited And Subsidiaries
Consolidated Statements Of Changes In Policyholders' Surplus

PERIODS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of U.S. Dollars)

	Total	Surplus	Accumulated Other Comprehensive (Loss) Earnings		Reserve Fund
			Foreign Currency Translation	Unrealized Gains (Losses) and Benefit Obligations	
Balance, January 1, 2017	**$4,098,654**	**$3,684,081**	**$(54,275)**	**$468,598**	**$250**
Comprehensive Earnings:					
Net earnings	342,021	342,021	—	—	—
Other comprehensive earnings, (net of income taxes)	94,526	—	41,515	53,011	—
Effect of TCJA tax rate reduction	—	(109,685)	(2,748)	112,433	—
Comprehensive Earnings:	436,547	232,336	38,767	165,444	—
Balance, December 31, 2017	**$4,535,201**	**$3,916,417**	**$(15,508)**	**$634,042**	**$250**
Comprehensive Loss:					
Net loss	(222,803)	(222,803)	—	—	—
Other comprehensive loss, (net of income taxes)	(144,352)	—	(12,309)	(132,043)	—
Comprehensive Loss:	(367,155)	(222,803)	(12,309)	(132,043)	—
Balance, December 31, 2018	**$4,168,046**	**$3,693,614**	**$(27,817)**	**$501,999**	**$250**

See notes to Consolidated Financial Statements.

Nuclear Electric Insurance Limited And Subsidiaries
Notes To Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

01. Nature Of Business

Nuclear Electric Insurance Limited (the "Company" or "NEIL") is incorporated under the laws of Bermuda, has its place of business in Delaware, and is a registered 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.

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

The Company also provides certain non-nuclear property and liability coverage to existing Members. This coverage is provided in conformity with conventional property and liability programs, following the terms and conditions underwritten by the program's lead underwriter(s). 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 (nuclear and non-nuclear perils) of $1.5 billion per occurrence. The Excess program provides property insurance coverage (nuclear peril only) of up to $1.25 billion in excess of $1.5 billion per occurrence. The Excess program features an optional blanket limit structure that allows for multiple nuclear sites to share limits at reduced rates. NSIC's captive coverage provides property insurance coverage (non-nuclear peril only) of up to $750 million in excess of $1.5 billion per occurrence.

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

02. Significant Accounting Policies

Principles of Consolidation & Basis of Presentation

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

Premiums Written/Unearned Premiums

Net premiums written reflect the premiums the Company retains after purchasing reinsurance protection, less premium credits of $0 and $40 million at December 31, 2018 and 2017, respectively. Net premiums earned reflect the portion of net premiums written that were recorded as revenues for the period as the exposure period expires, net of discounts and premium credits. Premiums written and reinsurance premiums assumed and ceded are reflected in earnings on a pro-rata basis over the term of each policy, or in the case of Builders' Risk, written premiums and reinsurance premiums ceded are recognized over the contract period in proportion to the amount of insurance protection provided. Unearned premiums represent the portion of premiums written, which are applicable to the unexpired terms of policies in force. Unearned premiums are recorded at cost, which approximates fair value. The Company records advance payments of reinsurance premiums as Prepaid reinsurance premiums. Premiums ceded under reinsurance agreements are recorded as Ceded premiums payable, to the extent there is no right to offset with prepaid reinsurance amounts.

Policyholders' Distribution

The Company insures nuclear plants and their generating units owned by the Members, primarily in the United States. The Company provides catastrophic insurance covering low frequency, high severity events and as such requires significant resources to satisfy potential catastrophic claims. To the extent that the full amount of these resources is not required during a given year, distributions to Members may be utilized as a method of sharing favorable financial results. Distributions are determined on an annual basis at the discretion of the Board of Directors, based on the authority approved by the Membership, and allocated to the Members in accordance with NEIL's Bye-Laws. If, for any reason, a Member ceases to maintain an insurance relationship with NEIL, the Member will lose its Membership status. The Member would remain eligible, for the ensuing five-year period only, to participate in future distributions. The Member would not be eligible to participate in any liquidation distributions, even if such distributions occur within the eligibility period. On March 9, 2018, the Board of Directors declared a supplemental Distribution of $146 million, which was paid on April 27, 2018. The Board of Directors declared an annual Distribution of $290 million and $285 million to Policyholders on December 12, 2018, and December 15, 2017, payable to the Members by March 22, 2019, and March 31, 2018, 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 at fair value on the Consolidated Balance Sheets, and changes in the fair value of the securities are reported in Net realized investment gains (losses) on the Statements of Operations and Comprehensive Earnings (Loss). Dividends on equity securities are recorded when declared, and interest on fixed income securities is recorded on an accrual basis. The Company believes that making the election for its portfolio of investment securities is consistent with its operating principle to manage investments for total return.

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

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

Excluding those securities accounted for under the Fair Value Option, declines in the fair value of 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.

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

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

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

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

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

Variable Interest Entities

In the normal course of investment activities, the Company enters into relationships with entities that could be considered VIEs. For most VIEs, the entity that has both the ability to direct the most significant activities of the VIE and the obligation to absorb losses or receive benefits that could be significant to the VIE, is considered the primary beneficiary. The Company's policy is to consolidate those VIEs for which it is deemed to be the primary beneficiary. Currently, the Company consolidates one investment vehicle as a voting interest entity, which is not material to the Company's consolidated financial statements. The accounting guidance for the determination of when an entity is a VIE and when to consolidate a VIE is complex and requires significant management judgment. The determination of the VIEs primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with, or involvement in, the entity, an estimate of the entity's expected losses, and expected residual returns and the allocation of such estimates to each party involved in the entity. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary.

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

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

(In thousands of U.S. Dollars)

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

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

(In thousands of U.S. Dollars)

DECEMBER 31, 2017	**Carrying Value**	**Remaining Commitment**	**Maximum Exposure to Loss[1]**
Hedge Funds	$ 52,651	$ —	$ 52,651
Real Estate Partnerships	117,666	9,155	126,821
Private Equity Partnerships	50,401	8,667	59,068
	$220,718	**$17,822**	**$238,540**

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

Unpaid Losses and Loss Adjustment Expenses

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

Contingencies

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

Income Taxes

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

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

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act ("TCJA"), which made significant changes to U.S. federal income tax law. The Company expects that certain aspects of these changes will positively impact its future after-tax earnings primarily due to the lower federal statutory tax rate.

Beginning January 1, 2018, the Company's income was taxed at a 21 percent federal corporate rate. The Company made a good faith effort to account for the impacts of all deferred tax assets and liabilities in the period the rate change was enacted for the year ended December 31,2017, by recording a reasonable estimate for the impact of the Act on Loss Reserve Discounting.

The Tax Act modified computations of insurance reserves for property and casualty insurance companies. The Tax Act extends the discount period for certain long-tail lines of business from 10 years to 24 years and increases the discount rate, replacing the applicable federal rate for a higher-yield corporate bond rate, and eliminates the election allowing companies to use their historical loss payment patterns for loss reserve discounting. Adjustments related to the differences in insurance reserves balances computed under the old tax law versus the Tax Act have to be taken into income over eight years. Accordingly, these changes give rise to new deferred tax liabilities. As of December 31, 2018, we have completed our review of the tax reserve computations, and recorded offsetting decreases of $3.2 million to both our deferred tax liabilities and deferred tax assets.

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 (Loss). Accrued interest and penalties (if any) would be included within the related tax liability line in the Consolidated Balance Sheets. There are no material uncertain tax positions reflected in the Company's Consolidated Financial Statements as of December 31, 2018 and 2017.

Cash

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

Recently Adopted Accounting Pronouncements

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

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows* (Topic 230), *Classification of Certain Cash receipts and Cash Payments*. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with permissible early adoption. The purpose of this update is to provide guidance on the classification of certain cash receipts and payments in the statement of cash flows including, but not limited to: (i) debt prepayment or debt extinguishment costs; (ii) proceeds from the settlement of corporate-owned life insurance policies including bank-owned life insurance policies; (iii) distributions received from equity method investees; and (iv) separately identifiable cash flows and application of the predominance principle. As of December 31, 2017, the amendment was early adopted and applied retrospectively. This amendment had no effect on the Balance Sheets or the Consolidated Statement of Operations and Comprehensive Earnings. This is illustrated in the Consolidated Statements of Cash Flows.

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

In May 2015, the FASB issued new guidance on short-duration insurance contracts ASU 2015-09, (Topic 944): *Disclosures about Short-Duration Contracts*. The guidance was adoped as of December 31, 2017, and requires insurance entities to provide users of financial statements with more transparent information about initial claim estimates and subsequent adjustments to these estimates, including information on: (i) reconciling from the claim development table to the balance sheet liability, (ii) methodologies and judgments in estimating claims, and (iii) the timing, and frequency of claims. The application is further illustrated in Note 9 of the financial statements, Unpaid Losses and Loss Adjustment Expenses.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis (Topic 810)*. The update amends the guidance applicable to consolidation models. The amendments in this update are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. The amendment requires an additional step to determine if the holders of equity of the limited partnerships have the power to direct the activities that significantly impact the partnership. The holders of equity "lack that power if neither exists: 1.) a simple majority or lower threshold of limited partners (including a single limited partner) with equity at risk is able to exercise substantive kick-out rights through voting interest over the general partner(s), or 2.) limited partners with equity at risk are able to exercise substantive participating rights over the general partner(s)." As of Decmeber 31, 2017, the assessment of VIEs for this adoption resulted in no overall impact to the Company's Consolidated Financial Statements. Additionally, the adoption did not result in consolidation of previously unconsolidated investment vehicles, nor in the deconsolidation of a previously consolidated investment vehicle.

New Accounting Pronouncements

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

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

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

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. This update revises an entity's accounting related to the classification and measurement of investments in equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee), changes the presentation of certain fair value changes relating to instrument specific credit risk for financial liabilities, and amends certain disclosure requirements associated with the fair value of financial instruments. This update is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted after December 15, 2017. The Company is currently evaluating the potential impacts that this new standard could have on its Consolidated Financial Statements.

03. Investments

The amortized cost, gross unrealized gains and losses, and estimated fair value of available for sale securities, excluding those securities accounted for under the fair value option, at December 31, 2018 and 2017 are as follows:

(In thousands of U.S. Dollars)

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

(In thousands of U.S. Dollars)

DECEMBER 31, 2017	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturities:				
Foreign government obligations	$ 779	$ 332	$ —	$ 1,111
Obligations of state and political subdivisions	987	264	—	1,251
Corporate debt securities	7,438	1,725	(3)	9,160
Mortgage-backed securities	12,486	1,751	(176)	14,061
Other debt securities	407	40	—	447
	22,097	4,112	(179)	26,030
Equities	169,576	803,508	(2,844)	970,240
	$191,673	**$807,620**	**$(3,023)**	**$996,270**

The fixed maturity securities accounted for under the fair value option had an amortized cost of $1,808,494,000 and $1,892,041,000 and an estimated fair value of $1,778,291,000 and $1,898,063,000 at December 31, 2018 and 2017, respectively. The equity securities accounted for under the fair value option had a cost of $1,364,213,000 and $1,200,887,000 and an estimated fair value of $1,427,558,000 and $1,556,981,000 at December 31, 2018 and 2017, respectively.

The Company was required to hold $47,000,000 and $31,000,000 of equity securities in trust as collateral for a reinsurance agreement at December 31, 2018 and 2017, respectively.

Gross realized gains and losses for available for sale securities, including those securities accounted for under the fair value option during 2018 and 2017, respectively, were as follows:

(In thousands of U.S. Dollars)

	2018	**2017**
Realized gains	$ 258,270	$ 256,309
Realized loss	(128,426)	(79,391)
Net gain (loss) on fair value option securities	(313,902)	157,455
Impairments	(478)	(256)
	$(184,536)	**$ 334,117**

Components of investment income, net for the years ended December 31, 2018 and 2017 are as follows:

(In thousands of U.S. Dollars)

	2018	**2017**
Interest and dividends	$114,077	$101,089
Derivative gains (losses), net	20,158	(46,063)
Accretion and amortization	(4,556)	(7,430)
Other income	2,864	6,336
	$132,543	**$ 53,932**

The amortized cost and estimated fair value of fixed maturity securities by maturity date at December 31, 2018 are as follows:

(In thousands of U.S. Dollars)

	Cost or Amortized Cost	**Estimated Fair Value**
Due in one year or less	$ 173,305	$ 172,487
Due after one year through five years	911,829	904,979
Due after five years through ten years	264,699	260,640
Due after ten years	473,292	457,340
	$1,823,125	**$1,795,446**

The net change in unrealized investment gains (losses) arising during the period, including foreign currency translation adjustments and excluding the net change in benefit of $1,571,000 and ($6,901,000) for the years ended December 31, 2018 and 2017, respectively, is as follows:

(In thousands of U.S. Dollars)

	2018	**2017**
Fixed maturities	$ (4,096)	$ 6,896
Equity securities	(180,616)	149,145
Deferred income taxes	38,790	(54,614)
	$(145,922)	**$101,427**

The Company maintains specific restrictions on its investment portfolio based on policy guidelines as approved by the Board of Directors. These guidelines include restrictions with respect to diversification and credit quality. For equity and fixed maturity investments, exposure to a single issuer, with the exception of the U.S. Treasury and Government agencies, may not exceed 1.5% of the fair value of the aggregate NEIL portfolio or 1.5 times the weight of the entity in the Policy Benchmark. Asset-backed Securities, where the credit quality/rating is primarily based on specified collateral and not the issuer, are not subject to the 1.5% limit. The policy guidelines also require that no less than 90% of the fixed maturity portfolio must be rated investment grade by Fitch, Standard & Poor's or Moody's bond rating services. As of December 31, 2018, the Company's fixed maturity securities included U.S. Government obligations, Foreign Government obligations, Corporate Debt Securities, Mortgage-backed Securities and Other Debt Securities. Mortgage-backed Securities included Residential Mortgage-backed Securities ("RMBS"), Commercial Mortgage-backed Securities ("CMBS"), and Collateralized Mortgage Obligations ("CMOs"). Other debt securities included Federal Agency debt issues from the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") and Federal Home Loan Bank ("FHLB"). 99.4% and 99.0% of the Company's fixed maturity portfolio was rated as investment grade at December 31, 2018 and 2017, respectively.

Impairment Evaluation for Fixed Maturity Securities

Government Obligations

Government obligations include U.S. Treasury and agency obligations, Foreign Government obligations, and state and municipality subdivision obligations, which were in an unrealized loss position. These securities are evaluated for credit loss using a combination of quantitative and qualitative assessments of the likelihood of credit loss considering the credit ratings of the issuers and issuer specific information. The quantitative methodology is similar in approach to that described below for Corporate Debt Securities. All of the Company's holdings in this category are investment grade securities. There was no OTTI during the year ended December 31, 2018 and 2017.

Corporate Debt Securities

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

The Company uses credit ratings as an indicator of the credit quality of fixed maturity issuers, the relative likelihood that the issue may default, and issuer specific current news and other information available in the public domain. The Company identifies the securities that are investment grade, and the Company generally expects to recover the entire amortized cost basis of all securities that are investment grade. The Company generally considers any fixed maturity security with an Aaa to Baa rating (Moody's) and with an AAA to BBB rating (S&P) as investment grade. There was no OTTI during the year ended December 31, 2018 and 2017.

Mortgage-Backed and Asset-Backed Securities

For Mortgage-backed securities, credit impairment is assessed using a similar approach to corporate debt securities. The Company identifies the securities that are investment grade and the Company generally expects to recover the entire amortized cost basis of all securities that are investment grade, in the absence of any issuer specific negative information. The securities that fall below investment grade are analyzed further to calculate the credit and non-credit loss components. The Company determines its best estimate of projected cash flows and develops these estimates on a security by security basis. OTTI on Mortgage-backed securities was de minimis in 2018 and 2017.

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, 2018 and 2017 is $1,032,000 and $2,001,000, respectively.

The Company participates in a securities lending program managed by Northern Trust. The Company receives a fee from Northern Trust for the lending of securities that is shown in the Investment income, net component of the Statements of Operations and Comprehensive Earnings (Loss). As a requirement of the lending program, the borrower of securities must pledge collateral in excess of 100% of the value of the loaned securities to Northern Trust. The loaned securities are reclassified to securities pledged to creditors. Cash received as collateral is invested in high-quality, short-term instruments and recorded in the Consolidated Balance Sheet as an investment at estimated fair value. Non-cash collateral is not recorded in the balance sheets, since "effective control" criteria are not met. A rate of interest termed the "rebate" is guaranteed to the securities borrower for the cash collateral, and the Company earns a profit through the retention of any investment returns earned on the cash collateral in excess of the rebate guarantees. While the securities lending activities are fully collateralized, market risk arises from the possibility that a borrower of securities may be unable to return the securities if a sudden material change in the market occurs. There is minimal credit risk from the failure of counterparties to perform, since the Company receives collateral in excess of 100% of the value of the loaned securities, and losses stemming from the borrower's failure to return securities are fully indemnified by Northern Trust. There were securities with a market value of $0 on loan under the program at December 31, 2018 and 2017, as the Company actively works to close the securities lending program at the end of each year. Income earned for securities lending was $414,000 and $383,000 at December 31, 2018 and 2017, respectively.

04. Fair Value Measurements And Derivatives

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

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

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

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

FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2018 *(In thousands of U.S. Dollars)*

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

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

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

The following table summarizes the Company's financial assets and financial liabilities measured at fair value at December 31, 2017:

FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2017 *(In thousands of U.S. Dollars)*

	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Valued at NAV[2]	Total Assets/ Liabilities Measured at Fair Value	Changes in Fair Values for the Year Ended December 31, 2017, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option: Other net realized investment gains (losses)	Investment Income (Loss)
Assets:							
Fixed Maturities:							
U.S. government obligations	$ —	$ 412,945	$ —	$ —	$ 412,945	$ 2,626	$ (850)
Foreign government obligations	—	68,802	—	—	68,802	(1,630)	(778)
Obligations of state and political subdivisions	—	17,677	—	—	17,677	194	(70)
Corporate debt securities	—	1,091,096	—	—	1,091,096	6,516	(4,252)
Mortgage- and asset-backed securities	—	296,737	—	—	296,737	(88)	(1,747)
Other debt securities	—	36,836	—	—	36,836	47	(21)
Total debt securities	$ —	$1,924,093	$ —	$ —	$1,924,093	$ 7,665	$ (7,718)
Equities	$2,470,848	$ —	$175	$ 56,198	$2,527,221	$ 149,819	$ 57
Short-term securities[1]	—	22,639	—	—	22,639	(29)	—
Alternative investments							
Hedge Funds	—	—	—	279,925	279,925	—	—
Real Estate	—	—	—	236,024	236,024	—	—
Private Equity	—	—	—	208,036	208,036	—	—
Foreign currency forward contracts	—	56,205	—	—	56,205	—	—
Total Assets	**$2,470,848**	**$2,002,937**	**$175**	**$780,183**	**$5,254,143**	**$157,455**	**$(7,661)**
Liabilities:							
Futures	$ 265	$ —	$ —	$ —	265	$ —	$ —
Foreign currency forward contracts	—	56,342	—	—	56,342	—	—
Put spread collar contracts	—	48,142	—	—	48,142	—	—
Total Liabilities	**$ 265**	**$ 104,484**	**$ —**	**$ —**	**$ 104,749**	**$ —**	**$ —**

1) Short-term securities presented in the table above exclude short-term investments (e.g., time deposits, certain money market funds) of $235,081, which are not measured at fair value).

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

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

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

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

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

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

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

Derivative Instruments

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

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

Gains (losses) (In thousands of U.S. Dollars)

	2018	2017
Futures	$ 9,025	$ 650
Options	(3,803)	—
Foreign exchange forwards	(1,581)	1,429
Put spread collar	16,517	(48,142)
	$20,158	**$(46,063)**

Foreign Exchange Forwards

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

Futures

The Company uses futures contracts to manage equity and U.S. Treasury security exposures pursuant to the Company's Investment Policy. Futures contracts are not used to leverage portfolios or for any speculative purpose. Total notional exposure to U.S. Treasury securities and equity indices through futures contracts totaled $114,872,000 and $31,037,000 at December 31, 2018 and 2017, respectively. The Company recorded a receivable and payable of approximately $698,000 and $265,000 at December 31, 2018 and 2017, respectively.

Other

In 2017, The Company entered into a costless put spread collar contract, consisting of put options and call options, to provide stability to the Company's surplus by hedging against significant equity market declines. The Company uses this strategy to minimize its exposure to volatility in the equities markets. These options contracts which expired in 2018 are not linked to specific assets that appear on the Consolidated Balance Sheet or to a forecasted transaction.

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, 2018 and 2017, these securities had an amortized cost of $5,783,000 and $35,702,000, respectively. At December 31, 2018 and 2017, these securities had a fair value of $5,813,000 and $35,718,000, 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, 2018 and 2017.

05. Line Of Credit

The Company has a $125 million uncommitted line of credit with its investment custodian at December 31, 2018 and December 31, 2017, during the periods of March 1 through May 31 and from June 1 through February 28. Under the arrangement, the investment custodian has agreed to review the Company's Consolidated Financial Statements on a regular basis so that the Company may borrow funds for general corporate purposes or place letters of credit without the normal lengthy credit review process. The uncommitted nature of the line provides the investment custodian the flexibility to deny use of this line if it is so inclined. In 2018 and 2017, the Company borrowed and repaid $0 and $60 million, respectively against the Line of Credit.

06. Reserve Fund, Escrow Deposit, And Trust Assets

The Company is required to maintain assets on deposit with various regulatory authorities to support insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. The assets on deposit are available to settle insurance and reinsurance liabilities. Under the Incorporating Act of Bermuda, the Company must, at all times, maintain a reserve fund. At December 31, 2018 and 2017, 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, 2018 and 2017, assets held in trust that are required to satisfy claim liabilities with EIM were approximately $47 million and $31 million, respectively, and are included in equity securities, at fair value on the balance sheets.

07. 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 NEIL Overseas prior to termination.

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

(In thousands of U.S. Dollars)

	2018	2017
Primary	$1,803,822	$1,837,746
Accidental Outage	514,957	538,390
Excess	219,850	221,663
	$2,538,629	**$2,597,799**

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 2018 and 2017, the retrospective premiums for non-investment grade Members represented 13.09% and 11.84% 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, 2018 and 2017.

08. Reinsurance

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

In 2018 and 2017, reinsurance coverage for the Primary, Excess, and Excess Non-Nuclear Programs consisted of $1.25 billion attaching excess of $750 million (for both nuclear and non-nuclear losses), Additional reinsurance coverage exists for the Excess Non-Nuclear Program, consisting of a $125 million layer attaching excess of $2.125 billion.

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

The Company assumed reinsurance from non-affiliated entities for up to approximately $200,000,000 per occurrence at December 31, 2018 and 2017. The risks are primarily property damage and third-party liability for facilities involved in the nuclear industry as well as risks that are similar to the Company's direct business. Assumed premiums written in connection with these agreements in 2018 and 2017 were $55,852,000 and $43,285,000, respectively. Assumed premiums earned in connection with these agreements were $35,614,000 in 2018 and $43,556,000 in 2017.

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 2018 and 2017 were $20,942,630 and $18,166,000, respectively. Premiums earned in connection with this agreement were $20,029,496 in 2018 and $19,164,000 in 2017.

The effects of reinsurance on premiums written as of December 31, 2018 and 2017 are as follows:

(In thousands of U.S. Dollars)

	2018	**2017**
Direct	$285,754	$240,573
Assumed	49,935	60,286
Ceded	(55,383)	(56,200)
Net	**$280,306**	**$244,659**

09. Unpaid Losses And Loss Adjustment Expenses

(In thousands of U.S. Dollars)

	2018	**2017**
Gross Balance at January 1	$300,016	$316,027
Less: reinsurance recoverables	2,290	2,934
Net Balance at January 1	297,726	313,093
Incurred related to:		
Current year	97,750	176,973
Prior years	(28,138)	(124,732)
Total incurred	**69,612**	**52,241**
Paid related to:		
Current year	(4,005)	(263)
Prior years	(123,906)	(72,940)
Total paid	(127,911)	(73,203)
Effects of foreign exchange rates	—	5,595
Net Balance at December 31	$239,427	$297,726
Plus: reinsurance recoverables	59	2,290
Gross Balance at December 31	**$239,486**	**$300,016**

The loss and loss adjustment expenses above include losses on both direct insured and assumed reinsurance business. Based on the Company's current loss reserve position, no material losses were ceded to reinsurers during the 2018 and 2017 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 $97,751,000 as compared with $176,973,000 in 2017. For the years ended December 31, 2018 and 2017, claims and claim adjustment expenses incurred included favorable development of $28,138,000 and $124,732,000, respectively. The favorable prior-year development experienced in 2018 and 2017 was the result of settlements of large claim liabilities that were less than was reserved in the prior year and a re-estimation of IBNR on prior-year claims after receiving additional information. Loss payments were $127,911,000 and $73,203,000 for 2018 and 2017, respectively.

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

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

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

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

Due to the inherent uncertainties in establishing both case and IBNR reserves, ultimate loss experience may prove better or worse than indicated by the combined claim reserves. Adjustments to claim reserves are reflected in the period recognized and could increase or decrease earnings for the period.

The following tables present incurred and paid claims development as of December 31, 2018, net of reinsurance, as well as cumulative claim frequency and the total IBNR liabilities plus expected development on reported claims included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended December 31, 2009 to 2017, is presented as supplementary information and is unaudited. For all significant lines, the number of claims presented below equals the number of occurrences reported to the Company. The number of claims reported during a given year corresponds to the number of claims records opened during the year. Frequency information is maintained on a cumulative basis by line of business.

Member Nuclear
Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

AS OF DECEMBER 31, 2018

(In thousands of U.S. Dollars)

Accident Year:	2008 and prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	IBNR Reserves	Cumulative Number of Reported Claims
2008 and prior	1,493,427	98,037	(8,627)	(3,820)	28,648	(1,555)	142	(312)	—	—	—	—	—
2009	—	150,960	200,245	46,648	474,104	(5,818)	(50)	—	—	—	—	—	11
2010	—	—	25,526	(9,328)	4,541	(1,420)	(196)	(378)	(210)	(155)	—	—	7
2011	—	—	—	118,792	15,436	(22,589)	(3,842)	4,203	(8,563)	(433)	—	—	11
2012	—	—	—	—	68,828	(20,499)	198,411	206,590	(10,897)	(5,544)	—	—	7
2013	—	—	—	—	—	168,399	(41,915)	(9,991)	(5,909)	739	12,228	—	10
2014	—	—	—	—	—	—	109,810	(41,568)	(2,173)	(8,653)	(357)	—	7
2015	—	—	—	—	—	—	—	51,113	(13,463)	(8,834)	(1,674)	277	8
2016	—	—	—	—	—	—	—	—	80,126	(30,478)	(6,081)	2,036	7
2017	—	—	—	—	—	—	—	—	—	137,924	(19,295)	10,091	7
2018	—	—	—	—	—	—	—	—	—	—	50,080	43,080	1
Total											**$ 34,900**		

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

(In thousands of U.S. Dollars)

Accident Year:	2008 and prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2008 and prior	1,095,548	321,153	97,963	521	7,648	80,527	—	—	—	—	—
2009	—	2	189,139	130,931	15,554	530,462	—	—	—	—	—
2010	—	—	20	3,429	13,467	1,465	—	—	—	—	—
2011	—	—	—	44	70,052	31,125	581	329	791	81	—
2012	—	—	—	—	26	1,813	19,651	401,651	10,884	2,863	—
2013	—	—	—	—	—	17,460	66,543	10,193	15,838	216	12,492
2014	—	—	—	—	—	—	100	23,211	17,817	20,161	18
2015	—	—	—	—	—	—	—	70	6,903	12,508	(75)
2016	—	—	—	—	—	—	—	—	1	16,051	25,456
2017	—	—	—	—	—	—	—	—	—	46	62,363
2018	—	—	—	—	—	—	—	—	—	—	—
											$100,253

All outstanding liabilities relating to prior years, net of reinsurance	**180,588**
Liabilities for claims and claim adjustment expenses, net of reinsurance	**$ 115,236**

Member Conventional
Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

AS OF DECEMBER 31, 2018

(In thousands of U.S. Dollars)

Accident Year:	2008 and prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	IBNR Reserves	Cumulative Number of Reported Claims
2008 and prior	185,208	(9,053)	(10,866)	(1,963)	278	(1,247)	415	(718)	1	(421)	—	—	—
2009	—	20,121	(6,507)	(2,603)	(287)	(314)	(46)	(6)	(4)	681	—	—	30
2010	—	—	14,555	(2,670)	(2,824)	(1,409)	(284)	(27)	(42)	(11)	—	—	30
2011	—	—	—	44,993	2,885	12,261	(1,553)	79	525	(459)	—	—	42
2012	—	—	—	—	53,009	12,002	8,754	583	(8,950)	(4,270)	(783)	46	37
2013	—	—	—	—	—	14,663	(3,946)	(3,240)	(1,131)	(705)	485	96	16
2014	—	—	—	—	—	—	11,890	(3,752)	(4,067)	(906)	(167)	181	19
2015	—	—	—	—	—	—	—	14,399	(8,964)	(2,536)	(993)	437	17
2016	—	—	—	—	—	—	—	—	15,115	(1,113)	(2,728)	1,415	38
2017	—	—	—	—	—	—	—	—	—	14,471	(2,865)	3,173	40
2018	—	—	—	—	—	—	—	—	—	—	30,453	8,611	25
Total											**$ 23,402**		

Member Conventional
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

(In thousands of U.S. Dollars)

Accident Year:	2008 and prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2008 and prior	93,186	36,842	20,175	7,156	3,273	848	133	20	1	—	—
2009	—	5,645	1,441	802	721	1,746	—	—	—	681	—
2010	—	—	82	1,351	1,526	4,204	84	41	—	—	—
2011	—	—	—	1,239	20,148	19,776	10,049	5,265	2,255	—	—
2012	—	—	—	—	16	20,170	9,807	25,065	2,928	1,099	(36)
2013	—	—	—	—	—	3,004	1,066	877	11	524	520
2014	—	—	—	—	—	—	660	1,457	475	208	2
2015	—	—	—	—	—	—	—	206	540	129	373
2016	—	—	—	—	—	—	—	—	17	3,748	5,039
2017	—	—	—	—	—	—	—	—	—	213	1,869
2018	—	—	—	—	—	—	—	—	—	—	2,665
											$10,430

All outstanding liabilities relating to prior years, net of reinsurance **$29,083**

Liabilities for claims and claim adjustment expenses, net of reinsurance **$42,056**

Non-Member
Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

AS OF DECEMBER 31, 2018

(In thousands of U.S. Dollars)

Accident Year:	2008 and prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	IBNR Reserves	Cumulative Number of Reported Claims
2008 and prior	139,248	(14,973)	(14,688)	10,422	(1,745)	5,153	(2,418)	535	4,143	(9,674)	(3,168)	750	—
2009	—	8,801	(1,390)	(1,579)	(777)	(1,338)	(693)	(205)	(2,557)	(14)	(37)	—	2
2010	—	—	9,671	(1,073)	(874)	(714)	2,042	(691)	(535)	(4,132)	(632)	—	3
2011	—	—	—	6,896	(710)	4,838	1,651	(1,279)	(1,711)	(2,304)	(1,547)	899	7
2012	—	—	—	—	7,063	8,532	3,542	1,424	(2,251)	(1,128)	(589)	2,885	19
2013	—	—	—	—	—	12,401	2,171	13,901	(263)	(6,519)	(4,107)	2,905	22
2014	—	—	—	—	—	—	15,078	5,652	(4,028)	(7,989)	(1,769)	3,872	22
2015	—	—	—	—	—	—	—	31,348	332	(20,206)	2,102	5,325	41
2016	—	—	—	—	—	—	—	—	31,440	(9,666)	190	8,504	56
2017	—	—	—	—	—	—	—	—	—	24,579	3,648	13,673	91
2018	—	—	—	—	—	—	—	—	—	—	17,218	12,901	45
Total											**$ 11,310**		

Non-Member
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

(In thousands of U.S. Dollars)

Accident Year:	2008 and prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2008 and prior	62,147	12,251	1,907	7,641	1,736	4,017	9,496	1,221	8,122	2,499	679
2009	—	—	—	7	—	199	5	—	—	—	—
2010	—	—	—	2,933	—	—	—	—	—	—	21
2011	—	—	—	—	—	1,580	496	995	64	—	933
2012	—	—	—	—	—	250	219	2,727	3,368	1,180	4,109
2013	—	—	—	—	—	—	1,078	2,348	2,684	6,617	—
2014	—	—	—	—	—	—	—	1,418	325	1	—
2015	—	—	—	—	—	—	—	0	753	1,623	159
2016	—	—	—	—	—	—	—	—	19	2,750	4,512
2017	—	—	—	—	—	—	—	—	—	4	5,477
2018	—	—	—	—	—	—	—	—	—	—	1,340
											$17,229

All outstanding liabilities relating to prior years, net of reinsurance	**88,056**
Liabilities for claims and claim adjustment expenses, net of reinsurance	**$82,136**

The reconciliation of the net incurred and paid claims development tables to the liability for loss and loss adjustment expenses in the consolidated balance sheets is as follows:

	December 31, 2018	December 31, 2017
Net outstanding liabilities		
Member Nuclear	115,236	180,588
Member Conventional	42,056	29,083
Non-Member	82,136	88,055
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	239,427	297,726
Reinsurance recoverable on unpaid claims		
Member Nuclear	59	2,290
Member Conventional	—	—
Non-Member	—	—
Total reinsurance recoverable on unpaid claims	59	2,290
Total gross liability for unpaid claims and claim adjustment expenses	**$239,486**	**$300,016**

The following is supplementary information to the consolidated financial statements about average historical claims duration as of December 31, 2018.

Years:	1	2	3	4	5	6	7	8	9	10
Member Nuclear	1.5%	35.4%	33.4%	21.5%	10.7%	2.3%	0.0%	0.0%	0.0%	0.0%
Member Conventional	14.7%	27.0%	20.0%	21.4%	6.6%	2.9%	0.0%	0.0%	3.1%	0.0%
Non-Member	0.0%	17.9%	10.3%	5.9%	28.2%	2.1%	6.2%	5.3%	0.3%	0.0%

10. Income Taxes

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

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

(In thousands of U.S. Dollars)

	2018	2017
Current	$ (38,224)	$ 55,424
Deferred	(42,582)	34,564
Deferred - TCJA Effect	(4,563)	(146,292)
Foreign	—	8
	$(85,369)	**$(56,296)**

The components of the net deferred tax liability as of December 31, 2018 and 2017 are as follows:

(In thousands of U.S. Dollars)

	2018	2017
Unearned premium reserve	$ 3,601	$ 3,275
Loss reserve discount	1,756	4,412
Alternative investments	(242)	10,265
Investment impairments	6,446	8,629
Deferred expenses	7,038	7,128
NEILO operating loss and other, net	(629)	801
Total deferred tax assets	**17,970**	**34,510**
Deferred acquisition costs	(115)	(210)
Alternative investments	(9,070)	(6,539)
Bond amortization	(645)	(800)
Unrealized investment gains/losses	(126,134)	(164,924)
Gain/ loss on fair value option securities	(14,521)	(80,113)
Capital loss carryback/ carryforward	—	8
Total deferred tax liabilities	**(150,485)**	**(252,578)**
Net deferred tax liability	**$(132,515)**	**$(218,068)**

There was no valuation allowance recorded against the deferred tax assets at December 31, 2018 and 2017, 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, 2018 and 2017 are as follows:

(In thousands of U.S. Dollars)

	2018	2017
Current tax (payable) receivable, January 1	$ 23,705	$ (58,110)
Current tax expense	38,224	(55,317)
Estimated payments	432	130,624
Other	(29,995)	6,508
Income taxes receivable (payable)	**$ 32,366**	**$ 23,705**

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

(In thousands of U.S. Dollars)

	2018	2017
(Loss) earnings before income taxes	$ (308,091)	$ 285,725
Dividends received deduction	(15,388)	(18,671)
Other, net	8,839	7,081
Tax-basis (losses) earnings	**(314,640)**	**274,135**
Tax rate	**21%**	**35%**
	$ (66,074)	**$ 95,947**
Foreign tax credits	$ (4,250)	$ (3,859)
Deferred federal tax expense - TCJA effect	(4,568)	(146,292)
TCJA impact of current year loss carryback	(8,506)	—
Other, net	(1,971)	(2,092)
Income tax benefit	**$ (85,369)**	**$(56,296)**

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, 2018 and 2017.

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 2017 tax years remain open.

11. Commitments And Contingencies

As of December 31, 2018, the Company has committed to 72 private equity limited partnerships in the amount of $621,346,000. The unfunded portion of these commitments as of December 31, 2018 is $198,746,000 and is payable over the next five years. The Company has committed to 13 real estate partnerships in the amount of $369,441,000. The unfunded portion of these commitments as of December 31, 2018 is $56,447,000 payable over the next four years.

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

(In thousands of U.S. Dollars)

YEAR	
2019	1,296
2020	1,227
2021	1,252
2022	1,277
2023	1,088
Years thereafter	6,633
Total	**$12,773**

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, 2018 and 2017 are as follows:

(In thousands of U.S. Dollars)

	2018	2017
Statutory Policyholders' Surplus	$4,137,004	$4,473,964
Valuation of fixed maturities	15,881	38,897
Provision for Schedule F	11,676	12,037
Non-admitted assets	4,656	4,430
Miscellaneous	(1,171)	5,873
Total Policyholders' Surplus	**$4,168,046**	**$4,535,201**

Differences in statutory Net Earnings from that shown on the Consolidated Statements of Operations and Comprehensive Earnings (Loss) for the years ended December 31, 2018 and 2017 are as follows:

(In thousands of U.S. Dollars)

	2018	2017
Statutory net earnings	$(108,149)	$115,116
Deferred income taxes	47,055	112,173
Underwriting income	6,414	4,745
Investment income	(162,546)	106,924
Miscellaneous	(5,577)	3,063
Net (Loss) Earnings	**$(222,803)**	**$342,021**

13. Subsequent Events

Subsequent events have been evaluated through March 21, 2019, which is the date the consolidated financial statements were available to be issued.

Nuclear Electric Insurance Limited (NEIL), located in Wilmington, Delaware, insures domestic and international nuclear utilities for 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 NEIL Overseas dac in Dublin, Ireland.

NEIL

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