AUDITED FINANCIAL STATEMENTS

DaVinci Reinsurance Ltd.

December 31, 2021 and 2020

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Report of Independent Auditors

TO THE BOARD OF DIRECTORS OF
DAVINCI REINSURANCE LTD.

Opinion

We have audited the financial statements of DaVinci Reinsurance Ltd. (the “Company”), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in shareholder’s equity and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the incurred losses and loss adjustment expenses, net of reinsurance and the cumulative paid losses and loss adjustment expenses, net of reinsurance for the years ending 2021 and prior and the average annual percentage payout of incurred claims by age disclosed on pages 22 through 28 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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, 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 financial statements, and other knowledge we obtained during our audit of the 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.

Ernst + Young Ltd.

Hamilton, Bermuda
April 22, 2022

DAVINCI REINSURANCE LTD.
BALANCE SHEETS
AT DECEMBER 31, 2021 AND 2020
(in thousands of United States Dollars)

	2021	2020
Assets		
Fixed maturity investments trading, at fair value - amortized cost $2,939,732 at December 31, 2021 (2020 - $2,615,699) (Notes 3 and 4)	$ 2,928,843	$ 2,657,591
Short term investments, at fair value (Notes 3 and 4)	770,492	245,782
Equity investments trading, at fair value (Notes 3 and 4)	431	105
Total investments	3,699,766	2,903,478
Cash and cash equivalents	546,222	99,593
Premiums receivable (Notes 5 and 7)	270,113	196,093
Prepaid reinsurance premiums (Notes 5 and 7)	15,897	18,540
Reinsurance recoverable (Notes 5, 6 and 7)	240,715	49,255
Accrued investment income	7,807	8,507
Deferred acquisition costs	11,014	10,708
Receivable for investments sold	171,858	149,052
Other assets	1,497	3,244
Total assets	$ 4,964,889	$ 3,438,470
Liabilities and Shareholder's Equity		
Liabilities		
Reserve for claims and claim expenses (Notes 6 and 7)	$ 1,394,489	$ 889,843
Unearned premiums (Note 7)	110,781	102,768
Reinsurance balances payable (Note 7)	25,438	18,146
Due to affiliates, net (Note 7)	473,563	1,541
Payable for investments purchased	706,178	289,355
Accounts payable and accrued liabilities	1,684	1,532
Other liabilities	1,307	279
Total liabilities	2,713,440	1,303,464
Shareholder's Equity (Note 8)		
Common shares: $1,000 par value – 1,000 shares authorized, issued and outstanding at December 31, 2021 (2020 - 1,000)	1,000	1,000
Additional paid-in capital	1,851,575	1,591,306
Retained earnings	398,874	542,700
Total shareholder's equity	2,251,449	2,135,006
Total liabilities and shareholder's equity	$ 4,964,889	$ 3,438,470

On behalf of the Board:

Director

Director

See accompanying notes to the financial statements

DAVINCI REINSURANCE LTD.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of United States Dollars)

	2021	2020
Revenues		
Gross premiums written (Notes 5 and 7)	$ 756,670	$ 577,808
Net premiums written (Note 5)	$ 682,189	$ 519,048
(Increase) decrease in net unearned premiums (Note 5)	(10,656)	(11,538)
Net premiums earned (Notes 5 and 7)	671,533	507,510
Net investment income (Note 3)	28,864	44,831
Net foreign exchange gains (losses)	(1,372)	(1,534)
Net realized and unrealized gains (losses) on investments (Note 3)	(45,565)	62,078
Total revenues	653,460	612,885
Expenses		
Net claims and claim expenses incurred (Notes 5, 6 and 7)	664,461	352,161
Acquisition expenses	61,681	53,399
Operational expenses (Note 7)	63,623	54,808
Corporate expenses	259	356
Total expenses	790,024	460,724
Income (loss) before taxes	(136,564)	152,161
Income tax benefit (expense) (Note 9)	(1)	(12)
Net income (loss)	$ (136,565)	$ 152,149

See accompanying notes to the financial statements

DAVINCI REINSURANCE LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of United States Dollars)

	2021	2020
Common shares	$ 1,000	$ 1,000
Additional paid-in capital		
Balance – January 1	1,591,306	1,589,463
Capital contribution, net of adjustments (Note 8)	261,043	—
Return of capital, net of adjustments (Note 8)	(774)	1,843
Balance – December 31	1,851,575	1,591,306
Retained earnings		
Balance – January 1	542,700	397,951
Net income (loss)	(136,565)	152,149
Dividends declared (Note 8)	(7,261)	(7,400)
Balance – December 31	398,874	542,700
Total shareholder's equity	$ 2,251,449	$ 2,135,006

See accompanying notes to the financial statements

DAVINCI REINSURANCE LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(in thousands of United States Dollars)

	2021	2020
Cash flows provided by (used in) operating activities		
Net income (loss)	$ (136,565)	$ 152,149
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Amortization and accretion	11,225	6,522
Net realized and unrealized (gains) losses on investments	42,863	(57,530)
Change in:		
Premiums receivable	(74,020)	(13,904)
Prepaid reinsurance premiums	2,643	(4,168)
Reinsurance recoverable	(191,460)	74,019
Accrued investment income	700	2,371
Deferred acquisition costs	(306)	(1,527)
Reserve for claims and claim expenses	504,646	151,830
Unearned premiums	8,013	15,706
Reinsurance balances payable	7,292	(4,031)
Due to affiliates, net	(27,978)	(19,653)
Other, net	29,647	3,141
Net cash provided by (used in) operating activities	176,700	304,925
Cash flows provided by (used in) investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	2,927,947	2,443,837
Purchases of fixed maturity investments trading	(2,857,926)	(2,683,095)
Net sales (purchases) of short term investments	(525,867)	(8,765)
Net sales (purchases) of equity investments trading	(285)	(285)
Net cash provided by (used in) investing activities	(456,131)	(248,308)
Cash flows provided by (used in) financing activities		
Contribution of capital	750,000	—
Return of capital, net of adjustments	(16,679)	(4,192)
Dividends paid	(7,261)	(7,400)
Net cash provided by (used in) financing activities	726,060	(11,592)
Net increase (decrease) in cash and cash equivalents	446,629	45,025
Cash and cash equivalents, beginning of period	99,593	54,568
Cash and cash equivalents, end of period	$ 546,222	$ 99,593

See accompanying notes to the financial statements

NOTE 1. ORGANIZATION

DaVinci Reinsurance Ltd. (the "Company") was incorporated under the laws of Bermuda in October 2001 and principally provides property catastrophe reinsurance coverages to customers. The Company is also permitted to write certain casualty and specialty reinsurance contracts. The Company is a wholly-owned subsidiary of DaVinciRe Holdings Ltd. ("DaVinciRe"), a Bermuda company. DaVinciRe is a minority-owned, and controlled subsidiary of Renaissance Other Investments Holdings Ltd. ("ROIHL"), a Bermuda company, which is a wholly-owned subsidiary of RenaissanceRe Holdings Ltd. ("RenaissanceRe"), also a Bermuda company. The financial statements of the Company include the financial position and results of operations of its branches based in the Republic of Singapore (the "Singapore Branch") and Switzerland (the "Switzerland Branch").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared on the basis of accounting principles generally accepted in the United States ("GAAP").

Use of Estimates in Financial Statements

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. Actual results could differ materially from those estimates. The major estimates reflected in the Company's financial statements include, but are not limited to, the reserve for claims and claim expenses, reinsurance recoverable and premiums receivable, including provisions for reinsurance recoverable and premiums receivable to reflect expected credit losses; estimates of written and earned premiums; fair value, including the fair value of investments, financial instruments and derivatives;and deferred acquisition costs.

Premiums and Related Expenses

Premiums are recognized as income, net of any applicable retrocessional coverage purchased, over the terms of the related contracts and policies. Premiums written are based on contract and policy terms and include estimates based on information received from both insureds and ceding companies. Subsequent differences arising on such estimates are recorded in the period in which they are determined. Unearned premiums represent the portion of premiums written that relate to the unexpired terms of contracts and policies in force. Amounts are computed by pro rata methods based on statistical data or reports received from ceding companies. Reinstatement premiums are estimated after the occurrence of a significant loss and are recorded in accordance with the contract terms based upon paid losses and case reserves. Reinstatement premiums are earned when written.

Acquisition costs are incurred when a contract or policy is issued and only the costs directly related to the successful acquisition of new and renewal contract or policies are deferred and amortized over the same period in which the related premiums are earned. Acquisition costs consist principally of commissions, brokerage and premium tax expenses. Deferred policy acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated claims and claim expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Claims and Claim Expenses

The reserve for claims and claim expenses includes estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported ("IBNR"). The reserve is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled. Also, the Company does not have the benefit of a significant amount of its own historical experience with its casualty and specialty reinsurance lines of business. Accordingly, the reserving for incurred losses in these lines of business could be subject to greater variability.

Ultimate losses may vary materially from the amounts provided in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the statements of operations in the period in which they become known and are accounted for as changes in estimates.

Reinsurance

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the period in which they are determined. Reinsurance recoverable on dual trigger reinsurance contracts require the Company to estimate its ultimate losses applicable to these contracts as well as estimate the ultimate amount of insured industry losses that will be reported by the applicable statistical reporting agency, as per the contract terms. Amounts recoverable from reinsurers are recorded net of a provision for current expected credit losses to reflect expected credit losses.

Certain assumed and ceded reinsurance contracts that do not meet all of the criteria to be accounted for as reinsurance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic *Financial Services - Insurance* have been accounted for at fair value under the fair value option in accordance with FASB ASC Topic *Financial Instruments.*

Investments

Fixed Maturity Investments

Investments in fixed maturities are classified as trading and are reported at fair value. Investment transactions are recorded on the trade date with balances pending settlement reflected in the balance sheet as a receivable for investments sold or a payable for investments purchased. Net investment income includes interest income together with amortization of market premiums and discounts and is net of investment management and custody fees. The amortization of premium and accretion of discount for fixed maturity securities is computed using the effective yield method. For mortgage-backed securities and other holdings for which there is prepayment risk, prepayment assumptions are evaluated quarterly and revised as necessary. Any adjustments required due to the change in effective yield and maturities are recognized on a prospective basis through yield adjustments. Fair values of fixed maturity investments are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications and/or internal pricing valuation techniques. The net unrealized appreciation or depreciation on fixed maturity investments trading is included in net realized and unrealized gains (losses) on investments in the statements of operations. Realized gains or losses on the sale of fixed maturity investments are determined on the basis of the first in first out cost method.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Short Term Investments

Short term investments, which are managed as part of the Company's investment portfolio and have a maturity of one year or less when purchased, are carried at fair value. The net unrealized appreciation or depreciation on short term investments is included in net realized and unrealized gains (losses on investments in the statements of operations.

Equity Investments, Classified as Trading

Equity investments are accounted for at fair value. Fair values are primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. Net investment income includes dividend income and the net realized and unrealized appreciation or depreciation on equity investments is included in net realized and unrealized gains (losses) on investments in the statements of operations.

Cash and Cash Equivalents

Cash equivalents include money market instruments with a maturity of ninety days or less when purchased.

Derivatives

From time to time, the Company enters into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and to assume risk. The Company accounts for its derivatives in accordance with FASB ASC Topic *Derivatives and Hedging*, which requires all derivatives to be recorded at fair value on the Company's balance sheet as either assets or liabilities, depending on their rights or obligations, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting. The fair value of the Company's derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, the use of industry or internal valuation models.

Fair Value Option

The Company has elected to account for certain of its assets and liabilities at fair value in accordance with FASB ASC Topic *Fair Value Measurements and Disclosures.* The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its statements of operations.

Foreign Exchange

The Company's functional currency is the United States ("U.S.") dollar. Revenues and expenses denominated in foreign currencies are revalued at the exchange rate on the date on which the underlying revenue or expense transaction occurred. Monetary assets and liabilities denominated in foreign currencies are revalued at exchange rates in effect at the consolidated balance sheet date, which may result in the recognition of exchange gains or losses which are included in the determination of net income.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Recently Adopted Accounting Pronouncements

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes ("ASU 2019-12"). Among other things, ASU 2019-12 eliminates certain exceptions for recognizing deferred taxes for investments, performing intraperiod tax allocation and calculating income taxes in interim periods. ASU 2019-12 also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other business entities, the amendments are effective for fiscal years beginning after Dec. 15, 2021. Early adoption is permitted. The Company adopted ASU 2019-12 effective January 1, 2021. The adoption of ASU 2019-12 did not have a material impact on the Company's consolidated statements of operations and financial position.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 modifies the recognition of credit losses by replacing the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is applicable to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables, and other financial assets that have the contractual right to receive cash. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Company's invested assets are measured at fair value through net income, and therefore those invested assets were not impacted by the adoption of ASU 2016-13. The Company has other financial assets, such as premiums receivable and reinsurance recoverable, that were not materially impacted by the adoption of ASU 2016-13. ASU 2016-13 became effective for public business entities that are SEC filers for annual and interim periods beginning after December 15, 2019. For all other entities, ASU 2016-13 is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company adopted ASU 2016-13 effective January 1, 2020. The adoption of ASU 2016-13 did not have a material impact on the Company's statements of operations and financial position, and as a result, there was no cumulative effect adjustment to opening retained earnings as of January 1, 2020.

Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The ASU 2018-13 modifies the disclosure requirements of fair value measurements as part of the disclosure framework project with the objective to improve the effectiveness of disclosures in the notes to the financial statements. ASU 2018-13 allows for removal of the amount and reasons for transfer between Level 1 and Level 2 of the fair value hierarchy; the policy for transfers between levels; and the valuation processes for Level 3 fair value measurements. ASU 2018-13 became effective for all entities for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Accordingly, the Company adopted ASU 2018-13 effective January 1, 2020. Since ASU 2018-13 is disclosure-related only, it did not have an impact on the Company's statements of operations and financial position.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS

Fixed Maturity Investments Trading

The following table summarizes the fair value of fixed maturity investments trading:

At December 31,	2021	2020
U.S. treasuries	$ 1,503,539	$ 1,294,902
Agencies	82,686	42,229
Non-U.S. government	117,439	143,091
Non-U.S. government-backed corporate	141,768	120,335
Corporate	604,875	589,279
Agency mortgage-backed	298,826	311,098
Non-agency mortgage-backed	13,243	13,100
Commercial mortgage-backed	104,523	89,308
Asset-backed	61,944	54,249
Total fixed maturity investments trading	$ 2,928,843	$ 2,657,591

Contractual maturities of fixed maturity investments trading are described in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

At December 31, 2021	Amortized Cost	Fair Value
Due in less than one year	$ 183,370	$ 183,625
Due after one through five years	1,917,913	1,908,244
Due after five through ten years	332,352	329,085
Due after ten years	29,479	29,353
Mortgage-backed	414,734	416,592
Asset-backed	61,884	61,944
Total	$ 2,939,732	$ 2,928,843

Equity Investments Trading

The following table summarizes the fair value of equity investments trading:

At December 31,	2021	2020
Financials	$ 159	$ —
Industrial, utilities and energy	$ —	$ 105
Consumer	272	—
Total	$ 431	$ 105

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

Pledged Investments

At December 31, 2021, $459.9 million (2020 - $389.0 million) of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of, various counterparties, including with respect to RenaissanceRe's letter of credit facilities. Of this amount, $428.9 million (2020 - $389.0 million) is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities and primarily relates to the Company's multi-beneficiary reinsurance trust ("MBRT") and multi-beneficiary reduced collateral reinsurance trust ("RCT"). See "Note 10. Statutory Requirements" for additional information regarding the Company's MBRT and RCT and "Note 12. Commitments and Contingencies" for additional information regarding the letter of credit facilities.

Reverse Repurchase Agreements

At December 31, 2021, the Company had $0.2 million (2020 - $0.9 million) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of short term investments on the Company's balance sheets. The required collateral for these loans typically includes high-quality, readily marketable instruments at a minimum amount of 102% of the loan principal. Upon maturity, the Company receives principal and interest income.

Net Investment Income

The components of net investment income are as follows:

Year ended December 31,	2021	2020
Fixed maturity investments	$ 32,194	$ 45,579
Short term investments	267	1,961
Cash and cash equivalents	(104)	142
	32,357	47,682
Investment expenses	(3,493)	(2,851)
Net investment income	$ 28,864	$ 44,831

(amounts in tables expressed in thousands of United States Dollars)

NOTE 3. INVESTMENTS, cont'd.

Net Realized and Unrealized Gains (losses) on Investments

Net realized and unrealized gains (losses) on investments are as follows:

Year ended December 31,	2021	2020
Gross realized gains	$ 21,658	$ 38,014
Gross realized losses	(11,840)	(5,242)
Net realized gains (losses) on fixed maturity investments	9,818	32,772
Net unrealized gains (losses) on fixed maturity investments trading	(52,814)	25,080
Net realized and unrealized gains (losses) on investments-related derivatives (1)	(2,702)	4,548
Net realized gains (losses) on equity investments trading	(233)	(77)
Net unrealized gains (losses) on equity investments trading	366	(245)
Net realized and unrealized gains (losses) on investments	$ (45,565)	$ 62,078

(1) See "Note 12. Derivative Instruments" for additional information

NOTE 4. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's financial statements. Fair value is defined under accounting guidance currently applicable to the Company as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains or losses arising from changes in fair value in its statements of operations.

FASB ASC Topic *Fair Value Measurements and Disclosures* prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

- Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access at the measurement date. The fair value is determined by multiplying the quoted price by the quantity held by the Company;

- Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices; and

- Level 3 inputs are based all or in part on significant unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

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

In order to determine if a market is active or inactive for a security, the Company considers a number of factors, including, but not limited to, the spread between what a seller is asking for a security and what a buyer is bidding for the same security, the volume of trading activity for the security in question, the price of the security compared to its par value (for fixed maturity investments), and other factors that may be indicative of market activity.

There have been no material changes in the Company's valuation techniques, nor have there been any transfers between Level 1 and Level 2, or transfers into or out of Level 3, respectively, during the period represented by these financial statements.

Below is a summary of the assets and liabilities that are measured at fair value on a recurring basis and also represents the carrying amount on the Company's balance sheets:

At December 31, 2021	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fixed maturity investments				
U.S. treasuries	$ 1,503,539	$ 1,503,539	$ —	$ —
Agencies	82,686	—	82,686	—
Non-U.S. government	117,439	—	117,439	—
Non-U.S. government-backed corporate	141,768	—	141,768	—
Corporate	604,875	—	604,875	—
Agency mortgage-backed	298,826	—	298,826	—
Non-agency mortgage-backed	13,243	—	13,243	—
Commercial mortgage-backed	104,523	—	104,523	—
Asset-backed	61,944	—	61,944	—
Total fixed maturity investments	2,928,843	1,503,539	1,425,304	—
Short term investments	770,492	—	770,492	—
Equity investments trading	431	431	—	—
Other assets and (liabilities)				
Derivative assets (1)	1,085	245	840	—
Derivative liabilities (1)	(1,307)	(221)	(1,086)	—
Total other assets and (liabilities)	(222)	24	(246)	—
	$ 3,699,544	$ 1,503,994	$ 2,195,550	$ —

(1) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

At December 31, 2020	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	$ 1,294,902	$ 1,294,902	$ —	$ —
Agencies	42,229	—	42,229	—
Non-U.S. government	143,091	—	143,091	—
Non-U.S. government-backed corporate	120,335	—	120,335	—
Corporate	589,279	—	589,279	—
Agency mortgage-backed	311,098	—	311,098	—
Non-agency mortgage-backed	13,100	—	13,100	—
Commercial mortgage-backed	89,308	—	89,308	—
Asset-backed	54,249	—	54,249	—
Total fixed maturity investments	2,657,591	1,294,902	1,362,689	—
Short term investments	245,782	—	245,782	—
Equity investments trading	105	105	—	—
Other assets and (liabilities)				
Derivative assets (1)	2,805	205	2,600	—
Derivative liabilities (1)	(279)	(97)	(182)	—
Total other assets and (liabilities)	2,526	108	2,418	—
	$ 2,906,004	$ 1,295,115	$ 1,610,889	$ —

(1) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company, included in other assets and liabilities on its balance sheets.

Level 1 and Level 2 Assets and Liabilities Measured at Fair Value

Fixed Maturity Investments

Fixed maturity investments included in Level 1 consist of the Company's investments in U.S. treasuries. Fixed maturity investments included in Level 2 are agencies, non-U.S. government, non-U.S. government-backed corporate, corporate, agency mortgage-backed, non-agency mortgage backed, commercial mortgage-backed and asset-backed fixed maturity investments.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

The Company's fixed maturity investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing; however, models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third-party data. Securities which are priced by an index provider are generally included in the index.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active and non-distressed markets.

The Company considers these broker quotations to be Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

<u>U.S. Treasuries</u>

Level 1 - At December 31, 2021, the Company's U.S. treasuries fixed maturity investments had a weighted average yield to maturity of 0.8% and a weighted average credit quality of AA (2020 - 0.2% and AA, respectively). When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker-dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

<u>Agencies</u>

Level 2 - At December 31, 2021, the Company's agency fixed maturity investments had a weighted average yield to maturity of 1.0% and a weighted average credit quality of AA (2020 - 0.5% and AA, respectively). The issuers of the Company's agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker-dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Non-U.S. Government

Level 2 - At December 31, 2021, the Company's non-U.S. government fixed maturity investments had a weighted average yield to maturity of 0.7% and a weighted average credit quality of AA (2020 - 0.3% and AAA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Non-U.S. Government-backed Corporate

Level 2 - At December 31, 2021, the Company's non-U.S. government-backed corporate fixed maturity investments had a weighted average yield to maturity of 1.0% and a weighted average credit quality of AA (2020 - 0.5% and AA, respectively). Non-U.S. government-backed corporate fixed maturity investments are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high quality credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Corporate

Level 2 - At December 31, 2021, the Company's corporate fixed maturity investments principally consisted of U.S. and international corporations and had a weighted average yield to maturity of 2.3% and a weighted average credit quality of BBB (2020 - 1.7% and BBB, respectively). The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations from markets and sector news. Evaluations are updated by obtaining broker-dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

Agency Mortgage-backed

Level 2 - At December 31, 2021, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average yield to maturity of 2.0%, a weighted average credit quality of [AA] and a weighted average life of 5.6 years (2020 - 1.1%, AA and 3.8 years, respectively). The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to-be-announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with active market quotes.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Non-agency Mortgage-backed

Level 2 - At December 31, 2021, the Company's non-agency mortgage-backed fixed maturity investments had a weighted average yield to maturity of 1.7%, a weighted average credit quality of AAA and a weighted average life of 2.2 years (2020 - 1.2%, AAA and 2.3 years, respectively). Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

Commercial Mortgage-backed

Level 2 - At December 31, 2021, the Company's commercial mortgage-backed fixed maturity investments had a weighted average yield to maturity of 1.7%, a weighted average credit quality of AAA and a weighted average life of 3.9 years (2020 - 1.4%, AAA and 4.1 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

Asset-backed

Level 2 - At December 31, 2021, the Company's asset-backed fixed maturity investments had a weighted average yield to maturity of 1.1%, a weighted average credit quality of AAA and a weighted average life of 3.4 years (2020 - 1.1%, AA and 2.1 years, respectively). The underlying collateral for the Company's asset-backed fixed maturity investments primarily consists of collateralized loan obligations and other receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short Term Investments

Level 2 - At December 31, 2021, the Company's short term investments had a weighted average yield to maturity of 0.2% and a weighted average credit quality of AAA (2020 - 0.1% and AAA, respectively). The fair value of the Company's portfolio of short term investments is generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company's fixed maturity investments noted above.

NOTE 4. FAIR VALUE MEASUREMENTS, cont'd.

Equity Investments, Classified as Trading

Level 1 - The fair value of the Company's portfolio of equity investments, classified as trading is primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the pricing services utilize daily data from many real time market sources, including applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source was used for each security.

Other Assets and Liabilities

Derivatives

Level 1 and Level 2 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value of these transactions includes certain exchange traded futures contracts which are considered Level 1, and foreign currency contracts and certain credit derivatives, determined using standard industry valuation models and considered Level 2, with inputs to the valuation model based on observable market inputs. For credit derivatives, these inputs include credit spreads, credit ratings of the underlying referenced security, the risk free rate and the contract term. For foreign currency contracts, these inputs include foreign currency spot rates and interest rate curves.

Level 3 Liabilities Measured at Fair Value

At December 31, 2021 and 2020, the Company did not hold any assets or liabilities measured at fair value on a recurring basis using Level 3 inputs.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The Company uses various financial instruments in the normal course of its business. The Company's (re)insurance contracts are excluded from the fair value of financial instruments accounting guidance, unless the Company elects the fair value option, and therefore, are not included in the amounts discussed herein. The carrying values of cash and cash equivalents, accrued investment income, receivables for investments sold, certain other assets, payables for investments purchased, certain other liabilities, and other financial instruments not included herein approximated their fair values.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 5. REINSURANCE

The Company purchases reinsurance and other protection to manage its risk portfolio and reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts also provide for payments of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to the respective reinsurance contracts. The Company remains liable to the extent that any reinsurer fails to meet its obligations.

The following table sets forth the effect of reinsurance and retrocessional activity on net premiums written and earned and on net claims and claim expenses incurred:

Year ended December 31,	2021	2020
Premiums written		
Assumed	$ 756,670	$ 577,808
Ceded	(74,481)	(58,760)
Net premiums written	$ 682,189	$ 519,048
Premiums earned		
Assumed	$ 748,657	$ 562,102
Ceded	(77,124)	(54,592)
Net premiums earned	$ 671,533	$ 507,510
Claims and claim expenses		
Gross claims and claim expenses incurred	$ 846,363	$ 318,577
Claims and claim expenses recovered	(181,902)	33,584
Net claims and claim expenses incurred	$ 664,461	$ 352,161

In assessing an allowance for reinsurance assets, which includes premiums receivable and reinsurance recoverable, the Company considers historical information, financial strength of reinsurers, collateralization amounts, and ratings to determine the appropriateness of the allowance. In assessing future default for reinsurance assets, the Company evaluates the provision for current expected credit losses under the probability of default and loss given default method. The Company utilizes its internal capital and risk models, which use counterparty ratings from major rating agencies, and assesses the current market conditions for the likelihood of default. The Company updates its internal capital and risk models for counterparty ratings and current market conditions on a periodic basis. Historically, the Company has not experienced material credit losses from reinsurance assets.

Premiums receivable reflect premiums written based on contract and policy terms and include estimates based on information received from both insureds and ceding companies, supplemented by the Company's own judgement, including the Company's estimates of premiums that are written but not reported. Due to the nature of reinsurance, ceding companies routinely report and remit premiums to the Company subsequent to the contract coverage period, although the time lag involved in the process of reporting and collecting premiums is typically shorter than the lag in reporting losses.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 5. REINSURANCE, cont'd.

At December 31, 2021, the Company's premiums receivable balance was $270.1 million (2020 - $196.1 million). Of the Company's premiums receivable balance as of December 31, 2021, the majority are receivable from highly rated counterparties. The provision for current expected credit losses on the Company's premiums receivable was $0.6 million at December 31, 2021 (2020 - $0.2 million). The following table provides a roll forward of the provision for current expected credit losses of the Company's premiums receivable:

Year ended December 31,	**2021**	**2020**
Beginning balance	$ 195	$ 86
Provision for allowance	381	109
Ending balance	$ 576	$ 195

Reinsurance recoverable reflects amounts due from reinsurers based on the claim liabilities associated with the reinsured policy. The Company accrues amounts that are due from assuming companies based on estimated ultimate losses applicable to the contracts.

At December 31, 2021, the Company's reinsurance recoverable balance was $240.7 million (2020 - $49.3 million). Of the Company's reinsurance recoverable balance at December 31, 2021, 53.4% is fully collateralized by the Company's reinsurers, 44.9% is recoverable from reinsurers rated A- or higher by major rating agencies and 1.7% is recoverable from reinsurers rated lower than A- by major rating agencies (2020 - 55.8%, 27.9% and 16.3%, respectively). The reinsurers with the three largest balances accounted for 13.6%, 9.4% and 7.4%, respectively, of the Company's reinsurance recoverable balance at December 31, 2021 (2020 - 23.3%, 13.2% and 12.7%, respectively). The provision for current expected credit losses was $0.6 million at December 31, 2021 (2020 - $0.3 million). The three largest company-specific components of the provision for current expected credit losses represented 53.8%, 8.8% and 7.5%, respectively, of the Company's total provision for current expected credit losses at December 31, 2021 (2020 - 86.9%, 5.9% and 2.5%, respectively).

The following table provides a roll forward of the provision for current expected credit losses of the Company's reinsurance recoverable:

Year ended December 31,	**2021**	**2020**
Beginning balance	$ 259	$ 241
Provision for allowance	353	18
Ending balance	$ 612	$ 259

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES

The Company believes the most significant accounting judgment made by management is its estimate of claims and claim expense reserves. Claims and claim expense reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs for unpaid claims and claim expenses arising from the insurance and reinsurance contracts the Company sells. The Company establishes its claims and claim expense reserves by taking claims reported to the Company by insureds and ceding companies, but which have not yet been paid ("case reserves"), adding estimates for the anticipated cost of claims incurred but not yet reported to the Company, or incurred but not enough reported to the Company (collectively referred to as "IBNR") and, if deemed necessary, adding costs for additional case reserves which represent the Company's estimates for claims related to specific contracts previously reported to the Company which it believes may not be adequately estimated by the client as of that date, or adequately covered in the application of IBNR.

The following table summarizes the Company's claims and claim expense reserves allocated between case reserves, additional case reserves and IBNR:

	Case Reserves	Additional Case Reserves	IBNR	Total
At December 31, 2021	$ 213,651	$ 418,818	$ 762,020	$ 1,394,489
At December 31, 2020	$ 116,872	$ 391,636	$ 381,335	$ 889,843

Activity in the liability for unpaid claims and claim expenses is summarized as follows:

Year ended December 31,	2021	2020
Reserve for claims and claim expenses, net of reinsurance recoverable, as of beginning of period	$ 840,588	$ 614,739
Net incurred related to:		
Current year	778,406	425,786
Prior years	(113,945)	(73,625)
Total net incurred	664,461	352,161
Net paid related to:		
Current year	142,488	45,737
Prior years	199,015	87,089
Total net paid	341,503	132,826
Foreign exchange (1)	(9,772)	6,514
Reserve for claims and claim expenses, net of reinsurance recoverable, as of end of period	1,153,774	840,588
Reinsurance recoverable as of end of period	240,715	49,255
Reserve for claims and claim expenses as of end of period	$ 1,394,489	$ 889,843

(1) Reflects the impact of the foreign exchange revaluation of the reserve for claims and claim expenses, net of reinsurance recoverable, denominated in non-U.S. dollars as at the balance sheet date.

The Company's reserving methodology for each line of business uses a loss reserving process that calculates a point estimate for its ultimate settlement and administration costs for claims and claim expenses. The Company does not calculate a range of estimates and does not discount any of its reserves for claims and claim expenses. The Company uses this point estimate, along with paid claims and case reserves, to record its best estimate of additional case reserves and IBNR in its financial statements. Under GAAP, the Company is not permitted to establish estimates for catastrophe claims and claim expense reserves until an event occurs that gives rise to a loss.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Reserving involves other uncertainties, such as the dependence on information from ceding companies, the time lag inherent in reporting information from the primary insurer to the Company or to the Company's ceding companies, and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of broker notifications of loss and/or discussions with ceding companies or their brokers. This information may be received on a monthly, quarterly or transactional basis and normally includes paid claims and estimates of case reserves. The Company sometimes also receives an estimate or provision for IBNR. This information is updated and adjusted periodically during the loss settlement period as new data or facts in respect of initial claims, client accounts, industry or event trends may be reported or emerge in addition to changes in applicable statutory and case laws.

The Company's estimates of large losses are based on factors including currently available information derived from claims information from certain customers and brokers, industry assessments of losses, proprietary models, and the terms and conditions of the Company's contracts. The uncertainty of the Company's estimates for large losses is also impacted by the preliminary nature of the information available, the magnitude and relative infrequency of the events, the expected duration of the respective claims development period, inadequacies in the data provided to the relevant date by industry participants and the potential for further reporting lags or insufficiencies; and in certain large losses, significant uncertainty as to the form of the claims and legal issues, under the relevant terms of insurance and reinsurance contracts. In addition, a significant portion of the net claims and claim expenses associated with certain large losses can be concentrated with a few large clients and therefore the loss estimates for these large losses may vary significantly based on the claims experience of those clients. The contingent nature of business interruption and other exposures will also impact losses in a meaningful way, which may give rise to significant complexity in respect of claims handling, claims adjustment and other coverage issues, over time. Given the magnitude of certain events, there can be meaningful uncertainty regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying the Company's loss estimates. Loss reserve estimation in respect of the Company's retrocessional contracts poses further challenges compared to directly assumed reinsurance. In addition, the Company's actual net losses from these events may increase if the Company's reinsurers or other obligors fail to meet their obligations.

The Company reevaluates its actuarial reserving techniques on a periodic basis. Typically, the quarterly review procedures include reviewing paid and reported claims in the most recent reporting period, reviewing the development of paid and reported claims from prior periods, and reviewing the Company's overall experience by underwriting year and in the aggregate. The Company monitors its expected ultimate claims and claim expense ratios and expected claims reporting assumptions on a quarterly basis and compares them to its actual experience. These actuarial assumptions are generally reviewed annually, based on input from actuaries, underwriters, claims personnel and finance professionals, although adjustments may be made more frequently if needed. Assumption changes are made to adjust for changes in the pricing and terms of coverage the Company provides, changes in industry results for similar business, as well as its actual experience to the extent the Company has enough data to rely on its own experience. If the Company determines that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified.

Because of the inherent uncertainties discussed above, the Company has developed a reserving philosophy that attempts to incorporate prudent assumptions and estimates, and the Company has generally experienced favorable development on prior accident years net claims and claim expenses in the last several years. However, there is no assurance that this favorable development on prior accident years net claims and claim expenses will occur in future periods.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Incurred and Paid Claims Development and Reserving Methodology

The Company writes property catastrophe excess of loss reinsurance contracts to insure insurance and reinsurance companies against natural and man-made catastrophes. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from a single occurrence of a covered peril exceeds the attachment point specified in the contract, up to an amount per loss specified in the contract. The Company also writes aggregate reinsurance contracts. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from multiple events within set conditions exceeds the attachment point specified in the contract, up to an amount specified in the contract. Generally, the Company's most significant exposure is to losses from hurricanes, earthquakes and other windstorms, although the Company is also exposed to claims arising from other man-made and natural catastrophes, such as tsunamis, winter storms, freezes, floods, fires, tornadoes, explosions and acts of terrorism. The Company's predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered under the Company's catastrophe contracts when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas.

Coverage can also vary from “all property” perils to limited coverage on selected perils, such as “earthquake only” coverage. The Company also enters into retrocessional contracts that provide property catastrophe coverage to other reinsurers or retrocedants. This coverage is generally in the form of excess of loss retrocessional contracts and may cover all perils and exposures on a worldwide basis or be limited in scope to selected geographic areas, perils and/or exposures. The exposures the Company assumes from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company also offers dual trigger reinsurance contracts which require the Company to pay claims based on claims incurred by insurers and reinsurers in addition to the estimate of insured industry losses as reported by referenced statistical reporting agencies.

The Company also writes certain casualty and specialty reinsurance contracts. The Company's predominant exposure under such coverage is to catastrophe. However, other risks, including business interruption and other non-property losses, may also be covered when arising from a covered peril. The Company's coverages are offered on either a worldwide basis or are limited to selected geographic areas. The exposures assumed from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. The Company offers these products principally through excess of loss coverage.

Claims and claim expenses are generally characterized by losses of low frequency and high severity. Initial reporting of paid and incurred claims in general, tends to be relatively prompt, particularly for less complex losses. The Company considers this business “short-tail” as compared to the reporting of claims for “long-tail” products, which tends to be slower. However, the timing of claims payment and reporting also varies depending on various factors, including: whether the claims arise under reinsurance of primary insurance companies or reinsurance of other reinsurance companies; the nature of the events (e.g., hurricanes, earthquakes or terrorism); the geographic area involved; post-event inflation which may cause the cost to repair damaged property to increase significantly from current estimates, or for property claims to remain open for a longer period of time, due to limitations on the supply of building materials, labor and other resources; complex policy coverage and other legal issues; and the quality of each client's claims management and reserving practices. Management's judgments regarding these factors are reflected in the Company's reserve for claims and claim expenses.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Claims and claim expense reserves are estimated by management by completing an in-depth analysis of the individual contracts which may potentially be impacted by the loss. The in-depth analysis generally involves: 1) estimating the size of insured industry losses; 2) reviewing reinsurance contract portfolios to identify contracts which are exposed; 3) reviewing information reported or otherwise provided by customers and brokers; 4) discussing the loss with customers and brokers; and 5) estimating the ultimate expected cost to settle all claims and administrative costs arising from the loss on a contract-by-contract basis and in aggregate for the event. Once a loss has occurred, during the then current reporting period, the Company records its best estimate of the ultimate expected cost to settle all claims arising from the loss. The Company's estimate of claims and claim expense reserves is then determined by deducting cumulative paid losses from its estimate of the ultimate expected loss. The Company's estimate of IBNR is determined by deducting cumulative paid losses, case reserves and additional case reserves from its estimate of the ultimate expected loss. Once the Company receives a valid notice of loss or payment request under a catastrophe reinsurance contract, it is generally able to process and pay such claims promptly.

Because the losses from which claims arise under policies written are typically prominent, public events such as hurricanes and earthquakes, the Company is often able to use independent reports as part of its loss reserve estimation process. The Company also reviews catastrophe bulletins published by various statistical reporting agencies to assist in determining the size of the industry loss, although these reports may not be available for some time after an event.

For smaller events including localized severe weather events such as windstorms, hail, ice, snow, flooding, freezing and tornadoes, which are not necessarily prominent, public occurrences, the Company initially places greater reliance on catastrophe bulletins published by statistical reporting agencies to assist in determining what events occurred during the reporting period than the Company does for large events. This includes reviewing catastrophe bulletins published by Property Claim Services for U.S. catastrophes. The Company sets its initial estimates of reserves for claims and claim expenses for these smaller events based on a combination of its historical market share for these types of losses and the estimate of the total insured industry property losses as reported by statistical reporting agencies, although management may make significant adjustments based on the Company's current exposure to the geographic region involved as well as the size of the loss and the peril involved. This approach supplements the Company's approach for estimating losses for larger catastrophes, which as discussed above, includes discussions with brokers and ceding companies and reviewing individual contracts impacted by the event. Approximately one year from the date of loss for these small events, the Company typically estimates IBNR for these events by using the paid Bornhuetter-Ferguson actuarial method. The loss development factors for the paid Bornhuetter-Ferguson actuarial method are selected based on a review of the Company's historical experience. There were no significant changes to the Company's paid loss development factors over the last three years.

In general, reserves for the Company's more recent large losses are subject to greater uncertainty and, therefore, greater potential variability, and are likely to experience material changes from one period to the next. This is due to the uncertainty as to the size of the industry losses, uncertainty as to which contracts have been exposed, uncertainty due to complex legal and coverage issues that can arise out of large or complex losses, and uncertainty as to the magnitude of claims incurred by the Company's customers. As the Company's claims age, more information becomes available and the Company believes its estimates become more certain.

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

For its Casualty and Specialty class of business, the Company calculates multiple point estimates for claims and claim expense reserves using a variety of actuarial reserving techniques. The Company does not believe that these multiple point estimates are, or should be considered, a range. Rather, the Company considers each class of business and determines the most appropriate point estimate for each underwriting year based on the characteristics of the particular class including: (1) loss development patterns derived from historical data; (2) the credibility of the selected loss development pattern; (3) the stability of the loss development patterns; (4) how developed the underwriting year is; and (5) the observed loss development of other underwriting years for the same class. The Company also considers other relevant factors, including: (1) historical ultimate loss ratios; (2) the presence of individual large losses; and (3) known occurrences that have not yet resulted in reported losses. The Company makes determinations of the most appropriate point estimate of loss for each class based on an evaluation of relevant information and does not ascribe any particular portion of the estimate to a particular factor or consideration. In addition, the Company believes that a review of individual contract information improves the loss estimates for some classes of business.

When developing claims and claims expense reserves for its Casualty and Specialty class of business, the Company considers several actuarial techniques such as the expected loss ratio method, the Bornhuetter-Ferguson actuarial method and the paid and reported chain ladder actuarial method.

The information provided herein about incurred and paid accident year claims development for the years ended prior to December 31, 2021 is presented as supplementary information. For incurred and paid accident year claims denominated in currencies other than USD, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table details the Company's incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2021, net of reinsurance, as well as IBNR and additional case reserve ("ACR") included within the net incurred claims amounts.

	Incurred claims and claim expenses, net of reinsurance										
	For the year ended December 31,										**At December 31, 2021**
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**IBNR and ACR**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2012	$ 129,341	$ 107,189	$ 98,372	$ 92,810	$ 87,266	$ 82,576	$ 79,587	$ 78,254	$ 76,533	$ 76,452	$ 276
2013	—	48,203	36,259	33,020	25,461	21,602	20,829	20,340	19,799	19,756	102
2014	—	—	28,326	19,655	16,298	15,157	14,543	14,288	13,960	14,121	177
2015	—	—	—	51,884	38,859	33,396	29,904	28,191	27,593	27,254	365
2016	—	—	—	—	62,132	56,998	50,298	41,394	38,189	34,924	2,864
2017	—	—	—	—	—	497,841	428,942	375,980	366,511	352,971	56,731
2018	—	—	—	—	—	—	296,824	332,685	304,325	285,137	52,138
2019	—	—	—	—	—	—	—	219,752	187,993	144,121	73,285
2020	—	—	—	—	—	—	—	—	425,901	396,374	218,757
2021	—	—	—	—	—	—	—	—	—	775,703	523,037
Total										$ 2,126,813	$ 927,732

	Cumulative paid claims and claim expenses, net of reinsurance									
	For the year ended December 31,									
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2012	$ 27,847	$ 49,216	$ 61,163	$ 66,140	$ 68,205	$ 71,806	$ 72,260	$ 73,733	$ 73,915	$ 74,647
2013	—	14,395	17,321	18,488	19,254	19,374	19,516	19,564	19,588	19,615
2014	—	—	10,251	12,664	13,409	13,665	13,850	13,921	13,930	13,944
2015	—	—	—	19,084	26,312	27,597	26,594	26,736	26,750	26,822
2016	—	—	—	—	10,749	26,436	29,853	30,642	31,140	31,340
2017	—	—	—	—	—	121,411	203,748	230,785	256,518	272,125
2018	—	—	—	—	—	—	126,358	131,126	155,531	215,015
2019	—	—	—	—	—	—	—	8,204	38,321	51,697
2020	—	—	—	—	—	—	—	—	45,752	142,590
2021	—	—	—	—	—	—	—	—	—	142,429
Total										$ 990,224
Outstanding liabilities from accident year 2011 and prior, net of reinsurance										17,185
Liability for claims and claim expenses, net of reinsurance										$ 1,153,774

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Prior Year Development of the Reserve for Net Claims and Claim Expenses

The Company's estimates of claims and claim expense reserves are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends and other variable factors. Some, but not all, of the Company's reserves are further subject to the uncertainty inherent in actuarial methodologies and estimates. Because a reserve estimate is simply an insurer's estimate at a point in time of its ultimate liability, and because there are numerous factors that affect reserves and claims payments that cannot be determined with certainty in advance, the Company's ultimate payments will vary, perhaps materially, from its estimates of reserves. If the Company determines in a subsequent period that adjustments to its previously established reserves are appropriate, such adjustments are recorded in the period in which they are identified. On a net basis, the Company's cumulative favorable or unfavorable development is generally reduced by offsetting changes in its reinsurance recoverable, as well as changes to loss related premiums such as reinstatement premiums.

The following table details the Company's prior year net development of its liability for net unpaid claims and claim expenses:

Year ended December 31,	2021	2020
Net (favorable) adverse development of prior accident years net claims and claim expenses	$ (113,945)	$ (73,625)

Changes to prior year estimated net claims reserves decreased the Company's net loss by $113.9 million during 2021 (2020 - increased the Company's net income by $73.6 million), excluding the consideration of changes in reinstatement, adjustment or other premium changes, profit commissions and income tax.

During 2021, net favorable development of prior accident year net claims and claim expenses of $113.9 million primarily included:

- $32.0 million of net favorable development associated with Typhoons Jebi, Mangkhut and Trami, Hurricanes Florence and Michael, the wildfires in California during the third and fourth quarters of 2018, and losses associated with aggregate loss contracts (collectively, the "2018 Large Loss Events");
- $26.0 million of net favorable development associated with Hurricane Dorian and Typhoons Faxai and Hagibis, and losses associated with aggregate loss contracts (collectively, the "2019 Large Loss Events");
- $12.9 million of net favorable development associated with Hurricanes Harvey, Irma and Maria, the Mexico City Earthquake, the wildfires in California during the fourth quarter of 2017 and losses associated with aggregate loss contracts (collectively, the "2017 Large Loss Events"); and
- $10.1 million of net favorable development associated with Hurricane Laura, Sally, Isaias, Delta, Zeta and Eta, the California, Oregon and Washington wildfires, Typhoon Maysak, the August 2020 Derecho and losses associated with aggregate loss contracts (collectively, the "2020 Weather-Related Large Loss Events").

During 2020, net favorable development of prior accident year net claims and claim expenses of $73.6 million primarily included $28.2 million of net favorable development associated with the 2019 Large Loss Events as well as $26.2 million of net favorable development associated with the 2018 Large Loss Events.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Reserve for Claims and Claim Expenses

The reconciliation of the net incurred and paid claims development tables to the reserve for claims and claim expenses in the balance sheet is as follows:

At December 31, 2021	
Net reserve for claims and claim expenses	$ 1,153,774
Reinsurance recoverable	240,715
Reserve for claims and claim expenses	$ 1,394,489

Historical Claims Duration

The following is unaudited supplementary information about average historical claims duration:

	Average annual percentage payout of incurred claims by age, net of reinsurance (number of years)									
At December 31, 2021	1	2	3	4	5	6	7	8	9	10
	24.8 %	20.7 %	9.4 %	12.3 %	3.5 %	2.3 %	0.4 %	1.4 %	0.2 %	1.0 %

Claims Frequency

The Company's business is broadly considered to be assumed reinsurance, where multiple claims are often aggregated, perhaps multiple times through retrocessional reinsurance, before ultimately being ceded to the Company. In addition, the nature, size, terms and conditions of contracts entered into by the Company, changes from one accident year to the next and the quantum of contractual or policy limits, and accordingly the potential amount of claims and claim expenses associated with a reported claim, can range from nominal, to significant. These factors can impact the amount and timing of the claims and claim expenses to be recorded and accordingly, developing claim frequency information is highly subjective and is not prepared or utilized for internal purposes.

Notwithstanding the factors noted above, the Company has developed claims frequency information associated with its excess of loss reinsurance contracts. As each accident year develops, the Company would expect the cumulative number of reported claims to increase in certain of its excess of loss reinsurance contracts. In determining claims frequency for its excess of loss reinsurance contracts, the Company has made the following assumptions:

- Claims below the insured layer of a contract are excluded;
- If an insured loss event results in claims associated with a number of layers of a contract, the Company considers this to be a single claim; and
- If an insured loss event results in claims associated with a number of the Company's operating subsidiaries, the Company considers each operating subsidiary to have a reported claim.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

The following table details the Company's cumulative number of reported claims for its excess of loss reinsurance contracts:

	At December 31, 2021
Accident Year	Cumulative number of reported claims
2012	84
2013	50
2014	27
2015	47
2016	108
2017	264
2018	276
2019	152
2020	242
2021	134

NOTE 7. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS

Amounts due to and from affiliates are non-interest bearing and payable on demand, or in accordance with the contractual terms of reinsurance-related transactions.

Reinsurance-Related Transactions

The Company has entered into reinsurance agreements to assume a portion of Renaissance Reinsurance's property catastrophe and casualty and specialty business. During 2021, net written premiums assumed under these agreements were $40.3 million (2020 - $36.9 million), net earned premiums were $42.2 million (2020 - $35.8 million), net claims and claim expenses incurred were $3.6 million (2020 - $1.8 million) and net earned expenses incurred were $3.6 million (2020 - $3.9 million). At December 31, 2021, outstanding reserves for claims and claim expenses under these agreements were $12.8 million (2020 - $70.7 million) and premiums receivable were $6.1 million (2020 - $29.5 million).

Effective January 1, 2021, the Company entered into reinsurance agreements with RenaissanceRe Europe AG, UK Branch, a branch of RenaissanceRe Europe AG (formerly known as Tokio Millennium Re AG) ("RenaissanceRe Europe"), which is a wholly-owned subsidiary of RenaissanceRe. Net written premium assumed under these agreements were $5.7 million, net earned premiums were $5.1 million, net claims and claims expenses incurred were $2.9 million and net earned expenses incurred were $0.7 million. At December 31, 2021, outstanding reserves for claims and claim expenses under these agreements were $2.9 million and premiums receivable were $5.7 million.

Effective February 15, 2021, the Company entered into reinsurance agreements with RenaissanceRe Specialty U.S. Ltd. ("RenaissanceRe Specialty U.S."), a wholly-owned subsidiary of RenaissanceRe. During 2021, net written premium assumed under these agreements were $8.3 million, net earned premiums were $7.3 million. At December 31, 2021 and premiums receivable were $Nil.

NOTE 7. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

Subsidiaries of the Company's ultimate parent have entered into equity investments in the Tower Hill Companies, which are accounted for under the equity method of accounting. As a result, the Tower Hill Companies are considered related parties to the Company. The Company has entered into reinsurance agreements with certain subsidiaries and affiliates of Tower Hill and has also entered into reinsurance agreements with respect to business produced by the Tower Hill Companies. During 2021, the Company recorded $8.7 million (2020 - $13.0 million) of gross premiums written from the Tower Hill Companies and its subsidiaries and affiliates. Gross premiums earned totaled $10.6 million (2020 - $12.2 million) and expenses incurred were $1.1 million (2020 - $1.3 million) for 2021. During 2021, the Company assumed net claims and claim expenses of $5.8 million (2020 - $3.7 million) and, as of December 31, 2021, had a net reserve for claims and claim expenses of $10.7 million (2020 - $13.3 million). The Company had a net related outstanding receivable balance of $3.9 million as of December 31, 2021 (2020 - $5.1 million).

Other Items

Under the terms of a management agreement, Renaissance Underwriting Managers, Ltd. ("RUM"), a wholly-owned subsidiary of RenaissanceRe, has contracted to provide all of the Company's management, underwriting, investment management and administrative functions, for which it is paid a fee that is a percentage of premium and a profit commission. Included in operational expenses are expenses of $60.9 million (2020 - expenses of $52.6 million), discussed in more detail below, and amounts due to affiliates at December 31, 2021 includes a receivable of $16.9 million (2020 - payable of $15.3 million) related to these services.

The Company incurred underwriting losses for the 2020 and 2021 underwriting year related to the occurrence of certain large catastrophe events and in accordance with the terms of the management agreement with RUM, the deferred profit commissions balance was decreased. The reduction in the deferred profit commissions, recorded through operational expenses, partially offset the impact of the large catastrophe events on the Company's results. Following the recording of the deferred profit commission as a reduction of the 2021 underwriting year losses, the amount of deferred profit commission reflected in amounts due to affiliates at December 31, 2021 was $Nil (2020 - $Nil). To the extent the Company generates positive underwriting results in future underwriting years, resulting in a positive balance in deferred profit commission payable to RUM, such balance would be applied against deficits, should they occur, subject to a maximum dollar amount. In addition to the fees discussed above, the Company is required to reimburse RUM for other directly identifiable costs. For the years ended December 31, 2021 and 2020, no such directly identifiable costs were allocated to the Company.

See "Note 8. Shareholder's Equity" for additional information related to transactions with current and former shareholders.

<u>*Broker Concentration*</u>

During 2021, the Company received 77.0% (2020 - 82.8%) of its gross premiums assumed from three reinsurance brokers. Subsidiaries and affiliates of Aon plc, Marsh & McLennan Companies, Inc, and Tiger Risk Partners accounted for approximately 47.6%, 24.5% and 4.9%, respectively, of the Company's gross premiums written in 2021 (2020 - 53.2%, 22.7% and 6.9%, respectively).

(amounts in tables expressed in thousands of United States Dollars)

NOTE 8. SHAREHOLDER'S EQUITY

The aggregate authorized capital of the Company is 1,000 common shares of $1,000 par value each. All authorized shares are Class AA and are issued and outstanding as of December 31, 2021.

	Number of Shares					
	Authorized Sublimit	Outstanding 2020	Issued	Redeemed	Outstanding 2021	Par Value 2021
Class AA	1,000	1,000	—	—	1,000	$ 1,000
		1,000	—	—	1,000	$ 1,000

	Number of Shares					
	Authorized Sublimit	Outstanding 2019	Issued	Redeemed	Outstanding 2020	Par Value 2020
Class AA	1,000	1,000	—	—	1,000	1,000
		1,000	—	—	1,000	$ 1,000

2021

During 2021, the Company declared and paid aggregate cash dividends of $7.3 million and also paid aggregate net cash dividends of $16.7 million associated with holdbacks in connection with shareholder transactions in prior years, resulting in net cash dividend paid of $24.0 million.

2020

During 2020, the Company declared and paid aggregate cash dividends of $7.4 million and also paid aggregate net cash dividends of $4.2 million associated with holdbacks in connection with shareholder transactions in prior years, resulting in net cash dividend paid of $11.6 million.

NOTE 9. TAXATION

Under current Bermuda law, the Company is not subject to any income or capital gains taxes. In the event that such taxes are imposed, the Company would be exempted from any such tax until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, and Amended Acts of 1987 and 2011, respectively.

The Singapore Branch and Switzerland Branch are subject to the tax laws of Singapore and Switzerland, respectively. The taxation balances related to the Singapore Branch and Switzerland Branch are not material to the Company.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 10. STATUTORY REQUIREMENTS

Bermuda Statutory Requirements

The Company is subject to insurance laws and regulations in Bermuda. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the Bermuda Monetary Authority ("BMA"). The Company is required to prepare statutory financial statements.

Under the Insurance Act 1978 and related regulations (the "Insurance Act"), the Company is registered as a Class 4 insurer. Class 4 insurers are prohibited from declaring or paying any dividends if in breach of the required minimum solvency margin or minimum liquidity ratio or if the declaration or payment of such dividend would cause the insurer to fail to meet the required minimum solvency margin or minimum liquidity ratio. Where an insurer fails to meet its Relevant Margins on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the prior approval of the BMA. Further, Class 4 insurers are prohibited from declaring or paying in any financial year dividends of more than 25% of total statutory capital and surplus unless the insurer file an affidavit with the BMA an affidavit stating that it will continue to meet the required minimum solvency margin or minimum liquidity ratio. Class 4 insurers must obtain the BMA's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's statutory financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to the solvency requirements under the Companies Act 1981, amendments thereto of Bermuda (the "Companies Act") which apply to all Bermuda companies.

The Insurance Act requires that the Company's statutory assets exceed its statutory liabilities by an amount equal to or greater than the prescribed minimum solvency margin ("MSM"). The MSM is the greater of (i) $100.0 million, (ii) 50% of net premiums written (with a credit for reinsurance ceded not exceeding 25% of gross premiums), (iii) 15% of net aggregate loss and loss expense provisions and other insurance reserves, or (iv) 25% of the insurer's Enhanced Capital Requirement ("ECR"). The ECR is calculated by reference to the Bermuda Solvency Capital Requirement ("BSCR") model.

In addition, the Company is required to maintain available statutory economic capital and surplus at a level to meet it's ECR. The BMA has also established a target capital level equal to 120% of the applicable ECR, which is not a required level of capital, but serves as an early warning tool to the BMA. The Company is currently completing its 2021 BSCR, which must be filed with the BMA on or before April 30, 2022, and at this time, the Company believes it will exceed the target capital level.

The statutory capital and surplus, required minimum statutory capital and surplus and unrestricted net assets of the Company are detailed below:

At December 31,	**2021**	**2020**
Statutory capital and surplus (1)	$ 2,251,037	$ 2,134,568
Required minimum statutory capital and surplus	368,753	294,503
Unrestricted net assets (2)	637,720	735,443

1) DaVinci's capital and surplus is based on the relevant insurer's statutory financial statements and required statutory capital and surplus is based on the minimum solvency margin.

(2) Unrestricted net assets represents the amount of shareholders' equity that is permitted to be distributed in light of the statutory restrictions noted above, and the definition of distribute reserves and certain legal restrictions per the Companies Act.

NOTE 10. STATUTORY REQUIREMENTS, cont'd.

Singapore Branch

The Singapore Branch is licensed to carry on insurance business as a general reinsurer under the regulation of the Monetary Authority of Singapore, which is its primary regulator, pursuant to Singapore's Insurance Act. Additionally, the Singapore Branch is regulated by the Accounting and Corporate Regulatory Authority as a foreign company pursuant to Singapore's Companies Act. The activities and regulatory requirements of the Singapore Branch are not considered to be material to the Company.

Switzerland Branch

The Switzerland Branch is considered a branch office of a foreign reinsurer, and is not regulated by the Swiss Financial Market Supervisory Authority. The activities of the Switzerland Branch are not considered to be material to the Company.

Multi-Beneficiary Reinsurance Trust

The Company is approved as a Trusteed Reinsurer in the state of New York and established an MBRT to collateralize its (re)insurance liabilities associated with U.S. domiciled cedants. The MBRT is subject to the rules and regulations of the state of New York and the respective deed of trust, including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at December 31, 2021 with respect to the MBRT totaled $272.0 million (2020 - $290.1 million), compared to the minimum amount required under U.S. state regulations of $182.3 million (2020 - $270.5 million).

Multi-Beneficiary Reduced Collateral Reinsurance Trust

The Company is approved as a “certified reinsurer” eligible for collateral reduction in certain states, and is authorized to provide reduced collateral equal to 50% of its net outstanding insurance liabilities to insurers domiciled in those states. The Company has established an RCT to collateralize its (re)insurance liabilities associated with cedants domiciled in those states. Because the RCT was established in New York, it is subject to the rules and regulations of the state of New York including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at December 31, 2021 with respect to the RCT totaled $168.1 million (2020 - $90.1 million), compared to the minimum amount required under U.S. state regulations of $164.5 million (2020 - $86.5 million).

NOTE 11. DERIVATIVE INSTRUMENTS

From time to time, the Company may enter into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and to assume risk. The Company's derivative instruments can be exchange traded or over-the-counter, with over-the-counter derivatives generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event a party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

The Company is not aware of the existence of any credit-risk related contingent features that it believes would be triggered in its derivative instruments that are in a net liability position at December 31, 2021.

The tables below show the gross and net amounts of recognized derivative assets and liabilities at fair value, including the location on the balance sheets of the Company's principal derivative instruments:

	Derivative Assets					
At December 31, 2021	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	$ 245	—	$ 245	Other assets	$ —	$ 245
Foreign currency forward contracts (1)	840	—	840	Other assets	—	840
Total	$ 1,085	$ —	$ 1,085		$ —	$ 1,085

	Derivative Liabilities					
At December 31, 2021	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	$ 221	—	$ 221	Other liabilities	$ 221	$ —
Foreign currency forward contracts (1)	1,086	—	1,086	Other liabilities	—	1,086
Total	$ 1,307	$ —	$ 1,307		$ 221	$ 1,086

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

	Derivative Assets					
At December 31, 2020	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	$ 205	—	$ 205	Other assets	$ —	$ 205
Foreign currency forward contracts (1)	2,600	—	2,600	Other assets	—	2,600
Total	$ 2,805	$ —	$ 2,805		$ —	$ 2,805

	Derivative Liabilities					
At December 31, 2020	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	$ 97	—	$ 97	Other liabilities	$ 97	$ —
Foreign currency forward contracts (1)	182	—	182	Other liabilities	—	182
Total	$ 279	$ —	$ 279		$ 97	$ 182

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(amounts in tables expressed in thousands of United States Dollars)

NOTE 11. DERIVATIVE INSTRUMENTS, cont'd.

The location and amount of the gain (loss) recognized in the Company's statements of operations related to the Company's principal derivative instruments are shown in the following table:

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
Year ended December 31,		2021	2020
Interest rate futures (1)	Net realized and unrealized gains (losses) on investments	$ (2,702)	$ 4,548
Foreign currency forward contracts (2)	Net foreign exchange gains (losses)	(6,219)	3,557
Total		$ (8,921)	$ 8,105

(1) Fixed income related derivatives included in net realized and unrealized gains (losses) on investment-related derivatives. See "Note 3. Investments" for additional information.

(2) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

Interest Rate Futures

The Company uses interest rate futures within its portfolio of fixed maturity investments to manage its exposure to interest rate risk, which may result in increasing or decreasing its exposure to this risk.The fair value of interest rate futures is determined using exchange traded prices. At December 31, 2021, the Company had $528.7 million of notional long positions and $141.2 million of notional short positions of primarily U.S. treasury futures contracts (2020 - $324.4 million and $187.6 million, respectively).

Foreign Currency Derivatives

The Company's functional currency is the U.S. dollar. The Company writes a portion of its business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses in the Company's financial statements. The impact of changes in exchange rates on the Company's assets and liabilities denominated in currencies other than the U.S. dollar, excluding non-monetary assets and liabilities, are recognized currently in the Company's statements of operations.

Underwriting and Non-Investments Operations Related Foreign Currency Contracts

The Company's foreign currency policy with regard to its underwriting operations is generally to enter into foreign currency forward and option contracts for notional values that approximate the foreign currency liabilities, including claims and claim expense reserves and reinsurance balances payable net of any cash, investments and receivables held in the respective foreign currency. The Company's use of foreign currency forward and option contracts is intended to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with its underwriting operations. The Company may determine not to match a portion of its projected underwriting related assets or liabilities with underlying foreign currency exposure with investments in the same currencies, which would increase its exposure to foreign currency fluctuations and potentially increase the impact and volatility of foreign exchange gains and losses on its results of operations. The fair value of the Company's underwriting operations related foreign currency contracts is determined using indicative pricing obtained from counterparties or broker quotes. At December 31, 2021, the Company had outstanding underwriting related foreign currency contracts of $27.1 million in notional long positions and $119.2 million in notional short positions, denominated in U.S. dollars (2020 - $98.8 million and $25.3 million, respectively).

NOTE 12. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Instruments which potentially subject the Company to concentration of credit risk consist principally of investments, cash, premiums receivable and reinsurance balances. The Company limits the amount of credit exposure to any one financial institution and except for U.S. treasuries, none of the Company's fixed-maturity and short-term investments exceeded 10% of shareholder's equity at December 31, 2021. See "Note 5. Reinsurance" and "Note 6. Reserve for Claims and Claim Expenses" for additional information with respect to reinsurance recoverables.

Letters of Credit and Other Commitments

RenaissanceRe, the Company's ultimate parent, maintains a standby letter of credit facility with Wells Fargo Bank, National Association ("Wells Fargo") which, as of December 31, 2021, provides for a secured, uncommitted facility under which letters of credit may be issued from time to time for the respective accounts of RenaissanceRe's operating subsidiaries and joint ventures, including the Company (the "Applicants"). Pursuant to the agreement, the Applicants may request secured letter of credit issuances, and also have an option to request the issuance of up to $100.0 million of unsecured letters of credit (outstanding on such request date). The agreement contains representations, warranties and covenants that are customary for facilities of this type. Under the agreement, each applicant is required to pledge eligible collateral having a value sufficient to cover all of its obligations under the agreement with respect to secured letters of credit issued for its account. In the case of an event of default under the agreement, Wells Fargo may exercise certain remedies, including conversion of collateral of a defaulting applicant into cash. At December 31, 2021, RenaissanceRe had $97.0 million of secured letters of credit outstanding and $Nil of unsecured letters of credit outstanding under this agreement, of which $19.8 million and $Nil, respectively, relates to the Company.

In addition, RenaissanceRe, the Company's ultimate parent, maintains a facility letter, with Citibank Europe plc ("Citibank Europe"), pursuant to which Citibank Europe has established a letter of credit facility under which Citibank Europe provides a commitment to issue letters of credit for the accounts of RenaissanceRe's operating subsidiaries and joint ventures, including the Company (the "Participants"). Effective December 21, 2021, the aggregate commitment amount was increased from $300.0 million to $350.0 million. The letter of credit facility is scheduled to expire on December 31, 2023. At all times during which it is a party to the facility, each Participant is obligated to pledge to Citibank Europe securities with a value that equals or exceeds the aggregate face amount of its then-outstanding letters of credit. In the case of an event of default under the facility with respect to a Participant, Citibank Europe may exercise certain remedies, including terminating its commitment to such Participant and taking certain actions with respect to the collateral pledged by such Participant (including the sale thereof). In the facility letter, each Participant makes representations and warranties that are customary for facilities of this type and agrees that it will comply with certain informational and other undertakings. At December 31, 2021, RenaissanceRe had $301.9 million aggregate face amount of letters of credit outstanding and, subject to the sublimits described above, $48.1 million remained unused and available to the Participants under this facility, of which $3.6 million of the aggregate face amount of letters of credit outstanding relates to the Company.

NOTE 12. COMMITMENTS AND CONTINGENCIES, cont'd.

Indemnifications and Warranties

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on past experience, management currently believes that the likelihood of such an event is remote.

Legal Proceedings

The Company is subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct insurance policies, as applicable. In the Company's industry, business litigation may involve allegations of underwriting or claims-handling errors or misconduct, employment claims, regulatory actions or other disputes. The Company may also directly or indirectly be subject to its claims litigation involving disputed interpretations of policy coverages. These lawsuits, involving or arising out of claims on policies issued by the Company are typical to the insurance industry in general and in the normal course of business, are considered in its claims and claim expense reserves. In addition, the Company may from time to time engage in litigation or arbitration related to its claims for payment in respect of ceded reinsurance, including disputes that challenge the Company's ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance related claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate. The Company believes that no individual litigation or arbitration to which the Company is presently a party is likely to have a material adverse effect on it's financial condition, business or operations.

NOTE 13. SUBSEQUENT EVENTS

Effective January 1, 2022, DaVinciRe contributed $500.0 million to the Company.

In late February and early March 2022, severe floods impacted Eastern Australia, and Storm Eunice impacted several areas of Europe in February 2022. The Company currently estimates a $49.7 million net impact on its 2022 financial results from these events. Meaningful uncertainty remains regarding the estimates and the nature and extent of the losses, driven by the magnitude and recent nature, the geographic areas impacted, relatively limited claims data received to date, the contingent nature of business interruption and other exposures, potential uncertainties relating to reinsurance recoveries, and other factors inherent in loss estimation, among other things. Estimated losses are based on a review of potential exposures, preliminary discussions with certain counterparties and actuarial modeling techniques. Actual losses, both individually and in the aggregate, may vary from these estimates, perhaps materially. Changes in these estimates will be recorded in the period in which they occur.

In February 2022, Russia launched an invasion into Ukraine. There is uncertainty associated with the scale, duration and impact of this situation. We continue to monitor the current developments in relation to the Russian invasion of Ukraine though it is too early to determine if the Company will have material loss exposure arising from this situation.

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2021, through April 22, 2022, the date the financial statements were available to be issued.