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Premia Reinsurance Ltd.

Consolidated Financial Statements
and Report of Independent Auditors

For the Year Ended December 31, 2018 and For the Period October 31, 2016 (Date of Incorporation) to December 31, 2017

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Premia Reinsurance Ltd.

Table of Contents

Financial Statements

Independent Auditor's Report **4**

Consolidated Balance Sheets as at December 31, 2018 and 2017 **6**

Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2018 and for the period October 31, 2016 to December 31, 2017 **7**

Consolidated Statements of Changes in Shareholder's Equity for the year ended December 31, 2018 and for the period October 31, 2016 to December 31, 2017 **8**

Consolidated Statements of Cash Flows for the year ended December 31, 2018 and for the period October 31, 2016 to December 31, 2017 **9**

Notes to the Consolidated Financial Statements **10**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Premia Reinsurance Ltd. and its subsidiary (the "Company"), which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Premia Reinsurance Ltd. and its subsidiary as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditors' Opinion on 2017 Financial Statements

The financial statements of the Company as of and for the period ended December 31, 2017 were audited by other auditors whose report, dated April 30, 2018, expressed an unmodified opinion on those statements.

Other Matter

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 5 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 no provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

April 3, 2019

Premia Reinsurance Ltd.

Consolidated Balance Sheets

As at December 31, 2018 and 2017

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

		2018	2017
Assets			
Investments at fair value	Note 3	$ 1,116,009	$ 963,608
Cash and cash equivalents		82,892	117,984
Restricted cash and cash equivalents		113,683	270,239
Deferred charge asset	Note 5	331,744	348,228
Reinsurance recoverable on unpaid losses	Note 5	33,209	39,819
Receivable for securities sold		3,323	8,089
Intercompany receivable		36,766	9,666
Accrued investment income		6,046	5,397
Other assets		1,936	358
Total Assets		**$ 1,725,608**	**$ 1,763,388**
Liabilities			
Reserve for losses and loss adjustment expenses	Note 5	$ 1,157,835	$ 1,184,278
Ceded funds held	Note 5	35,209	39,819
Payable for securities purchased		7,513	16,459
Other liabilities		7,085	5,392
Total Liabilities		**1,207,642**	**1,245,948**
Shareholders' Equity			
Common shares *($0.01 par; shares authorized, issued and outstanding: 40,000,000)*	Note 6	1,000	1,000
Additional paid-in capital		503,000	503,000
Retained earnings (deficit)		33,853	7,182
Accumulated other comprehensive income (loss)		(19,887)	6,258
Total Shareholders' Equity		**517,966**	**517,440**
Total Liabilities and Shareholders' Equity		**$ 1,725,608**	**$ 1,763,388**

Premia Reinsurance Ltd.

Consolidated Statements of Operations and Comprehensive Income

For the Year Ended December 31, 2018 and For the Period October 31, 2016 to December 31, 2017

(Expressed in thousands of U.S. dollars)

		2018	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	Note 3	38,021	17,239
Realized gains (losses) on all investments	Note 3	654	285
Unrealized gains (losses) on fair value equity securities	Note 3	1,374	-
Claims administration monitoring fee		1,000	500
Other income		28	-
Total revenues		**41,077**	**829,149**
Expenses			
Net loss and loss adjustment expenses	Note 5	(10,484)	(809,494)
Acquisition expenses		-	(6,805)
Operating expenses		(3,922)	(5,668)
Total expenses		**(14,406)**	**(821,967)**
Net income (loss)		**$ 26,671**	**$ 7,182**
Other Comprehensive Income			
Net unrealized gains (losses) arising during the period		(24,771)	6,258
Reclassification adjustment for unrealized (gains) losses on fair value equity securities included in net (income) loss		(1,374)	-
Change in net unrealized gain (loss) on available-for-sale investments		(26,145)	6,258
Total other comprehensive income		**(26,145)**	**6,258**
Comprehensive income (loss)		**$ 526**	**$ 13,440**

Premia Reinsurance Ltd.

Consolidated Statements of Changes in Shareholders' Equity

For the Year Ended December 31, 2018 and For the Period October 31, 2016 to December 31, 2017

(Expressed in thousands of U.S. dollars)

	2018	2017
Common Shares		
Balance at beginning of period	$ 1,000	$ -
Common shares issued	-	1,000
Balance at end of period	1,000	1,000
Additional Paid-in Capital		
Balance at beginning of period	503,000	-
Common shares issued, net	-	503,000
Balance at end of period	503,000	503,000
Accumulated Other Comprehensive Income (Loss)		
Balance at beginning of period	6,258	-
Unrealized gains (losses) on available-for-sale securities arising in the period	(26,145)	6,258
Balance at end of period	(19,887)	6,258
Retained Earnings (Deficit)		
Balance at beginning of period	7,182	-
Net income (loss)	26,671	7,182
Balance at end of period	33,853	7,182
Total Shareholders' Equity	**$ 517,966**	**$ 517,440**

Premia Reinsurance Ltd.

Consolidated Statements of Cash Flows

For the Year Ended December 31, 2018 and For the Period October 31, 2016 to December 31, 2017

(Expressed in thousands of U.S. dollars)

	2018	2017
Operating Activities		
Net income (loss)	$ 26,671	$ 7,182
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Realized (gains) losses on available-for-sale securities	(1,228)	(285)
Unrealized (gains) losses on fair value equity securities	(1,374)	
Net impairment losses included in income	574	
Changes in assets and liabilities:		
Reserve for losses and loss adjustment expenses	(26,443)	1,184,278
Deferred charge asset	16,484	(348,228)
Reinsurance recoverable on unpaid losses	6,610	(39,819)
Ceded funds held	(4,610)	39,819
Other assets	(1,578)	(358)
Other liabilities	1,693	5,392
Accrued investment income	(649)	(5,397)
Intercompany receivable	(27,100)	(9,666)
Net cash provided by (used in) Operating Activities	(10,950)	832,918
Investing Activities		
Purchase of available-for-sale investments	(785,831)	(1,228,679)
Proceeds from sale or redemption of available-for-sale investments	605,193	279,984
Purchase of property and equipment	(60)	-
Net cash provided by (used in) Investing Activities	(180,698)	(948,695)
Financing Activities		
Proceeds from Common shares issued, net	-	504,000
Net cash provided by (used in) Financing Activities	-	504,000
Net increase (decrease) in cash, cash equivalents and restricted cash	(191,648)	388,223
Cash, cash equivalents and restricted cash at beginning of period	388,223	-
Cash, cash equivalents and restricted cash at end of period	**$ 196,575**	**$ 388,223**
Reconciliation to Consolidated Balance Sheet		
Cash and cash equivalents	82,892	117,984
Restricted cash and cash equivalents	113,683	270,239
Cash, cash equivalents and restricted cash	**$ 196,575**	**$ 388,223**

Premia Reinsurance Ltd.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018
(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. It is the parent company of Premia LV1 ("Premia LV1"), a Bermuda domiciled entity which holds the Company's investment portfolio. 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.

In 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 ("reinsurance contract 1") 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 ("reinsurance contact 2") 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 year 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 accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The term "ASC" used in these notes refers

2. Summary of significant accounting policies (continued)

to Accounting Standards Codification issued by the United States Financial Accounting Standards Board (the "FASB").

The Company's consolidated financial statements include the financial statements of the Company and all of its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

Certain prior period amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

(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 year. While management believes the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, actual results could differ from those estimates. The principal estimates recorded in the Company's consolidated financial statements relate to the development and determination of the following:

- valuation of loss and loss adjustment expense reserves;
- recoverability of reinsurance balances receivable;
- valuation of investments and determination of hierarchical inputs used to measure fair value of investments; and
- 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 year 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.

2. Summary of significant accounting policies (continued)

(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 year. 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 year 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 reinsurance contract 2, both brokerage and FET were expensed at inception. With respect to reinsurance contract 1, FET is included within DCA and amortized over the life of the transaction. Reinsurance 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

2. Summary of significant accounting policies (continued)

retroactive reinsurance exposures in reinsurance contracts at inception and are deferred and amortized over the estimated future settlement year 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 year 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 are separately reported on the consolidated balance sheets and consist of cash and cash equivalents held in trust accounts securing obligations under certain reinsurance contracts as well as funds in transit within certain investment accounts.

(i) Investment and net investment income

The Company currently classifies its investments as “available-for-sale” and “fair value equity securities”. Available-for-sale investments 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 shareholders’ equity, while the fair value equity securities are carried at estimated fair value with the changes in fair value recognized as an unrealized gain or loss in net income.

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.

2. Summary of significant accounting policies (continued)

Realized gains and losses on sales of investments are determined on a first-in, first-out basis and are shown within net gains (losses) on investments in the consolidated statements of operations. 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 presented net of investment management and custody fees, third party investment accounting 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 Company considers whether it intends to sell the security or if it is more likely than not required to sell the security before recovery. 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 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.

(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

2. Summary of significant accounting policies (continued)

produce an estimate of fair value if there is observable market information that would allow them to make a fair market value estimate. 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. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgement associated with the inputs used to measure their fair value.
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 alternative investments, including investments in investment funds and limited partnerships are based on their respective net asset value ("NAV") and are excluded from the fair value hierarchy.

(k) Recent accounting pronouncements

Recently adopted

Recognition and measurement of financial assets and financial liabilities
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

2. Summary of significant accounting policies (continued)

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. The Company has implemented ASU 2016-01 into our accounting policies for the year ended December 31, 2018 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

Leases
In February 2016, FASB issued ASU 2016-02 in which lessees will recognize most leases on the balance sheet. This update is effective for annual periods beginning after December 15, 2019. The Company is currently evaluating the impact of this guidance on the Company's financial position, results of operations, or cash flows.

Measurement of credit losses on financial instruments
In June 2016, the FASB issued ASU 2016-13 to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this update are effective for fiscal years beginning after December 15, 2020 and the Company is currently evaluating the impact of this guidance on the Company's financial position, results of operations, or cash flows.

Changes to disclosure on fair value measurement
In August 2018, the FASB issued ASU 2018-13 to modify the disclosure requirements in Topic 820 Fair Value Measurement. This ASU is effective for years beginning after December 15, 2019. As this guidance relates solely to financial statement disclosures, the adoption of ASU 2018-13 will not impact the Company's financial position, results of operations, or cash flows.

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

3. Investments

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

	2018			
	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Fixed maturities, available-for-sale				
Corporate bonds	$ 335,055	268	(18,227)	$ 317,096
Non-agency mortgage-backed securities	253,987	5,803	(3,742)	256,048
U.S. government and govt agency bonds	27,440	56	(261)	27,235
Non-U.S. governments	3,327	21	(312)	3,036
Municipals	15,517	115	(372)	15,260
Agency mortgage-backed securities	28,714	339	(711)	28,342
Asset backed securities	164,390	597	(3,663)	161,324
Term loans	180,998	1,100	(899)	181,199
Total fixed maturities, available-for-sale	1,009,428	8,299	(28,187)	989,540
Fair value equity securities				
Debt funds	95,754	1,224	(535)	96,443
Private equity funds	29,341	735	(50)	30,026
Total fair value equity securities	125,095	1,959	(585)	126,469
Total investments	$ 1,134,523	10,258	(28,772)	$ 1,116,009

Premia Reinsurance Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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

3. Investments (continued)

	2017			
	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Fixed maturities, available-for-sale				
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, available-for-sale	780,906	8,027	(2,945)	785,988
Fair value equity securities				
Debt funds	173,444	1,218	-	174,662
Private equity funds	3,000	-	(42)	2,958
Total fair value equity securities	176,444	1,218	(42)	177,620
Total investments	$ 957,350	9,245	(2,987)	$ 963,608

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

3. Investments (continued)

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

	2018					
	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, available-for-sale						
Corporate bonds	$ 204,599	$ (13,934)	$ 88,642	$ (4,293)	$ 293,241	$ (18,227)
Non-agency mortgage-backed securities	120,431	(2,281)	20,913	(1,461)	141,344	(3,742)
U.S. government and govt agency bonds	3,540	(24)	17,359	(237)	20,899	(261)
Non-U.S. governments	442	(58)	2,075	(254)	2,517	(312)
Municipals	7,969	(333)	616	(39)	8,585	(372)
Agency mortgage-backed securities	8,299	(374)	14,358	(337)	22,657	(711)
Asset backed securities	96,870	(3,532)	2,864	(131)	99,734	(3,663)
Term loans	57,542	(787)	5,234	(112)	62,776	(899)
Total fixed maturities, available-for-sale	499,692	(21,323)	152,061	(6,864)	651,753	(28,187)
Fair value equity securities						
Debt funds	49,219	(535)	-	-	49,219	(535)
Private equity funds	6,524	(50)	-	-	6,524	(50)
Total fair value equity securities	55,743	(585)	-	-	55,743	(585)
Total investments	$ 555,435	$ (21,908)	$ 152,061	$ (6,864)	$ 707,496	$ (28,772)

	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, available-for-sale						
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, available-for-sale	359,875	(2,945)	-	-	359,875	(2,945)
Fair value equity securities						
Debt funds	-	-	-	-	-	-
Private equity fund	2,958	(42)	-	-	2,958	(42)
Total fair value equity securities	2,958	(42)	-	-	2,958	(42)
Total investments	$ 362,833	$ (2,987)	$ -	$ -	$ 362,833	$ (2,987)

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

3. Investments (continued)

At December 31, 2018 the Company held 972 securities in an unrealized loss position with a total estimated fair value of $707,496 and gross unrealized losses of $28,772 of which 177 of the securities had been in a continuous unrealized loss position for one year or longer. 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 of which 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, 2018 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. Two securities were deemed impaired resulting in a total impairment of $574 (2017: nil). 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.

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, 2018 and 2017.

	2018			2017		
		Fair value	%		Fair value	%
AAA	$	103,809	10.5%	$	56,160	7.1%
AA		53,797	5.4%		85,379	10.9%
A		257,749	26.0%		234,220	29.8%
BBB		187,800	19.0%		55,183	7.0%
BB		69,814	7.1%		19,068	2.4%
B		87,264	8.8%		13,938	1.8%
CCC or lower		130,675	13.2%		44,190	5.6%
Not rated		98,632	10.0%		277,850	35.4%
Total fixed maturities, available-for-sale	$	989,540	100%	$	785,988	100%

Mortgage loans represent $62,220 of the Company's not rated nationally recognized statistical rating organization ("NRSRO") bucket. Mortgage loans do not receive NRSRO ratings. The Company assesses the credit quality of the company's mortgage loan portfolio against the National Association of Insurance Commissioners' ("NAIC") commercial mortgage ("CM") designation methodology.

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

3. Investments (continued)

As it relates to all other fixed maturity securities, for trust compliance and BMA capital purposes, the Company primarily utilizes the Securities Valuations Office's ("SVO") loan backed and structured securities methodology to assess and assign credit quality. The NRSRO ratings methodology is focused on the likelihood of recovery of all contractual payments, including principal at par, regardless of an investor's carrying value. In effect, the NRSRO rating assumes that the holder is the original purchaser at par. In contrast, the SVO's loan-backed and structured securities ("LBaSS") methodology is focused on determining the risk associated with the recovery of the amortized cost of each security. Because the NAIC's methodology explicitly considers amortized cost and the likelihood of recovery of such amount, we view the NAIC's methodology as the most appropriate way to view our fixed maturity portfolio for purposes of evaluating credit quality since a large portion of our holdings were purchased and are carried at significant discounts to par.

The SVO has developed a ratings process and provides instruction on both modeled and non-modeled LBaSS. For modeled LBaSS, the process is specific to the non-agency RMBS and CMBS asset classes. In order to establish ratings at the individual security level, the SVO obtains loan-level analysis of each RMBS and CMBS using a selected vendor's proprietary financial model. The SVO ensures that the vendor has extensive internal quality-control processes in place and the SVO conducts its own quality-control checks of the selected vendor's valuation process. The SVO has retained the services of Blackrock, Inc. ("Blackrock") to model non-agency RMBS and CMBS owned by U.S. insurers for all years presented herein. Blackrock provides five prices ("breakpoints"), based on each U.S. insurer's statutory book value price, to utilize in determining the NAIC designation for each modeled LBaSS.

Utilizing the above methodology, the Company's credit quality is as follows:

	2018		
		Fair value	%
NAIC 1	$	687,310	69.5%
NAIC 2		196,284	19.8%
NAIC 3		55,446	5.6%
NAIC 4		25,562	2.6%
NAIC 5		6,674	0.7%
NAIC 6		18,264	1.8%
Total fixed maturities, available-for-sale	$	989,540	100%

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

3. Investments (continued)

d) The amortized cost and estimated fair value of fixed maturity securities at December 31, 2018 and 2017 are shown below by contractual maturity.

	2018		2017	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ 41,684	$ 41,395	$ 24,833	$ 24,871
Due after one year through five years	139,787	138,465	137,300	137,121
Due after five years through ten years	129,945	129,098	102,595	103,033
Due after 10 years	250,921	234,868	240,694	242,958
Agency mortgage-backed securities	28,714	28,342	17,415	17,279
Asset backed securities	164,390	161,324	83,370	83,687
Non-agency mortgage-backed securities	253,987	256,048	174,699	177,039
Total fixed maturities, available-for-sale	$ 1,009,428	$ 989,540	$ 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, 2018 was 4.0 years (2017: 7.65 years).

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

	2018	2017
Fixed maturities, available-for-sale	$ 49,696	$ 16,070
Fair value equity securities	2,982	672
Assumed investment income from reinsurance contracts	-	6,238
Gross investment income	52,678	22,980
Investments expenses	(14,657)	(5,741)
Net investment income	$ 38,021	$ 17,239

Assumed investment income from reinsurance contracts relates to the investment income earned on reinsurance premium receivable related to contracts written prior to and including the presentation year end date, calculated from the inception of the reinsurance contracts to the earlier of date of receipt of reinsurance premium or period end.

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

3. Investments (continued)

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

	2018	2017
Realized gains on fixed maturities, available-for-sale		
Cash and cash equivalents	$ -	$ 2
Corporate bonds	53	109
Non-agency mortgage-backed securities	3,261	935
U.S. government and govt agency bonds	-	15
Non-U.S. governments	-	-
Municipals	-	-
Agency mortgage-backed securities	380	10
Asset backed securities	393	37
Term loans	598	269
Total realized gains	4,685	1,377
Realized losses on fixed maturities, available-for-sale		
Cash and cash equivalents	(4)	-
Corporate bonds	(810)	(2)
Non-agency mortgage-backed securities	(2,120)	(637)
U.S. government and govt agency bonds	(15)	(24)
Non-U.S. governments	(74)	-
Municipals	-	-
Agency mortgage-backed securities	(4)	-
Asset backed securities	(251)	(1)
Term loans	(274)	(428)
OTTI charge recognized in net income	(574)	-
Total realized losses	(4,126)	(1,092)
Gains (losses) on securities measured at fair value through net income		
Realized investment losses	(616)	-
Realized investment gains	711	-
	95	-
Total realized gains on all securities	$ 654	$ 285
Unrealized gains on securities measured at fair value through net income	$ 1,374	$ -
Change in net unrealized gain (loss) on investments included in other comprehensive income (loss)		
Fixed maturities, available-for-sale	$ (24,969)	$ 5,082
Fair value equity securities	(1,176)	1,176
Net (decrease) increase in other comprehensive loss	$ (26,145)	$ 6,258

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

4. Fair value measurements

At December 31, 2018 and 2017 the Company's financial instruments are measured at fair value between Levels 1, 2, and 3. 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.

	2018				
	Level 1	Level 2	Level 3	NAV	Fair value
Fixed maturities, available-for-sale					
Corporate bonds	$ -	317,096	-	-	$ 317,096
Non-agency mortgage-backed securities	-	253,965	2,083	-	256,048
U.S. government and govt agency bonds	21,933	5,302	-	-	27,235
Non-U.S. governments	-	3,036	-	-	3,036
Municipals	-	15,260	-	-	15,260
Agency mortgage-backed securities	-	28,342	-	-	28,342
Asset backed securities	-	161,324	-	-	161,324
Term loans	-	-	181,199	-	181,199
Total fixed maturities, available-for-sale	21,933	784,325	183,282	-	989,540
Fair value equity securities					
Debt funds	-	-	-	96,443	96,443
Private equity funds	-	-	-	30,026	30,026
Total fair value equity securities	-	-	-	126,469	126,469
Total investments	$ 21,933	784,325	183,282	126,469	$ 1,116,009

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

4. Fair value measurements (continued)

	2017				
	Level 1	Level 2	Level 3	NAV	Fair value
Fixed maturities, available-for-sale					
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, available-for-sale	-	663,461	122,527	-	785,988
Fair value equity securities					
Debt funds	-	152,982	-	21,680	174,662
Private equity fund	-	-	-	2,958	2,958
Total fair value equity securities	-	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 year ended December 31, 2018 and 2017:

	2018	2017
Balance at beginning of period	$ 122,527	$ -
Transfer of securities from Level 2 to Level 3	52,633	-
Purchases and amortization	126,128	123,323
Sales	(95,479)	-
Maturities and redemption	(22,552)	(792)
Total gains (losses) in net income and OCI	121	(4)
Impairments	(96)	-
Balance at end of period	$ 183,282	$ 122,527
Change in unrealized gains (losses) for securities held, end of period	$ 209	$ (4)

As at December 31, 2018, Level 3 securities comprise of 773 term loans and 1 non-agency mortgage backed security.

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

4. Fair value measurements (continued)

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 1	$	19,962	NA	4 days
Debt Fund 2		41,496	Quarterly	65 days
Debt Fund 3		9,414	Quarterly	90 days
Debt Fund 4		25,570	Quarterly	180 days
Private Equity Fund 1		4,508	10 years, subject to an extension of up to two consecutive 1 year periods	NA
Private Equity Fund 2		23,035	7 years, subject to a dicretionary extension of up to 1 year.	NA
Private Equity Fund 3		470	10 years, subject to an extension of up to two consecutive 1 year periods	NA
Private Equity Fund 4		2,014	8 years, subject to an extension of up to two consecutive 1 year periods	NA
Private Equity Fund 5		-	5 years, subject to an extension of up to two consecutive 1 year periods	Quarterly
	$	126,469		

Debt Fund 1: The Fund invests globally at least 70% of its total assets in fixed income securities. The fixed income securities are denominated in various currencies and may be issued by governments, government agencies, companies and supranationals.

Debt Fund 2: The Fund is European based and invests in a broad range of credit strategies with investments across a dozen credit-related 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.

Debt Fund 3: The investment objective is to achieve high absolute returns by investing in special situations with a focus on distressed, stressed and leveraged credit investments and distressed, value or event-driven equity situations. The Fund seeks to make investments in the securities of companies that are experiencing restructurings, workouts and liquidations or other abnormal corporate events.

Debt Fund 4: The Fund aims to invest, directly or indirectly, in credit opportunities that provide levered or unlevered exposure to high yield or investment grade portfolios or other credit opportunities that may be illiquid or structured in nature. The format of such investments will normally be in the form of income producing securities but could take other forms The Fund intends to invest worldwide without any specific regional focus and may also acquire investments in emerging markets.

4. Fair value measurements (continued)

Private Equity Fund 1: The Fund seeks 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.

Private Equity Fund 2: The Fund will have a broad, dynamic and opportunistic investment strategy. Types of investments made by the Fund may include core areas that have been investments and areas of focus for the Fund including without limitation: Personal Insolvency Repayment Plans, Re-performing Loans, Receivables and Payment Plans, Liquidation Claims and Other Cash Flowing Assets.

Private Equity Fund 3: The Fund will primarily invest in certain Japanese real estate-related performing, sub-performing and non-performing loans, securities (including corporate, REIT equity and debt), mezzanine debt, B-notes, real estate assets, and similar securities or instruments.

Private Equity Fund 4: The Fund's approach is to identify pockets of opportunity that arise from complexity, dislocation or changes in technology and regulation that create the potential for outsized returns per unit of risk. Examples include businesses at different stages of development, targeted investments in mature companies, strategic early stage investments, controlling or minority stakes and/or investments across the capital structure. The Fund's preference when investing in equity is for control positions.

Private Equity Fund 5: The Fund will seek to generate superior returns by identifying investments that will take advantage of the imbalance between the demand for financing by middle and lower middle market companies and the lack of supply from traditional financial institutions to this market, and by identifying situations in niche and underserved markets. The Fund will target investment opportunities with maturities of between two and four years.

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

5. Outstanding losses and loss expenses

As at December 31, 2018 and 2017, loss and loss adjustment expense reserves in the consolidated balance sheets was comprised of the following:

		2018		2017
Reserve for losses and loss adjustment expenses, beginning of year	$	1,184,278	$	1,201,963
Paid losses related to prior years		(18,443)		(17,685)
Favorable development in prior year loss reserves		(8,000)		-
Reserve for losses and loss adjustment expenses, end of year	$	1,157,835	$	1,184,278

During the year ended December 31, 2018 the Company experienced favorable loss development of $8,000.

The recoverable for losses and loss adjustment expenses of $33,209 as at December 31, 2018 (2017: $39,819), relates to Arch Re's 25% share of the contract effective September 30, 2017 written for Client 2 and is supported by $35,209 of ceded funds held (2017: $39,819).

Included in loss and loss adjustment expenses at December 31, 2018 is $331,744 (2017: $348,228) of DCA related to the insurance contract effective June 30, 2017 written for Client 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. Amortization of the DCA amounted to $16,484 in the year to December 31, 2018 (2017: $5,174).

		2018		2017
Deferred charge asset, beginning of year	$	348,228	$	353,402
Amortization of deferred charge asset		(16,484)		(5,174)
Deferred charge asset, end of year	$	331,744	$	348,228

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

5. Outstanding losses and loss expenses (continued)

The following table represents the activity in outstanding losses and loss expenses for the year ended December 31, 2018 and 2017.

		2018		2017
Assumed loss and loss adjustment expenses in the period	$	-	$	1,201,963
Favorable development in prior year loss reserves		(8,000)		-
Deferred charge asset assumed during the year		-		(353,402)
Amortization of deferred charge asset in the period		16,484		5,174
Ceded paid loss		(4,610)		(4,422)
Change in ceded case loss reserves		6,610		(39,819)
Loss and loss adjustment expenses	$	10,484	$	809,494

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, 2018 and 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.

The information below includes net loss and loss adjustment expenses incurred ("L&LAE, net") and net losses incurred but not reported ("IBNR, net"), by accident year for the Company's retroactive reinsurance contracts.

		2018				2017		
Accident year		L&LAE, net		IBNR, net		L&LAE, net		IBNR, net
2009	$	100,975	$	100,975	$	101,566	$	101,566
2010		102,827		102,827		103,429		103,429
2011		104,758		104,758		105,371		105,371
2012		107,037		106,840		107,659		107,655
2013		110,962		110,431		112,216		111,588
2014		128,831		125,429		133,911		129,431
2015		147,904		142,799		153,867		148,539
2016		155,554		150,993		159,075		156,252
2017		60,093		60,093		60,446		60,446
2018		-		-		-		-
Total	$	1,018,941	$	1,005,145	$	1,037,540	$	1,024,277

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

5. Outstanding losses and loss expenses (continued)

Paid loss and loss adjustment expenses, net:

Accident year	2018	2017 (unaudited)
2009	$ -	$ -
2010	-	-
2011	-	-
2012	197	4
2013	531	628
2014	3,402	4,480
2015	5,105	5,328
2016	4,561	2,823
2017	-	-
2018	-	-
Total	$ 13,796	$ 13,263

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:

	2018	2017
Net reserves for loss and loss adjustment expenses from 2009 - 2018	$ 1,005,145	$ 1,024,277
Net reserves for loss and loss adjustment expenses prior to 2009	119,481	120,182
Outstanding losses and loss expenses, net of reinsurance	1,124,626	1,144,459
Reinsurance recoverable on unpaid losses	33,209	39,819
Reserve for loss and loss adjustment expenses, end of year	$ 1,157,835	$ 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.

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

5. Outstanding losses and loss expenses (continued)

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, 2018 (unaudited).

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1.1%	1.2%	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, 2018 consists of 1,000,000 common shares, of par value $1.00 per share.

7. Concentrations and contingencies

As at December 31, 2018, all of the Company's cash and cash equivalents and investments were held by one custodian rated A+. Management monitors the credit ratings of the custodian and believes they are of high credit quality.

The Company's investment portfolio is managed by approximately 18 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, 2018 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, 2018 approximately 83.1% 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, 2018 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 year.

7. Concentrations and contingencies (continued)

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 $956,875, of which $854,458 relates to investments and $102,417 relates to cash and cash equivalents, as at December 31, 2018. 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 $84,916 in private equity funds. The Company is committed to fund an additional $57,084 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

Arch Re, along with certain members of senior management, has a 25% equity ownership in the Company. The Company holds 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.

In August 2018, the Company paid $14,017 on behalf of a related company Premia Holdings Inc. ("Premia Inc.") as funding to support the acquisition of Alan Gray, which had a fair value of $4,815 at the time of purchase. The funding was treated as additional paid-in capital in Premia Inc. and there are no set terms of repayment for the intercompany receivable. Alan Gray is a claims audit and advisory firm from whom the Company contracts to assist with the review and managing of GuideOne claims. As at December 31, 2018, Alan Gray invoiced the Company a sum of $466 in relation to services provided post acquisition.

9. Related party transactions (continued)

Premia Re's parent company Premia Holdings, entered into a long term debt agreement with Apollo on January 6, 2017 with a principal amount of $110,000, repayable in full at the end of seven years, with quarterly interest due at a rate of 7% per annum. During the year ended December 31, 2018, Premia Re transferred to Premia Holdings a cumulative total of $7,806 as funding for the interest payments.

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, 2018 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, 2018 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 year ended December 31, 2018 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, 2018 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

10. Statutory financial information and dividend restrictions (continued)

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 year ended December 31, 2018.

11. Subsequent events

On January 9, 2019 ("close"), the Company, paid $2,500 on behalf of its related party Premia Inc. for the acquisition of Public Service Insurance Company ("PSIC") and its wholly-owned subsidiary Western Select Insurance Company ("WSIC"). The funding was treated as additional paid-in capital in Premia Inc. On January 10, 2019, the Company paid an additional $46,948 on behalf of Premia Inc., to be treated at paid-in capital in PSIC. There are no set repayment terms for the intercompany receivables.

The Company has completed its subsequent events evaluation for the period subsequent to the consolidated balance sheet date of December 31, 2018 through April 3, 2019, the date the consolidated financial statements were available to be issued, and concluded that there were no subsequent events requiring recognition or disclosure other than those mentioned above.