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Premia Reinsurance Ltd.

Financial Statements
and Report of Independent Auditors

For the Period October 31, 2016 (Date of Incorporation) to December 31, 2017

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Premia Reinsurance Ltd.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Premia Reinsurance Ltd.

We have audited the accompanying financial statements of Premia Reinsurance Ltd., which comprise the balance sheet as of December 31, 2017, and the related statements of operations and comprehensive income, changes in shareholder's equity, and cash flows for the period from October 31, 2016 (Date of Incorporation) to December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Premia Reinsurance Ltd. as of December 31, 2017, and the results of its operations and its cash flows for the period then ended in accordance with U.S. generally accepted accounting principles.

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Other matter

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts in Note 5 to the basic financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 30, 2018

Premia Reinsurance Ltd.

Balance Sheet

as at December 31, 2017

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

		December 31, 2017	
Assets			
Investments at fair value	$	963,608	Note 3, 4
Cash and cash equivalents		117,984	
Restricted cash and cash equivalents		270,857	
Deferred charge asset		348,228	Note 5
Reinsurance recoverable on unpaid losses		39,819	Note 5
Receivable for securities sold		8,089	
Intercompany receivable		9,666	
Other assets		358	
Accrued investment income		5,397	
Total Assets	**$**	**1,764,006**	
Liabilities			
Reserve for losses and loss adjustment expenses	$	1,184,278	Note 5
Ceded funds held		39,819	
Assumed losses payable		618	
Payable for securities purchased		16,459	
Other liabilities		5,392	
Total Liabilities		**1,246,566**	
Shareholder's Equity			
Common shares *($1.00 par; shares authorized, issued and outstanding: 1,000,000)*		1,000	Note 6
Additional paid-in capital		503,000	
Retained earnings (deficit)		7,182	
Accumulated other comprehensive income (loss)		6,258	
Total Shareholder's Equity		**517,440**	
Total Liabilities and Shareholder's Equity	**$**	**1,764,006**	

Premia Reinsurance Ltd.

Statement of Operations and Comprehensive Income

for the period October 31, 2016 (Date of Incorporation) to December 31, 2017

(Expressed in thousands of U.S. dollars)

		Period Ended December 31, 2017	
Revenues			
Gross premiums written	$	856,500	
Ceded premiums		(45,375)	
Net premiums written		811,125	
Change in unearned premiums		-	
Net premiums earned		811,125	
Net investment income		17,239	Note 3
Net realised gains (losses)		285	
Total revenues		**828,649**	
Expenses			
Loss and loss adjustment expenses		(809,494)	Note 5
Acquisition expenses		(6,805)	
Operating expenses		(5,168)	
Total expenses		**(821,467)**	
Net income (loss) available to common shareholders	**$**	**7,182**	
Other Comprehensive Income			
Change in net unrealized gains on available-for-sale investments			
Net holding gains (losses) arising during the period		6,543	
Reclassification adjustments for net (gains) losses included in net (income) loss		(285)	
Change in net unrealized gain (loss) on investments		6,258	
Total other comprehensive income		**6,258**	
Comprehensive income (loss) available to common shareholders	**$**	**13,440**	

Premia Reinsurance Ltd.

Statement of Changes in Shareholder's Equity

for the period October 31, 2016 (Date of Incorporation) to December 31, 2017

(Expressed in thousands of U.S. dollars)

		December 31, 2017
Common Shares		
Balance at beginning of period	$	-
Common shares issued		1,000
Balance at end of period		1,000
Additional Paid-in Capital		
Balance at beginning of period		-
Common shares issued, net		503,000
Balance at end of period		503,000
Accumulated Other Comprehensive Income (Loss)		
Balance at beginning of period		-
Holding gains (losses) on available-for-sale securities arising in the period		6,543
Net realized (gains) losses on available-for-sale securities included in net (income) loss		(285)
Balance at end of period		6,258
Retained Earnings (Deficit)		
Balance at beginning of period		-
Net income (loss)		7,182
Balance at end of period		7,182
Total Shareholder's Equity	**$**	**517,440**

Premia Reinsurance Ltd.

Statement of Cash Flows

for the period October 31, 2016 (Date of Incorporation) to December 31, 2017

(Expressed in thousands of U.S. dollars)

		Period Ended December 31, 2017
Operating Activities		
Net income (loss)	$	7,182
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net realized (gains) losses on available-for-sale investments		(285)
Changes in assets and liabilities:		
Reserve for losses and loss adjustment expenses		1,184,278
Assumed losses payable		618
Deferred charge asset		(348,228)
Reinsurance recoverable on unpaid losses		(39,819)
Ceded funds held		39,819
Other assets		(358)
Other liabilities		5,392
Accrued investment income		(5,397)
Intercompany with Premia Holdings		(9,666)
Net cash (used in) provided by Operating Activities		833,536
Investing Activities		
Purchase of available-for-sale investments		(1,228,679)
Proceeds from sale or redemption of available-for-sale investments		279,984
Net cash (used in) provided by Investing Activities		(948,695)
Financing Activities		
Proceeds from paid-in capital		504,000
Net cash (used in) provided by Financing Activities		504,000
Increase (decrease) in cash, cash equivalents and restricted cash		388,841
Cash, cash equivalents and restricted cash at beginning of period		-
Cash, cash equivalents and restricted cash at end of period	**$**	**388,841**
Reconciliation to Balance Sheet		
Cash and cash equivalents		117,984
Restricted cash and cash equivalents		270,857
Cash, cash equivalents and restricted cash	**$**	**388,841**

Premia Reinsurance Ltd.

Notes to the Financial Statements
For the period October 31, 2016 (Date of Incorporation) to December 31, 2017
(Expressed in thousands of U.S. dollars, except share data)

1. Organization

Premia Reinsurance Ltd. ("Premia Re" or the "Company") was incorporated in Bermuda on October 31, 2016 as a Bermuda exempted company, and obtained a license from the Bermuda Monetary Authority ("BMA") to operate as a Class 4 insurer and reinsurer under the Insurance Act 1978 (the "Act") on January 1, 2017. The ultimate parent company of Premia Re is Premia Holdings Ltd. ("Premia Holdings"), which was incorporated in Bermuda on October 6, 2016, and was capitalized on January 6, 2017.

Premia Re was capitalized with $500,000 and $4,000 on January 9, 2017 and February 3, 2017, respectively, by Premia Holdings.

During the period ended December 31, 2017 the Company entered into two retroactive reinsurance agreements with third parties both of which are accounted for as short-duration insurance contracts.

The first agreement became effective on June 30, 2017 and covers exposures through April 1, 2017. Under the agreement, Premia Re agreed to indemnify the cedant ("Client 1") for up to $1,025,000 in the aggregate for paid ultimate net loss ("UNL") in excess of $5,963,000. In consideration of the coverage provided, Client 1 paid Premia Re $675,000 in premium. In addition, Premia Re receives a $1,000 annual claims administration monitoring fee for up to 30 years, first payable on July 15, 2017 and on each July 15 thereafter. The best estimate of loss reserves for this contract is $1,025,000 implying a full limit loss.

On September 30, 2017, Premia Re entered into a retroactive reinsurance agreement in which it agreed to indemnify the cedant ("Client 2") for up to $240,000 in UNL in the aggregate. The reinsurance contract is segmented into coverage sections, referred to as Sections A, B and C, each of which relates to defined underlying type(s) of business and/or period of coverage and each section has a sub-limit. In consideration of the coverage provided, Client 2 paid $181,500 of premium to Premia Re. At inception Premia Re booked a best estimate of gross reserves assumed for this contract of $176,962. Premia Re has ceded 25% of this transaction to Arch Re on a pro rata basis.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

(b) Use of estimates

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

- valuation of loss and loss adjustment expenses;
- valuation of investments; and
- a deferred charge asset ("DCA").

(c) Premiums

Premiums for retroactive reinsurance contracts are earned at the inception of the contract, as all of the underlying loss events covered by our contracts occurred in the past.

(d) Reinsurance premiums ceded

Retrocessional coverage was used to limit the Company's exposures to risks of losses arising from reinsurance contract 2. The Company remains obligated to the extent that any retrocessionaire fails to meet its obligations to it. Reinsurance premiums ceded which relate to retroactive reinsurance contract, are written during the period in which the risks incept and are earned at the inception of the contract. Unearned premiums ceded, if any, consist of the unexpired portion of reinsurance ceded.

(e) Retroactive reinsurance

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered by the underlying policies reinsured. Underwriting income (or loss) generated in connection with retroactive reinsurance contracts is deferred and amortized using the interest rate method over the expected claims settlement period. Changes to the estimated timing or amount of loss payments produce changes in periodic amortization. Changes in such estimates are applied retrospectively and are included within net income in the period in which changes are made. A DCA is reported within outstanding losses and loss expenses in the consolidated balance sheet when the premium received is less than the best estimate of the reserves assumed. The DCA amortization is recognized within net losses and loss adjustment expenses in the consolidated statement of operations.

(f) Acquisition costs

Acquisition costs, consisting principally of brokerage and Federal Excise Tax ("FET"), incurred at the time a retroactive reinsurance contract is issued and which directly relate to the successful effort of acquiring such new reinsurance contract, are typically expensed at inception consistent with how the premium is earned. With respect to Contract 2, both brokerage and FET were expensed at inception. With

respect to Contract 1, FET is included within DCA and amortized over the life of the transaction. Contract 1 did not incur brokerage costs.

(g) Loss and loss adjustment expenses

The Company establishes reserves for outstanding losses and loss expenses for what it estimates will be the future amount to be paid in settlement of its ultimate liabilities for claims arising under reinsurance contracts that have occurred at or before the consolidated balance sheet date. The estimation of ultimate loss and loss expense liabilities is a significant judgement made by management and is inherently subject to significant uncertainties.

The Company's loss and loss adjustment expense reserves include case reserves, reserves for losses incurred but not reported ("IBNR reserves"), and deferred losses on retroactive reinsurance contracts. Case reserves are established for losses that have been reported, but not yet paid. IBNR reserves represent the estimated loss and loss adjustment expenses that have been incurred by insureds and reinsureds but not yet reported, including unknown future development on loss and loss adjustment expenses that are known to the reinsured. IBNR reserves are established by management based on actuarially determined estimates of ultimate loss and loss adjustment expenses. Deferred losses represent the underwriting deficit related to retroactive reinsurance exposures in reinsurance contracts at inception and are deferred and amortized over the estimated future settlement period of the contract.

Inherent in the estimate of ultimate loss and loss adjustment expenses are expected trends in claim severity and frequency and other factors that may vary significantly as claims are settled. Accordingly, ultimate loss and loss adjustment expenses may differ materially from the amounts recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes available, the reserves may be adjusted as necessary. Such adjustments, if any, are recorded in the consolidated statement of income in the period in which they become known unless it relates to a contract in which DCA has been established, in which case such change will require the DCA to be updated which will impact the amortization of DCA over time. To the extent it becomes apparent that insufficient or excess DCA has been amortized to date, an adjustment will be made within the year in question.

(h) Cash and cash equivalents

Cash equivalents include highly liquid instruments, such as money market funds and other time deposits with commercial banks and financial institutions which have maturities of less than three months from the date of purchase.

Restricted cash and cash equivalents in the amount of $270,857 consist of cash and cash equivalents held in trust accounts securing obligations under certain reinsurance contracts.

(i) Investment and net investment income

The Company currently classifies all of its investments as "available-for-sale" and, accordingly, they are carried at estimated fair value with the changes in fair value recorded as an unrealized gain or loss component of accumulated other comprehensive income in Shareholder's equity.

The fair value of the Company's investments is based on quoted market prices, or when such prices are not available, by reference to broker bid indications or industry recognized pricing vendors. Investment transactions are recorded on a trade date basis with balances pending settlement included in receivable / payable for securities sold / purchased in the consolidated balance sheet.

Realized gains and losses on sales of investments are determined on a first-in, first-out basis. Net investment income is recognized when earned and includes interest and dividend income, together with amortization of market premiums and discounts using the effective yield method, and is net of investment management and custody fees and sponsor oversight fees.

The Company performs an annual review of its investments to determine whether declines in fair value below the cost basis are considered other-than-temporary in accordance with applicable accounting guidance regarding the recognition and the presentation of other-than-temporary impairments ("OTTI"). The process of determining whether a security is other-than-temporarily impaired requires judgement and involves analyzing many factors. These factors include an analysis on the liquidity, business prospects and overall financial condition of the issuer, the time period in which there was a significant decline in value, the significance of the decline, and the analysis of specific credit events. The Company evaluates the unrealized losses of its securities by issuer and forecasts a reasonable period of time by which the fair value of the securities would increase and the Company would recover its costs. If the Company is unable to forecast a reasonable period of time in which to recover the cost of its securities, a net impairment loss in earnings equivalent to the entire unrealized loss is recognized. The Company did not recognize any OTTI within the financial statements presented.

(j) Fair value measurement

The Company uses pricing services to obtain the fair value measurements for the majority of its investment securities. Based on management's understanding of the methodologies used, these pricing services only produce an estimate of fair value if there is observable market information that would allow them to make a fair market value estimate. Based upon our understanding of the market inputs used in the pricing services, all applicable investments have been valued in accordance with GAAP. The Company does not adjust prices from pricing services. The following is a description of the valuation techniques and inputs used to determine fair values for financial instruments carried at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The Company's pricing services determine fair value in accordance with current accounting guidance, which defines fair value and establishes a three level fair value hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Fair value is defined as the price that the Company would receive to sell an asset or would pay to transfer a liability in an orderly transaction between market participants at the measurement date. An asset or liability's categorization within the fair value hierarchy

is based on the lowest level of significant input to its valuation. The hierarchy is broken down into three levels as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgement.
- Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally Company generated inputs and are not market based inputs.

Fair values for other investments, including investments in investment funds and limited partnerships are based on their respective net asset value ("NAV") and are excluded from the level 1, 2 and 3 fair value hierarchy.

(k) Recent accounting pronouncements

Recently adopted

In May 2015, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") 2015-09, concerning the disclosure regarding the liability for unpaid claims and claims adjustment expenses for insurance entities. The update amends the disclosure requirements applicable for all insurance entities that issue short-duration contracts requiring disaggregated claims development tables and related information for short-duration contracts. While the adoption of this guidance impacted the Company's disclosures, it did not have an impact on the Company's financial statements. Management has omitted certain disclosures as they are not considered meaningful given the Company's business model of writing retroactive reinsurance contracts. This is effective for years beginning after December 15, 2016. This has had no impact on the Company's financial position, results of operations, or cash flows.

In November 2015, the FASB issued ASU 2015-17, concerning balance sheet classification of deferred taxes. The update amends current GAAP requirements to separate deferred income tax liabilities and assets into current and noncurrent classifications. The amendment in this update requires deferred tax liabilities and assets be classified as noncurrent in the balance sheet. This is effective for years beginning after December 15, 2016. This has had no impact on the Company's financial position, results of operations, or cash flows.

In November 2016, FASB issued ASU 2016-18, Restricted Cash. ASU 2016-18 was issued to limit the amount of diversity in the classification and presentation of changes in restricted cash in the statement of cashflows. This amendment requires that amounts described as restricted cash and cash equivalents be included with cash and cash equivalents when reconciling total cash and cash equivalents on the statement of cashflows. The amendment is effective for years beginning after December 15, 2018.

Management has reviewed and implemented ASU 2016-18 in accordance with the new US GAAP pronouncement and as a result there was no significant impact on the Company's financial position, results of operations, or cash flows.

Recently issued but not yet adopted

In January 2016, the FASB issued an ASU No. 2016-01, concerning accounting for equity investments and financial liabilities. The amendment in this update requires the following: Equity investments with readily determinable fair values - these equity investments are measured with changes in fair value recognized in net income. Equity investments without readily determinable fair values - Entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices and impairment. Changes in measurement under either alternative are recognized in net income. Financial Liabilities - Entities that elect the fair value option for financial liabilities must recognize changes in fair value related to instrument specific credit risk in other comprehensive income (OCI). Deferred Taxes - Entities must assess valuation allowances for deferred tax assets related to available-for-sale fixed income securities in combination with their other deferred tax assets. This ASU is effective for years beginning after December 15, 2018. The Company is currently evaluating the impact of this guidance and does not expect a significant impact on the Company's financial position, results of operations, or cash flows.

In February 2016, FASB issued ASU 2015-03, Leases, after which lessees will recognize most leases on-balance sheet. It is effective for annual periods beginning after December 15, 2019. The Company does not expect a significant impact on the Company's financial position, results of operations, or cash flows.

In January 2017, the FASB issued ASU 2017-01 to clarify the definition of a business in ASC 805, Business Combinations, with the intent of making the application of the guidance more consistent and cost efficient. This clarification is expected to result in few acquired sets of assets and liabilities being identified as businesses. This is effective for years beginning after December 15, 2018 and has no impact on the Company's financial position, results of operations, or cash flows.

3. Investments

a) The following tables summarize the Company's available-for-sale investments. Commercial and residential mortgage-backed securities include securities issued by U.S. government-sponsored enterprises and U.S. government agencies.

	December 31, 2017			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Fixed maturities				
Corporate bonds	$ 289,581	$ 2,851	$ (790)	$ 291,642
Non-agency mortgage-backed securities	174,699	3,650	(1,310)	177,039
U.S. government and govt agency bonds	31,867	6	(138)	31,735
Non-U.S. governments	1,486	-	(9)	1,477
Municipals	9,820	121	(7)	9,934
Agency mortgage-backed securities	17,415	10	(146)	17,279
Asset backed securities	83,371	518	(202)	83,687
Term loans	172,667	871	(343)	173,195
Total fixed maturities	780,906	8,027	(2,945)	785,988
Other investments				
Debt fund	173,444	1,218	-	174,662
Private equity fund	3,000	-	(42)	2,958
Total other investments	176,444	1,218	(42)	177,620
Total investments	$ 957,350	$ 9,245	$ (2,987)	$ 963,608

b) The following tables summarize gross unrealized investment losses by the length of time that securities have continuously been in an unrealized loss position.

	December 31, 2017											
	Less than 12 months				12 months or longer				Total			
		Fair Value		Gross Unrealized Holding Losses		Fair Value		Gross Unrealized Holding Losses		Fair Value		Gross Unrealized Holding Losses
Fixed maturities												
Corporate bonds	$	123,434	$	(790)	$	-	$	-	$	123,434	$	(790)
Non-agency mortgage-backed securities		94,294		(1,310)		-		-		94,294		(1,310)
U.S. government and govt agency bonds		27,542		(138)		-		-		27,542		(138)
Non-U.S. governments		1,477		(9)		-		-		1,477		(9)
Municipals		652		(7)		-		-		652		(7)
Agency mortgage-backed securities		16,989		(146)		-		-		16,989		(146)
Asset backed securities		43,986		(202)		-		-		43,986		(202)
Term loans		51,501		(343)		-		-		51,501		(343)
Total fixed maturities		359,875		(2,945)		-		-		359,875		(2,945)
Other investments												
Debt fund		-		-		-		-		-		-
Private equity fund		2,958		(42)		-		-		2,958		(42)
Total other investments		2,958		(42)		-		-		2,958		(42)
Total investments	$	362,833	$	(2,987)	$	-	$	-	$	362,833	$	(2,987)

At December 31, 2017 the Company held 354 securities in an unrealized loss position with a total estimated fair value of $362,833 and gross unrealized losses of $2,987. None of the securities had been in a continuous unrealized loss position for one year or longer. The Company has the ability and intent to hold securities for a period of time sufficient to allow the anticipated recovery of their fair value.

At December 31, 2017 the Company completed a detailed analysis to assess whether the decline in the fair value of any investment below its cost basis is deemed other-than-temporary. All securities with unrealized losses are reviewed. The Company considers many factors in completing its review of securities with unrealized losses for other-than-temporary impairment, including the length of time and the extent to which fair value has been below cost and the financial condition and near-term prospects of the issuer. For equity securities, the ability and intent to hold the security for a period of time sufficient to allow for anticipated recovery is considered. For fixed maturity securities, the Company considers whether it intends to sell the security or if it is more likely than not that it will be required to sell the security before recovery, the implied yield-to-maturity, the credit quality of the issuer and the ability to recover all amounts outstanding when contractually due.

For equity securities, a decline in fair value that is considered to be other-than-temporary is recognized in net income based on the fair value of the security at the time of assessment, resulting in a new cost basis for the security. For fixed maturity securities where the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, a decline in fair value is considered to be other-than-temporary and is recognized in net income based on

the fair value of the security at the time of assessment, resulting in a new cost basis for the security. If the decline in fair value of a fixed maturity below its amortized cost is considered to be other-than-temporary based upon other considerations, the Company compares the estimated present value of the cash flows expected to be collected to the amortized cost of the security. The extent to which the estimated present value of the cash flows expected to be collected is less than the amortized cost of the security represents the credit-related portion of the other-than-temporary impairment, which is recognized in net income, resulting in a new cost basis for the security. Any remaining decline in fair value represents the non-credit portion of the other-than-temporary impairment, which is recognized in other comprehensive income (loss). The discount rate used to calculate the estimated present value of the cash flows expected to be collected is the effective interest rate implicit for the security at the date of purchase.

When assessing whether it intends to sell a fixed maturity or if it is likely to be required to sell a fixed maturity before recovery of its amortized cost, the Company evaluates facts and circumstances including decisions to reposition the investment portfolio, potential sales of investments to meet cash flow needs and, ultimately, current market prices.

c) The following table sets forth certain information regarding the investment ratings of the Company's available-for-sale fixed maturity securities as of December 31, 2017.

	December 31, 2017		
		Fair Value	%
AAA	$	56,160	7.1%
AA		85,379	10.9%
A		234,220	29.8%
BBB		55,183	7.0%
BB		19,068	2.4%
B		13,938	1.8%
CCC or lower		44,190	5.6%
Not Rated		277,850	35.4%
Total fixed maturity	$	785,988	100.0%

d) The amortized cost and estimated fair value of fixed maturity securities at December 31, 2017 are shown below by contractual maturity.

	Amortized Cost	Fair Value
Due in one year or less	$ 24,833	$ 24,871
Due after one year through five years	137,300	137,121
Due after five years through ten years	102,595	103,033
Due after ten years	240,694	242,958
Agency mortgage-backed securities	17,415	17,279
Asset backed securities	83,370	83,687
Non-agency mortgage-backed securities	174,699	177,039
Total fixed maturities	$ 780,906	$ 785,988

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, and the lenders may have the right to put the securities back to the borrower. Based on expected maturities, the estimated duration of fixed maturity securities at December 31, 2017 was 7.65 years.

e) The following table presents the components of net investment income.

Fixed maturities	$ 16,070
Debt funds	672
Assumed investment income	6,238
Gross investment income	22,980
Investment expenses	(5,741)
Net investment income	$ 17,239

Assumed investment income of $6,238 relates to the investment income earned on reinsurance premium receivable related to contracts written in 2017, calculated from the inception of the reinsurance contracts to the earlier of date of receipt of reinsurance premium or period end.

f) The following table presents net realized investment gains and the change in net unrealized gains on investments.

		2017
Realized Gains		
Cash and cash equivalents	$	2
Corporate bonds		109
Non-agency mortgage-backed securities		935
U.S. government and govt agency bonds		15
Agency mortgage-backed securities		10
Asset backed securities		37
Term loans		269
Total Realized Gains		1,377
Realized Losses		
Corporate bonds		(2)
Non-agency mortgage-backed securities		(637)
U.S. government and govt agency bonds		(24)
Asset backed securities		(1)
Term loans		(428)
Total Realized Losses		(1,092)
Gains (losses) on securities measured at fair value through net income		
Net Realized investment gains	$	285
Change in net unrealized gains on investments included in other comprehensive income (loss)		
Fixed maturities	$	5,082
Other investments		1,176
Net increase (decrease)	$	6,258

Gross realized losses in 2017 included $0 of write downs for other-than-temporary declines in the estimated fair value of investments.

4. Fair value measurements

At December 31, 2017 the Company's financial instruments are measured at fair value between Levels 1, 2, and 3. Certain of our other investments are measured at fair value using NAV as a practical expedient and have not been classified with the fair value hierarchy described. Debt and private equity funds measured at NAV have been disclosed as a separate line item as NAV:

	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed maturities					
Corporate bonds	$ -	$ 291,642	$ -	$ -	$ 291,642
Non-agency mortgage-backed securities	-	175,074	1,965	-	177,039
U.S. government and govt agency bonds	-	31,735	-	-	31,735
Non-U.S. governments	-	1,477	-	-	1,477
Municipals	-	9,934	-	-	9,934
Agency mortgage-backed securities	-	17,279	-	-	17,279
Asset backed securities	-	83,687	-	-	83,687
Term loans	-	52,633	120,562	-	173,195
Total fixed maturities		663,461	122,527	-	785,988
Other investments					
Debt fund	-	152,982	-	21,680	174,662
Private equity fund	-	-	-	2,958	2,958
Total other investments	-	152,982	-	24,638	177,620
Total investments	$ -	$ 816,443	$ 122,527	$ 24,638	$ 963,608

The following table presents a reconciliation of the beginning and ending balances for all financial instruments measured at fair value on a recurring basis using the Level 3 inputs for the period ended December 31, 2017:

Balance at beginning of period, October 31, 2016	$ -
Purchases and amortization	123,323
Maturities and redemption	(792)
Net unrealized gains / (losses)	(4)
Balance at end of period, December 31, 2017	$ 122,527

The following table presents additional information with respect to investments that are measured at fair value using NAV as a practical expedient.

	Fair Value	Redemption Frequency	Redemption Notice Period
Debt fund	$ 21,680	Quarterly	65 days
Private equity fund	2,958	10 years, subject to an extension for up to two consecutive one-year periods	NA
	$ 24,638		

The Debt fund is a European based fund investing in a broad range of credit strategies with investments across a dozen credit-related asset classes. These credit-related asset classes include; residential mortgages, global high yield corporate bonds, financial bonds, global broadly syndicated bank loans, middle market loans, emerging market corporate debt, long-dated developed market investment-grade corporate bonds, insurance-related securities, commercial real estate debt securities, infrastructure and infrastructure related investments, and other specialty asset classes. The fund relies on its deep industry, credit and financial experience. The fund provides the opportunity to improve risk-adjusted returns, by, for example, reducing exposure to a particular credit asset class when it becomes overvalued in favor of a different credit asset class that is relatively undervalued.

The Private Equity Fund will seek to make opportunistic intellectual property related investments, primarily by acquiring undervalued patent portfolios or acquiring all or a portion of undervalued companies where the Manager believes that the value of the company's intellectual property is greater than the acquisition cost of the company itself. The Fund will also seek to opportunistically originate loans to companies collateralized by their intellectual property and other assets, with such financing generally containing upside participation rights in the value of the IP. The Fund expects to invest primarily in North America and Western Europe, but may also invest in Asia and elsewhere on an opportunistic basis.

5. Outstanding losses and loss expenses

As at December 31, 2017 loss and loss adjustment expense reserves in the balance sheet was comprised of the following:

Gross losses assumed during the period	$	1,201,963
(-) Gross assumed losses paid		(17,685)
Reserve for losses and loss adjustment expenses	$	1,184,278

The recoverable for losses and loss adjustment expenses of $39,819 relates to Arch Re's 25% share of the contract effective September 30, 2017 written for Client 2 (See Note 1).

The following table represents the activity in outstanding losses and loss expenses for the period ended December 31, 2017:

Gross losses assumed during the period	$	1,201,963
(-) Ceded paid loss		(4,422)
(-) Ceded case loss reserves		(39,819)
(-) Deferred charge asset		(348,228)
Loss and loss adjustment expenses	$	809,494

Included in loss and loss adjustment expenses is $348,228 of DCA related to the insurance contract effective June 30, 2017 written for Client 1 (Note 1). The DCA is amortized using the interest rate

method over the remaining claim settlement period based on expected investment income earned from the consideration received of $675,000 less Federal Excise Tax of $3,400. The DCA is thereby reduced in proportion to the reducing investment income earned over the life of the anticipated future loss payments under the agreement.

Management believes that the assumptions used represent a realistic and appropriate basis for estimating the outstanding loss and loss adjustment expenses as of December 31, 2017. However, these assumptions are subject to change and the Company regularly reviews and adjusts its reserves estimates and reserving methodologies taking into account all currently known information and updated assumptions related to unknown information.

During the period ended December 31, 2017, the Company adopted ASU 2015-09 and has included the required disclosures below. The information below includes loss and loss adjustment expenses incurred, net and loss adjustment expenses paid, net, by accident year for the Company's retroactive reinsurance contracts presented by year of inception of the contracts.

The Company's estimate for loss and loss adjustment expenses incurred, net, at inception of all retroactive reinsurance contracts entered into date was the same when the contract incepted and at the relevant year end position. As a result, there was no development in the year of inception for any of the Company's retroactive reinsurance written to date.

Contracts incepting in the period ended December 31, 2017

Loss and loss adjustment expenses incurred, net		
Accident year	2017	Total of IBNR, net
2008	$ 77,800	$ 77,800
2009	101,566	101,566
2010	103,429	103,429
2011	105,371	105,371
2012	107,659	107,655
2013	112,216	111,588
2014	133,911	129,431
2015	153,867	148,539
2016	159,075	156,252
2017	60,446	60,446
Total	$ 1,115,340	$ 1,102,077

Paid loss and loss adjustment expenses, net		
Accident year		2017
2008	$	-
2009		-
2010		-
2011		-
2012		4
2013		628
2014		4,480
2015		5,328
2016		2,823
2017		-
Total	$	13,263

Net reserves for loss and loss adjustment expenses from 2008 - 2017		1,102,077
Net reserves for loss and loss adjustment expenses prior to 2008		42,382
Contracts incepting in the period ended December 31, 2017 - net reserves for loss & loss adjustment expenses, end of year	$	1,144,459

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

		2017
Outstanding losses and loss expenses, net of reinsurance	$	1,144,459
Loss reserves recoverable		39,819
Total reserve for loss and loss adjustment expenses	$	1,184,278

Cumulative claims frequency

The Company provides reinsurance products on a global basis and does not maintain claims count information associated with its assumed reinsurance claims. As such, the Company has determined that it is impractical to provide this information.

Claims duration

The following table is presented as supplementary information and presents the Company's historical average annual percentage payout of loss and loss adjustment expenses incurred, net by age, as of December 31, 2017.

	Average Annual Percentage Payout of Incurred Losses by Age									
Unaudited (RSI)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
For contracts incepting in the period ending December 31, 2017	1.1%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

6. Share capital

The authorized share capital of the Company at December 31, 2017 consists of 1,000,000 common shares, of par value $1.00 per share.

7. Concentrations and contingencies

As at December 31, 2017 substantially all of the Company's cash and cash equivalents, and investments were held by two custodians, one rated A+ and the other rated A. Management monitors the credit ratings of these custodians and believes them to be of high credit quality.

The Company's investment portfolio is managed by approximately ten external investment advisors in accordance with the Company's investment guidelines. The majority of the Company's assets are invested in separately managed accounts ("SMA"). Each SMA contains detailed investment guidelines which limit exposure to any single issuer, industry or rating category as a percentage of the total SMA market value at the time of purchase. As of December 31, 2017 the largest single non-U.S. government and agency issuer accounted for less than 15% of the aggregate market value of the Company's invested assets. As at December 31, 2017 approximately 85% of the Company's investment portfolio is rated as either NAIC 1 or NAIC 2.

Reinsurance assets due from reinsurers include outstanding loss and loss expense recoverable. The Company is subject to credit risk with respect to reinsurance ceded as the ceding of risk does not relieve the Company from its primary obligations to its policyholders. Failure of the Company's reinsurer to honor their obligations could result in credit loss. As of December 31, 2017 the Company's largest single reinsurance recoverable exposure, net of collateral, was zero. The Company has not recorded a provision for credit losses and no amounts were written off within the period.

The Company utilizes trust funds where the trust funds are set up for the benefit of the ceding companies. The fair value of these restricted assets is $966,073, of which $691,138 relates to investments and $274,934 relates to cash and cash equivalents, as at December 31, 2017. Included in restricted assets is $100,000 of additional collateral related to Client 1, and $20,000 of additional collateral related to Client 2, of which the Company funded $5,000 on behalf of Arch Re with respect to the insurance contract entered into for Client 2.

During the year the Company invested $3,000 in a private equity fund. The Company is committed to fund an additional $12,000 over time.

8. Income taxes

Premia Re and its parent company, Premia Holdings, are incorporated under the laws of Bermuda and, under current Bermuda law, they are not obligated to pay any taxes in Bermuda based upon income or capital gains. The Company has received a written undertaking from the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits, income, gain or appreciation on any capital

asset, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to Premia Holdings or any of its operations until March 31, 2035.

The Company is not subject to taxation other than stated above. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Company to become subject to additional taxation.

9. Related party transactions

During the period ended December 31, 2017 the Company entered into a retrocession agreement with Arch Re in which 25% of the reinsurance contract with Client 2 has been ceded to Arch Re on a pro rata basis.

10. Statutory financial information and dividend restrictions

Under the Insurance Act 1978, as amended, and related regulations of Bermuda (the "Insurance Act"), Premia Re is registered as a Class 4 insurer, and is required to annually prepare and file statutory financial statements and a statutory financial return with the Bermuda Monetary Authority ("BMA"). The Insurance Act also required Premia Re to maintain minimum share capital and must ensure that the value of its general business assets exceeds the amount of its general business liabilities by an amount greater than the prescribed minimum solvency margins ("MSM") and enhanced capital requirement ("ECR") pertaining to its general business. At December 31, 2017 all such requirements were met.

Premia Re is also required under its Class 4 license to maintain a minimum liability ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business. As of December 31, 2017 Premia Re met the minimum liquidity ratio.

Under the Insurance Act, Premia Re is subject to capital requirements calculated using the Bermuda Solvency Capital Requirement model ("BSCR model"), which is a standardized statutory risk-based capital model used to measure the risk associated with Premia Re's assets, liabilities and premiums. Under the BSCR model, Premia Re's required statutory capital and surplus is referred to as the Enhanced Capital Requirements ("ECR"). The ECR is equal to the higher of the MSM or the BSCR model. The BSCR for relevant insurers for the period ended December 31, 2017 will not be filed with the BMA until April 30, 2018. Following receipt of the submission of Premia Re's ECR, the BMA has the authority to impose additional capital requirements or capital add-ons, if it deems necessary. If an insurer fails to maintain or meet its ECR, the BMA may take various degrees of regulatory action. As of December 31, 2017 Premia Re met its ECR.

The BSCR will be based on an Economic Balance Sheet ("EBS") derived from the Company's U.S. GAAP financial statements, with certain adjustments related to loss reserves, intangibles and contingencies, among others.

Premia Re may declare dividends subject to it continuing to meet its solvency and capital requirements, which includes continuing to hold statutory capital and surplus equal to or exceeding its ECR. Premia Re is prohibited from declaring or paying in any fiscal year dividends of more than 25% of its prior year's

statutory capital and surplus unless Premia Re files with the BMA a signed affidavit by at least two members of the Board of Directors attesting that a dividend would not cause the company to fail to meet its relevant margins. No dividends were paid for the period ended December 31, 2017.

11. Subsequent events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2017 through April 30, 2018, the date the financial statements were available to be issued, and concluded that there were no subsequent events requiring recognition or disclosure.