# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended March 31, 2021**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period from _______ to**

**001-34809**

Commission File Number

# GLOBAL INDEMNITY GROUP, LLC
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **85-2619578** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**Three Bala Plaza East, Suite 300**
**Bala Cynwyd, PA**
**19004**
**(Address of principal executive office including zip code)**

**Registrant's telephone number, including area code: (610) 664-1500**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit such files.). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐; | Accelerated filer | ☒; |
| Non-accelerated filer | ☐; | Smaller reporting company | ☐; |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Class A Common Shares | GBLI | NASDAQ Global Select Market |
| 7.875% Subordinated Notes due 2047 | GBLIL | NASDAQ Global Select Market |

As of April 30, 2021, the registrant had outstanding 10,479,999 Class A Common Shares and 3,947,206 Class B Common Shares.

## TABLE OF CONTENTS

# PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## GLOBAL INDEMNITY GROUP, LLC

### Consolidated Balance Sheets
(In thousands, except share amounts)

| | (Unaudited) March 31, 2021 | December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| Fixed maturities: | | |
| Available for sale, at fair value (amortized cost: 1,202,472 and 1,149,009; net of allowance for expected credit losses of $0 at March 31, 2021 and December 31, 2020) | $ 1,214,622 | $ 1,191,186 |
| Equity securities, at fair value | 83,449 | 98,990 |
| Other invested assets | 95,522 | 97,018 |
| Total investments | 1,393,593 | 1,387,194 |
| | | |
| Cash and cash equivalents | 47,465 | 67,359 |
| Premiums receivable, net of allowance for expected credit losses of $2,772 at March 31, 2021 and $2,900 at December 31, 2020 | 116,707 | 109,431 |
| Reinsurance receivables, net of allowance for expected credit losses of $8,992 at March 31, 2021 and December 31, 2020 | 85,431 | 88,708 |
| Funds held by ceding insurers | 36,689 | 45,480 |
| Deferred federal income taxes | 40,158 | 34,265 |
| Deferred acquisition costs | 65,698 | 65,195 |
| Intangible assets | 20,830 | 20,962 |
| Goodwill | 6,521 | 6,521 |
| Prepaid reinsurance premiums | 14,414 | 12,881 |
| Other assets | 70,140 | 66,912 |
| Total assets | $ 1,897,646 | $ 1,904,908 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Liabilities:** | | |
| Unpaid losses and loss adjustment expenses | $ 675,908 | $ 662,811 |
| Unearned premiums | 297,012 | 291,495 |
| Ceded balances payable | 10,301 | 8,943 |
| Payable for securities purchased | 11,718 | 4,667 |
| Contingent commissions | 4,479 | 10,832 |
| Debt | 126,324 | 126,288 |
| Other liabilities | 75,447 | 81,548 |
| Total liabilities | $ 1,201,189 | $ 1,186,584 |
| | | |
| Commitments and contingencies (Note 11) | — | — |
| | | |
| **Shareholders' equity:** | | |
| Series A cumulative fixed rate preferred shares, $1,000 par value; 100,000,000 shares authorized, shares issued and outstanding: 4,000 and 4,000 shares, respectively, liquidation preference: $1,000 per share and $1,000 per share, respectively | 4,000 | 4,000 |
| Common shares: no par value; 900,000,000 common shares authorized; class A common shares issued: 10,303,832 and 10,263,722 respectively; class A common shares outstanding: 10,293,839 and 10,263,722, respectively; class B common shares issued and outstanding: 4,133,366 and 4,133,366, respectively | — | — |
| Additional paid-in capital | 446,199 | 445,051 |
| Accumulated other comprehensive income, net of tax | 9,853 | 34,308 |
| Retained earnings | 236,688 | 234,965 |
| Class A common shares in treasury, at cost: 9,993 and 0 shares, respectively | (283) | — |
| Total shareholders' equity | 696,457 | 718,324 |
| Total liabilities and shareholders' equity | $ 1,897,646 | $ 1,904,908 |

See accompanying notes to consolidated financial statements.

## GLOBAL INDEMNITY GROUP, LLC

### Consolidated Statements of Operations
(In thousands, except shares and per share data)

| | (Unaudited) Quarters Ended March 31, 2021 | 2020 |
|---|---|---|
| **Revenues:** | | |
| Gross written premiums | $ 163,558 | $ 155,724 |
| | | |
| Net written premiums | $ 147,683 | $ 139,112 |
| | | |
| Net earned premiums | $ 143,700 | $ 144,468 |
| Net investment income | 9,836 | 10,129 |
| Net realized investment gains (losses) | 3,819 | (68,162) |
| Other income | 377 | 165 |
| Total revenues | 157,732 | 86,600 |
| | | |
| **Losses and Expenses:** | | |
| Net losses and loss adjustment expenses | 90,783 | 77,647 |
| Acquisition costs and other underwriting expenses | 54,764 | 56,412 |
| Corporate and other operating expenses | 4,276 | 4,223 |
| Interest expense | 2,595 | 4,865 |
| Income (loss) before income taxes | 5,314 | (56,547) |
| Income tax benefit | (203) | (11,969) |
| Net income (loss) | $ 5,517 | $ (44,578) |
| Less: preferred stock distributions | 110 | — |
| Net income (loss) available to common shareholders | $ 5,407 | $ (44,578) |
| | | |
| **Per share data:** | | |
| Net income (loss) available to common shareholders (1) | | |
| Basic | $ 0.38 | $ (3.13) |
| Diluted | $ 0.37 | $ (3.13) |
| Weighted-average number of shares outstanding | | |
| Basic | 14,380,423 | 14,249,551 |
| Diluted | 14,640,658 | 14,249,551 |
| Cash dividends/distributions declared per common share | $ 0.25 | $ 0.25 |

**(1)** For the quarter ended March 31, 2020, weighted average shares outstanding – basic was used to calculate diluted earnings per share due to a net loss for the period.

See accompanying notes to consolidated financial statements.

**GLOBAL INDEMNITY GROUP, LLC**

**Consolidated Statements of Comprehensive Income (Loss)**
(In thousands)

| | (Unaudited) Quarters Ended March 31, 2021 | 2020 |
|---|---|---|
| Net income (loss) | $ 5,517 | $ (44,578) |
| | | |
| Other comprehensive loss, net of tax: | | |
| Unrealized holding losses | (25,178) | (2,032) |
| Reclassification adjustment for (gains) losses included in net income (loss) | 816 | (1,714) |
| Unrealized foreign currency translation losses | (93) | (1,303) |
| Other comprehensive loss, net of tax | (24,455) | (5,049) |
| | | |
| Comprehensive loss, net of tax | $ (18,938) | $ (49,627) |

See accompanying notes to consolidated financial statements.

# GLOBAL INDEMNITY GROUP, LLC

## Consolidated Statements of Changes in Shareholders' Equity

(In thousands, except share amounts)

| | (Unaudited) Quarters Ended March 31, 2021 | 2020 |
|---|---|---|
| **Number of Series A Cumulative Fixed Rate Preferred Shares** | | |
| Number at beginning and end of period | 4,000 | — |
| **Number of class A common shares issued:** | | |
| Number at beginning of period | 10,263,722 | 10,282,277 |
| Common shares issued under share incentive plans, net of forfeitures | 20,104 | — |
| Common shares issued to directors | 20,006 | 23,127 |
| Number at end of period | 10,303,832 | 10,305,404 |
| **Number of class B common shares issued:** | | |
| Number at beginning and end of period | 4,133,366 | 4,133,366 |
| **Par value of Series A Cumulative Fixed Rate Preferred Shares** | | |
| Balance at beginning and end of period | $ 4,000 | $ — |
| **Par value of class A common shares:** | | |
| Balance at beginning and end of period | $ — | $ 1 |
| **Par value of class B common shares:** | | |
| Balance at beginning and end of period | $ — | $ 1 |
| **Additional paid-in capital:** | | |
| Balance at beginning of period | $ 445,051 | $ 442,403 |
| Share compensation plans | 1,148 | 1,238 |
| Balance at end of period | $ 446,199 | $ 443,641 |
| **Accumulated other comprehensive income, net of deferred income tax:** | | |
| Balance at beginning of period | $ 34,308 | $ 17,609 |
| Other comprehensive income (loss): | | |
| Change in unrealized holding gains (losses) | (24,362) | (3,746) |
| Unrealized foreign currency translation gains (losses) | (93) | (1,303) |
| Other comprehensive income (loss) | (24,455) | (5,049) |
| Balance at end of period | $ 9,853 | $ 12,560 |
| **Retained earnings:** | | |
| Balance at beginning of period | $ 234,965 | $ 270,768 |
| Net income (loss) | 5,517 | (44,578) |
| Preferred share distributions | (110) | — |
| Dividends / distributions to shareholders (0.25 per share per quarter in 2021 and 2020) | (3,684) | (3,641) |
| Balance at end of period | $ 236,688 | $ 222,549 |
| **Number of treasury shares:** | | |
| Number at beginning of period | — | 115,221 |
| Class A common shares purchased | 9,815 | 4,724 |
| Forfeited shares | 178 | — |
| Number at end of period | 9,993 | 119,945 |
| **Treasury shares, at cost:** | | |
| Balance at beginning of period | $ — | $ (3,973) |
| Class A common shares purchased, at cost | (283) | (143) |
| Balance at end of period | $ (283) | $ (4,116) |
| Total shareholders' equity | $ 696,457 | $ 674,636 |

See accompanying notes to consolidated financial statements.

**GLOBAL INDEMNITY GROUP, LLC**

**Consolidated Statements of Cash Flows**
(In thousands)

| | (Unaudited) Quarters Ended March 31, 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ 5,517 | $ (44,578) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Amortization and depreciation | 1,956 | 1,775 |
| Amortization of debt issuance costs | 35 | 66 |
| Restricted stock and stock option expense | 1,148 | 1,238 |
| Deferred federal income taxes | (203) | (11,969) |
| Amortization of bond premium and discount, net | 1,395 | 1,399 |
| Net realized investment (gains) losses | (3,819) | 68,162 |
| Income from equity method investments, net of distributions | (584) | (710) |
| Changes in: | | |
| Premiums receivable, net | (7,276) | 2,704 |
| Reinsurance receivables, net | 3,277 | 864 |
| Funds held by ceding insurers | 8,672 | 182 |
| Unpaid losses and loss adjustment expenses | 13,097 | 9,287 |
| Unearned premiums | 5,517 | (6,560) |
| Ceded balances payable | 1,358 | 3,528 |
| Other assets and liabilities | (10,329) | (6,262) |
| Contingent commissions | (6,353) | (6,087) |
| Federal income tax receivable/payable | — | 5,479 |
| Deferred acquisition costs | (503) | 1,062 |
| Prepaid reinsurance premiums | (1,533) | 1,204 |
| Net cash provided by operating activities | 11,372 | 20,784 |
| **Cash flows from investing activities:** | | |
| Proceeds from sale of fixed maturities | 364,277 | 124,070 |
| Proceeds from sale of equity securities | 37,475 | 49,546 |
| Proceeds from maturity of fixed maturities | 28,721 | 13,259 |
| Proceeds from other invested assets | 2,080 | 682 |
| Amounts paid in connection with derivatives | (262) | (20,007) |
| Purchases of fixed maturities | (441,964) | (156,424) |
| Purchases of equity securities | (17,566) | (10,810) |
| Net cash (used for) provided by investing activities | (27,239) | 316 |
| **Cash flows from financing activities:** | | |
| Net repayments under margin borrowing facility | — | (1,922) |
| Dividends / distributions paid to common shareholders | (3,634) | (3,555) |
| Distributions paid to preferred shareholders | (110) | — |
| Purchases of class A common shares | (283) | (143) |
| Net cash used for financing activities | (4,027) | (5,620) |
| Net change in cash and cash equivalents | (19,894) | 15,480 |
| Cash and cash equivalents at beginning of period | 67,359 | 44,271 |
| Cash and cash equivalents at end of period | $ 47,465 | $ 59,751 |

See accompanying notes to consolidated financial statements.

**1. Principles of Consolidation and Basis of Presentation**

References to “the Company” refer to Global Indemnity Group, LLC and its subsidiaries. If prior to August 28, 2020, references to the Company refer to Global Indemnity Limited and its subsidiaries.

Global Indemnity Group, LLC, a Delaware limited liability company formed on June 23, 2020, replaced Global Indemnity Limited, incorporated in the Cayman Islands as an exempted company with limited liability, as the ultimate parent company of the Global Indemnity group of companies as a result of a redomestication transaction completed on August 28, 2020. Global Indemnity Group, LLC’s class A common shares are publicly traded on the NASDAQ Global Select Market under the ticker symbol GBLI. Global Indemnity Group, LLC’s predecessors have been publicly traded since 2003. See Note 2 of the notes to the consolidated financial statements in Item 8 Part II of the Company’s 2020 Annual Report on Form 10-K for additional information regarding the redomestication.

Global Indemnity Group, LLC is a holding company that is classified as a publicly traded partnership for U.S. federal income tax purposes and meets the qualifying income exception to maintain partnership status.

Global Indemnity Group, LLC owns shares of its direct and indirect subsidiaries, including those of its insurance companies: United National Insurance Company, Diamond State Insurance Company, Penn-America Insurance Company, Penn-Star Insurance Company, Penn-Patriot Insurance Company, and American Reliable Insurance Company.

The insurance companies’ primary activity is providing insurance products across a distribution network that includes binding authority, program, brokerage and reinsurance. The insurance companies are managed through four business segments: Commercial Specialty, Specialty Property, Farm, Ranch & Stable, and Reinsurance Operations. The Company’s Commercial Specialty segment offers specialty property and casualty insurance products in the excess and surplus lines marketplace. The Company manages Commercial Specialty by differentiating them into four product classifications: 1) Penn-America, which markets property and general liability products to small commercial businesses through a select network of wholesale general agents with specific binding authority; 2) United National, which markets insurance products for targeted insured segments, including specialty products, such as property, general liability, and professional lines through program administrators with specific binding authority; 3) Diamond State, which markets property, casualty, and professional lines products, which are developed by the Company’s underwriting department by individuals with expertise in those lines of business, through wholesale brokers and also markets through program administrators having specific binding authority; and 4) Vacant Express, which primarily insures dwellings which are currently vacant, undergoing renovation, or are under construction and is marketed through aggregators, brokers, and retail agents. These product classifications comprise the Company’s Commercial Specialty business segment and are not considered individual business segments because each product has similar economic characteristics, distribution, and coverage. The Company’s Specialty Property segment offers specialty personal lines property and casualty insurance products through general and specialty agents with specific binding authority. The Company’s Farm, Ranch & Stable segment provides specialized property and casualty coverage including Commercial Farm Auto and Excess/Umbrella Coverage for the agriculture industry as well as specialized insurance products for the equine mortality and equine major medical industry. These insurance products are sold through wholesalers and retail agents, with a selected number having specific binding authority. Collectively, the Company’s insurance subsidiaries are licensed in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. The Company’s Reinsurance Operations segment provides reinsurance solutions through brokers and primary writers including insurance and reinsurance companies. Prior to the redomestication transactions, the Company’s Reinsurance Operations consisted solely of the operations of its Bermuda-based wholly-owned subsidiary, Global Indemnity Reinsurance Company, Ltd. (“Global Indemnity Reinsurance”). As part of the redomestication transactions, Global Indemnity Reinsurance was merged with and into Penn-Patriot Insurance Company ("Penn-Patriot"), with Penn-Patriot surviving, resulting in the assumption of Global Indemnity Reinsurance's business by the Global Indemnity group of companies’ existing U.S. insurance company subsidiaries. The Commercial Specialty, Specialty Property, Farm, Ranch & Stable, and Reinsurance Operations segments comprise the Company’s insurance operations.

The interim consolidated financial statements are unaudited, but have been prepared in conformity with United States of America generally accepted accounting principles (“GAAP”), which differs in certain respects from those principles followed in reports to insurance regulatory authorities. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The unaudited consolidated financial statements include all adjustments that are, in the opinion of management, of a normal recurring nature and are necessary for a fair statement of results for the interim periods. Results of operations for the quarters ended March 31, 2021 and 2020 are not necessarily indicative of the results of a full year. The accompanying notes to the unaudited consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in the Company's 2020 Annual Report on Form 10-K.

The consolidated financial statements include the accounts of Global Indemnity Group, LLC and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

## 2. Summary of Significant Accounting Policies

There have been no significant changes to the Company's accounting policies during the current year except for the following:

The receipt of results for investments in limited partnerships and limited liability companies may vary. If results are received on a timely basis, they are included in current results. If they are not received on a timely basis, they are recorded on a one quarter lag. The recording of such results are applied consistently for each investment once the timing of receiving the results has been established.

Please see Note 3 of the notes to the consolidated financial statements in Item 8 Part II of the Company's 2020 Annual Report on Form 10-K for more information on the Company's summary of significant accounting policies.

## 3. Investments

The amortized cost and estimated fair value of the Company's fixed maturities securities were as follows as of March 31, 2021 and December 31, 2020:

| (Dollars in thousands) | Amortized Cost | Allowance for Expected Credit Losses | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|---|
| As of March 31, 2021 | | | | | |
| Fixed maturities: | | | | | |
| U.S. treasuries | $ 217,484 | $ — | $ 1,629 | $ (5,953) | $ 213,160 |
| Agency obligations | 10,277 | — | — | (404) | 9,873 |
| Obligations of states and political subdivisions | 62,341 | — | 2,242 | (230) | 64,353 |
| Mortgage-backed securities | 320,405 | — | 5,124 | (3,498) | 322,031 |
| Asset-backed securities | 121,597 | — | 1,223 | (311) | 122,509 |
| Commercial mortgage-backed securities | 103,110 | — | 3,811 | (483) | 106,438 |
| Corporate bonds | 256,859 | — | 9,327 | (3,038) | 263,148 |
| Foreign corporate bonds | 110,399 | — | 3,530 | (819) | 113,110 |
| Total fixed maturities | $ 1,202,472 | $ — | $ 26,886 | $ (14,736) | $ 1,214,622 |

| (Dollars in thousands) | Amortized Cost | Allowance for Expected Credit Losses | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|---|
| As of December 31, 2020 | | | | | |
| Fixed maturities: | | | | | |
| U.S. treasuries | $ 195,444 | $ — | $ 3,125 | $ (1,089) | $ 197,480 |
| Obligations of states and political subdivisions | 58,140 | — | 3,170 | (67) | 61,243 |
| Mortgage-backed securities | 351,453 | — | 7,876 | (551) | 358,778 |
| Asset-backed securities | 116,349 | — | 1,890 | (646) | 117,593 |
| Commercial mortgage-backed securities | 105,509 | — | 6,094 | (644) | 110,959 |
| Corporate bonds | 223,387 | — | 17,703 | (373) | 240,717 |
| Foreign corporate bonds | 98,727 | — | 5,716 | (27) | 104,416 |
| Total fixed maturities | $ 1,149,009 | $ — | $ 45,574 | $ (3,397) | $ 1,191,186 |

As of March 31, 2021 and December 31, 2020, the Company's investments in equity securities consist of the following:

| (Dollars in thousands) | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Common stock | $ 65,072 | $ 60,379 |
| Preferred stock | 18,377 | 11,683 |
| Index funds that invest in fixed maturities | — | 26,928 |
| Total | $ 83,449 | $ 98,990 |

As of March 31, 2021 and December 31, 2020, the Company held Fannie Mae mortgage pools that totaled as much as 3.2% and 3.9% of shareholders' equity, respectively. Excluding the Fannie Mae pools, U.S. treasuries, agency bonds, index funds, limited liability companies, and limited partnerships, the Company did not hold any debt or equity investments in a single issuer in excess of 2.2% and 1.9% of shareholders' equity at March 31, 2021 and December 31, 2020, respectively.

The amortized cost and estimated fair value of the Company's fixed maturities portfolio classified as available for sale at March 31, 2021, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| (Dollars in thousands) | Amortized Cost | Estimated Fair Value |
|---|---|---|
| Due in one year or less | $ 42,951 | $ 43,345 |
| Due in one year through five years | 189,621 | 197,113 |
| Due in five years through ten years | 326,307 | 324,990 |
| Due in ten years through fifteen years | 29,695 | 29,652 |
| Due after fifteen years | 68,786 | 68,544 |
| Mortgage-backed securities | 320,405 | 322,031 |
| Asset-backed securities | 121,597 | 122,509 |
| Commercial mortgage-backed securities | 103,110 | 106,438 |
| Total | $ 1,202,472 | $ 1,214,622 |

The following table contains an analysis of the Company's fixed income securities with gross unrealized losses that are not deemed to have credit losses, categorized by the period that the securities were in a continuous loss position as of March 31, 2021. The fair value amounts reported in the table are estimates that are prepared using the process described in Note 5.

| | Less than 12 months | | 12 months or longer | | Total (1) | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Fixed maturities: | | | | | | |
| U.S. treasuries | $ 142,149 | $ (5,953) | $ — | $ — | $ 142,149 | $ (5,953) |
| Agency obligations | 9,873 | (404) | — | — | 9,873 | (404) |
| Obligations of states and political subdivisions | 5,282 | (230) | — | — | 5,282 | (230) |
| Mortgage-backed securities | 165,838 | (3,484) | 2,589 | (14) | 168,427 | (3,498) |
| Asset-backed securities | 25,749 | (89) | 12,826 | (222) | 38,575 | (311) |
| Commercial mortgage-backed securities | 19,494 | (336) | 2,806 | (147) | 22,300 | (483) |
| Corporate bonds | 78,918 | (2,864) | 4,746 | (174) | 83,664 | (3,038) |
| Foreign corporate bonds | 27,892 | (805) | 373 | (14) | 28,265 | (819) |
| Total fixed maturities | $ 475,195 | $ (14,165) | $ 23,340 | $ (571) | $ 498,535 | $ (14,736) |

The following table contains an analysis of the Company's fixed income securities with gross unrealized losses that are not deemed to have credit losses, categorized by the period that the securities were in a continuous loss position as of December 31, 2020. The fair value amounts reported in the table are estimates that are prepared using the process described in Note 5.

| | Less than 12 months | | 12 months or longer | | Total (1) | |
|---|---|---|---|---|---|---|
| (Dollars in thousands) | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Fixed maturities: | | | | | | |
| U.S. treasuries | $ 81,999 | $ (1,089) | $ — | $ — | $ 81,999 | $ (1,089) |
| Obligations of states and political subdivisions | 2,588 | (67) | — | — | 2,588 | (67) |
| Mortgage-backed securities | 57,350 | (551) | 4 | — | 57,354 | (551) |
| Asset-backed securities | 22,268 | (389) | 13,354 | (257) | 35,622 | (646) |
| Commercial mortgage-backed securities | 10,294 | (526) | 1,154 | (118) | 11,448 | (644) |
| Corporate bonds | 7,783 | (373) | — | — | 7,783 | (373) |
| Foreign corporate bonds | 885 | (27) | — | — | 885 | (27) |
| Total fixed maturities | $ 183,167 | $ (3,022) | $ 14,512 | $ (375) | $ 197,679 | $ (3,397) |

The Company regularly performs various analytical valuation procedures with respect to its investments, including reviewing each available for sale debt security in an unrealized loss position to assess whether the decline in fair value below amortized cost basis has resulted from a credit loss or other factors. In assessing whether a credit loss exists, the Company compares the present value of the cash flows expected to be collected from the security to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis of the security, a credit loss exists and an allowance for expected credit losses is recorded. Subsequent changes in the allowances are recorded in the period of change as either credit loss expense or reversal of credit loss expense. Any impairments related to factors other than credit losses and the intent to sell are recorded through other comprehensive income, net of taxes.

For fixed maturities, the factors considered in reaching the conclusion that a credit loss exists include, among others, whether:

(1) the extent to which the fair value is less than the amortized cost basis;
(2) the issuer is in financial distress;

(3) the investment is secured;
(4) a significant credit rating action occurred;
(5) scheduled interest payments were delayed or missed;
(6) changes in laws or regulations have affected an issuer or industry;
(7) the investment has an unrealized loss and was identified by the Company's investment manager as an investment to be sold before recovery or maturity;
(8) the investment failed cash flow projection testing to determine if anticipated principal and interest payments will be realized; and
(9) changes in US Treasury rates and/or credit spreads since original purchase to identify whether the unrealized loss is simply due to interest rate movement.

According to accounting guidance for debt securities in an unrealized loss position, the Company is required to assess whether it has the intent to sell the debt security or more likely than not will be required to sell the debt security before the anticipated recovery. If either of these conditions is met, any allowance for expected credit losses is written off and the amortized cost basis is written down to the fair value of the fixed maturity security with any incremental impairment reported in earnings. That new amortized cost basis shall not be adjusted for subsequent recoveries in fair value.

The Company elected the practical expedient to exclude accrued interest from both the fair value and the amortized cost basis of the available for sale debt securities for the purposes of identifying and measuring an impairment and to not measure an allowance for expected credit losses for accrued interest receivables. Accrued interest receivable is written off through net realized investment gains (losses) at the time the issuer of the bond defaults or is expected to default on payment. The Company made an accounting policy election to present the accrued interest receivable balance with other assets on the Company's consolidated statements of financial position. Accrued interest receivable was $5.6 million and $5.7 million as of March 31, 2021 and December 31, 2020, respectively.

The following is a description, by asset type, of the methodology and significant inputs that the Company used to measure the amount of credit loss recognized in earnings, if any:

**U.S. treasuries** – As of March 31, 2021, gross unrealized losses related to U.S. treasuries were $5.953 million. To assess whether the decline in fair value below amortized cost has resulted from a credit loss or other factors, macroeconomic and market analysis is conducted in evaluating these securities. Consideration is given to the interest rate environment, duration and yield curve management of the portfolio, sector allocation and security selection. Based on the analysis performed, the Company did not recognize a credit loss on U.S. treasuries during the period.

**Agency obligations** – As of March 31, 2021, gross unrealized losses related to agency obligations were $0.404 million. To assess whether the decline in fair value below amortized cost has resulted from a credit loss or other factors, macroeconomic and market analysis is conducted in evaluating these securities. Consideration is given to the interest rate environment, duration and yield curve management of the portfolio, sector allocation and security selection. Based on the analysis performed, the Company did not recognize a credit loss on agency obligations during the period.

**Obligations of states and political subdivisions –** As of March 31, 2021, gross unrealized losses related to obligations of states and political subdivisions were $0.230 million. To assess whether the decline in fair value below amortized cost has resulted from a credit loss or other factors, elements that may influence the performance of the municipal bond market are considered in evaluating these securities such as investor expectations, supply and demand patterns, and current versus historical yield and spread relationships. The analysis relies on the output of fixed income credit analysts, as well as dedicated municipal bond analysts who perform extensive in-house fundamental analysis on each issuer, regardless of their rating by the major agencies. Based on the analysis performed, the Company did not recognize a credit loss on obligations of states and political subdivisions during the period.

**Mortgage-backed securities ("MBS") –** As of March 31, 2021, gross unrealized losses related to mortgage-backed securities were $3.498 million. To assess whether the decline in fair value below amortized cost has resulted from a credit loss or other factors, mortgage-backed securities are modeled to project principal losses under downside, base, and upside scenarios for the economy and home prices. The primary assumption that drives the security and loan level modeling is the Home Price Index ("HPI") projection. These forecasts incorporate not just national macro-economic trends, but also regional impacts to arrive at the most granular and accurate projections. These assumptions are incorporated into the model as a basis to generate delinquency probabilities, default curves, loss severity curves, and voluntary prepayment curves at the loan level within each deal. The model utilizes HPI-adjusted current LTV, payment history, loan terms, loan modification history, and borrower characteristics as inputs to generate expected cash flows and principal loss for each bond under various scenarios. Based on the analysis performed, the Company did not recognize a credit loss on mortgage-backed securities during the period.

**Asset backed securities ("ABS")** - As of March 31, 2021, gross unrealized losses related to asset backed securities were $0.311 million. The weighted average credit enhancement for the Company's asset backed portfolio is 29.9. This represents the percentage of pool losses that can occur before an asset backed security will incur its first dollar of principal losses. To assess whether the decline in fair value below amortized cost has resulted from a credit loss or other factors, every ABS transaction is analyzed on a stand-alone basis. This analysis involves a thorough review of the collateral, prepayment, and structural risk in each transaction. Additionally, the analysis includes an in-depth credit analysis of the originator and servicer of the collateral. The analysis projects an expected loss for a deal given a set of assumptions specific to the asset type. These assumptions are used to calculate at what level of losses the deal will incur its first dollar of principal loss. The major assumptions used to calculate this ratio are loss severities, recovery lags, and no advances on principal and interest. Based on the analysis performed, the Company did not recognize a credit loss on asset backed securities during the period.

**Commercial mortgage-backed securities ("CMBS")** - As of March 31, 2021, gross unrealized losses related to the CMBS portfolio were $0.483 million. The weighted average credit enhancement for the Company's CMBS portfolio is 37.9. This represents the percentage of pool losses that can occur before a mortgage-backed security will incur its first dollar of principal loss. To assess whether the decline in fair value below amortized cost has resulted from a credit loss or other factors, a loan level analysis is utilized where every underlying CMBS loan is re-underwritten based on a set of assumptions reflecting expectations for the future path of the economy. Each loan is analyzed over time using a series of tests to determine if a credit event will occur during the life of the loan. Inherent in this process are several economic scenarios and their corresponding rent/vacancy and capital market states. The five primary credit events that frame the analysis include loan modifications, term default, balloon default, extension, and ability to pay off at balloon. The resulting output is the expected loss adjusted cash flows for each bond under the base case and distressed scenarios. Based on the analysis performed, the Company did not recognize a credit loss on commercial mortgage-backed securities during the period.

**Corporate bonds** - As of March 31, 2021, gross unrealized losses related to corporate bonds were $3.038 million. To assess whether the decline in fair value below amortized cost has resulted from a credit loss or other factors, analysis for this asset class includes maintaining detailed financial models that include a projection of each issuer's future financial performance, including prospective debt servicing capabilities, capital structure composition, and the value of the collateral. The analysis incorporates the macroeconomic environment, industry conditions in which the issuer operates, the issuer's current competitive position, its vulnerability to changes in the competitive and regulatory environment, issuer liquidity, issuer commitment to bondholders, issuer creditworthiness, and asset protection. Part of the process also includes running downside scenarios to evaluate the expected likelihood of default as well as potential losses in the event of default. Based on the analysis performed, the Company did not recognize a credit loss on corporate bonds during the period.

**Foreign bonds –** As of March 31, 2021, gross unrealized losses related to foreign bonds were $0.819 million. To assess whether the decline in fair value below amortized cost has resulted from a credit loss or other factors, detailed financial models are maintained that include a projection of each issuer's future financial performance, including prospective debt servicing capabilities, capital structure composition, and the value of the collateral. The analysis incorporates the macroeconomic environment, industry conditions in which the issuer operates, the issuer's current competitive position, its vulnerability to changes in the competitive and regulatory environment, issuer liquidity, issuer commitment to bondholders, issuer creditworthiness, and asset protection. Part of the process also includes running downside scenarios to evaluate the expected likelihood of default as well as potential losses in the event of default. Based on the analysis performed, the Company did not recognize a credit loss on foreign bonds during the period.

The Company has evaluated its investment portfolio and has determined that an allowance for expected credit losses on its investments is not required.

***Accumulated Other Comprehensive Income, Net of Tax***

Accumulated other comprehensive income, net of tax, as of March 31, 2021 and December 31, 2020 was as follows:

| (Dollars in thousands) | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Net unrealized gains (losses) from: | | |
| Fixed maturities | $ 12,150 | $ 42,177 |
| Foreign currency fluctuations | 43 | 161 |
| Deferred taxes | (2,340) | (8,030) |
| Accumulated other comprehensive income, net of tax | $ 9,853 | $ 34,308 |

The following tables present the changes in accumulated other comprehensive income, net of tax, by component for the quarters ended March 31, 2021 and 2020:

| Quarter Ended March 31, 2021 (Dollars In Thousands) | Unrealized Gains and Losses on Available for Sale Securities | Foreign Currency Items | Accumulated Other Comprehensive Income |
|---|---|---|---|
| Beginning balance, net of tax | $ 34,181 | $ 127 | $ 34,308 |
| Other comprehensive income before reclassification, before tax | (31,186) | (118) | (31,304) |
| Amounts reclassified from accumulated other comprehensive income, before tax | 1,159 | — | 1,159 |
| Other comprehensive income, before tax | (30,027) | (118) | (30,145) |
| Income tax benefit | 5,665 | 25 | 5,690 |
| Ending balance, net of tax | $ 9,819 | $ 34 | $ 9,853 |

| Quarter Ended March 31, 2020 (Dollars In Thousands) | Unrealized Gains and Losses on Available for Sale Securities | Foreign Currency Items | Accumulated Other Comprehensive Income |
|---|---|---|---|
| Beginning balance, net of tax | $ 18,641 | $ (1,032) | $ 17,609 |
| Other comprehensive income (loss) before reclassification, before tax | (884) | (1,303) | (2,187) |
| Amounts reclassified from accumulated other comprehensive income, before tax | (1,932) | — | (1,932) |
| Other comprehensive income (loss), before tax | (2,816) | (1,303) | (4,119) |
| Income tax expense | (930) | — | (930) |
| Ending balance, net of tax | $ 14,895 | $ (2,335) | $ 12,560 |

The reclassifications out of accumulated other comprehensive income for the quarters ended March 31, 2021 and 2020 were as follows:

| (Dollars in thousands) | | Amounts Reclassified from Accumulated Other Comprehensive Income Quarters Ended March 31, | |
|---|---|---|---|
| Details about Accumulated Other Comprehensive Income Components | Affected Line Item in the Consolidated Statements of Operations | 2021 | 2020 |
| Unrealized gains and losses on available for sale securities | Other net realized investment (gains) losses | $ 1,159 | $ (1,932) |
| | Income tax expense (benefit) | (343) | 218 |
| | Total reclassifications, net of tax | $ 816 | $ (1,714) |

***Net Realized Investment Gains (Losses)***

The components of net realized investment gains (losses) for the quarters ended March 31, 2021 and 2020 were as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 |
|---|---|---|
| Fixed maturities: | | |
| Gross realized gains | $ 3,378 | $ 2,243 |
| Gross realized losses | (4,537) | (311) |
| Net realized gains (losses) | (1,159) | 1,932 |
| Equity securities: | | |
| Gross realized gains | 5,673 | 1,822 |
| Gross realized losses | (1,305) | (51,804) |
| Net realized gains (losses) | 4,368 | (49,982) |
| Derivatives: | | |
| Gross realized gains | 2,353 | 13,623 |
| Gross realized losses | (1,743) | (33,735) |
| Net realized gains (losses) (1) | 610 | (20,112) |
| Total net realized investment gains (losses) | $ 3,819 | $ (68,162) |

(1) Includes periodic net interest settlements related to the derivatives of $1.4 million and $0.6 million for the quarters ended March 31, 2021 and 2020, respectively.

The following table shows the calculation of the portion of realized gains and losses related to equity securities held as of March 31, 2021 and 2020:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 |
|---|---|---|
| Net gains and (losses) recognized during the period on equity securities | $ 4,368 | $ (49,982) |
| Less: net gains (losses) recognized during the period on equity securities sold during the period | 1,376 | (4,221) |
| Unrealized gains and (losses) recognized during the reporting period on equity securities still held at the reporting date | $ 2,992 | $ (45,761) |

The proceeds from sales and redemptions of available for sale and equity securities resulting in net realized investment gains (losses) for the quarters ended March 31, 2021 and 2020 were as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 |
|---|---|---|
| Fixed maturities | $ 364,277 | $ 124,070 |
| Equity securities | 37,475 | 49,546 |

***Net Investment Income***

The sources of net investment income for the quarters ended March 31, 2021 and 2020 were as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 |
|---|---|---|
| Fixed maturities | $ 6,827 | $ 9,041 |
| Equity securities | 675 | 1,364 |
| Cash and cash equivalents | 50 | 180 |
| Other invested assets | 2,997 | 533 |
| Total investment income | 10,549 | 11,118 |
| Investment expense | (713) | (989) |
| Net investment income | $ 9,836 | $ 10,129 |

The Company's total investment return on a pre-tax basis for the quarters ended March 31, 2021 and 2020 were as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 |
|---|---|---|
| Net investment income | $ 9,836 | $ 10,129 |
| Net realized investment gains (losses) | 3,819 | (68,162) |
| Change in unrealized holding gains (losses) | (30,145) | (4,119) |
| Net realized and unrealized investment returns | (26,326) | (72,281) |
| Total investment return | $ (16,490) | $ (62,152) |
| Total investment return % (1) | (1.1%) | (3.9%) |
| Average investment portfolio (2) | $ 1,439,613 | $ 1,578,765 |

(1) Not annualized.
(2) Average of total cash and invested assets, net of receivable/payable for securities purchased and sold, as of the beginning and end of the period.

As of March 31, 2021 and December 31, 2020, the Company did not own any fixed maturity securities that were non-income producing for the preceding twelve months.

***Insurance Enhanced Asset-Backed and Credit Securities***

As of March 31, 2021, the Company held insurance enhanced bonds with a market value of approximately $31.4 million which represented 2.2% of the Company's total cash and invested assets, net of payable/ receivable for securities purchased and sold.

The insurance enhanced bonds are comprised of $16.4 million of municipal bonds, $7.2 million of commercial mortgage-backed securities, and$7.8 million of collateralized mortgage obligations.  The financial guarantors of the Company's $31.4 million of insurance enhanced commercial-mortgage-backed, municipal securities, and collateralized mortgage obligations include Municipal Bond Insurance Association ($3.1 million), Assured Guaranty Corporation ($10.6 million), Federal Home Loan Mortgage Corporation ($15.0 million), Ambac Financial Group ($2.1 million), School Bond Guaranty Program ($0.1 million), and Higher Education State Aid Intercept Program ($0.5 million).

The Company had no direct investments in the entities that have provided financial guarantees or other credit support to any security held by the Company at March 31, 2021.

***Bonds Held on Deposit***

Certain cash balances, cash equivalents, and bonds available for sale were deposited with various governmental authorities in accordance with statutory requirements, were held as collateral, or were held in trust.  The fair values were as follows as of March 31, 2021 and December 31, 2020:

| (Dollars in thousands) | Estimated Fair Value March 31, 2021 | Estimated Fair Value December 31, 2020 |
|---|---|---|
| On deposit with governmental authorities | $ 28,757 | $ 26,966 |
| Held in trust pursuant to third party requirements | 91,603 | 100,234 |
| Letter of credit held for third party requirements | 2,512 | 3,970 |
| Securities held as collateral | — | 494 |
| Total | $ 122,872 | $ 131,664 |

***Variable Interest Entities***

A Variable Interest Entity ("VIE") refers to an investment in which an investor holds a controlling interest that is not based on the majority of voting rights.  Under the VIE model, the party that has the power to exercise significant management influence and maintain a controlling financial interest in the entity's economics is said to be the primary beneficiary, and is required to consolidate the entity within their results. Other entities that participate in a VIE, for which their financial interests fluctuate with changes in the fair value of the investment entity's net assets but do not have significant management influence and the ability to direct the VIE's significant economic activities are said to have a variable interest in the VIE but do not consolidate the VIE in their financial results.

The Company has variable interests in four VIE's for which it is not the primary beneficiary. These investments are accounted for under the equity method of accounting as their ownership interest exceeds 3% of their respective investments.

The carrying value of one of the Company's VIE's, which invests in distressed securities and assets, was $10.6 million and $10.8 million as of March 31, 2021 and December 31, 2020, respectively. The Company's maximum exposure to loss from this VIE, which factors in future funding commitments, was $24.8 million and $25.0 million at March 31, 2021 and December 31, 2020, respectively. The carrying value of a second VIE that also invests in distressed securities and assets was $13.6 million and $15.7 million at March 31, 2021 and December 31, 2020, respectively. The Company's maximum exposure to loss from this VIE, which factors in future funding commitments, was $30.6 million and $32.7 million at March 31, 2021 and December 31, 2020, respectively. The carrying value and maximum exposure to loss of a third VIE that invests in REIT qualifying assets was $10.8 million and $10.5 million as of March 31, 2021 and December 31, 2020, respectively. The carrying value and maximum exposure to loss of a fourth VIE, which invests in a broad portfolio of non-investment grade loans, was $60.4 million and $60.0 million as of March 31, 2021 and December 31, 2020, respectively. The Company's investment in VIEs is included in other invested assets on the consolidated balance sheet with changes in carrying value recorded in the consolidated statements of operations.

## 4. Derivative Instruments

Derivatives are used by the Company to reduce risks from changes in interest rates and limit exposure to severe equity market changes. The Company has interest rate swaps with terms to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional amount. The Company also utilizes exchange-traded futures contracts, which give the holder the right and obligation to participate in market movements at a future date, to allow the Company to react faster to market conditions. The Company posts collateral and settles variation margin in cash on a daily basis equal to the amount of the futures contracts' change in value scaled by a multiplier.

The Company accounts for the interest rate swaps and futures as non-hedge instruments and recognizes the fair value of the interest rate swaps in other assets or other liabilities on the consolidated balance sheets with the changes in fair value recognized as net realized investment gains or losses in the consolidated statements of operations. The Company is ultimately responsible for the valuation of the interest rate swaps. To aid in determining the estimated fair value of the interest rate swaps, the Company relies on the forward interest rate curve and information obtained from a third party financial institution.

The following table summarizes information on the location and the gross amount of the derivatives on the consolidated balance sheets as of March 31, 2021 and December 31, 2020:

| (Dollars in thousands) | | March 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|---|
| **Derivatives Not Designated as Hedging Instruments under ASC 815** | **Balance Sheet Location** | **Notional Amount** | **Fair Value** | **Notional Amount** | **Fair Value** |
| Interest rate swap agreements | Other assets/liabilities | $ 213,022 | $ (14,077) | $ 213,022 | $ (16,430) |
| Futures contracts on bonds (1) | Other assets/liabilities | — | — | 28,996 | — |
| Total (2) | | $ 213,022 | $ (14,077) | $ 242,018 | $ (16,430) |

**(1)** Futures are settled daily such that their fair value is not reflected in the consolidated statements of financial position

**(2)** The derivatives are held by GBLI Holdings, LLC and are guaranteed by Global Indemnity Group, LLC

The following table summarizes the net gains (losses) included in the consolidated statements of operations for changes in the fair value of the derivatives and the periodic net interest settlements under the derivatives for the quarters ended March 31, 2021 and 2020:

| (Dollars in thousands) | Consolidated Statements of Operations Line | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 |
|---|---|---|---|
| Interest rate swap agreements | Net realized investment gains (losses) | $ 929 | $ (9,423) |
| Futures contracts on bonds | Net realized investment gains (losses) | (319) | (2,399) |
| Futures contracts on equities | Net realized investment gains (losses) | — | (8,290) |
| Total | | $ 610 | $ (20,112) |

As of March 31, 2021 and December 31, 2020, the Company is due $2.6 million and $2.8 million, respectively, for funds it needed to post to execute the swap transaction and $16.2 million and $17.5 million, respectively, for margin calls made in connection with the interest rate swaps.  These amounts are included in other assets on the consolidated balance sheets.

As of March 31, 2021, the Company was not utilizing futures contracts.  As of December 31, 2020, the Company posted initial margin of $0.5 million in securities for trading futures contracts with a mark-to-market receivable of less than $0.1 million.  Variation margin is included in other assets on the consolidated balance sheets.

## 5. Fair Value Measurements

The accounting standards related to fair value measurements define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements.  These standards do not change existing guidance as to whether or not an instrument is carried at fair value.  The Company has determined that its fair value measurements are in accordance with the requirements of these accounting standards.

The Company’s invested assets and derivative instruments are carried at their fair value and are categorized based upon a fair value hierarchy:

- Level 1 – inputs utilize quoted prices (unadjusted) in active markets for identical assets 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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy.  In such cases, the level in the fair value hierarchy within which the fair value measurement falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.  The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset.

The following table presents information about the Company's invested assets and derivative instruments measured at fair value on a recurring basis as of March 31, 2021 and December 31, 2020 and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

| As of March 31, 2021<br>(Dollars in thousands) | Fair Value Measurements<br>Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Fixed maturities: | | | | |
| U.S. treasuries | $ 213,160 | $ — | $ — | $ 213,160 |
| Agency obligations | — | 9,873 | — | 9,873 |
| Obligations of states and political subdivisions | — | 64,353 | — | 64,353 |
| Mortgage-backed securities | — | 321,422 | 609 | 322,031 |
| Commercial mortgage-backed securities | — | 106,100 | 338 | 106,438 |
| Asset-backed securities | — | 122,181 | 328 | 122,509 |
| Corporate bonds | — | 262,220 | 928 | 263,148 |
| Foreign corporate bonds | — | 113,110 | — | 113,110 |
| Total fixed maturities | 213,160 | 999,259 | 2,203 | 1,214,622 |
| Equity securities | 65,072 | 18,377 | — | 83,449 |
| Total assets measured at fair value | $ 278,232 | $ 1,017,636 | $ 2,203 | $ 1,298,071 |
| Liabilities: | | | | |
| Derivative instruments | $ — | $ 14,077 | $ — | $ 14,077 |
| Total liabilities measured at fair value | $ — | $ 14,077 | $ — | $ 14,077 |

| As of December 31, 2020<br>(Dollars in thousands) | Fair Value Measurements<br>Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Fixed maturities: | | | | |
| U.S. treasuries | $ 197,480 | $ — | $ — | $ 197,480 |
| Obligations of states and political subdivisions | — | 61,243 | — | 61,243 |
| Mortgage-backed securities | — | 358,778 | — | 358,778 |
| Commercial mortgage-backed securities | — | 110,959 | — | 110,959 |
| Asset-backed securities | — | 117,593 | — | 117,593 |
| Corporate bonds | — | 240,717 | — | 240,717 |
| Foreign corporate bonds | — | 104,416 | — | 104,416 |
| Total fixed maturities | 197,480 | 993,706 | — | 1,191,186 |
| Equity securities | 87,307 | 11,683 | — | 98,990 |
| Total assets measured at fair value | $ 284,787 | $ 1,005,389 | $ — | $ 1,290,176 |
| Liabilities: | | | | |
| Derivative instruments | $ — | $ 16,430 | $ — | $ 16,430 |
| Total liabilities measured at fair value | $ — | $ 16,430 | $ — | $ 16,430 |

The securities classified as Level 1 in the above table consist of U.S. Treasuries and equity securities actively traded on an exchange.

The securities classified as Level 2 in the above table consist primarily of fixed maturity securities and derivative instruments. Based on the typical trading volumes and the lack of quoted market prices for fixed maturities, security prices are derived through recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. If there are no recent reported trades, matrix or model processes are used to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Included in the pricing of asset-backed securities, collateralized mortgage obligations, and mortgage-backed securities are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and prepayment speeds previously experienced at the interest rate levels projected for the underlying collateral. The estimated fair value of the derivative instruments, consisting of interest rate swaps, is obtained from a third party financial institution that utilizes observable inputs such as the forward interest rate curve.

The following table presents changes in Level 3 investments measured at fair value on a recurring basis for the quarters ended March 31, 2021 and 2020:

| | Quarters Ended March 31, | |
|---|---|---|
| *(Dollars in thousands)* | 2021 | 2020 |
| Beginning balance | $ — | $ — |
| Total gains (realized / unrealized): | | |
| Included in accumulated other comprehensive income | (39) | — |
| Amortization of bond premium and discount, net | — | — |
| Purchases | 2,242 | — |
| Sales | — | — |
| Ending balance | $ 2,203 | — |

There were no transfers into or out of Level 3 during the quarters ended March 31, 2021 or 2020.

The investments classified as Level 3 in the above table consist of fixed maturities with unobservable inputs. The Company does not have access to daily valuations; therefore, market trades, performance of the underlying assets, and key risks are considered in order to estimate fair values of these debt instruments.

For the Company's material debt arrangements, the current fair value of the Company's debt at March 31, 2021 and December 31, 2020 was as follows:

| | March 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| **(Dollars in thousands)** | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| 7.875% Subordinated Notes due 2047 (1) | $ 126,324 | $ 132,252 | $ 126,288 | $ 132,008 |
| Total | $ 126,324 | $ 132,252 | $ 126,288 | $ 132,008 |

(1) As of March 31, 2021 and December 31, 2020, the carrying value and fair value of the 7.875% Subordinated Notes due 2047 are net of unamortized debt issuance cost of $3.7 million, respectively.

The subordinated notes due 2047 are publicly traded instruments and are classified as Level 1 in the fair value hierarchy.

***Fair Value of Alternative Investments***

Other invested assets consist of limited liability companies and limited partnerships whose carrying value approximates fair value. The following table provides the fair value and future funding commitments related to these investments at March 31, 2021 and December 31, 2020.

| | March 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| **(Dollars in thousands)** | **Fair Value** | **Future Funding Commitment** | **Fair Value** | **Future Funding Commitment** |
| European Non-Performing Loan Fund, LP (1) | $ 10,636 | $ 14,214 | $ 10,808 | $ 14,214 |
| Distressed Debt Fund, LP (2) | 13,641 | 17,000 | 15,721 | 17,000 |
| Mortgage Debt Fund, LP (3) | 10,843 | — | 10,489 | — |
| Credit Fund, LLC (4) | 60,402 | — | 60,000 | — |
| Global Debt Fund, LP (5) | — | 25,000 | — | — |
| Total | $ 95,522 | $ 56,214 | $ 97,018 | $ 31,214 |

(1) This limited partnership invests in distressed securities and assets through senior and subordinated, secured and unsecured debt and equity, in both public and private large-cap and middle-market companies. The Company does not have the ability to sell or transfer its limited partnership interest without consent from the general partner. The Company does not have the contractual option to redeem its limited partnership interest but receives distributions based on the liquidation of the underlying assets.

(2) This limited partnership invests in stressed and distressed securities and structured products. The Company does not have the ability to sell or transfer its limited partnership interest without consent from the general partner. The Company does not have the contractual option to redeem its limited partnership interest but receives distributions based on the liquidation of the underlying assets.

(3) This limited partnership invests in REIT qualifying assets such as mortgage loans, investor property loans, and commercial mortgage loans. The Company does not have the ability to sell or transfer its limited partnership interest without consent from the general partner. The Company does not have the contractual option to redeem its limited partnership interest but receives distributions based on the liquidation of the underlying assets.

(4) This limited liability company invests in a broad portfolio of non-investment grade loans, secured and unsecured corporate debt, credit default swaps, reverse repurchase agreements and synthetic indices. The Company does have the ability to sell its interest by providing notice to the fund.

(5) This limited partnership invests in performing, stressed or distressed securities and loans across the global fixed income markets. The Company does not have the ability to sell or transfer its limited partnership interest without consent from the general partner. The Company does not have the contractual option to redeem its limited partnership interest but receives distributions based on the liquidation of the underlying assets.

***Limited Liability Companies and Limited Partnerships with ownership interest exceeding 3%***

The Company uses the equity method to account for investments in limited liability companies and limited partnerships where its ownership interest exceeds 3%. The equity method of accounting for an investment in limited liability companies and limited partnerships requires that its cost basis be updated to account for the income or loss earned on the investment. In the Fair Value of Alternative Investments table above, all of the investments, except for the Credit Fund, LLC, are booked on a one quarter lag due to non-availability of data at the time the financial statements are prepared. Information for the Credit Fund, LLC is received on a timely basis and is included in current results. The investment income associated with these limited liability companies and limited partnerships is reflected in the consolidated statements of operations in the amounts of $3.0 million and $0.5 million for the quarters ended March 31, 2021 and 2020, respectively.

***Pricing***

The Company's pricing vendors provide prices for all investment categories except for investments in limited liability companies and limited partnerships. Two primary vendors are utilized to provide prices for equity and fixed maturity securities.

The following is a description of the valuation methodologies used by the Company's pricing vendors for investment securities carried at fair value:

- Equity security prices are received from primary and secondary exchanges.

- Corporate and agency bonds are evaluated by utilizing a spread to a benchmark curve. Bonds with similar characteristics are grouped into specific sectors. Inputs for both asset classes consist of trade prices, broker quotes, the new issue market, and prices on comparable securities.

- Data from commercial vendors is aggregated with market information, then converted into an option adjusted spread ("OAS") matrix and prepayment model used for collateralized mortgage obligations ("CMO"). CMOs are categorized with mortgage-backed securities in the tables listed above. For asset-backed securities, spread data is derived from trade prices, dealer quotations, and research reports. For both asset classes, evaluations utilize standard inputs plus new issue data, and collateral performance. The evaluated pricing models incorporate cash flows, broker quotes, market trades, historical prepayment speeds, and dealer projected speeds.

- For obligations of state and political subdivisions, an attribute-based modeling system is used. The pricing model incorporates trades, market clearing yields, market color, and fundamental credit research.
- U.S. treasuries are evaluated by obtaining feeds from a number of live data sources including primary and secondary dealers as well as inter-dealer brokers.
- For mortgage-backed securities, various external analytical products are utilized and purchased from commercial vendors.

The Company performs certain procedures to validate whether the pricing information received from the pricing vendors is reasonable, to ensure that the fair value determination is consistent with accounting guidance, and to ensure that its assets are properly classified in the fair value hierarchy. The Company's procedures include, but are not limited to:

- Reviewing periodic reports provided by the Investment Manager that provides information regarding rating changes and securities placed on watch. This procedure allows the Company to understand why a particular security's market value may have changed or may potentially change.
- Understanding and periodically evaluating the various pricing methods and procedures used by the Company's pricing vendors to ensure that investments are properly classified within the fair value hierarchy.
- On a quarterly basis, the Company corroborates investment security prices received from its pricing vendors by obtaining pricing from a second pricing vendor for a sample of securities.

During the quarters ended March 31, 2021 and 2020, the Company has not adjusted quotes or prices obtained from the pricing vendors.

## 6. Allowance for Expected Credit Losses - Premiums Receivable and Reinsurance Receivables

For premiums receivables, the allowance is based upon the Company's ongoing review of key aspects of amounts outstanding, including but not limited to, length of collection periods, direct placement with collection agencies, solvency of insured or agent, terminated agents, and other relevant factors.

The following table is an analysis of the allowance for expected credit losses related to the Company's premiums receivable for the quarter ended March 31, 2021 and 2020:

| | Quarters Ended March 31, | |
|---|---|---|
| *(Dollars in thousands)* | 2021 | 2020 |
| Beginning balance | $ 2,900 | $ 2,754 |
| Current period provision for expected credit losses | 88 | 162 |
| Write-offs | (216) | (170) |
| Ending balance | $ 2,772 | $ 2,746 |

For reinsurance receivables, the allowance is based upon the Company's ongoing review of key aspects of amounts outstanding, including but not limited to, length of collection periods, disputes, applicable coverage defenses, insolvent reinsurers, financial strength of solvent reinsurers based on AM Best Ratings and other relevant factors.

The following table is an analysis of the allowance for expected credit losses related to the Company's reinsurance receivables for the quarters ended March 31, 2021 and 2020:

| *(Dollars in thousands)* | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 |
|---|---|---|
| Beginning balance | $ 8,992 | $ 8,992 |
| Current period provision for expected credit losses | — | — |
| Write-offs | — | — |
| Ending balance | $ 8,992 | $ 8,992 |

## 7. Income Taxes

Effective August 28, 2020, Global Indemnity Group, LLC became a publicly traded partnership for U.S. federal income tax purposes and meets the qualifying income exception to maintain partnership status. As a publicly traded partnership, Global Indemnity Group, LLC is generally not subject to federal income tax and most state income taxes. However, income earned by the subsidiaries of Global Indemnity Group, LLC is subject to corporate tax in the United States and certain foreign jurisdictions.

As of March 31, 2021, the statutory income tax rates of the countries where the Company conducts or conducted business are 21% in the United States, 0% in Bermuda, 19% in the United Kingdom, and 25% on non-trading income, 33% on capital gains and 12.5% on trading income in the Republic of Ireland. The statutory income tax rate of each country is applied against the expected annual taxable income of the Company in each country to estimate the annual income tax expense.

The Company’s income (loss) before income taxes from its non-U.S. subsidiaries and U.S. subsidiaries for the quarters ended March 31, 2021 and 2020 were as follows:

| **Quarter Ended March 31, 2021<br>(Dollars in thousands)** | **Non-U.S. Subsidiaries** | **U.S. Subsidiaries** | **Eliminations** | **Total** |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Gross written premiums | $ — | $ 163,558 | $ — | $ 163,558 |
| Net written premiums | $ — | $ 147,683 | $ — | $ 147,683 |
| Net earned premiums | $ — | $ 143,700 | $ — | $ 143,700 |
| Net investment income | — | 9,836 | — | 9,836 |
| Net realized investment gains | — | 3,819 | — | 3,819 |
| Other income | — | 377 | — | 377 |
| Total revenues | — | 157,732 | — | 157,732 |
| **Losses and Expenses:** | | | | |
| Net losses and loss adjustment expenses | — | 90,783 | — | 90,783 |
| Acquisition costs and other underwriting expenses | — | 54,764 | — | 54,764 |
| Corporate and other operating expenses | — | 4,276 | — | 4,276 |
| Interest expense | — | 2,595 | — | 2,595 |
| Income before income taxes | $ — | $ 5,314 | $ — | $ 5,314 |

| Quarter Ended March 31, 2020 (Dollars in thousands) | Non-U.S. Subsidiaries | U.S. Subsidiaries | Eliminations | Total |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Gross written premiums | $ 17,517 | $ 138,207 | $ — | $ 155,724 |
| Net written premiums | $ 17,517 | $ 121,595 | $ — | $ 139,112 |
| Net earned premiums | $ 23,855 | $ 120,613 | $ — | $ 144,468 |
| Net investment income | 6,376 | 7,250 | (3,497) | 10,129 |
| Net realized investment losses | (3,710) | (64,452) | — | (68,162) |
| Other income (loss) | (318) | 483 | — | 165 |
| Total revenues | 26,203 | 63,894 | (3,497) | 86,600 |
| **Losses and Expenses:** | | | | |
| Net losses and loss adjustment expenses | 12,562 | 65,085 | — | 77,647 |
| Acquisition costs and other underwriting expenses | 8,549 | 47,863 | — | 56,412 |
| Corporate and other operating expenses | 1,127 | 3,096 | — | 4,223 |
| Interest expense | 342 | 8,020 | (3,497) | 4,865 |
| Income (loss) before income taxes | $ 3,623 | $ (60,170) | $ — | $ (56,547) |

The following table summarizes the components of income tax benefit:

| | Quarters Ended March 31, | |
|---|---|---|
| (Dollars in thousands) | 2021 | 2020 |
| Deferred income tax benefit: | | |
| U.S. Federal | $ (203) | $ (11,969) |
| Total deferred income tax benefit | (203) | (11,969) |
| Total income tax benefit | $ (203) | $ (11,969) |

The weighted average expected tax provision has been calculated using income (loss) before income taxes in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate.

The following table summarizes the differences between the tax provision for financial statement purposes and the expected tax provision at the weighted average tax rate:

| | Quarters Ended March 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| (Dollars in thousands) | Amount | % of Pre-Tax Income | Amount | % of Pre-Tax Income |
| Expected tax provision at weighted average tax rate | $ 1,116 | 21.0% | $ (12,635) | 22.3% |
| Adjustments: | | | | |
| Tax exempt interest | — | — | (1) | — |
| Dividend exclusion | (17) | (0.3) | (71) | 0.1 |
| Non-deductible interest | — | — | 679 | (1.1) |
| Parent income treated as partnership for tax | (1,367) | (25.7) | — | — |
| Other | 65 | 1.2 | 59 | (0.1) |
| Effective income tax benefit | $ (203) | (3.8%) | $ (11,969) | 21.2% |

The effective income tax benefit rate for the quarter ended March 31, 2021 was (3.8%), compared with an effective income tax benefit rate of 21.2% for the quarter ended March 31, 2020. The decrease in the income tax benefit rate for the quarter ended March 31, 2021 was primarily driven by higher pre-tax income for the Company's U.S. subsidiaries of $5.3 million for the quarter ended March 31, 2021 as compared to a pre-tax loss of $60.2 million for the same period in 2020. The $5.3 million of pretax income for the quarter ended March 31, 2021 included $6.5 million from Global Indemnity Group, LLC which has elected to be a partnership. Income earned by Global Indemnity Group, LLC passes through to its shareholders. The increase in pre-tax income in the U.S. subsidiaries is primarily due to the U.S. subsidiaries incurring net realized investment losses of $64.5 million during the quarter ended March 31, 2020 which primarily resulted from the impact of changes in fair value on equity securities and derivatives due to disruption in the global financial markets as a result of COVID-19.

The Company has a net operating loss ("NOL") carryforward of $27.7 million as of March 31, 2021, which begins to expire in 2036 based on when the original NOL was generated. The Company's NOL carryforward as of December 31, 2020 was $26.2 million.

The Company has a Section 163(j) ("163(j)") carryforward of $4.9 million and $5.6 million as of March 31, 2021 and December 31, 2020, respectively, which can be carried forward indefinitely. The 163(j) carryforward relates to the limitation on the deduction for business interest expense paid or accrued.

## 8. Liability for Unpaid Losses and Loss Adjustment Expenses

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

| (Dollars in thousands) | Quarters Ended March 31, 2021 | 2020 |
|---|---|---|
| Balance at beginning of period | $ 662,811 | $ 630,181 |
| Less: Ceded reinsurance receivables | 82,158 | 76,273 |
| Net balance at beginning of period | 580,653 | 553,908 |
| Incurred losses and loss adjustment expenses related to: | | |
| Current year | 94,194 | 78,247 |
| Prior years | (3,411) | (600) |
| Total incurred losses and loss adjustment expenses | 90,783 | 77,647 |
| Paid losses and loss adjustment expenses related to: | | |
| Current year | 21,719 | 22,034 |
| Prior years | 53,230 | 48,806 |
| Total paid losses and loss adjustment expenses | 74,949 | 70,840 |
| Net balance at end of period | 596,487 | 560,715 |
| Plus: Ceded reinsurance receivables | 79,421 | 78,753 |
| Balance at end of period | $ 675,908 | $ 639,468 |

When analyzing loss reserves and prior year development, the Company considers many factors, including the frequency and severity of claims, loss trends, case reserve settlements that may have resulted in significant development, and any other additional or pertinent factors that may impact reserve estimates.

During the first quarter of 2021, the Company reduced its prior accident year loss reserves by $3.4 million, which consisted of a $0.4 million decrease related to Commercial Specialty, a $1.6 million decrease related to Specialty Property, a $0.7 million decrease related to Farm, Ranch & Stable, and a $0.6 million decrease related to Reinsurance Operations.

The $0.4 million reduction of prior accident year loss reserves related to Commercial Specialty primarily consisted of the following:

- **Property:** A $0.2 million decrease in total reflects decreases of $2.6 million in the 2017 and 2019 through 2020 accident years mainly recognizing better than expected claims severity, mostly offset by an increase in the 2018 accident year, which reflects an increase in the ultimate for Hurricane Michael.

- **Professional:** A $0.2 million decrease primarily in the 2019 and 2020 accident years mainly reflecting lower than anticipated claims severity.

The $1.6 million decrease of prior accident year loss reserves related to Specialty Property primarily consisted of the following:

- **General Liability:** A $1.2 million reduction mostly in the 2018 accident year primarily reflects lower than anticipated claims severity.

- **Property:** A $0.4 million decrease mostly in the non-catastrophe reserve segments.  The reductions were primarily in the 2016 through 2019 accident years mainly due to lower than expected claims severity partially offset by an increase in the 2020 accident year driven by higher than anticipated claims severity.

The $0.7 million reduction of prior accident year loss reserves related to Farm, Ranch & Stable primarily consisted of the following:

- **Property:** A $0.7 million decrease in total reflects subrogation recoveries of $1.1 million in the catastrophe reserve category from the California Thomas wildfire loss in the 2017 accident year and a decrease of $0.5 million in the 2019 accident year primarily recognizing a lower than expected claims severity.  These decreases were partially offset by increases in the 2018 and 2020 accident years mainly due to higher than anticipated claims severity.

The $0.6 million decrease in prior accident year loss reserves related to Reinsurance Operations were primarily based on a review of the experience reported from cedants.  There was a $0.6 million decrease in the property lines mainly in the 2011 and 2017 through 2018 accident years, partially offset by an increase in the 2010 and 2019 accident years.  In total, the property catastrophe segments decreased $2.6 million and the other property segments increased $2.0 million.

During the first quarter of 2020, the Company reduced its prior accident year loss reserves by $0.6 million. This reduction consisted of increases and decreases in prior accident year loss reserves in all segments with the primary impact being a $0.6 million decrease related to Reinsurance Operations.

The increases and decreases in prior accident year loss reserves related to Commercial Specialty primarily consisted of the following:

- **General Liability:**  An increase of less than $0.3 million primarily in the 2016 through 2018 accident years reflects higher than anticipated claims severity.  These increases were mostly offset by decreases mainly in the 2012 through 2015 and 2019 accident years due to lower than expected claims severity.

- **Workers Compensation:**  A $0.2 million reduction primarily in loss adjustment expense reserves in the 2012 accident year and accident years prior to 2005.

- **Property:**  A decrease of less than $0.1 million is mainly due to decreases in the 2018 and 2019 accident years primarily recognizing lower than expected claims severity, offset by an increase in the 2016 accident year due to higher than anticipated claims severity.

The increases and decreases in prior accident year loss reserves related to Specialty Property primarily consisted of the following:

- **General Liability:**  A $0.4 million decrease primarily recognizes lower than expected claims severity in the 2015, 2016 and 2019 accident years.

- **Property:** A $0.4 million increase mainly reflects higher than anticipated claims severity in the 2019 accident year, partially offset by a decrease in the 2018 accident year due to lower than expected claims severity.

Farm, Ranch & Stable had immaterial increases and decreases in prior accident year loss reserves.

The $0.6 million reduction of prior accident year loss reserves related to Reinsurance Operations was from the property lines.  Decreases were primarily in the 2014 through 2017 accident years based on a review of the experience reported from cedants, partially offset by an increase in the 2018 accident year mainly due to development on Typhoons Jebi and Trami and an increase in attritional losses in the 2019 accident year.

## 9. Shareholders' Equity

The following table provides information with respect to the class A common shares that were surrendered or repurchased during the quarter ended March 31, 2021:

| Period (1) | Total Number of Shares Purchased | | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan or Program | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|---|
| January 1-31, 2021 | 6,720 | (2) | $ 28.59 | — | — |
| March 1-31, 2021 | 3,095 | (2) | $ 29.40 | — | — |
| Total | 9,815 | | $ 28.85 | — | — |

(1) Based on settlement date.
(2) Surrendered by employees as payment of taxes withheld on the vesting of restricted stock.

The following table provides information with respect to the class A common shares that were surrendered or repurchased during the quarter ended March 31, 2020:

| Period (1) | Total Number of Shares Purchased | | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan or Program | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|---|
| January 1-31, 2020 | 3,124 | (2) | $ 29.63 | — | — |
| February 1-29, 2020 | 1,600 | (2) | $ 31.13 | — | — |
| Total | 4,724 | | $ 30.14 | — | — |

(1) Based on settlement date.
(2) Surrendered by employees as payment of taxes withheld on the vesting of restricted stock.

There were no class B common shares that were surrendered or repurchased during the quarters ended March 31, 2021 or 2020.

As of March 31, 2021, Global Indemnity Group, LLC's class A common shares were held by approximately 180 shareholders of record. There were four holders of record of Global Indemnity Group, LLC's class B common shares, all of whom are affiliated investment funds of Fox Paine & Company, LLC, as of March 31, 2021. Global Indemnity Group, LLC's preferred shares were held by 1 holder of record, an affiliate of Fox Paine & Company, LLC, as of March 31, 2021.

Please see Note 14 of the notes to the consolidated financial statements in Item 8 Part II of the Company's 2020 Annual Report on Form 10-K for more information on the Company's repurchase program.

***Dividends / Distributions***

Distribution payments of $0.25 per common share were declared during the quarter ended March 31, 2021 as follows:

| Approval Date | Record Date | Payment Date | Total Distributions Declared (Dollars in thousands) |
|---|---|---|---|
| February 14, 2021 | March 22, 2021 | March 31, 2021 | $ 3,570 |
| Various (1) | Various | Various | 114 |
| Total | | | $ 3,684 |

(1) Represents distributions declared on unvested shares, net of forfeitures.

Dividend payments of $0.25 per common share were declared during the quarter ended March 31, 2020 as follows:

| Approval Date | Record Date | Payment Date | Total Dividends Declared (Dollars in thousands) |
|---|---|---|---|
| February 9, 2020 | March 24, 2020 | March 31, 2020 | $ 3,539 |
| Various (1) | Various | Various | 102 |
| Total | | | $ 3,641 |

(1) Represents dividends declared on unvested shares, net of forfeitures.

As of March 31, 2021 and December 31, 2020, accrued distributions on unvested shares, which were included in other liabilities on the consolidated balance sheets, were $0.8 million and $0.7 million, respectively. Accrued preferred distributions were less than $0.1 million as of both March 31, 2021 and December 31, 2020 and were included in other liabilities on the consolidated balance sheets.

Please see Note 14 of the notes to the consolidated financial statements in Item 8 Part II of the Company's 2020 Annual Report on Form 10-K for more information on the Company's dividend program.

## 10. Related Party Transactions

***Fox Paine Entities***

Pursuant to Global Indemnity Group, LLC's Limited Liability Company Agreement ("LLCA"), Fox Paine Capital Fund II International, L.P. and certain of its affiliates (the "Fox Paine Funds"), together with Fox Mercury Investments, L.P. and certain of its affiliates (the "FM Entities"), and Fox Paine & Company LLC (collectively, the "Fox Paine Entities") currently constitute a Class B Majority Shareholder (as defined in the LLCA) and, as such, have the right to appoint a number of Global Indemnity Group, LLC's directors equal in aggregate to the pro rata percentage of the voting power in Global Indemnity Group, LLC beneficially held by the Fox Paine Entities, rounded up to the nearest whole number of directors. The Fox Paine Entities beneficially own shares representing approximately 83.9% of the voting power of Global Indemnity Group, LLC as of March 31, 2021. The Fox Paine Entities control the election of all of Global Indemnity Group, LLC's Directors due to their controlling share ownership. Global Indemnity Group, LLC's Chairman is the chief executive and founder of Fox Paine & Company, LLC.

On August 27, 2020, Global Indemnity Group, LLC issued and sold to Wyncote LLC, an affiliate of Fox Paine & Company, LLC, 4,000 Series A Cumulative Fixed Rate Preferred Interests at a price of $1,000 per Series A Preferred Interest, for the aggregate purchase price of $4,000,000. While these preferred interests are non-voting, the preferred shareholders are entitled to appoint two additional members to Global Indemnity Group, LLC's Board of Directors whenever the "Unpaid Targeted Priority Return" with respect to the preferred interests exceed zero immediately following six or more "Distribution Dates", whether or not such Distribution Dates occur consecutively. Global Indemnity Group, LLC's Board of Directors is obligated to take, and cause Global Indemnity Group, LLC's officers to take, any necessary actions to effectuate such appointments, including expanding the size of the Board of Directors, in connection with any exercise of the foregoing provisions.

Management fee expense of $0.7 million and $0.5 million was incurred during the quarters ended March 31, 2021 and 2020, respectively. Prepaid management fees, which were included in other assets on the consolidated balance sheets, were $1.1 million and $1.8 million as of March 31, 2021 and December 31, 2020, respectively.

In addition, Fox Paine & Company, LLC may also propose and negotiate transaction fees with the Company subject to the provisions of the Company's related party transaction and conflict matter policies, including approval of Global Indemnity Group, LLC's Conflicts Committee of the Board of Directors or Global Indemnity Limited's Audit Committee of the Board of Directors, for those services from time to time. Each of the Company's transactions with Fox Paine & Company, LLC are reviewed and approved by either Global Indemnity Group, LLC's Conflicts Committee or Audit Committee, which is composed of independent directors, and the Board of Directors (other than Saul A. Fox, Chairman of the Board of Directors of Global Indemnity Group, LLC and Chief Executive of Fox Paine & Company, LLC, who is not a member of the Conflicts Committee and was not a member of Global Indemnity Limited's Audit Committee and recused himself from the Board of Directors' deliberations).

## 11. Commitments and Contingencies

### *Legal Proceedings*

The Company is, from time to time, involved in various legal proceedings in the ordinary course of business. The Company maintains insurance and reinsurance coverage for such risks in amounts that it considers adequate. However, there can be no assurance that the insurance and reinsurance coverage that the Company maintains is sufficient or will be available in adequate amounts or at a reasonable cost. The Company does not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material adverse effect on its business, results of operations, cash flows, or financial condition.

There is a greater potential for disputes with reinsurers who are in runoff. Some of the Company's reinsurers' have operations that are in runoff, and therefore, the Company closely monitors those relationships. The Company anticipates that, similar to the rest of the insurance and reinsurance industry, it will continue to be subject to litigation and arbitration proceedings in the ordinary course of business.

### *Commitments*

In 2014, the Company entered into a $50 million commitment to purchase an alternative investment vehicle which is comprised of European non-performing loans. As of March 31, 2021, the Company has funded $35.8 million of this commitment leaving $14.2 million as unfunded. Since the investment period has concluded, the Company expects minimal capital calls will be made prospectively.

In 2017, the Company entered into a $50 million commitment to purchase an alternative investment vehicle comprised of stressed and distressed securities and structured products. As of March 31, 2021, the Company has funded $33.0 million of this commitment leaving $17.0 million as unfunded. Since the investment period has concluded, the Company expects minimal capital calls will be made prospectively.

In 2021, the Company entered into a $25 million commitment to purchase an alternative investment vehicle comprised of performing, stressed or distressed securities and loans across the global fixed income markets. As of March 31, 2021, the Company has not funded this commitment leaving $25 million as unfunded.

### *Other Commitments*

The Company is party to a Management Agreement, as amended, with Fox Paine & Company, LLC, whereby in connection with certain management services provided to it by Fox Paine & Company, LLC, the Company agreed to pay an annual management fee to Fox Paine & Company, LLC. See Note 10 above for additional information pertaining to this management agreement.

### *COVID-19*

There is risk that legislation could be passed or there could be a court ruling which would require the Company to cover business interruption claims regardless of terms, exclusions including the virus exclusions contained within the Company's Commercial Specialty and Farm, Ranch & Stable policies, or other conditions included in policies that would otherwise preclude coverage.

## 12. Share-Based Compensation Plan

### Options

During the first quarter of 2021, the Company granted 140,000 Performance-Based Options under the Plan. The Performance-Based Options vest in 33% increments over a three-year period subject to the achievement of certain underwriting results and expire ten years after the grant date or the occurrence of certain events specified in the agreement, whichever is earlier. No stock options were awarded during the quarter ended March 31, 2020. 300,000 unvested options were forfeited during the quarter ended March 31, 2021. No unvested stock options were forfeited during the quarter ended March 31, 2020.

**Restricted Shares / Restricted Stock Units**

There were no restricted class A common shares granted to key employees during the quarters ended March 31, 2021 and 2020 and there were no restricted stock units granted to key employees during the quarter ended March 31, 2021.

During the quarter ended March 31, 2020, the Company granted 94,281 restricted stock units, with a weighted average grant date value of $29.63 per share, to key employees under the Plan. 3,375 of these restricted stock units will vest evenly over the next three years. One third of these restricted stock units vested on January 1, 2021. One third of these restricted stock units will each vest on January 1, 2022 and January 1, 2023. The remaining 90,906 restricted stock units vest as follows:

- 16.5% vested on January 1, 2021. 16.5% and 17.0% of the restricted stock units will vest on January 1, 2022 and January 1, 2023, respectively.
- Subject to Board approval, 50% of restricted stock units will vest 100%, no later than March 15, 2023, following a re-measurement of 2019 results as of December 31, 2022.

During the quarter ended March 31, 2021, there were 20,437 restricted stock units that became fully vested. Upon vesting the restricted stock units converted to restricted class A common shares. During the quarter ended March 31, 2020, there were no restricted stock units that vested.

During the quarters ended March 31, 2021 and 2020, the Company granted 20,006 and 23,127 class A common shares, respectively, at a weighted average grant date value of $28.32 and $29.19 per share, respectively, to non-employee directors of the Company under the Plan. Of the shares granted during the quarters ended March 31, 2021 and 2020, the vesting of 4,903 shares and 6,422 shares, respectively, is deferred until January 1, 2024 or a change of control, whichever is earlier. The remaining shares granted to non-employee directors of the Company in 2021 and 2020 were fully vested but are subject to certain restrictions.

## 13. Earnings Per Share

Earnings per share have been computed using the weighted average number of common shares and common share equivalents outstanding during the period.

The following table sets forth the computation of basic and diluted earnings per share:

| (Dollars in thousands, except share and per share data) | Quarters Ended March 31, 2021 | 2020 |
|---|---|---|
| Numerator: | | |
| Net income (loss) | $ 5,517 | $ (44,578) |
| Less: preferred stock distributions | 110 | — |
| Net income (loss) available to common shareholders | $ 5,407 | $ (44,578) |
| | | |
| Denominator: | | |
| Weighted average shares for basic earnings per share | 14,380,423 | 14,249,551 |
| Non-vested restricted stock | 10,065 | — |
| Non-vested restricted stock units | 137,839 | — |
| Options | 112,331 | — |
| Weighted average shares for diluted earnings per share (1) | 14,640,658 | 14,249,551 |
| | | |
| Earnings per share - Basic | $ 0.38 | $ (3.13) |
| Earnings per share - Diluted | $ 0.37 | $ (3.13) |

**(1)** For the quarter ended March 31, 2020, weighted average shares outstanding – basic was used to calculate diluted earnings per share due to a net loss for the period.

If the Company had not incurred a loss in the quarter ended March 31, 2020, 14,417,506 weighted average shares would have been used to compute the diluted loss per share calculation. In addition to the basic shares, weighted average shares for the diluted calculation for the quarter ended March 31, 2020 would have included 16,298 shares of non-vested restricted stock, 29,261 shares of non-vested restricted stock units, and 122,396 share equivalents for options.

The weighted average shares outstanding used to determine dilutive earnings per share does not include 540,000 shares and 500,000 options for the quarters ended March 31, 2021 and 2020, respectively, which were deemed to be anti-dilutive.

## 14. Segment Information

The insurance companies are managed through four business segments. Commercial Specialty offers specialty property and casualty products designed for product lines such as Small Business Binding Authority, Property Brokerage, and Programs. Specialty Property offers specialty personal lines property and casualty insurance products. Farm, Ranch & Stable offers specialized property and casualty coverage including Commercial Farm Auto and Excess/Umbrella Coverage for the agriculture industry as well as specialized insurance products for the equine mortality and equine major medical industry. Reinsurance Operations provides reinsurance solutions through brokers and primary writers including insurance and reinsurance companies.

The following are tabulations of business segment information for the quarters ended March 31, 2021 and 2020:

| Quarter Ended March 31, 2021 (Dollars in thousands) | Commercial Specialty | Specialty Property | Farm, Ranch & Stable | Reinsurance Operations (1) | Total |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Gross written premiums | $ 87,332 | $ 33,358 | $ 21,002 | $ 21,866 | $ 163,558 |
| Net written premiums | $ 78,515 | $ 29,699 | $ 17,603 | $ 21,866 | $ 147,683 |
| Net earned premiums | $ 76,150 | $ 30,591 | $ 18,141 | $ 18,818 | $ 143,700 |
| Other income (loss) | — | 430 | 34 | (56) | 408 |
| Total revenues | 76,150 | 31,021 | 18,175 | 18,762 | 144,108 |
| **Losses and Expenses:** | | | | | |
| Net losses and loss adjustment expenses | 53,235 | 14,478 | 11,801 | 11,269 | 90,783 |
| Acquisition costs and other underwriting expenses | 28,177 | 13,039 | 6,986 | 6,562 | 54,764 |
| Income (loss) from segments | $ (5,262) | $ 3,504 | $ (612) | $ 931 | $ (1,439) |
| **Unallocated Items:** | | | | | |
| Net investment income | | | | | 9,836 |
| Net realized investment gains | | | | | 3,819 |
| Other loss | | | | | (31) |
| Corporate and other operating expenses | | | | | (4,276) |
| Interest expense | | | | | (2,595) |
| Income before income taxes | | | | | 5,314 |
| Income tax benefit | | | | | 203 |
| Net income | | | | | 5,517 |
| | | | | | |
| Segment assets | $ 856,180 | $ 217,190 | $ 147,697 | $ 281,543 | $ 1,502,610 |
| Corporate assets | | | | | 395,036 |
| Total assets | | | | | $ 1,897,646 |

(1) External business only, excluding business assumed from affiliates.

| Quarter Ended March 31, 2020 (Dollars in thousands) | Commercial Specialty | Specialty Property | Farm, Ranch & Stable | Reinsurance Operations (1) | Total |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Gross written premiums | $ 80,831 | $ 35,243 | $ 22,133 | $ 17,517 | $ 155,724 |
| Net written premiums | $ 72,483 | $ 30,007 | $ 19,105 | $ 17,517 | $ 139,112 |
| Net earned premiums | $ 67,714 | $ 34,216 | $ 18,683 | $ 23,855 | $ 144,468 |
| Other income (loss) | — | 427 | 36 | (295) | 168 |
| Total revenues | 67,714 | 34,643 | 18,719 | 23,560 | 144,636 |
| **Losses and Expenses:** | | | | | |
| Net losses and loss adjustment expenses | 37,435 | 17,498 | 9,610 | 13,104 | 77,647 |
| Acquisition costs and other underwriting expenses | 25,993 | 14,232 | 7,638 | 8,549 | 56,412 |
| Income (loss) from segments | $ 4,286 | $ 2,913 | $ 1,471 | $ 1,907 | $ 10,577 |
| **Unallocated Items:** | | | | | |
| Net investment income | | | | | 10,129 |
| Net realized investment loss | | | | | (68,162) |
| Other loss | | | | | (3) |
| Corporate and other operating expenses | | | | | (4,223) |
| Interest expense | | | | | (4,865) |
| Loss before income taxes | | | | | (56,547) |
| Income tax benefit | | | | | 11,969 |
| Net loss | | | | | (44,578) |
| | | | | | |
| Segment assets | $ 730,202 | $ 209,758 | $ 135,731 | $ 276,640 | $ 1,352,331 |
| Corporate assets | | | | | 676,173 |
| Total assets | | | | | $ 2,028,504 |

**(1)** External business only, excluding business assumed from affiliates.

## 15. New Accounting Pronouncements

***Accounting Standards Adopted in 2021***

In December, 2019, the FASB issued updated guidance related to the accounting for income taxes. The updated guidance is intended to simplify the accounting for income taxes by removing several exceptions contained in existing guidance and amending other existing guidance to simplify several other income tax accounting matters. The updated guidance is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. The Company adopted this guidance on January 1, 2021. The adoption of this new accounting guidance did not have a material impact on the Company’s financial condition, results of operations, or cash flows.

## 16. Subsequent Events

On April 19, 2021, the Company announced that David S. Charlton was named chief executive of the Company’s insurance operations and was appointed to serve as the principal executive officer of the Company. Furthermore, in connection with Mr. Charlton’s appointment, the board of directors of Global Indemnity Group, LLC (the “Board”) has increased the size of the Board from six to seven directors and appointed Mr. Charlton to fill the newly-created directorship, in each case, with effect as of execution of the CEO Agreement. In connection with Mr. Charlton’s appointment, Global Indemnity Group, LLC, Penn-Patriot Insurance Company (“Penn-Patriot”) and Mr. Charlton executed a Chief Executive Officer Agreement (the “CEO Agreement”) on April 19, 2021. The CEO Agreement provides for an employment term from April 19, 2021 through December 31, 2026. The CEO Agreement provides for an annual base salary and an annual target bonus opportunity payable based on the achievement of certain underwriting results as determined by the Board. The CEO Agreement provides for a grant of 2,000,000 Penn-Patriot book value appreciation rights (the “BVARs”) with an aggregate initial notional value equal to approximately 4% of Penn-Patriot’s book value, which entitle Mr. Charlton to a payment based on the value of the per-BVAR appreciation in Penn-Patriot's book value over the initial notional value, calculated in accordance with the CEO Agreement. The BVARs will vest by December 31, 2026, subject to the achievement of certain performance goals and Mr. Charlton's continued employment as of the vesting date, with half of the applicable appreciation value of the BVARs payable on April 1, 2027 and an additional amount payable on April 1, 2030 following a true-up of underwriting results for the applicable performance period. The BVARs will vest in full in the event of a "change in control" of Penn-Patriot (as defined in the CEO Agreement) and a specified portion may vest in the event Mr. Charlton is terminated by Penn-Patriot without cause.

On May 7, 2021, the Company amended and restated the CEO Agreement to increase the number of BVARs granted to Mr. Charlton from 2,000,000 to 2,500,000, with such BVARs having an aggregate initial notional value equal to approximately 5% of Penn-Patriot's book value.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company’s financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes of the Company included elsewhere in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to the Company’s plans and strategy, constitutes forward-looking statements that involve risks and uncertainties. Please see "Cautionary Note Regarding Forward-Looking Statements" at the end of this Item 2 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained herein. For more information regarding the Company’s business and operations, please see the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

### Recent Developments

***COVID-19***

The global outbreak of COVID-19 continues to present significant risks to the Company. The COVID-19 pandemic may affect the Company’s operations indefinitely. The Company may experience reductions in premium volume, delays in the collection of premiums, and increases in COVID-19 related claims. Any resulting volatility in the global financial markets may negatively impact the market value of the Company’s investment portfolio and may result in net realized investment losses as well as a decline in the liquidity of the investment portfolio. All of these factors may have far reaching impacts on the Company’s business, operations, and financial results and conditions, directly and indirectly, including without limitation impacts on the health of the Company’s management and employees, distribution, marketing, customers and agents, and on the overall economy. The scope and nature of these impacts, most of which are beyond the Company’s control, continue to evolve and such effects could exist for an extended period of time even after the pandemic ends.

***Appointment of Chief Executive***

On April 19, 2021, the Company announced that David S. Charlton was named chief executive of the Company’s insurance operations and was appointed to serve as the principal executive officer of the Company. Furthermore, in connection with Mr. Charlton’s appointment, the board of directors of Global Indemnity Group, LLC (the “Board”) has increased the size of the Board from six to seven directors and appointed Mr. Charlton to fill the newly-created directorship, in each case, with effect as of execution of the CEO Agreement.

***Distributions***

During 2021, the Board of Directors approved a distribution payment of $0.25 per common share to all shareholders of record on the close of business on March 22, 2021. Dividends / distributions paid were $3.6 million during the quarter ended March 31, 2021. In addition, distributions of $0.1 million were paid to Global Indemnity Group, LLC’s preferred shareholder during the quarter ended March 31, 2021.

***AM Best Rating***

AM Best has seven Rating Categories in the AM Best Financial Strength Rating Scale. The categories ranging from best to worst are Superior, Excellent, Good, Fair, Marginal, Weak and Poor. Within each rating category, there are rating notches of plus or minus to show additional gradation of the ratings. On April 21, 2021, AM Best affirmed the financial strength rating of "A" (Excellent) for the U.S. operating subsidiaries of Global Indemnity Group, LLC.

### Overview

The Company’s Commercial Specialty segment sells its property and casualty insurance products through a group of approximately 190 professional general agencies that have limited quoting and binding authority, as well as a number of wholesale insurance brokers who in turn sell the Company’s insurance products to insureds through retail insurance brokers. Commercial Specialty operates predominantly in the excess and surplus lines marketplace. The Company manages its Commercial Specialty segment via product classifications. These product classifications are: 1) Penn-America, which includes property and general liability products for small commercial businesses sold through a select network of wholesale general agents with specific binding authority; 2) United National, which includes property, general liability, and professional lines products sold through program administrators with specific binding authority; 3) Diamond State, which includes property, casualty, and professional lines products sold through wholesale brokers and program administrators with specific binding authority; and 4) Vacant Express, which primarily insures dwellings which are currently vacant, undergoing renovation, or are under construction and is sold through aggregators, brokers, and retail agents.

The Company's Specialty Property segment, primarily via American Reliable, offers specialty personal lines property and casualty insurance products through a group of approximately 205 agents, primarily comprised of wholesale general agents, with specific binding authority.

The Company's Farm, Ranch & Stable segment, primarily via American Reliable, provides specialized property and casualty coverage including Commercial Farm Auto and Excess/Umbrella Coverage for the agriculture industry as well as specialized insurance products for the equine mortality and equine major medical industry. These insurance products are sold through a group of approximately 220 agents, primarily comprised of wholesalers and retail agents, with a selected number having specific binding authority.

The Company's Reinsurance Operations provides reinsurance solutions through brokers and on a direct basis. It uses its capital capacity to write niche and specialty-focused treaties and business which meet the Company's risk tolerance and return thresholds. Prior to the redomestication, the Company's Reinsurance Operations consisted solely of the operations of Global Indemnity Reinsurance. In connection with the redomestication, Global Indemnity Reinsurance merged into Penn-Patriot Insurance Company and all of its business was assumed by the Company's existing insurance company subsidiaries.

The Company derives its revenues primarily from premiums paid on insurance policies that it writes and from income generated by its investment portfolio, net of fees paid for investment management services. The amount of insurance premiums that the Company receives is a function of the amount and type of policies it writes, as well as prevailing market prices.

The Company's expenses include losses and loss adjustment expenses, acquisition costs and other underwriting expenses, corporate and other operating expenses, interest, investment expenses, and income taxes. Losses and loss adjustment expenses are estimated by management and reflect the Company's best estimate of ultimate losses and costs arising during the reporting period and revisions of prior period estimates. The Company records its best estimate of losses and loss adjustment expenses considering both internal and external actuarial analyses of the estimated losses the Company expects to incur on the insurance policies it writes. The ultimate losses and loss adjustment expenses will depend on the actual costs to resolve claims. Acquisition costs consist principally of commissions and premium taxes that are typically a percentage of the premiums on the insurance policies the Company writes, net of ceding commissions earned from reinsurers. Other underwriting expenses consist primarily of personnel expenses and general operating expenses related to underwriting activities. Corporate and other operating expenses are comprised primarily of outside legal fees, other professional and accounting fees, directors' fees, management fees & advisory fees, and salaries and benefits for company personnel whose services relate to the support of corporate activities. Interest expense is primarily comprised of amounts due on outstanding debt.

## Critical Accounting Estimates and Policies

The Company's consolidated financial statements are prepared in conformity with GAAP, which require it to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates and assumptions.

The most critical accounting policies involve significant estimates and include those used in determining the liability for unpaid losses and loss adjustment expenses, recoverability of reinsurance receivables, investments, fair value measurements, goodwill and intangible assets, deferred acquisition costs, and taxation. For a detailed discussion on each of these policies, please see the Company's Annual Report on Form 10-K for the year ended December 31, 2020. There have been no significant changes to any of these policies or underlying methodologies during the current year except for the following:

The receipt of results for investments in limited partnerships and limited liability companies may vary. If results are received on a timely basis, they are included in current results. If they are not received on a timely basis, they are recorded on a one quarter lag. The recording of such results is applied consistently for each investment once the timing of receiving the results has been established.

## Results of Operations

The following table summarizes the Company's results for the quarters ended March 31, 2021 and 2020:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 | % Change |
|---|---|---|---|
| Gross written premiums | $ 163,558 | $ 155,724 | 5.0% |
| | | | |
| Net written premiums | $ 147,683 | $ 139,112 | 6.2% |
| | | | |
| Net earned premiums | $ 143,700 | $ 144,468 | (0.5%) |
| Other income | 408 | 168 | 142.9% |
| Total revenues | 144,108 | 144,636 | (0.4%) |
| | | | |
| Losses and expenses: | | | |
| Net losses and loss adjustment expenses | 90,783 | 77,647 | 16.9% |
| Acquisition costs and other underwriting expenses | 54,764 | 56,412 | (2.9%) |
| Underwriting income (loss) | (1,439) | 10,577 | (113.6%) |
| | | | |
| Net investment income | 9,836 | 10,129 | (2.9%) |
| Net realized investment gains (losses) | 3,819 | (68,162) | 105.6% |
| Other loss | (31) | (3) | NM |
| Corporate and other operating expenses | (4,276) | (4,223) | 1.3% |
| Interest expense | (2,595) | (4,865) | (46.7%) |
| Income (loss) before income taxes | 5,314 | (56,547) | 109.4% |
| | | | |
| Income tax expense (benefit) | (203) | (11,969) | (98.3%) |
| Net income (loss) | $ 5,517 | $ (44,578) | 112.4% |
| | | | |
| Underwriting Ratios: | | | |
| Loss ratio (1): | 63.1% | 53.7% | |
| Expense ratio (2) | 38.1% | 39.0% | |
| Combined ratio (3) | 101.2% | 92.7% | |

NM – not meaningful

(1) The loss ratio is a GAAP financial measure that is generally viewed in the insurance industry as an indicator of underwriting profitability and is calculated by dividing net losses and loss adjustment expenses by net earned premiums.
(2) The expense ratio is a GAAP financial measure that is calculated by dividing the sum of acquisition costs and other underwriting expenses by net earned premiums.
(3) The combined ratio is a GAAP financial measure and is the sum of the Company's loss and expense ratios.

***Premiums***

The following table summarizes the change in premium volume by business segment:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | 2020 | % Change |
|---|---|---|---|
| Gross written premiums (1) | | | |
| Commercial Specialty | $ 87,332 | $ 80,831 | 8.0% |
| Specialty Property | 33,358 | 35,243 | (5.3%) |
| Farm, Ranch & Stable | 21,002 | 22,133 | (5.1%) |
| Reinsurance (3) | 21,866 | 17,517 | 24.8% |
| Total gross written premiums | $ 163,558 | $ 155,724 | 5.0% |
| | | | |
| Ceded written premiums | | | |
| Commercial Specialty | $ 8,817 | $ 8,348 | 5.6% |
| Specialty Property | 3,659 | 5,236 | (30.1%) |
| Farm, Ranch & Stable | 3,399 | 3,028 | 12.3% |
| Reinsurance (3) | — | — | — |
| Total ceded written premiums | $ 15,875 | $ 16,612 | (4.4%) |
| | | | |
| Net written premiums (2) | | | |
| Commercial Specialty | $ 78,515 | $ 72,483 | 8.3% |
| Specialty Property | 29,699 | 30,007 | (1.0%) |
| Farm, Ranch & Stable | 17,603 | 19,105 | (7.9%) |
| Reinsurance (3) | 21,866 | 17,517 | 24.8% |
| Total net written premiums | $ 147,683 | $ 139,112 | 6.2% |
| | | | |
| Net earned premiums | | | |
| Commercial Specialty | $ 76,150 | $ 67,714 | 12.5% |
| Specialty Property | 30,591 | 34,216 | (10.6%) |
| Farm, Ranch & Stable | 18,141 | 18,683 | (2.9%) |
| Reinsurance (3) | 18,818 | 23,855 | (21.1%) |
| Total net earned premiums | $ 143,700 | $ 144,468 | (0.5%) |

(1) Gross written premiums represent the amount received or to be received for insurance policies written without reduction for reinsurance costs, ceded premiums, or other deductions.
(2) Net written premiums equal gross written premiums less ceded written premiums.
(3) External business only, excluding business assumed from affiliates.

Gross written premiums increased by 5.0% for the quarter ended March 31, 2021 as compared to same period in 2020. This increase is mainly due to the continued growth of existing programs, increased pricing, and several new programs within Commercial Specialty as well as the organic growth of an existing casualty treaty and the assumption of two new smaller casualty treaties within Reinsurance Operations. This growth in premiums was partially offset by the continued reduction of catastrophe exposed business within both Specialty Property and Farm, Ranch & Stable, the continued reduction in business not providing an adequate return on capital within Specialty Property, and actions taken by Commercial Specialty to reduce risk and increase profitability of Property Brokerage.

***Net Retention***

The ratio of net written premiums to gross written premiums is referred to as the Company's net premium retention. The Company's net premium retention is summarized by segments as follows:

| | Quarters Ended March 31, | | Point |
|---|---|---|---|
| **(Dollars in thousands)** | **2021** | **2020** | **Change** |
| Commercial Specialty | 89.9% | 89.7% | 0.2 |
| Specialty Property | 89.0% | 85.1% | 3.9 |
| Farm, Ranch & Stable | 83.8% | 86.3% | (2.5) |
| Reinsurance | 100.0% | 100.0% | — |
| Total | 90.3% | 89.3% | 1.0 |

The net premium retention for the quarter ended March 31, 2021 increased by 1.0 points, as compared to the same period in 2020. This increase in retention is primarily driven by the restructuring of the Company's catastrophe reinsurance treaties which occurred on June 1, 2020 as well as a change in the mix of business.

***Net Earned Premiums***

Net earned premiums within the Commercial Specialty segment increased by 12.5% for the quarter ended March 31, 2021 as compared to the same period in 2020. The increase in net earned premiums was primarily due to a growth in premiums written as a result of organic growth from existing agents, pricing increases, and several new programs partially offset by a reduction in Property Brokerage's net earned premiums as a result of actions taken to reduce risk and increase profitability. Property net earned premiums were $34.5 million and $30.5 million for the quarters ended March 31, 2021 and 2020, and, respectively. Casualty net earned premiums were $41.6 million and $37.2 million for the quarters ended March 31, 2021 and 2020, respectively.

Net earned premiums within the Specialty Property segment decreased by 10.6% for the quarter ended March 31, 2021 as compared to the same period in 2020 primarily due to a continued reduction of catastrophe exposed business and a reduction in business not providing an adequate return on capital. Property net earned premiums were $28.7 million and $31.7 million for the quarters ended March 31, 2021 and 2020, respectively. Casualty net earned premiums were $1.8 million and $2.6 million for the quarters ended March 31, 2021 and 2020, respectively.

Net earned premiums within the Farm, Ranch & Stable segment decreased by 2.9% for the quarter ended March 31, 2021, as compared to the same period in 2020. The decrease in net earned premiums was primarily due to the continued reduction of catastrophe exposed business. Property net earned premiums were $13.6 million and $13.4 million for the quarters ended March 31, 2021 and 2020, respectively. Casualty net earned premiums were $4.6 million and $5.3 million for the quarters ended March 31, 2021 and 2020, respectively.

Net earned premiums within the Reinsurance Operations segment decreased by 21.1% for the quarter ended March 31, 2021 as compared to the same period in 2020 primarily due to the non-renewal of its property catastrophe treaties partially offset by the organic growth of an existing casualty treaty. Property net earned premiums were $2.0 million and $10.0 million for the quarters ended March 31, 2021 and 2020, respectively. Casualty net earned premiums were $16.8 million and $13.9 million for the quarters ended March 31, 2021 and 2020, respectively.

***Reserves***

Management's best estimate at March 31, 2021 was recorded as the loss reserve. Management's best estimate is as of a particular point in time and is based upon known facts, the Company's actuarial analyses, current law, and the Company's judgment. This resulted in carried gross and net reserves of $675.9 million and $596.5 million, respectively, as of March 31, 2021. A breakout of the Company's gross and net reserves, as of March 31, 2021, is as follows:

| (Dollars in thousands) | Gross Reserves Case | IBNR (1) | Total |
|---|---|---|---|
| Commercial Specialty | $ 165,411 | $ 272,147 | $ 437,558 |
| Specialty Property | 14,298 | 27,375 | 41,673 |
| Farm, Ranch & Stable | 13,168 | 34,640 | 47,808 |
| Reinsurance Operations | 48,624 | 100,245 | 148,869 |
| Total | $ 241,501 | $ 434,407 | $ 675,908 |

| (Dollars in thousands) | Net Reserves (2) Case | IBNR (1) | Total |
|---|---|---|---|
| Commercial Specialty | $ 133,720 | $ 239,433 | $ 373,153 |
| Specialty Property | 11,716 | 23,225 | 34,941 |
| Farm, Ranch & Stable | 11,672 | 27,852 | 39,524 |
| Reinsurance Operations | 48,624 | 100,245 | 148,869 |
| Total | $ 205,732 | $ 390,755 | $ 596,487 |

(1) Losses incurred but not reported, including the expected future emergence of case reserves.
(2) Does not include reinsurance receivable on paid losses.

Each reserve category has an implicit frequency and severity for each accident year as a result of the various assumptions made. If the actual levels of loss frequency and severity are higher or lower than expected, the ultimate losses will be different than management's best estimate. For most of its reserve categories, the Company believes that frequency can be predicted with greater accuracy than severity. Therefore, the Company believes management's best estimate is more likely influenced by changes in severity than frequency. The following table, which the Company believes reflects a reasonable range of variability around its best estimate based on historical loss experience and management's judgment, reflects the impact of changes (which could be favorable or unfavorable) in frequency and severity on the Company's current accident year net loss estimate of $94.2 million for claims occurring during the quarter ended March 31, 2021:

| (Dollars in thousands) | | Severity Change -10% | -5% | 0% | 5% | 10% |
|---|---|---|---|---|---|---|
| **Frequency Change** | **-5%** | (13,659) | (9,185) | (4,710) | (236) | 4,239 |
| | **-3%** | (11,963) | (7,395) | (2,826) | 1,743 | 6,311 |
| | **-2%** | (11,116) | (6,500) | (1,884) | 2,732 | 7,348 |
| | **-1%** | (10,268) | (5,605) | (942) | 3,721 | 8,384 |
| | **0%** | (9,420) | (4,710) | — | 4,710 | 9,420 |
| | **1%** | (8,572) | (3,815) | 942 | 5,699 | 10,456 |
| | **2%** | (7,724) | (2,920) | 1,884 | 6,688 | 11,492 |
| | **3%** | (6,877) | (2,025) | 2,826 | 7,677 | 12,529 |
| | **5%** | (5,181) | (236) | 4,710 | 9,656 | 14,601 |

The Company's net reserves for losses and loss adjustment expenses of $596.5 million as of March 31, 2021 relate to multiple accident years. Therefore, the impact of changes in frequency and severity for more than one accident year could be higher or lower than the amounts reflected above.

***Underwriting Results***

***<u>Commercial Specialty</u>***

The components of income and loss from the Company's Commercial Specialty segment and corresponding underwriting ratios are as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 | % Change |
|---|---|---|---|
| Gross written premiums | $ 87,332 | $ 80,831 | 8.0% |
| Net written premiums | $ 78,515 | $ 72,483 | 8.3% |
| Net earned premiums | $ 76,150 | $ 67,714 | 12.5% |
| Total revenues | 76,150 | 67,714 | 12.5% |
| Losses and expenses: | | | |
| Net losses and loss adjustment expenses | 53,235 | 37,435 | 42.2% |
| Acquisition costs and other underwriting expenses | 28,177 | 25,993 | 8.4% |
| Underwriting income (loss) | $ (5,262) | $ 4,286 | NM |

| | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 | Point Change |
|---|---|---|---|
| Underwriting Ratios: | | | |
| Loss ratio: | | | |
| Current accident year | 70.4% | 55.3% | 15.1 |
| Prior accident year | (0.5%) | —% | (0.5) |
| Calendar year loss ratio | 69.9% | 55.3% | 14.6 |
| Expense ratio | 37.0% | 38.4% | (1.4) |
| Combined ratio | 106.9% | 93.7% | 13.2 |

NM – not meaningful

***Reconciliation of non-GAAP financial measures and ratios***

The table below reconciles the non-GAAP measures or ratios, which excludes the impact of prior accident year adjustments, to its most directly comparable GAAP measure or ratio. The Company believes the non-GAAP measures or ratios are useful to investors when evaluating the Company's underwriting performance as trends within Commercial Specialty may be obscured by prior accident year adjustments. These non-GAAP measures or ratios should not be considered as a substitute for its most directly comparable GAAP measure or ratio and does not reflect the overall underwriting profitability of the Company.

| | Quarters Ended March 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| **(Dollars in thousands)** | **Losses** | **Loss Ratio** | **Losses** | **Loss Ratio** |
| **Property** | | | | |
| Non catastrophe property losses and ratio excluding the effect of prior accident year (1) | $ 20,292 | 58.8% | $ 12,249 | 40.1% |
| Effect of prior accident year | (1,563) | (4.5%) | (359) | (1.2%) |
| Non catastrophe property losses and ratio (2) | $ 18,729 | 54.3% | $ 11,890 | 38.9% |
| Catastrophe losses and ratio excluding the effect of prior accident year (1) | $ 10,304 | 29.8% | $ 3,713 | 12.2% |
| Effect of prior accident year | 1,323 | 3.8% | 338 | 1.1% |
| Catastrophe losses and ratio (2) | $ 11,627 | 33.6% | $ 4,051 | 13.3% |
| Total property losses and ratio excluding the effect of prior accident year (1) | $ 30,596 | 88.6% | $ 15,962 | 52.3% |
| Effect of prior accident year | (240) | (0.7%) | (21) | (0.1%) |
| Total property losses and ratio (2) | $ 30,356 | 87.9% | $ 15,941 | 52.2% |
| **Casualty** | | | | |
| Total Casualty losses and ratio excluding the effect of prior accident year (1) | $ 23,049 | 55.4% | $ 21,473 | 57.7% |
| Effect of prior accident year | (170) | (0.4%) | 21 | 0.1% |
| Total Casualty losses and ratio (2) | $ 22,879 | 55.0% | $ 21,494 | 57.8% |
| **Total** | | | | |
| Total net losses and loss adjustment expense and total loss ratio excluding the effect of prior accident year (1) | $ 53,645 | 70.4% | $ 37,435 | 55.3% |
| Effect of prior accident year | (410) | (0.5%) | — | —% |
| Total net losses and loss adjustment expense and total loss ratio (2) | $ 53,235 | 69.9% | $ 37,435 | 55.3% |

(1) Non-GAAP measure / ratio
(2) Most directly comparable GAAP measure / ratio

***Premiums***

See “Result of Operations” above for a discussion on consolidated premiums.

***Loss Ratio***

The current accident year losses and loss ratio is summarized as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | 2020 | % Change |
|---|---|---|---|
| Property losses | | | |
| Non-catastrophe | $ 20,292 | $ 12,249 | 65.7% |
| Catastrophe | 10,304 | 3,713 | 177.5% |
| Property losses | 30,596 | 15,962 | 91.7% |
| Casualty losses | 23,049 | 21,473 | 7.3% |
| Total accident year losses | $ 53,645 | $ 37,435 | 43.3% |

| | Quarters Ended March 31, 2021 | 2020 | Point Change |
|---|---|---|---|
| **Current accident year loss ratio:** | | | |
| Property | | | |
| Non-catastrophe | 58.8% | 40.1% | 18.7 |
| Catastrophe | 29.8% | 12.2% | 17.6 |
| Property loss ratio | 88.6% | 52.3% | 36.3 |
| Casualty loss ratio | 55.4% | 57.7% | (2.3) |
| Total accident year loss ratio | 70.4% | 55.3% | 15.1 |

The current accident year non-catastrophe property loss ratio increased by 18.7 points during the quarter ended March 31, 2021 as compared to the same period in 2020 reflecting a higher claims frequency and severity in the first accident quarter compared to last year.

The current accident year catastrophe loss ratio increased by 17.6 points during the quarter ended March 31, 2021 as compared to the same period in 2020 due to a higher claims frequency in the first accident quarter compart to last year, primarily driven by the February Texas winter storms. The impact of the PCS Catastrophe Event 2117, which was a freeze storm that affected Texas and several other nearby states during February 16-20, 2020, was an increase of 23.9 points to the loss ratio.

The current accident year casualty loss ratio improved by 2.3 points during the quarter ended March 31, 2021 as compared to the same period in 2020 due to a lower claims severity for the first accident quarter compared to last year.

The calendar year loss ratio for the quarter ended March 31, 2021 includes a decrease of $0.4 million, or 0.5 percentage points, related to reserve development on prior accident years. The calendar year loss ratio for the quarter ended March 31, 2020 includes a net decrease of zero related to reserve development on prior accident years. Please see Note 8 of the notes to the consolidated financial statements in Item 1 of Part I of this report for further discussion on prior accident year development.

***Expense Ratios***

The expense ratio for the Company's Commercial Specialty segment improved by 1.4 points from 38.4% for the quarter ended March 31, 2020 to 37.0% for the quarter ended March 31, 2021. The improvement in the expense ratio is primarily due to higher earned premiums.

***COVID-19***

COVID-19 could result in declines in business, non-payment of premiums, and increases in claims that could adversely affect Commercial Specialty's business, financial condition, and results of operation.

There is continued risk that legislation could be passed or there could be a court ruling which would require the Company to cover business interruption claims regardless of terms, exclusions including the virus exclusions contained within the

Company's Commercial Specialty policies, or other conditions included in these policies that would otherwise preclude coverage.

***Specialty Property***

The components of income from the Company's Specialty Property segment and corresponding underwriting ratios are as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 | % Change |
|---|---|---|---|
| Gross written premiums | $ 33,358 | $ 35,243 | (5.3%) |
| Net written premiums | $ 29,699 | $ 30,007 | (1.0%) |
| Net earned premiums | $ 30,591 | $ 34,216 | (10.6%) |
| Other income | 430 | 427 | 0.7% |
| Total revenues | 31,021 | 34,643 | (10.5%) |
| Losses and expenses: | | | |
| Net losses and loss adjustment expenses | 14,478 | 17,498 | (17.3%) |
| Acquisition costs and other underwriting expenses | 13,039 | 14,232 | (8.4%) |
| Underwriting income | $ 3,504 | $ 2,913 | 20.3% |

| | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 | Point Change |
|---|---|---|---|
| Underwriting Ratios: | | | |
| Loss ratio: | | | |
| Current accident year | 52.7% | 51.1% | 1.6 |
| Prior accident year | (5.4%) | —% | (5.4) |
| Calendar year loss ratio | 47.3% | 51.1% | (3.8) |
| Expense ratio | 42.6% | 41.6% | 1.0 |
| Combined ratio | 89.9% | 92.7% | (2.8) |

### *Reconciliation of non-GAAP financial measures and ratios*

The table below reconciles the non-GAAP measures or ratios, which excludes the impact of prior accident year adjustments, to its most directly comparable GAAP measure or ratio. The Company believes the non-GAAP measures or ratios are useful to investors when evaluating the Company's underwriting performance as trends within Specialty Property may be obscured by prior accident year adjustments. These non-GAAP measures or ratios should not be considered as a substitute for its most directly comparable GAAP measure or ratio and does not reflect the overall underwriting profitability of the Company.

| | Quarters Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| **(Dollars in thousands)** | | **Losses** | **Loss Ratio** | | **Losses** | **Loss Ratio** |
| **Property** | | | | | | |
| Non catastrophe property losses and ratio excluding the effect of prior accident year (1) | $ | 12,694 | 44.2% | $ | 14,393 | 45.5% |
| Effect of prior accident year | | (285) | (1.0%) | | 338 | 1.1% |
| Non catastrophe property losses and ratio (2) | $ | 12,409 | 43.2% | $ | 14,731 | 46.6% |
| Catastrophe losses and ratio excluding the effect of prior accident year (1) | $ | 2,424 | 8.4% | $ | 2,079 | 6.6% |
| Effect of prior accident year | | (126) | (0.4%) | | 31 | 0.1% |
| Catastrophe losses and ratio (2) | $ | 2,298 | 8.0% | $ | 2,110 | 6.7% |
| Total property losses and ratio excluding the effect of prior accident year (1) | $ | 15,118 | 52.6% | $ | 16,472 | 52.1% |
| Effect of prior accident year | | (411) | (1.4%) | | 369 | 1.2% |
| Total property losses and ratio (2) | $ | 14,707 | 51.2% | $ | 16,841 | 53.3% |
| **Casualty** | | | | | | |
| Total Casualty losses and ratio excluding the effect of prior accident year (1) | $ | 997 | 54.1% | $ | 1,026 | 40.0% |
| Effect of prior accident year | | (1,226) | (66.5%) | | (369) | (14.4%) |
| Total Casualty losses and ratio (2) | $ | (229) | (12.4%) | $ | 657 | 25.6% |
| **Total** | | | | | | |
| Total net losses and loss adjustment expense and total loss ratio excluding the effect of prior accident year (1) | $ | 16,115 | 52.7% | $ | 17,498 | 51.1% |
| Effect of prior accident year | | (1,637) | (5.4%) | | — | —% |
| Total net losses and loss adjustment expense and total loss ratio (2) | $ | 14,478 | 47.3% | $ | 17,498 | 51.1% |

(1) Non-GAAP measure / ratio
(2) Most directly comparable GAAP measure / ratio

### *Premiums*

See “Result of Operations” above for a discussion on consolidated premiums.

### *Other Income*

Other income was $0.4 million for each of the quarters ended March 31, 2021 and 2020. Other income is primarily comprised of fee income.

***Loss Ratio***

The current accident year losses and loss ratio is summarized as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | 2020 | % Change |
|---|---|---|---|
| Property losses | | | |
| Non-catastrophe | $ 12,694 | $ 14,393 | (11.8%) |
| Catastrophe | 2,424 | 2,079 | 16.6% |
| Property losses | 15,118 | 16,472 | (8.2%) |
| Casualty losses | 997 | 1,026 | (2.8%) |
| Total accident year losses | $ 16,115 | $ 17,498 | (7.9%) |

| | Quarters Ended March 31, 2021 | 2020 | Point Change |
|---|---|---|---|
| **Current accident year loss ratio:** | | | |
| Property | | | |
| Non-catastrophe | 44.2% | 45.5% | (1.3) |
| Catastrophe | 8.4% | 6.6% | 1.8 |
| Property loss ratio | 52.6% | 52.1% | 0.5 |
| Casualty loss ratio | 54.1% | 40.0% | 14.1 |
| Total accident year loss ratio | 52.7% | 51.1% | 1.6 |

The current accident year non-catastrophe property loss ratio improved by 1.3 points during the quarter ended March 31, 2021 as compared to the same period in 2020 reflecting a lower claims frequency in the first accident quarter compared to last year.

The current accident year catastrophe loss ratio increased by 1.8 points during the quarter ended March 31, 2021 as compared to the same period in 2020 due to a higher claims frequency in the first accident quarter compared to last year, mainly driven by the February Texas winter storms. The impact of the PCS Catastrophe Event 2117, which was a freeze storm that affected Texas and several other nearby states during February 16-20, 2020, was an increase of 4.8 points to the loss ratio.

The current accident year casualty loss ratio increased by 14.1 points during the quarter ended March 31, 2021 as compared to the same period in 2020. Specialty Property experienced lower than expected claims frequency and severity in the first accident quarter of 2020.

The calendar year loss ratio for the quarter ended March 31, 2021 includes a decrease of $1.6 million, or 5.4 percentage points related to reserve development on prior accident years. The calendar year loss ratio for the quarter ended March 31, 2020 includes a net decrease of zero related to reserve development on prior accident years. Please see Note 8 of the notes to the consolidated financial statements in Item 1 of Part I of this report for further discussion on prior accident year development.

***Expense Ratios***

The expense ratio for the Company's Specialty Property segment increased 1.0 points from 41.6% for the quarter ended March 31, 2020 to 42.6% for the quarter ended March 31, 2021 primarily due to a reduction in earned premiums.

***COVID-19***

COVID-19 could result in declines in business and non-payment of premiums that could adversely affect Specialty Property's business, financial condition, and results of operation.

***Farm, Ranch & Stable***

The components of income and loss from the Company's Farm, Ranch & Stable segment and corresponding underwriting ratios are as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 | % Change |
|---|---|---|---|
| Gross written premiums | $ 21,002 | $ 22,133 | (5.1%) |
| Net written premiums | $ 17,603 | $ 19,105 | (7.9%) |
| Net earned premiums | $ 18,141 | $ 18,683 | (2.9%) |
| Other income | 34 | 36 | (5.6%) |
| Total revenues | 18,175 | 18,719 | (2.9%) |
| Losses and expenses: | | | |
| Net losses and loss adjustment expenses | 11,801 | 9,610 | 22.8% |
| Acquisition costs and other underwriting expenses | 6,986 | 7,638 | (8.5%) |
| Underwriting income (loss) | $ (612) | $ 1,471 | (141.6%) |

| | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 | Point Change |
|---|---|---|---|
| Underwriting Ratios: | | | |
| Loss ratio: | | | |
| Current accident year | 69.2% | 51.4% | 17.8 |
| Prior accident year | (4.1%) | —% | (4.1) |
| Calendar year loss ratio | 65.1% | 51.4% | 13.7 |
| Expense ratio | 38.5% | 40.9% | (2.4) |
| Combined ratio | 103.6% | 92.3% | 11.3 |

***Reconciliation of non-GAAP financial measures and ratios***

The table below reconciles the non-GAAP measures or ratios, which excludes the impact of prior accident year adjustments, to its most directly comparable GAAP measure or ratio. The Company believes the non-GAAP measures or ratios are useful to investors when evaluating the Company's underwriting performance as trends within Farm, Ranch & Stable may be obscured by prior accident year adjustments. These non-GAAP measures or ratios should not be considered as a substitute for its most directly comparable GAAP measure or ratio and does not reflect the overall underwriting profitability of the Company.

| | Quarters Ended March 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| (Dollars in thousands) | Losses | Loss Ratio | Losses | Loss Ratio |
| **Property** | | | | |
| Non catastrophe property losses and ratio excluding the effect of prior accident year (1) | $ 5,967 | 44.0% | $ 5,077 | 37.9% |
| Effect of prior accident year | 315 | 2.3% | (558) | (4.2%) |
| Non catastrophe property losses and ratio (2) | $ 6,282 | 46.3% | $ 4,519 | 33.7% |
| Catastrophe losses and ratio excluding the effect of prior accident year (1) | $ 4,127 | 30.4% | $ 1,401 | 10.5% |
| Effect of prior accident year | (1,045) | (7.7%) | 550 | 4.1% |
| Catastrophe losses and ratio (2) | $ 3,082 | 22.7% | $ 1,951 | 14.6% |
| Total property losses and ratio excluding the effect of prior accident year (1) | $ 10,094 | 74.4% | $ 6,478 | 48.4% |
| Effect of prior accident year | (730) | (5.4%) | (8) | (0.1%) |
| Total property losses and ratio (2) | $ 9,364 | 69.0% | $ 6,470 | 48.3% |
| **Casualty** | | | | |
| Total Casualty losses and ratio excluding the effect of prior accident year (1) | $ 2,452 | 53.6% | $ 3,132 | 59.2% |
| Effect of prior accident year | (15) | (0.3%) | 8 | 0.2% |
| Total Casualty losses and ratio (2) | $ 2,437 | 53.3% | $ 3,140 | 59.4% |
| **Total** | | | | |
| Total net losses and loss adjustment expense and total loss ratio excluding the effect of prior accident year (1) | $ 12,546 | 69.2% | $ 9,610 | 51.4% |
| Effect of prior accident year | (745) | (4.1%) | — | —% |
| Total net losses and loss adjustment expense and total loss ratio (2) | $ 11,801 | 65.1% | $ 9,610 | 51.4% |

(1) Non-GAAP measure / ratio
(2) Most directly comparable GAAP measure / ratio

***Premiums***

See “Result of Operations” above for a discussion on consolidated premiums.

***Other Income***

Other income was less than $0.1 million for each of the quarters ended March 31, 2021 and 2020. Other income is primarily comprised of fee income.

***Loss Ratio***

The current accident year losses and loss ratio is summarized as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 | 2020 | % Change |
|---|---|---|---|
| Property losses | | | |
| Non-catastrophe | $ 5,967 | $ 5,077 | 17.5% |
| Catastrophe | 4,127 | 1,401 | 194.6% |
| Property losses | 10,094 | 6,478 | 55.8% |
| Casualty losses | 2,452 | 3,132 | (21.7%) |
| Total accident year losses | $ 12,546 | $ 9,610 | 30.6% |

| | Quarters Ended March 31, 2021 | 2020 | Point Change |
|---|---|---|---|
| **Current accident year loss ratio:** | | | |
| Property | | | |
| Non-catastrophe | 44.0% | 37.9% | 6.1 |
| Catastrophe | 30.4% | 10.5% | 19.9 |
| Property loss ratio | 74.4% | 48.4% | 26.0 |
| Casualty loss ratio | 53.6% | 59.2% | (5.6) |
| Total accident year loss ratio | 69.2% | 51.4% | 17.8 |

The current accident year non-catastrophe property loss ratio increased by 6.1 points during the quarter ended March 31, 2021 as compared to the same period in 2020 due to a higher claims severity for the first accident quarter compared to last year.

The current accident year catastrophe loss ratio increased by 19.9 points during the quarter ended March 31, 2021 as compared to the same period in 2020 due to a higher claims frequency in the first accident quarter compared to last year, primarily driven by the February Texas winter storms. The impact of the PCS Catastrophe Event 2117, which was a freeze storm that affected Texas and several other nearby states during February 16-20, 2020, was an increase of 25.1 points to the loss ratio.

The current accident year casualty loss ratio improved by 5.6 points during the quarter ended March 31, 2021 as compared to the same period in 2020 due to a lower claims frequency in the first accident quarter compared to last year.

The calendar year loss ratio for the quarter ended March 31, 2021 includes a decrease of $0.7 million, or 4.1 percentage points related to reserve development on prior accident years. The calendar year loss ratio for the quarter ended March 31, 2020 includes a net decrease of zero related to reserve development on prior accident years. Please see Note 8 of the notes to the consolidated financial statements in Item 1 of Part I of this report for further discussion on prior accident year development.

***Expense Ratios***

The expense ratio for the Company’s Farm, Ranch & Stable Segment improved 2.4 points from 40.9% for the quarter ended March 31, 2020 to 38.5% for the quarter ended March 31, 2021 primarily due to a reduction of commission rate partially driven by a change in agent distribution as well as a reduction in compensation, travel, and advertising expenses.

***COVID-19***

There is continued risk that legislation could be passed or there could be a court ruling which would require the Company to cover business interruption claims regardless of terms, exclusions including the virus exclusions contained within the Company’s Farm, Ranch & Stable policies, or other conditions included in these policies that would otherwise preclude coverage.

COVID-19 could result in declines in business, non-payment of premiums, and increases in claims that could adversely affect Farm, Ranch & Stable's business, financial condition, and results of operation.

***Reinsurance Operations***

The components of income from the Company's Reinsurance Operations segment and corresponding underwriting ratios are as follows:

| (Dollars in thousands) | Quarters Ended March 31, 2021 (1) | Quarters Ended March 31, 2020 (1) | % Change |
|---|---|---|---|
| Gross written premiums | $ 21,866 | $ 17,517 | 24.8% |
| Net written premiums | $ 21,866 | $ 17,517 | 24.8% |
| Net earned premiums | $ 18,818 | $ 23,855 | (21.1%) |
| Other loss | (56) | (295) | (81.0%) |
| Total revenues | 18,762 | 23,560 | (20.4%) |
| Losses and expenses: | | | |
| Net losses and loss adjustment expenses | 11,269 | 13,104 | (14.0%) |
| Acquisition costs and other underwriting expenses | 6,562 | 8,549 | (23.2%) |
| Underwriting income | $ 931 | $ 1,907 | (51.2%) |

| | Quarters Ended March 31, 2021 | Quarters Ended March 31, 2020 | Point Change |
|---|---|---|---|
| Underwriting Ratios: | | | |
| Loss ratio: | | | |
| Current accident year (2) | 63.2% | 57.4% | 5.8 |
| Prior accident year | (3.3%) | (2.5%) | (0.8) |
| Calendar year loss ratio (3) | 59.9% | 54.9% | 5.0 |
| Expense ratio | 34.9% | 35.8% | (0.9) |
| Combined ratio | 94.8% | 90.7% | 4.1 |

(1) External business only, excluding business assumed from affiliates
(2) Non-GAAP ratio
(3) Most directly comparable GAAP ratio

***Reconciliation of non-GAAP financial ratios***

The table above includes a reconciliation of the current accident year loss ratio, which is a non-GAAP ratio, to its calendar year loss ratio, which is its most directly comparable GAAP ratio. The Company believes the non-GAAP ratio is useful to investors when evaluating the Company's underwriting performance as trends in the Company's Reinsurance Operations may be obscured by prior accident year adjustments. This non-GAAP ratio should not be considered as a substitute for its most directly comparable GAAP ratio and does not reflect the overall underwriting profitability of the Company.

***Premiums***

See "Result of Operations" above for a discussion on consolidated premiums.

***Other Loss***

The Company recognized other loss of $0.1 million and $0.3 million during the quarters ended March 31, 2021 and 2020, respectively. Other loss is comprised of foreign exchange gains and losses.

***Loss Ratio***

The current accident year loss ratio increased by 5.8 points during the quarter ended March 31, 2021 as compared to the same period in 2020. The increase in the current accident year loss ratio reflects a mix of business shift to more casualty premium, which has a higher expected loss ratio than property segments. The casualty net earned premium was 89% of the total Reinsurance Operations earned premium compared to 58% in 2020 and the casualty current accident year loss ratio improved 1.5 points compared to the first quarter of last year.

The calendar year loss ratio for the quarter ended March 31, 2021 includes a decrease of $0.6 million, or 3.3 percentage points, related to reserve development on prior accident years. The calendar year loss ratio for the quarter ended March 31, 2020 includes a decrease of $0.6 million, or 2.5 percentage points, related to reserve development on prior accident years. Please see Note 8 of the notes to the consolidated financial statements in Item 1 of Part I of this report for further discussion on prior accident year development.

***Expense Ratio***

The expense ratio for the Company's Reinsurance Operations improved by 0.9 points from 35.8% for the quarter ended March 31, 2020 to 34.9% for the quarter ended March 31, 2021 which is primarily due to a change in business mix.

***COVID-19***

COVID-19 could result in declines in business, non-payment of premiums, and increases in claims that could adversely affect the Reinsurance Operations' business, financial condition, and results of operation.

## Unallocated Corporate Items

The Company's fixed income portfolio, excluding cash, continues to maintain high quality with an A+ average rating and a duration of 4.7 years.

***Net Investment Income***

| | Quarters Ended March 31, | | % |
|---|---|---|---|
| **(Dollars in thousands)** | **2021** | **2020** | **Change** |
| Gross investment income (loss) (1) | $ 10,549 | $ 11,118 | (5.1%) |
| Investment expenses | (713) | (989) | (27.9%) |
| Net investment income | $ 9,836 | $ 10,129 | (2.9%) |

(1) Excludes realized gains and losses

Gross investment income decreased by 5.1% for the quarter ended March 31, 2021 as compared to the same period in 2020. The decrease was primarily due to a decrease in yield within the fixed maturities portfolio offset by increased returns from alternative investments.

Investment expenses decreased by 27.9% for the quarter ended March 31, 2021, as compared to the same period in 2020 due to decreased investment management expenses as a result of a reduction in the size of the investment portfolio.

At March 31, 2021, the Company held agency mortgage-backed securities with a market value of $219.8 million. Excluding the agency mortgage-backed securities, the average duration of the Company's fixed maturities portfolio was 4.9 years as of March 31, 2021, compared with 4.5 years as of March 31, 2020. Including cash and short-term investments, the average duration of the Company's fixed maturities portfolio, excluding agency mortgage-backed securities, was 4.7 years as of March 31, 2021, compared to 4.2 years as of March 31, 2020. Changes in interest rates can cause principal payments on certain investments to extend or shorten which can impact duration. The Company's embedded book yield on its fixed maturities, not including cash, was 2.3% as of March 31, 2021, compared to 2.9% as of March 31, 2020. The embedded book yield on the $63.7 million of taxable municipal bonds in the Company's portfolio, was 3.0% at March 31, 2021, compared to an embedded book yield of 3.1% on the Company's taxable municipal bonds of $64.9 million at March 31, 2020.

***Net Realized Investment Gains (Losses)***

The components of net realized investment gains (losses) for the quarters ended March 31, 2021 and 2020 were as follows:

| | Quarters Ended March 31, | |
|---|---|---|
| **(Dollars in thousands)** | **2021** | **2020** |
| Equity securities | $ 4,368 | $ (49,982) |
| Fixed maturities | (1,159) | 1,932 |
| Derivatives | 610 | (20,112) |
| Net realized investment gains (losses) | $ 3,819 | $ (68,162) |

See Note 3 of the notes to the consolidated financial statements in Item 1 of Part I of this report for an analysis of total investment return on a pre-tax basis for the quarters ended March 31, 2021 and 2020.

***Corporate and Other Operating Expenses***

Corporate and other operating expenses consist of outside legal fees, other professional fees, directors' fees, management fees & advisory fees, salaries and benefits for holding company personnel, development costs for new products, and taxes incurred which are not directly related to operations. Corporate and other operating expenses were $4.3 million and $4.2 million during the quarters ended March 31, 2021 and 2020, respectively.

***Interest Expense***

Interest expense decreased 46.7% during the quarter ended March 31, 2021 as compared to the same period in 2020 primarily due to the redemption of the Company's 7.75% Subordinated Notes due in 2045 and the repayment of the margin borrowing facility in August, 2020.

***Income Tax Benefit***

Income tax benefit was $0.2 million for the quarter ended March 31, 2021 compared with an income tax benefit of $12.0 million for the quarter ended March 31, 2020. The decrease in the income tax benefit for the quarter ended March 31, 2021 was primarily driven by higher pre-tax income for the Company's U.S. subsidiaries of $5.3 million for the quarter ended March 31, 2021 as compared to a pre-tax loss of $60.2 million for the same period in 2020. The $5.3 million of pretax income for the quarter ended March 31, 2021 included $6.5 million from Global Indemnity Group, LLC which has elected to be a partnership. Income earned by Global Indemnity Group, LLC passes through to its shareholders. The increase in pre-tax income in the U.S. subsidiaries is primarily due to the U.S. subsidiaries incurring net realized investment losses of $64.5 million during the quarter ended March 31, 2020 which primarily resulted from the impact of changes in fair value on equity securities and derivatives due to disruption in the global financial markets as a result of COVID-19.

See Note 7 of the notes to the consolidated financial statements in Item 1 of Part I of this report for a comparison of income tax between periods.

***Net Income (Loss)***

The factors described above resulted in a net income of $5.5 million and net loss of $44.6 million for the quarters ended March 31, 2021 and 2020, respectively.

## Liquidity and Capital Resources

***Sources and Uses of Funds***

Global Indemnity Group, LLC is a holding company. Its principal asset is its ownership of the shares of its direct and indirect subsidiaries, including those of its insurance companies: United National Insurance Company, Diamond State Insurance Company, Penn-America Insurance Company, Penn-Star Insurance Company, Penn-Patriot Insurance Company, and American Reliable Insurance Company.

Global Indemnity Group, LLC's short term and long term liquidity needs include but are not limited to the payment of corporate expenses, debt service payments, dividend payments to shareholders, and share repurchases. In order to meet their short term and long term needs, Global Indemnity Group, LLC's principal sources of cash includes dividends from subsidiaries, other permitted disbursements from its direct and indirect subsidiaries, reimbursement for equity awards granted to employees and intercompany borrowings. The principal sources of funds at these direct and indirect subsidiaries include underwriting operations, investment income, proceeds from sales and redemptions of investments, capital contributions, intercompany borrowings, and dividends from subsidiaries. Funds are used principally by these operating subsidiaries to pay claims and operating expenses, to make debt payments, fund margin requirements on interest rate swap agreements, to purchase investments, and to make dividend / distribution payments. In addition, the Company periodically reviews opportunities related to business acquisitions and as a result, liquidity may be needed in the future.

GBLI Holdings, LLC is a holding company which is a wholly-owned subsidiary of Penn-Patriot Insurance Company. GBLI Holdings, LLC's principal asset is its ownership of the shares of its direct and indirect subsidiaries which include United National Insurance Company, Diamond State Insurance Company, Penn-America Insurance Company, Penn-Star Insurance Company, and American Reliable Insurance Company. GBLI Holdings, LLC is dependent on dividends from its subsidiaries to meet its debt obligations as well as corporate expense obligations.

As of March 31, 2021, the Company also had future funding commitments of $56.2 million related to investments. However, the related investments are currently in their harvest period and it is unlikely that a capital call will be made.

The future liquidity of both Global Indemnity Group, LLC and GBLI Holdings, LLC is dependent on the ability of its subsidiaries to pay dividends. Global Indemnity Group, LLC and GBLI Holdings, LLC's insurance companies are restricted by statute as to the amount of dividends that they may pay without the prior approval of regulatory authorities. The dividend limitations imposed by state laws are based on the statutory financial results of each insurance company that are determined by using statutory accounting practices that differ in various respects from accounting principles used in financial statements prepared in conformity with GAAP. See "Regulation - Statutory Accounting Principles" in Item 1 of Part I of the Company's 2020 Annual Report on Form 10-K. Key differences relate to, among other items, deferred acquisition costs, limitations on deferred income taxes, reserve calculation assumptions and surplus notes. See Note 20 of the notes to the consolidated financial statements in Item 8 of Part II of the Company's 2020 Annual Report on Form 10-K for further information on dividend limitations related to the Insurance Companies. The Insurance Companies did not declare or pay any dividends during the quarter ended March 31, 2021.

***Cash Flows***

Sources of operating funds consist primarily of net written premiums and investment income. Funds are used primarily to pay claims and operating expenses and to purchase investments. As a result of the distribution policy, funds may also be used in the future to pay distributions to shareholders of the Company.

The Company's reconciliation of net income (loss) to net cash provided by operations is generally influenced by the following:

- the fact that the Company collects premiums, net of commissions, in advance of losses paid;
- the timing of the Company's settlements with its reinsurers; and
- the timing of the Company's loss payments.

Net cash provided by operating activities was $11.4 million and $20.8 million for the quarters ended March 31, 2021 and 2020, respectively. The decrease in operating cash flows of approximately $9.4 million from the prior year was primarily a net result of the following items:

| | Quarters Ended March 31, | | |
|---|---|---|---|
| (Dollars in thousands) | 2021 | 2020 | Change |
| Net premiums collected | $ 148,915 | $ 147,119 | $ 1,796 |
| Net losses paid | (74,409) | (67,496) | (6,913) |
| Underwriting and corporate expenses | (69,968) | (70,827) | 859 |
| Net investment income | 9,360 | 11,313 | (1,953) |
| Net federal income taxes recovered | — | 5,479 | (5,479) |
| Interest paid | (2,526) | (4,804) | 2,278 |
| Net cash provided by operating activities | $ 11,372 | $ 20,784 | $ (9,412) |

See the consolidated statements of cash flows in the consolidated financial statements in Item 1 of Part I of this report for details concerning the Company's investing and financing activities.

***Liquidity***

***COVID-19***

The Company's liquidity could be negatively impacted by the cancellation, delays, or non-payment of premiums related to the ongoing COVID-19 pandemic. There is continued risk that legislation could be passed or there could be a court ruling which would require the Company to cover business interruption claims regardless of terms, exclusions including the virus exclusions contained within the Company's Commercial Specialty and Farm, Ranch & Stable policies, or other conditions included in policies that would otherwise preclude coverage which would negatively impact liquidity. In addition, the liquidity of the Company's investment portfolio could be negatively impacted by disruption experienced in global financial markets. Management is taking actions it considers prudent to minimize the impact on the Company's liquidity. However, given the ongoing uncertainty surrounding the duration, magnitude and geographic reach of COVID-19, the Company is regularly evaluating the impact of COVID-19 on its liquidity.

***Dividends / Distributions***

During 2020, the Board of Directors approved a distribution payment of $0.25 per common share to all shareholders of record on the close of business on March 22, 2021. Distributions paid were $3.6 million during the quarter ended March 31, 2021. In addition, distributions of $0.1 million were paid to Global Indemnity Group, LLC's preferred shareholder during the quarter ended March 31, 2021.

Other than the items discussed in the preceding paragraphs, there have been no material changes to the Company's liquidity during the quarter ended March 31, 2021. Please see Item 7 of Part II in the Company's 2020 Annual Report on Form 10-K for information regarding the Company's liquidity.

***Capital Resources***

There have been no material changes to the Company's capital resources during the quarter ended March 31, 2021. Please see Item 7 of Part II in the Company's 2020 Annual Report on Form 10-K for information regarding the Company's capital resources.

***Co-obligor Financial Information***

The Company is providing the following information in compliance with Rule 13-01 of Regulation S-X, "Financial Disclosures about Guarantors and Issuers of Guaranteed Securities" with respect to the Company's 7.875% Subordinated Notes due in 2047 ("2047 Notes"). Global Indemnity Group, LLC (parent co-obligor) and GBLI Holdings, LLC (subsidiary co-obligor) are co-obligors of the 2047 Notes. GBLI Holdings, LLC is a wholly-owned indirect subsidiary of Global Indemnity Group, LLC. The 2047 Notes are subordinated unsecured obligations and rank (i) senior to the companies' existing and future capital stock, (ii) senior in right of payment to the companies' future junior subordinated debt, (iii) equally in right of payment with any existing unsecured, subordinated debt that the companies have issued or may issue in the future that ranks equally with the 2047 Notes, and (iv) subordinate in right of payment to any of the companies' future senior debt. In addition, the 2047 Notes are structurally subordinated to all existing and future indebtedness, liabilities and other obligations of Global Indemnity Group, LLC's subsidiaries, except for GBLI Holdings, LLC. GBLI Holdings, LLC is a subordinated co-obligor with respect to the 2047 Notes with the same obligations and duties as Global Indemnity Group, LLC under the Indenture (including the due and punctual performance and observance of all of the covenants and conditions to be performed by Global Indemnity Group, LLC, including, without limitation, the obligation to pay the principal of, and interest on, the 2047 Notes when due whether at maturity, by acceleration, redemption or otherwise), and with the same rights, benefits and privileges of Global Indemnity Group, LLC thereunder. Notwithstanding the foregoing, GBLI Holdings, LLC's obligations (including the obligation to pay the principal of and interest in respect of the 2047 Notes) are subject to subordination to all monetary obligations or liabilities of GBLI Holdings, LLC owing to any regulated reinsurance or insurance company that is a direct or indirect subsidiary of Global Indemnity Group, LLC, in addition to indebtedness of GBLI Holdings, LLC for borrowed money. If Global Indemnity Group, LLC pays any amount with respect to the subordinated note obligations, Global Indemnity Group, LLC is entitled to be reimbursed by GBLI Holdings, LLC within 10 business days after a demand is made to GBLI Holding, LLC by Global Indemnity Group, LLC.

The following tables present summarized financial information for Global Indemnity Group, LLC (Parent co-obligor) and GBLI Holdings, LLC (Subsidiary co-obligor) on a combined basis after transactions and balances within the combined entities have been eliminated.

## Parent and Subsidiary Co-obligors

The following table presents the summarized balance sheet information as of March 31, 2021 and December 31, 2020.

| (Dollars in thousands) | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Intercompany note receivable | $ 6,000 | $ 11,283 |
| Intercompany receivables | 431 | 57 |
| Investments | 249,657 | 250,863 |
| Total assets excluding investment in subsidiaries | 319,952 | 324,229 |
| Intercompany payables | 6,247 | 5,515 |
| Total liabilities | 158,067 | 158,423 |

The following table presents the summarized statement of operations information for the quarter ended March 31, 2021.

| (Dollars in thousands) | |
|---|---|
| Total revenue | $ 8,143 |
| Intercompany interest income | 35 |
| Intercompany interest expense | — |
| Income before income taxes (1) | 1,370 |
| Net income (1) | 2,505 |

(1) excludes equity in the earning of a subsidiary

## Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

## Cautionary Note Regarding Forward-Looking Statements

Some of the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report may include forward-looking statements within the meaning of Section 21E of the Security Exchange Act of 1934, as amended, that reflect the Company's current views with respect to future events and financial performance. Forward-looking statements are statements that are not historical facts. These statements can be identified by the use of forward-looking terminology such as "believe," "expect," "may," "will," "should," "project," "plan," "seek," "intend," or "anticipate" or the negative thereof or comparable terminology, and include discussions of strategy, financial projections and estimates and their underlying assumptions, statements regarding plans, objectives, expectations or consequences of identified transactions or natural disasters, and statements about the future performance, operations, products and services of the companies.

The Company's business and operations are and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experience may materially differ from those contained in any forward-looking statements. See "Risk Factors" in Item 1A of Part I in the Company's 2020 Annual Report on Form 10-K for risks, uncertainties and other factors that could cause actual results and experience to differ from those projected. The Company's forward-looking statements speak only as of the date of this report or as of the date they were made. The Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For the quarter ending March 31, 2021, global equities rose approximately 4.5% with U.S. equities outperforming, returning approximately 6.2%. US fixed income fell approximately 3.4% despite tighter spreads as 10 year treasury rates significantly rose over the quarter to end at 1.74%. Interest-rate volatility is proving to be a theme in early 2021. Despite the increase in yields, the Fed remains firm in its commitment to maintain its current policy stance and purchase programs, with all efforts focused on furthering economic growth and reducing unemployment. Growth estimates are being revised higher on the back of strong economic data, while inflation concerns are debated among market participants.

The Company's investment grade fixed income portfolio continues to maintain high quality with an A+ average rating and a duration of 4.7 years. Portfolio purchases were focused within US Treasury, MBS, and investment grade credit securities. These purchases were funded primarily through cash inflows, sales of US Treasury and MBS securities, as well as maturities and paydowns. During the first quarter, the portfolio's allocation to US Treasuries and investment grade credit increased, while the portfolio's exposure to MBS decreased. There have been no other material changes to the Company's market risk since December 31, 2020. Please see Item 7A of Part II in the Company's 2020 Annual Report on Form 10-K for information regarding the Company's market risk.

## Item 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2021. Based upon that evaluation, and subject to the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2021, the design and operation of the Company's disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

### Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## PART II-OTHER INFORMATION

### Item 1. Legal Proceedings

The Company is, from time to time, involved in various legal proceedings in the ordinary course of business. The Company maintains insurance and reinsurance coverage for risks in amounts that it considers adequate. However, there can be no assurance that the insurance and reinsurance coverage that the Company maintains is sufficient or will be available in adequate amounts or at a reasonable cost. The Company does not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material adverse effect on its business, results of operations, cash flows, or financial condition.

There is a greater potential for disputes with reinsurers who are in runoff. Some of the Company's reinsurers' have operations that are in runoff, and therefore, the Company closely monitors those relationships. The Company anticipates that, similar to the rest of the insurance and reinsurance industry, it will continue to be subject to litigation and arbitration proceedings in the ordinary course of business.

### Item 1A. Risk Factors

The Company's results of operations and financial condition are subject to numerous risks and uncertainties described in Item 1A of Part I in the Company's 2020 Annual Report on Form 10-K, filed with the SEC on March 12, 2021. The risk factors identified therein have not materially changed.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company's Share Incentive Plan allows employees to surrender the Company's class A common shares as payment for the tax liability incurred upon the vesting of restricted stock. There were 9,815 shares surrendered by the Company's employees during the quarter ended March 31, 2021. All class A common shares surrendered by the Company's employees are held as treasury stock and recorded at cost until formally retired.

### Item 3. Defaults upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

None

**Item 6. Exhibits**

| | |
|---|---|
| 10.1 | Chief Executive Officer Agreement with David Charlton effective April 19, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated April 21, 2021 (File No. 001-34809)). |
| 10.2+ | Chief Executive Officer Agreement with David Charlton amended and restated as of May 7, 2021. |
| 10.3 | Terms of Employment with Jonathan E. Oltman effective January 19, 2021 (incorporated by reference to Exhibit 10.24 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (File No. 001-34809)). |
| 10.4 | Separation Agreement with Cynthia Y. Valko effective January 15, 2021 (incorporated by reference to Exhibit 10.21 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (File No. 001-34809)). |
| 22.1 | List of Co-Issuer Subsidiaries (incorporated by reference to Exhibit 22.1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (File No. 001-34809)). |
| 31.1+ | Certification of Principal Executive Officer pursuant to Rule 13a-14 (a) / 15d-14 (a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2+ | Certification of Chief Financial Officer pursuant to Rule 13a-14 (a) / 15d-14 (a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1+ | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2+ | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

\+ Filed or furnished herewith, as applicable.

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL INDEMNITY GROUP, LLC
Registrant

| | |
|---|---|
| Dated: May 10, 2021 | By: /s/ Thomas M. McGeehan |
| | Thomas M. McGeehan |
| | Chief Financial Officer |
| | (Authorized Signatory and Principal Financial and Accounting Officer) |

Pursuant to Item 601(b)(10)(iv) of Regulation S-K, certain identified information marked with [***] has been excluded from this exhibit because it is both (i) not material and (ii) is of the type that the registrant treats as private or confidential.

EXECUTION VERSION

GLOBAL INDEMNITY GROUP, LLC,

PENN-PATRIOT INSURANCE COMPANY

&

DAVID CHARLTON

CHIEF EXECUTIVE OFFICER AGREEMENT

Amended and Restated as of May 7, 2021

This amended and restated agreement of employment (this "Agreement") amends and restates, and replaces in its entirety, the agreement of employment (the "Original Agreement") among Global Indemnity Group, LLC ("GIG"), Penn-Patriot Insurance Company (including all of Penn-Patriot's direct and indirect subsidiaries, "Penn-Patriot" or the "Company") and David Charlton ("Executive") entered into on April 19, 2021 (the "Effective Date") and shall be effective as of the date first above written (the "Amendment Effective Date").

***Position, Responsibilities, & Reporting***: Executive shall serve as the chief executive officer ("CEO") of Penn-Patriot with responsibility for the entirety of the Company's insurance operations and businesses, excluding the management of the Company's cash and investments, for which the Investment Committee of Penn-Patriot's board of directors (the "Board") is primarily responsible. Executive also agrees to serve as a member of the Board. Executive shall report to the Board through Penn-Patriot's board chairman (the "Chairman").

***Term of Office***: Commencing at 12:01 AM on the Effective Date and expiring at 11:59 PM on December 31, 2026.

***Annual Base Salary***: $1,000,000

***Annual Bonus Target***: $1,000,000 +/-

- *Qualification*: Calendar years 2021, 2022, 2023, 2024, 2025, and 2026 (corresponding to the Company's fiscal years) are referred to herein as "Contract Year(s)". With respect to each Contract Year during which Executive served as CEO for the entirety of such year (or in the case of 2021, from the Effective Date through December 31, 2021), except as set forth below, if and only if Penn-Patriot's actual consolidated policy year underwriting income for such Contract Year determined no later than April 1 of the year immediately succeeding such Contract Year (as determined in accordance with Appendix A, "Actual Policy Year Underwriting Income") equals or exceeds 80% of the amount of Penn-Patriot's consolidated policy year underwriting income included in the business plan approved by the Board in respect of such Contract Year (as determined in accordance with Appendix A, "Business Plan Policy Year Underwriting Income"), then Executive shall be entitled to an uncapped bonus award ("Bonus Award") in respect of such Contract Year in an aggregate amount calculated in accordance with the following provisions.

- *Amount:*
    - 2.0% of Actual Policy Year Underwriting Income if the ratio of Actual Policy Year Underwriting Income to Business Plan Policy Year Underwriting Income equals or exceeds 100%, in each case with respect to the applicable Contract Year.
    - 1.6% of Actual Policy Year Underwriting Income if the ratio of Actual Policy Year Underwriting Income to Business Plan Policy Year Underwriting Income equals or exceeds 90% and is less than 100%, in each case with respect to the applicable Contract Year.
    - 1.2% of Actual Policy Year Underwriting Income if the ratio of Actual Policy Year Underwriting Income to Business Plan Policy Year Underwriting Income equals or exceeds 80% and is less than 90%, in each case with respect to the applicable Contract Year.
    - Notwithstanding the foregoing, the Bonus Award for calendar year 2021 shall be equal to the product of (i) $1,000,000.00 multiplied by (ii) a fraction, (x) the numerator of which shall be the number of calendar days elapsed from, and including, the date on which the Executive commences providing services to the Company to, and including, December 31, 2021 and (y) the denominator of which shall be 365, without regard to the ratio of Actual Policy Year Underwriting Income to Business Plan Policy Year Underwriting Income.
- *Payment*: The Bonus Award shall be satisfied as follows:
    - *50% Immediate Cash*: On April 1 of the calendar year immediately following the close of a Contract Year in respect of which Executive is entitled to a Bonus Award, if and only if Executive is on such date employed by the Company, then fifty percent (50%) of the Bonus Award in respect of such Contract Year shall be deemed earned by Executive and shall be paid by the Company to Executive in cash (the "Bonus Award Paid Amount"), and
    - *50% Deferred Subject to True-Up:* On April 1 of the fourth (4th) calendar year following the close of a Contract Year in respect of which Executive earned a Bonus Award, if and only if (i) Executive is then employed by the Company, (ii) Executive was employed by the Company continuously through December 31, 2026, or (iii) Executive's employment with the Company had been terminated by the Board without "Cause" (as defined

below), and Executive had not precipitated a "Cause Event" (as defined below), and, in the case of each of clauses (ii) and (iii), Executive had not materially breached any of Executive's material post-employment agreements with the Company, then, in any such case, the Bonus Award in respect of such Contract Year shall be redetermined (i.e., *trued-up*) based upon (x) the underwriting loss and loss adjustment expense developments in respect of such Contract Year as of December 31 of the third (3rd) calendar year following such Contract Year (the "True-up Date") and (y) an actuarial assessment of incurred but not reported underwriting losses and loss adjustment expenses in respect of such Contract Year as of the True-up Date (the 'Trued-up Bonus Award Amount"). In the event a Trued-up Bonus Award Amount for a Contract Year exceeds the Bonus Award Paid Amount in respect of the applicable Contract Year, then Executive shall at such time (i.e., April 1 of the fourth (4th) calendar year following the close of a Contract Year in respect of which Executive earned a Bonus Award) be paid an amount equal to 109% of the amount of such excess (the "Excess Payment") in cash (or, should the Board elect, in its absolute discretion, in shares of GIG stock (valued at the weighted average trading price of such shares as traded on NASDAQ on the first trading day of April (of the calendar year in which it was determined by the Board that Executive was entitled to an Excess Payment))).

**Book Value Appreciation Rights**: $25,000,000

- *Grant*: As of December 31, 2020, for purposes of this Agreement, GIG shall be deemed to have owned 46,696,700 Penn-Patriot book value appreciation rights ("BVARs") with an initial notional value of $10.00 per BVAR, totaling $466,967,000 of aggregate initial notional value, such amount being equal to the Company's book value as of that date. Each BVAR entitles the holder to the right to a pro rata appreciation in book value of the Company in accordance with its terms. Effective as of the Effective Date, Executive shall be granted under the Company's applicable incentive compensation plan, 2,500,000 BVARs having an initial notional value of $10.00 per BVAR for a total initial notional value of $25,000,000 ("Executive's BVARs"), such that the aggregate number of BVARs deemed to be outstanding as of the Effective Date is 49,196,700, with Executive's BVARs initially representing 5.08% of the total outstanding BVARs.

- *Vesting*: As of the Effective Date, all of Executive's BVARs are unvested but will vest in accordance with the following:

  (i) Notwithstanding anything to the contrary in this Agreement, in the event of a Change in Control (as defined in Appendix B) of the Company any time after the Effective Date, 100% of Executive's BVARs will vest, provided Executive is on the date of such Change in Control employed by the Company.

(ii) 60% of Executive’s BVARs will vest on December 31, 2024 provided Executive is employed by the Company.

(iii) 20% of Executive’s BVARs will vest on each of December 31, 2025 and December 31, 2026 provided Executive is employed by the Company on such dates.

(iv) Notwithstanding (ii) and (iii) above, in the event that prior to December 31, 2026 (x) Executive voluntarily terminates his employment, (y) Executive is terminated for Cause, or (z) Executive precipitates a Cause Event, all of Executive’s BVARs, whether vested or unvested, will be forfeited.

- *BVAR Value*: Except as described below in the event of a Change in Control, each of Executive’s BVARs that vest will have a value (the “BVAR Value”) equal to (i) Penn-Patriot’s Book Value Per BVAR (as defined in Appendix B) at December 31, 2026 multiplied by the Book Value Multiple (determined according to the table below), less (ii) a $0.30 (3.00% of notional value) per annum interest charge accruing from the Effective Date, less (iii) the $10.00 notional value. If the BVAR Value determined in accordance with the preceding sentence is less than $0.00, the BVAR Value will be deemed to be $0.00.

**Book Value Multiple Table**

For Scenarios 2-4, the highest Book Value Multiple qualified for will be the one applied.Penn-Patriot ResultsBook Value Multiple for Calculation of Executive's BVAR Value [1]ScenarioAverage ROE 2022-26NWP CAGR 2022-261Less than 8.37%orLess than 6.00%0.00x28.37% or moreand6.00% or more1.16x39.92% or moreand7.00% or more1.42x412.50% or moreand8.00% or more1.84x

[1] Book Value Multiple of each Scenario is intended to be a step and not to be interpolated.

Examples of determination of Book Value Multiple:

- If Penn-Patriot achieves an Average ROE (as defined in Appendix B) of 8.5% from 2022-26 and a NWP CAGR (as defined in Appendix B) of 5.0% from 2022-26, the Book Value Multiple is 0.00x.
- If Penn-Patriot achieves an Average ROE of 10.0% from 2022-2024 and a NWP CAGR of 7.0% from 2022-24, and Executive is terminated without Cause on January 1, 2025, the Book Value Multiple is 1.42x.

  - If Penn-Patriot achieves an Average ROE of 12.5% from 2022-2026 and a NWP CAGR of 10.0% from 2022-26, the Book Value Multiple is 1.84x.

- *BVAR Value in a Change in Control:* In the event of a Change in Control, so long as Executive is employed by the Company on the date of the consummation of such Change in Control, (i) each of Executive's vested BVARs shall be deemed to have a value (the "Change in Control Value") equal to (A) (1) the implied value of Penn-Patriot as provided for in the Change in Control transaction (or, if the implied value of Penn-Patriot is not provided for in a Change in Control transaction, the implied value of Penn-Patriot as determined by the Board, in its sole discretion, with reference to the terms of the Change in Control transaction) divided by (2) the total number of BVARs deemed to be outstanding on such date, less (B) a $0.30 (3.00% of notional value) per annum interest charge accruing from the Effective Date, less (C) the $10.00 notional value and (ii) the Company will pay, or cause to be paid, to Executive an amount equal to the Change in Control Value in cash (or, should the Board elect, in its absolute discretion, (x) in shares of GIG stock (valued at the volume weighted average trading price of such shares as traded on NASDAQ on the trading day preceding the date of such payment) or (y) if all or a portion of the consideration paid by the acquiror in such Change in Control is comprised of equity securities of the acquiror, in such equity securities (as valued by the Board, in its sole discretion)). Such payment shall be made to Executive within 30 days of such Change in Control unless such Change in Control does not constitute a "change in control event" within the meaning of Section 409A (as defined below), in which event such payment shall be made upon the regularly scheduled payment dates (or, if earlier, any other permissible payment date under Section 409A).

- *Examples of BVAR Value Calculation*:

  [***]

- *Capital Adjustments*: For purposes of this Agreement, Book Value Per BVAR shall be adjusted as follows:

  - *GIG Capital Contributions*: In the event that GIG or its affiliates make any capital contribution to the Company (whether in cash or in kind), or the Company issues any additional equity securities to GIG or its affiliates, after the Effective Date, for purposes of calculating Penn-Patriot's Book Value Per BVAR, such capital contribution or equity issuance shall be treated as senior to the BVARs (i.e., a preferred equity interest) and entitled to a priority return of 3.0% per annum, such that Penn-Patriot's book value shall be deemed to be reduced by an amount equal to the sum of the fair market value, as determined by the Board in its sole discretion, of such capital contribution (or, in the case of an equity issuance, the consideration received by the Company for such equity issuance) plus an interest charge accruing at a rate of 3.0% of such fair market value from the date of such capital contribution or equity issuance.

- *Third Party Capital Contributions*: In the event that any person other than GIG or its affiliates makes any capital contribution to the Company (whether in cash or in kind), or the Company issues any equity securities to any such person, after the Effective Date, for purposes of calculating Penn-Patriot's Book Value Per BVAR, the Company shall be deemed to have issued to such person a number of BVARs equal to (i) the fair market value of all consideration received by, or contributed to, the Company in respect of such capital contribution or equity issuance divided by (ii) the Book Value Per BVAR immediately prior to (and without giving effect to) such capital contribution or equity issuance, as determined by the Board in its sole discretion.

- *Distributions*: In the event that the Company makes any distributions to GIG (whether in cash or in kind) after the Effective Date, for purposes of calculating Penn-Patriot's Book Value Per BVAR, Penn-Patriot's book value shall be deemed to be increased by an amount equal to the amount of cash (or, in the case of a distribution in kind, the fair market value, as determined by the Board in its sole discretion, of the property) distributed to GIG plus an interest charge accruing from the date of such distribution at a rate per annum equal to (i) with respect to the portion of any distribution funded with indebtedness of the Company or its subsidiaries, the interest rate payable on such indebtedness and (ii) with respect to all other amounts distributed, the Company's annualized total investment return (expressed as a percentage) from the date of such distribution until such date of determination.

- *Affiliate Transfers*: In the event that any business currently conducted by the Company or any of its subsidiaries is transferred to GIG or any of its subsidiaries (other than the Company or any of its subsidiaries) after the Effective Date, the Board and Executive shall discuss in good faith whether any adjustments to the method of calculating the BVAR Value may be necessary to preserve the original intent of this Agreement.

• *Payment*: Except as described above in the event of a Change in Control, the Company will pay Executive in cash (or, should the Board elect, in its absolute discretion, in shares of GIG stock (valued at the weighted average trading price of such shares as traded on NASDAQ on the trading day preceding the date of such payment)) Executive's total BVAR Value as follows:

- *50% Immediately*: On April 1, 2027, if and only if Executive had not materially breached any of Executive's material post-employment agreements with the Company, then fifty percent (50%) of Executive's total BVAR Value shall be deemed earned by Executive and shall be paid by the Company to Executive (the "BVAR Value Paid Amount"), and

- *50% Deferred Subject to True-Up:* If on April 1, 2030 Executive had not materially breached any of Executive's material post-employment agreements with the Company, then Executive's total BVAR Value shall be redetermined (i.e., *trued-up*) based upon (i) the underwriting loss and loss adjustment expense developments in respect of all Contract Years as of December 31, 2029 (the “BVAR Value True-up Date”) and (ii) an actuarial assessment of incurred but not reported underwriting losses and loss adjustment expenses in respect of such Contract Years as of the BVAR Value True-up Date (the “BVAR Value Trued-up Amount”). In the event the BVAR Value Trued-up Amount exceeds the BVAR Value Paid Amount, then Executive shall at such time be paid 109% of the amount of such excess.

**Employee Benefits**: While employed by the Company, Executive may participate in all existing and future employee benefit plans, (e.g. pension and retirement, savings, medical, health and accident, life, disability) that are available to other senior executives of the Company in accordance with the terms of those plans as in effect from time to time, including four (4) weeks of paid vacation per year.

**Termination/Severance**: Executive’s employment by and with the Company shall be terminable by the Company at will in the sole discretion of the Board at any time whether with or without Cause or notice. In the event Executive’s employment by the Company is terminated by the Company prior to December 31, 2026, other than in respect of a Cause Event, and Executive did not materially breach, any of Executive’s material post-employment agreements with the Company, then Executive shall receive as severance an aggregate amount equal to the lesser of (i) one month of Base Salary for each 12 months of employment by the Company and (ii) Base Salary otherwise payable between the date of Executive’s termination of employment and December 31, 2026 and such lesser amount shall be payable monthly over a twenty-two month period beginning on the 60th day following the date of Executive’s termination of employment (the “Release Deadline”), provided that Executive’s entitlement to severance shall be subject to Executive providing an executed general release of claims in respect of the Company, GIG, and Fox Paine & Company, LLC, including in each case such companies’ and their respective affiliates’ officers, executives, agents, attorneys, advisors, members, managers, and employees in a form reasonably satisfactory to the Board and Fox Paine & Company, LLC (a “Release”), and not revoking any such Release within any legally applicable revocation period, in each case prior to the Release Deadline. In the event Executive terminates employment with the Company for any reason, Executive shall not be entitled to the severance payment described above.

“**Cause Event**” or “**Cause**” shall mean for all purposes of this Agreement any one or more of the following: (i) conduct of Executive constituting fraud, dishonesty, malfeasance, gross incompetence, gross misconduct, or gross negligence, (ii) Executive being officially charged with or indicted for a felony criminal offense involving violence or moral turpitude, (iii) Executive failing to follow the lawful written instructions of the Board or the Chairman, and (iv) Executive’s material violation of the Company’s governance rules, code of conduct, conflict of interest, or similar Company policies applicable to Company employees generally or senior executives generally. Solely with respect to a termination pursuant to clause (iii) of the immediately preceding sentence, Executive’s termination shall not constitute a termination for “Cause” or a “Cause Event” unless (x) the Company first provides Executive with written notice thereof within thirty (30) days after the event alleged to constitute Cause or a Cause Event, (y) to the extent correctable, Executive fails to cure the circumstance or event so identified within thirty (30) days after receipt of such notice, and (z) the effective date of Executive’s termination for Cause or a Cause Event occurs no later than thirty (30) days after the expiration of Employee's cure period.

**Restrictive Covenants**: Executive has executed the Company's (i) perpetual confidentiality and mutual non-disparagement agreements and (ii) two-year post-employment non-solicitation and non-competition agreements (the "Restrictive Covenant Agreement").

**Dispute Resolution**: Any disputes among CEO and GIG or the Company (including affiliates) will be resolved by confidential binding "baseball" type arbitration in Philadelphia, Pennsylvania under the auspices of JAMS, with each side responsible for its own attorneys fees and other related expenses. The governing law shall be that of New York.

**Indemnification**: To the fullest extent permitted by law, but subject to the provisions of the Certificate of Incorporation of the Company and the By-laws of the Company in effect from time to time (provided that no amendment thereto shall in any way lessen the Executive's rights hereunder to less than is provided in the Certificate of Incorporation and/or By-laws as of the Effective Date), the Company shall promptly, after receipt of a request by the Executive, indemnify, defend and hold harmless the Executive with respect to any claims against the Executive while the Executive (i) conducted himself in good faith in his capacity as an officer or director of the Company, whether by or on behalf of the Company, its shareholders or third parties and (ii) believed (a) in the case of conduct in his official capacity with the Company, that his conduct was in its best interests; and (b) in all other cases, that his conduct was at least not opposed to its best interests, unless (x) the Executive has breached or failed to perform the duties of his office pursuant to his fiduciary relation to the Company; and (y) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. For the avoidance of doubt, the provisions of this section shall, subject to the limitations set forth herein, apply to all actions by the Executive in his capacity as an executive of the Company, including hiring and recruiting activities.

Subject to approval by a majority vote of all disinterested directors of the Board, the Company shall, in addition, promptly advance to the Executive an amount equal to the reasonable fees and expenses incurred in defending such matters, promptly after receipt of a reasonably itemized request for such advance and a signed written undertaking by the Executive to repay any funds advanced if (i) the Executive is not entitled to mandatory indemnification under § 13.1-698 of the Virginia Stock Corporation Act (the "VSCA") and (ii) it is ultimately determined under § 13.1-700.1 or 13.1-701 of the VSCA that the director is not entitled to indemnification. The Company may procure insurance with respect to the obligations provided in this section of the Agreement and shall provide such additional indemnification protection to the Executive as may be provided to other directors or key executive officers of the Company.

Notwithstanding the foregoing, the provisions of this section shall not apply to (i) the responsibility or liability of the Executive pursuant to any criminal statute or (ii) the liability of the Executive for the payment of taxes pursuant to local, state or federal law.

**Deductions & Withholdings**: The Company shall make such deductions and withhold such amounts from any amounts owing to Executive as may be required from time to time by law, governmental regulation, or order.

**Sole Agreement, Amendments, Waivers, & Consents**: This Agreement, together with the Restrictive Covenant Agreement, constitutes the entire agreement and understanding of the parties hereto in respect of Executive's employment by the Company and supersedes all prior understandings, agreements or representations among Executive, Company, and GIG, including their affiliates, whether written or oral, relating to Executive's employment by the Company (including, for the avoidance of doubt, the Original Agreement). This Agreement may only be amended, the provisions hereof may only be waived, and consents and any notices with respect hereto shall only be effective if the amendment, waiver, notice, or consent is evidenced by a written document (including email) that is executed by Executive and the Company and approved by the Board, in its *sole discretion*.

**Severability**: In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

**Counterparts**: This Agreement may be executed in any number of counterparts by the parties hereto (including by means of telecopied signature pages or signature pages in "pdf" or a similar format sent as an attachment to an email message), each of which shall be deemed to be one and the same instrument.

**Compensation Committee Approval**: Notwithstanding any other provision of this Agreement, this Agreement shall not be binding upon either party unless this Agreement is approved in writing by the Compensation Committee of the Board, in its sole discretion.

**Certain Definitions**: Capitalized terms used but not defined in this Agreement shall have the meanings ascribed to them in Appendix B, "Definitions".

(i) **IRC 409A**: It is the intent of the parties that all payments and/or other benefits provided under this Agreement be exempt from or otherwise comply with Section 409A of the U S. Internal Revenue Code of 1986, as amended and the regulations and official guidance issued thereunder , as each may be amended from time to time (collectively, 'Section 409A"), so that none of the payments or other benefits provided hereunder will be subject to any adverse tax consequences of Section 409A. Notwithstanding anything to the contrary herein, to the maximum extent permitted, this Agreement shall be interpreted and administered consistent with such intent so as to provide for exemption or compliance with Section 409A. With respect to any taxable reimbursements or in-kind benefits provided to Executive by the Company (i) all such reimbursements of eligible expenses shall be made on or prior to the last day of the Executive's taxable year immediately following the taxable year in which such expenses were incurred, (ii) any right to such reimbursement shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of any such reimbursement or in kind benefit provided in any taxable year of the Executive shall not affect in any way the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Neither Executive nor any of Executive's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Executive hereunder may not be reduced by, or offset against, any amount owing by Executive to the Company or any of its affiliates.  Each payment or other benefit provided hereunder is intended to constitute a separate payment for purposes of Section 409A. Executive shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on Executive or for Executive's account in connection with this Agreement, and neither the Company nor any of its subsidiaries and affiliates shall have any obligation to indemnify or otherwise hold Executive harmless from any or all of such taxes or penalties.

(ii) Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Executive would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A.  Without limiting the foregoing and notwithstanding anything herein to the contrary, (i) if at the time of Executive's termination of employment with the Company Executive is a "specified employee" as defined in Section 409A and the benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to Executive) until the date that is six months following Executive's termination of employment with the Company (or the earliest date as is permitted under Section 409A) and (ii) if any other payments of money or other benefits due to Executive hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Board, that does not cause such an accelerated or additional tax.

**Further Documentation**:  Should Company counsel reasonably  determine that it would be beneficial for Executive and the Company to further document any of the provisions of this Agreement, the parties agree to execute such documentation, which shall not conflict with any of the provisions hereinabove.

[*Signature page follows*]

By their execution below, the parties hereto acknowledge their agreement to the foregoing as of the Amendment Effective Date:

**GLOBAL INDEMNITY GROUP, LLC**

By: /s/ Saul Fox
Saul Fox
Authorized Signatory

Date Executed: May 7, 2021

**PENN-PATRIOT INSURANCE COMPANY**

By: /s/ Saul Fox
Saul Fox
Authorized Signatory

Date Executed: May 7, 2021

**EXECUTIVE**

By: /s/ David Charlton
David Charlton

Date Executed: May 7, 2021

[*Signature Page to Chief Executive Officer Agreement*]

## Appendix A

## Calculation of Policy Year Underwriting Income

For purposes of this CEO Agreement, underwriting income is calculated as:

(i) "Policy Year Underwriting Income", plus

(ii) A "Discount of Casualty Loss Expenses" to reflect investment income attributable to long-term casualty loss reserves.

"Policy Year Underwriting Income" is calculated as:

(i) All Net Written Premium in a Contract Year, whether or not such premium is earned in such Contract Year, plus,

(ii) Policy fee income and policy-related reimbursed expenses (e.g., credit card fees) attributable to such Net Written Premium, less

(iii) Loss Expenses attributable to such Net Written Premium, less

(iv) Underwriting Expenses (including Commissions, Premium Related Charges and Operating Expenses) attributable to such Net Written Premium.

The "Discount of Casualty Loss Expenses" is calculated as:

(i) Loss Expenses attributable to Casualty Net Written Premium in a Contract Year, whether or not such premium is earned in such Contract Year, multiplied by

(ii) The average investment income rate for assets with comparable duration to Penn-Patriot's anticipated cash payout of such Loss Expenses, multiplied by

(iii) The difference between Penn-Patriot's anticipated casualty loss reserve weighted average life (in years) and Penn-Patriot's anticipated property loss reserve weighted average life (in years).

[***]

## Appendix B

## Definitions

**Average Return on Equity (Average ROE)**: The average annual ROE (determined in accordance with GAAP) from January 1, 2022 through December 31, 2026 (or, if Executive is terminated without Cause prior to December 31, 2026, the date of such termination).

**Book Value Per BVAR**: For Penn-Patriot, as of any specified date, (i) the Company's book value (determined in accordance with GAAP) as of such specified date (determined after deduction for all current and reserved payments to Executive (in the form of salary, bonus, BVARs and all other)) divided by (ii) the total number of BVARs deemed to be outstanding on such specified date. Book Value Per BVAR shall be adjusted to give effect to certain changes in the capital structure of the Company as set forth in this Agreement under the heading "Capital Adjustments".

**Change in Control**: (A) the acquisition of all or substantially all of the assets of Penn-Patriot by a "person" (as such term is defined in Section 3(a)(9) of the U.S. Securities Exchange Act of 1934 and such term is used in Section 13(d)(3) and 14(d)(2) of such Act) or a group of "persons" which is not an affiliate of GIG or Fox Paine & Company, LLC, the members thereof, or Fox Paine Capital Fund II, L.P. (an "Unaffiliated Person"), (B) a merger, consolidation, statutory share exchange or similar form of corporate transaction involving Penn-Patriot or GIG after which a majority of the voting power of the resulting entity is controlled by an Unaffiliated Person, or (C) the acquisition by an Unaffiliated Person of sufficient voting shares of Penn-Patriot or GIG to cause the election of a majority of the members of the Board or the GIG board of directors.

**NWP CAGR**: The cumulative average growth rate of Penn-Patriot's Net Written Premium (determined in accordance with GAAP) from full year 2021 through December 31, 2026 (or, if Executive is terminated without Cause prior to December 31, 2026, the date of such termination), as adjusted by the Board, in its sole discretion, to exclude the impact of acquisitions or divestitures in the calculation of the NWP CAGR.

**Return on Equity (ROE)**: Penn-Patriot's net income (determined in accordance with GAAP) for a Contract Year divided by Penn-Patriot's average book value (determined in accordance with GAAP) during such Contract Year. Net Income, book value and ROE are calculated after deduction for all current and reserved payments to Executive (in the form of salary, bonus, BVARs and all other).

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, David S. Charlton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Global Indemnity Group, LLC;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

   d) Disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2021

/s/ David S. Charlton
David S. Charlton
Principal Executive Officer

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a)/15d-14(a),**
**AS ADOPTED PURSUANT TO SECTION 302**
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas M. McGeehan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Global Indemnity Group, LLC;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

    d) Disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2021

/s/ Thomas M. McGeehan
Thomas M. McGeehan
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906**
**OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Global Indemnity Group, LLC (the "Company") on Form 10-Q for the quarterly period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David S. Charlton, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2021

/s/ David S. Charlton
David S. Charlton
Principal Executive Officer

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906**
**OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Global Indemnity Group, LLC (the "Company") on Form 10-Q for the quarterly period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas M. McGeehan, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2021

/s/ Thomas M. McGeehan
Thomas M. McGeehan
Chief Financial Officer