

EVEREST INTERNATIONAL ASSURANCE, LTD.
(a wholly owned subsidiary of Everest Reinsurance Company)
GAAP Financial Statements
For the Years Ended December 31, 2021 and 2020



Report of Independent Auditors

To the Board of Directors of Everest International Assurance, Ltd.

Opinion

We have audited the accompanying financial statements of Everest International Assurance, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and comprehensive income (loss), of changes in shareholder's equity and of cash flows for the years then ended, including 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 as of 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Company has entered into significant transactions with related parties. Our opinion is not modified with respect to this matter.

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 from 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 the financial statements are available to be issued.



Auditors' 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 from material misstatement, whether due to fraud or error, and to issue an auditors' 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 US 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 US 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

April 27, 2022

EVEREST INTERNATIONAL ASSURANCE, LTD.
BALANCE SHEETS

(Dollars in thousands, except par value per share)

	December 31,	
	2021	2020
ASSETS:		
Fixed maturities - available for sale (amortized cost: 2021, \$50,184; 2020, \$49,211, credit allowances: 2021, \$0; 2020, \$0)	\$ 51,042	\$ 51,494
Short-term investments (cost: 2021, \$1,614; 2020, \$1,625)	1,614	1,625
Cash	13,360	2,841
Total investments and cash	66,016	55,960
Accrued investment income	218	228
Premiums receivable	8,533	2,147
Reinsurance recoverables - affiliated	14,903	4,726
Prepaid reinsurance premiums	17,952	6,308
Other assets	48	161
TOTAL ASSETS	\$ 107,670	\$ 69,530
LIABILITIES:		
Reserves for losses and loss adjustment expenses	\$ 13,068	\$ 4,274
Unearned premium reserve	17,952	6,308
Losses in course of payment	1,000	-
Other net payable to reinsurers	22,515	4,185
Income taxes	177	479
Other liabilities	3,513	2,156
Total liabilities	58,225	17,402
SHAREHOLDER'S EQUITY:		
Common shares, par value: \$1.00; 370,000 shares issued and outstanding (2021 and 2020)	370	370
Additional paid-in capital	52,633	52,630
Accumulated other comprehensive income (loss)	679	1,804
Retained earnings (deficit)	(4,237)	(2,676)
Total shareholder's equity	49,445	52,128
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 107,670	\$ 69,530

The accompanying notes are an integral part of the financial statements.

EVEREST INTERNATIONAL ASSURANCE, LTD.
 STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
REVENUES:		
Premiums earned	-	\$ -
Net investment income	879	910
Net realized capital gains (losses)	33	21
Other income (expense)	12	1
Total revenues	<u>924</u>	<u>932</u>
CLAIMS AND EXPENSES:		
Incurred losses and loss adjustment expenses	-	-
Other underwriting expenses	2,485	2,040
Total claims and expenses	<u>2,485</u>	<u>2,040</u>
INCOME (LOSS) BEFORE TAXES	(1,561)	(1,108)
Income tax expense (benefit)	-	-
NET INCOME (LOSS)	<u>\$ (1,561)</u>	<u>\$ (1,108)</u>
Other comprehensive income (loss), net of tax:		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	(1,099)	1,781
Reclassification adjustment for realized losses (gains) included in net income (loss)	(26)	(17)
Total URA(D) on securities arising during the period	<u>(1,125)</u>	<u>1,764</u>
Other comprehensive income (loss)	<u>(1,125)</u>	<u>1,764</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ (2,686)</u>	<u>\$ 656</u>

The accompanying notes are an integral part of the financial statements.

EVEREST INTERNATIONAL ASSURANCE, LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(Dollars in thousands, except share amounts)

	Years Ended December 31,	
	2021	2020
COMMON SHARES (shares outstanding):		
Balance, beginning of period	370,000	370,000
Issued during the period, net	-	-
Balance, end of period	<u>370,000</u>	<u>370,000</u>
COMMON SHARES (par value):		
Balance, beginning of period	\$ 370	\$ 370
Issued during the period, net	-	-
Balance, end of period	<u>370</u>	<u>370</u>
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	52,630	52,630
Net increase (decrease) during period	3	-
Balance, end of period	<u>52,633</u>	<u>52,630</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:		
Balance, beginning of period	1,804	40
Net increase (decrease) during the period	(1,125)	1,764
Balance, end of period	<u>679</u>	<u>1,804</u>
RETAINED EARNINGS (DEFICIT):		
Balance, beginning of period	(2,676)	(1,568)
Net income (loss)	(1,561)	(1,108)
Balance, end of period	<u>(4,237)</u>	<u>(2,676)</u>
TOTAL SHAREHOLDER'S EQUITY, END OF PERIOD	<u>\$ 49,445</u>	<u>\$ 52,128</u>

The accompanying notes are an integral part of the financial statements.

EVEREST INTERNATIONAL ASSURANCE, LTD.
STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (1,561)	\$ (1,108)
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(6,386)	(2,210)
Decrease (increase) in reinsurance recoverables	(10,178)	(4,063)
Increase (decrease) in prepaid reinsurance premiums	(11,643)	(5,428)
Increase (decrease) in unearned premiums	11,643	5,428
Increase (decrease) in reserve for losses and loss adjustment expenses	8,794	3,621
Increase (decrease) in other net premiums payable	18,330	3,053
Amortization of bond premium (accrual of bond discount)	401	399
Change in other assets and liabilities, net	2,479	965
Net realized capital gains (losses)	(33)	(21)
Non-cash compensation	29	-
Net cash provided by (used in) operating activities	<u>11,875</u>	<u>636</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from fixed maturities matured/called - available for sale	5,902	4,674
Proceeds from fixed maturities sold - available for sale	1	-
Cost of fixed maturities acquired - available for sale	(7,243)	(19,871)
Net change in short-term investments	11	13,995
	<u>(1,329)</u>	<u>(1,202)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Tax benefit from share-based compensation, net of expense	(27)	1
Net cash provided by (used in) financing activities	<u>(27)</u>	<u>1</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
	-	-
Net increase (decrease) in cash	10,519	(565)
Cash, beginning of period	2,841	3,406
Cash, end of period	<u>\$ 13,360</u>	<u>\$ 2,841</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business and Basis of Presentation.

Everest International Assurance, Ltd. (“Everest Assurance”) was established in 2015 and is registered in Bermuda as a Class 3A general business insurer and as a Class C long-term insurer. Everest Assurance has made a one-time election under section 953(d) of the U.S. Internal Revenue Code to be a U.S. income tax paying “Controlled Foreign Corporation.” By making this election, Everest Assurance is authorized to write life reinsurance and casualty reinsurance in both Bermuda and the U.S.

The company is a direct subsidiary of Everest Reinsurance Company (“Everest Re”), which is in turn a direct subsidiary of Everest Reinsurance Holdings, Inc. (“Holdings”).

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). All amounts are reported in U.S. dollars.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate actual results could differ, possibly materially, from those estimates.

B. Investments.

Fixed maturity investments available for sale reflect unrealized appreciation and depreciation, as a result of changes in market value during the period, in shareholder’s equity, net of income taxes in “accumulated other comprehensive income (loss)” in the balance sheets, since cash flows from these investments will be primarily used to settle its reserve for losses and loss adjustment expense liabilities. The Company anticipates holding these investments for an extended period as the cash flow from interest and maturities will fund the projected payout of these liabilities. The Company reviews all of its fixed maturity, available for sale securities whose fair value has fallen below their amortized cost at the time of review. The Company then assesses whether the decline in value is due to non-credit related or credit related factors. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security’s value caused by a change in the market, interest rate or foreign exchange environment does not constitute a credit impairment, but rather a non-credit related decline in market value. Non-credit related declines in market value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company intends to sell the security or is more likely than not to sell the security, the Company records the entire fair value adjustment in net realized capital gains (losses) in the Company’s consolidated statements of operations and comprehensive income (loss). If the Company determines that the decline is credit related and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the Company establishes a credit allowance equal to the estimated credit loss and is recorded in net realized capital gains (losses) in the Company’s statements of operations and comprehensive income (loss). The amount of the allowance for a given security will generally be the difference between a discounted cash flow model and the Company’s carrying value. The fair value adjustment that is non-credit related is recorded as a component of other comprehensive income (loss), net of tax, and is included in accumulated other comprehensive income (loss) in the Company’s balance sheets. The Company will adjust the credit allowance account for future changes in credit loss estimates for a security and record this adjustment through net realized capital gains (losses) in the Company’s statements of operations and comprehensive income (loss).

The Company does not create an allowance for uncollectible interest. If interest is not received when due, the interest receivable is immediately reversed and no additional interest is accrued. If future interest is received that has not been accrued, it is recorded as income at that time.

The Company's assessments are based on the issuers' current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

Interest income on all fixed maturities are included as part of net investment income in the statements of operations and comprehensive income (loss). Short-term investments are stated at cost, which approximates market value. Realized gains or losses on sales of investments are determined on the basis of identified cost. For some non-publicly traded securities, market prices are determined through the use of pricing models that evaluate securities relative to the U.S. Treasury yield curve, taking into account the issue type, credit quality, and cash flow characteristics of each security. For other non-publicly traded securities, investment managers' valuation committees will estimate fair value, and in many instances, these fair values are supported with opinions from qualified independent third parties. All fair value estimates from investment managers are reviewed by the Company for reasonableness. For publicly traded securities, market value is based on quoted market prices or valuation models that use observable market inputs. When a sector of the financial markets is inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. Retrospective adjustments are employed to recalculate the values of asset-backed securities. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if the new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Conditional prepayment rates, computed with life to date factor histories and weighted average maturities, are used as an input to the calculation of projected and prepayments for pass-through security types.

C. Allowance for Receivable Balances.

Effective January 1, 2020, the Company adopted the Current Expected Credit Losses (CECL) methodology for estimating allowances for credit losses. The Company evaluates the recoverability of its premiums and reinsurance recoverable balances and establishes an allowance for estimated uncollectible amounts. Prior to the adoption of CECL, an allowance for doubtful accounts was estimated on the basis of periodic evaluations of balances due from third parties, considering historical collection experience, solvency and current economic conditions.

Premiums receivable are primarily comprised of premiums due from policyholders/ cedants. Balances are considered past due when amounts that have been billed are not collected within contractually stipulated time periods. For these balances, the allowance is estimated based on recent historical credit loss and collection experience, adjusted for current economic conditions and reasonable and supportable forecasts, when appropriate.

The Company records total credit loss expenses related to premiums receivable in Other underwriting expenses in the Company's statements of operations and comprehensive income (loss).

The allowance for uncollectible reinsurance recoverable reflects management's best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers' unwillingness or inability to pay. The allowance for uncollectible reinsurance recoverable comprises an allowance and an allowance for disputed balances. Based on this analysis, the Company may adjust the allowance for uncollectible reinsurance recoverable or charge off reinsurer balances that are determined to be uncollectible.

Due to the inherent uncertainties as to collection and the length of time before reinsurance recoverable become due, it is possible that future adjustments to the company's reinsurance recoverables, net of the allowance could be required, which could have a material adverse effect on the company's results of operations or cash flows.

The allowance is estimated as the amount of reinsurance recoverable exposed to loss multiplied by estimated factors for the probability of default. The reinsurance recoverable exposed is the amount of reinsurance recoverable net of collateral and other offsets, considering the nature of the collateral, potential future changes in collateral values, and historical loss information for the type of collateral obtained. The

probability of default factors are historical insurer and reinsurer defaults for liabilities with similar durations to the reinsured liabilities as estimated through multiple economic cycles. Credit ratings are forward-looking and consider a variety of economic outcomes. The Company's evaluation of the required allowance for reinsurance recoverable considers the current economic environment as well as macroeconomic scenarios.

The Company expects the impact of the COVID-19 pandemic to reinsurers to be somewhat mitigated by their regulated capital and liquidity positions. The ultimate impact to the Company's financial statements could vary significantly from our estimates depending on the duration and severity of the pandemic, the duration and severity of the economic downturn and the degree to which federal, state and local government actions to mitigate the economic impact of COVID-19 are effective.

The Company records credit loss expenses related to reinsurance recoverable in Incurred losses and loss adjustment expenses in the Company's statements of operations and comprehensive income (loss). Write-offs of reinsurance recoverable and any related allowance are recorded in the period in which the balance is deemed uncollectible.

D. Deferred Acquisition Costs.

Acquisition costs and ceding commissions received, consisting principally of commissions and brokerage expenses and certain premium taxes and fees incurred or charged at the time a contract or policy is issued and that vary with and are directly related to the Company's reinsurance and insurance business, are deferred and amortized over the period in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value by line of business based on the related unearned premiums, anticipated claims and claim expenses and anticipated investment income. The amortized portion of deferred acquisition costs are reported within Other underwriting expenses in the Statements of Operations and Comprehensive Income (Loss).

E. Reserve for Losses and Loss Adjustment Expenses.

The reserve for losses and loss adjustment expenses ("LAE") is based on individual case estimates and reports received from ceding companies. A provision is included for losses and LAE incurred but not reported ("IBNR") based on past experience. See also Note 3. The reserves are reviewed periodically and any changes in estimates are reflected in earnings in the period the adjustment is made. The Company's loss and LAE reserves represent management's best estimate of the ultimate liability. Loss and LAE reserves are presented gross of reinsurance recoverable and incurred losses and LAE are presented net of reinsurance.

Accruals for commissions are established for reinsurance contracts that provide for the stated commission percentage to increase or decrease based on the loss experience of the contract. Changes in estimates for such arrangements are recorded as commission expense. Commission accruals for contracts with adjustable features are estimated based on expected loss and LAE.

F. Premium Revenues.

Written premiums are earned ratably over the periods of the related reinsurance contracts. Unearned premium reserves are established relative to the unexpired contract period. For reinsurance contracts, such reserves are established based upon reports received from ceding companies or estimated using pro rata methods based on statistical data. Reinstatement premiums represent additional premium received on reinsurance coverages, most prevalently catastrophe related, when limits have been depleted under the original reinsurance contract and additional coverage is granted. Written and earned premiums and the related costs, which have not yet been reported to the Company, are estimated and accrued. Premiums are net of ceded reinsurance.

G. Prepaid Reinsurance Premiums.

Prepaid reinsurance premiums represent unearned premium reserves ceded to other reinsurers.

H. Income Taxes.

The Company, which is a Bermuda domiciled corporation, made an election under Section 953(d) of the U.S.

Internal Revenue Code to be treated as a U.S. corporation for U.S. income tax purposes. As such, income taxes have been recorded to recognize the tax effect of temporary differences between the financial reporting and income tax bases of assets and liabilities, which arise because of differences between GAAP and income tax accounting rules.

As an accounting policy, the Company has adopted the aggregate portfolio approach for releasing disproportionate income tax effects from AOCI.

2. INVESTMENTS

The tables below present the amortized cost, allowance for credit losses, gross unrealized appreciation/(depreciation) and market value of fixed maturity securities as of December 31, 2021 and 2020, respectively.

(Dollars in thousands)	At December 31, 2021				
	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities					
U.S. Corporate securities	\$ 22,001	\$ -	\$ 596	\$ (73)	\$ 22,524
Asset-backed securities	5,613	-	47	(10)	5,650
Mortgage-backed securities					
Commercial	6,599	-	111	(5)	6,705
Agency residential	10,129	-	147	(47)	10,229
Foreign corporate securities	5,842	-	106	(14)	5,934
Total fixed maturity securities	\$ 50,184	\$ -	\$ 1,007	\$ (149)	\$ 51,042

(Dollars in thousands)	At December 31, 2020				
	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Market Value
Fixed maturity securities					
U.S. Corporate securities	\$ 19,744	\$ -	\$ 1,188	\$ -	\$ 20,932
Asset-backed securities	4,831	-	134	-	4,965
Mortgage-backed securities					
Commercial	5,624	-	378	-	6,002
Agency residential	13,921	-	334	(7)	14,248
Foreign corporate securities	5,091	-	256	-	5,347
Total fixed maturity securities	\$ 49,211	\$ -	\$ 2,290	\$ (7)	\$ 51,494

The amortized cost and market value of fixed maturity securities are shown in the following table by contractual maturity. Mortgage-backed securities are generally more likely to be prepaid than other fixed maturity securities. As the stated maturity of such securities may not be indicative of actual maturities, the totals for mortgage-backed and asset-backed securities are shown separately.

(Dollars in thousands)	At December 31, 2021		At December 31, 2020	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Fixed maturity securities - available for sale:				
Due in one year or less	\$ 2,002	\$ 2,018	\$ 501	\$ 503
Due after one year through five years	22,070	22,625	19,947	21,051
Due after five years through ten years	3,634	3,681	4,387	4,725
Due after ten years	137	134	-	-
Asset-backed securities	5,613	5,650	4,831	4,965
Mortgage-backed securities:				
Commercial	6,599	6,705	5,624	6,002
Agency residential	10,129	10,229	13,921	14,248
Total fixed maturity securities	\$ 50,184	\$ 51,042	\$ 49,211	\$ 51,494

The changes in net unrealized appreciation (depreciation) for the Company's investments are derived from the following sources for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
Increase (decrease) during the period between the market value and cost of investments carried at market value, and income taxes thereon:		
Fixed maturity securities	\$ (1,425)	\$ 2,243
Change in unrealized appreciation (depreciation), pre-tax	(1,425)	2,243
Income tax benefit (expense)	299	(479)
Change in unrealized appreciation (depreciation), net of income taxes, included in shareholder's equity	\$ (1,125)	\$ 1,764

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the period indicated:

(Dollars in thousands)	Duration of Unrealized Loss at December 31, 2021 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Gross Unrealized		Gross Unrealized		Gross Unrealized	
	Market Value	Depreciation	Market Value	Depreciation	Market Value	Depreciation
Fixed maturity securities - available for sale						
U.S. Corporate securities	\$ 3,728	\$ (73)	\$ -	\$ -	\$ 3,728	\$ (73)
Asset-backed securities	1,115	(10)	-	-	1,115	(10)
Mortgage-backed securities						
Commercial	494	(5)	-	-	494	(5)
Agency residential	1,768	(23)	1,125	(24)	2,893	(47)
Foreign corporate securities	746	(14)	-	-	746	(14)
Total fixed maturity securities	\$ 7,851	\$ (125)	\$ 1,125	\$ (24)	\$ 8,976	\$ (149)

(Dollars in thousands)	Duration of Unrealized Loss at December 31, 2021 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Gross Unrealized		Gross Unrealized		Gross Unrealized	
	Market Value	Depreciation	Market Value	Depreciation	Market Value	Depreciation
Fixed maturity securities						
Due in one year or less	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due in one year through five years	3,260	(51)	-	-	3,260	(51)
Due in five years through ten years	1,080	(34)	-	-	1,080	(34)
Due after ten years	134	(2)	-	-	134	(2)
Asset-backed securities	1,115	(10)	-	-	1,115	(10)
Mortgage-backed securities	2,262	(28)	1,125	(24)	3,387	(52)
Total fixed maturity securities	\$ 7,851	\$ (125)	\$ 1,125	\$ (24)	\$ 8,976	\$ (149)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2021 were \$9.0 million and \$0.1 million, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2021, did not exceed 1.0% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The \$0.1 million of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of U.S. corporate securities. All of these unrealized losses were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The \$24 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for more than one year were comprised of agency

residential mortgage backed securities. All of these unrealized losses were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency.

The Company, given the size of its investment portfolio and capital position, does not have the intent to sell these securities; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis. In addition, all securities currently in an unrealized loss position are current with respect to principal and interest payments.

The tables below display the aggregate market value and gross unrealized depreciation of fixed maturity and equity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the period indicated:

	Duration of Unrealized Loss at December 31, 2020 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Corporate securities	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities						
Commercial	-	-	-	-	-	-
Agency residential	1,484	(7)	-	-	1,484	(7)
Non-agency residential	-	-	-	-	-	-
Foreign government securities	-	-	-	-	-	-
Foreign corporate securities	-	-	-	-	-	-
Total fixed maturity securities	\$ 1,484	\$ (7)	\$ -	\$ -	\$ 1,484	\$ (7)

	Duration of Unrealized Loss at December 31, 2020 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation	Market Value	Gross Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities						
Due in one year or less	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due in one year through five years	-	-	-	-	-	-
Due in five years through ten years	-	-	-	-	-	-
Due after ten years	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-
Mortgage-backed securities	1,484	(7)	-	-	1,484	(7)
Total fixed maturity securities	\$ 1,484	\$ (7)	\$ -	\$ -	\$ 1,484	\$ (7)

The aggregate market value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2020 were \$1.5 million and \$7 thousand, respectively. The market value of securities for the single issuer whose securities comprised the largest unrealized loss position at December 31, 2020, did not exceed 1.1% of the overall market value of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The \$7 thousand of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of agency residential mortgage-backed securities. All of these unrealized losses were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency.

The components of net investment income are presented in the table below for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
Fixed maturities	\$ 918	\$ 897
Short-term investments and cash	-	52
Gross investment income	918	949
Investment expenses	(39)	(39)
Net investment income	\$ 879	\$ 910

The components of net realized capital gains (losses) are presented in the table below for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
Fixed maturity securities, market value:		
Allowance for credit losses	\$ -	\$ -
Gains (losses) from sales	33	21
Total net realized capital gains (losses)	\$ 33	\$ 21

(Some amounts may not reconcile due to rounding.)

The proceeds and split between gross gains and losses, from maturities and sales of fixed maturity securities, are presented in the table below for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
Proceeds from sales and maturities of fixed maturity securities	\$ 5,903	\$ 4,674
Gross gains from sales	69	34
Gross losses from sales	(36)	(13)

3. RESERVE FOR LOSSES AND LAE

Activity in the reserve for losses and LAE is summarized for the periods indicated:

(Dollars in thousands)	At December 31,	
	2021	2020
Gross reserves at January 1	\$ 4,274	\$ 653
Less reinsurance recoverables on unpaid losses	(4,274)	(653)
Net reserves at January 1	-	-
Incurred related to:		
Current year	-	-
Prior years	-	-
Total incurred losses and LAE	-	-
Paid related to:		
Current year	-	-
Prior years	-	-
Total paid losses and LAE	-	-
Foreign exchange/translation adjustment	-	-
Net reserves at December 31	-	-
Plus reinsurance recoverables on unpaid losses	13,068	4,274
Gross reserves at December 31	\$ 13,068	\$ 4,274

Reserving Methodology

The Company maintains reserves equal to our estimated ultimate liability for losses and loss adjustment expense (LAE) for reported and unreported claims. Because reserves are based on estimates of ultimate losses and LAE by underwriting or accident year, the Company uses a variety of statistical and actuarial techniques to monitor reserve adequacy over time, evaluate new information as it becomes known, and adjust reserves whenever an adjustment appears warranted. The Company considers many factors when setting reserves including: (1) exposure base and projected ultimate premium; (2) expected loss ratios by product and class of business, which are developed collaboratively by underwriters and actuaries; (3) actuarial methodologies and assumptions which analyze loss reporting and payment experience, reports from ceding companies and historical trends, such as reserving patterns, loss payments, and product mix; (4) current legal interpretations of coverage and liability; and (5) economic conditions. Insurance and reinsurance loss and LAE reserves represent the Company's best estimate of its ultimate liability. Actual loss and LAE ultimately paid may deviate, perhaps substantially, from such reserves. Net income (gain or loss) will be impacted in a period in which the change in estimated ultimate loss and LAE is recorded.

Reserving for reinsurance requires evaluation of loss information received from ceding companies. Ceding companies report losses in many forms depending on the type of contract and the agreed or contractual reporting requirements. Generally, pro rata contracts require the submission of a monthly/quarterly account, which includes premium and loss activity for the period with corresponding reserves as established by the ceding company. This information is recorded into the Company's records. For certain pro rata contracts, the Company may require a detailed loss report for claims that exceed a certain dollar threshold or relate to a particular type of loss. Excess of loss and facultative contracts generally require individual loss reporting with precautionary notices provided when a loss reaches a significant percentage of the attachment point of the contract or when certain causes of loss or types of injury occur. Experienced claims staff handles individual loss reports and supporting claim information. Based on evaluation of a claim, the Company may establish additional case reserves in addition to the case reserves reported by the ceding company. To ensure ceding companies are submitting required and accurate data, the Company performs various reviews of ceding companies, particularly larger ceding companies.

4. FAIR VALUE

GAAP guidance regarding fair value measurements address how companies should measure fair value when they are required to use fair value measures for recognition or disclosure purposes under GAAP and provides a common definition of fair value to be used throughout GAAP. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. In addition, it establishes a three-level valuation hierarchy for the disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement, with Level 1 being the highest priority and Level 3 being the lowest priority.

The levels in the hierarchy are defined as follows:

- Level 1: Inputs to the valuation methodology are observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in an active market;
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's fixed maturity securities are primarily managed by third party investment asset managers. The investment asset managers managing publicly traded securities obtain prices from nationally recognized

pricing services. These services seek to utilize market data and observations in their evaluation process. They use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment and interest rate scenarios for securities that have prepayment features.

The investment asset managers do not make any changes to prices received from either the pricing services or the investment brokers. In addition, the investment asset managers have procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. The Company also continually performs quantitative and qualitative analysis of prices, including but not limited to initial and ongoing review of pricing methodologies, review of prices obtained from pricing services and third party investment asset managers, review of pricing statistics and trends, and comparison of prices for certain securities with a secondary price source for reasonableness. No material variances were noted during these price validation procedures. In limited situations, where financial markets are inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. The Company made no such assumptions at December 31, 2021 and 2020.

All categories of fixed maturity securities listed in the tables below are generally categorized as Level 2, since a particular security may not have traded but the pricing services are able to use valuation models with observable market inputs such as interest rate yield curves and prices for similar fixed maturity securities in terms of issuer, maturity and seniority. For foreign government securities and foreign corporate securities, the fair values provided by the third party pricing services in local currencies, and where applicable, are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

In addition to the valuations from investment managers, some of the fixed maturities with fair values categorized as Level 3 result when prices are not available from the nationally recognized pricing services. The asset managers may obtain non-binding price quotes for the securities from brokers. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The prices received from brokers are reviewed for reasonableness by the third party asset managers and the Company. If the broker quotes are for foreign denominated securities, the quotes are converted to U.S. dollars using currency exchange rates from nationally recognized sources. In limited circumstances when broker prices are not available for private placements, the Company will value the securities using comparable market information or receive fair values from investment managers.

The composition and valuation inputs for the presented fixed maturities categories are as follows:

- Corporate securities are primarily comprised of U.S. corporate and public utility bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;
- Asset-backed and mortgage-backed securities fair values are based on observable inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields and cash flow models using observable inputs such as prepayment speeds, collateral performance and default spreads;
- Foreign corporate securities are comprised of global non-U.S. corporate bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source.

The following tables present the fair value measurement levels for all assets, which the Company has recorded at fair value (fair and market values) as of the periods indicated:

(Dollars in thousands)	December 31, 2021	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Corporate securities	\$ 22,524	\$ -	\$ 22,524	\$ -
Asset-backed securities	5,650	-	5,650	-
Mortgage-backed securities				
Commercial	6,705	-	6,705	-
Agency residential	10,229	-	10,229	-
Foreign corporate securities	5,934	-	5,934	-
Total fixed maturities, market value	\$ 51,042	\$ -	\$ 51,042	\$ -

The following tables present the fair value measurement levels for all assets, which the Company has recorded at fair value (fair and market values) as of the periods indicated:

(Dollars in thousands)	December 31, 2020	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, market value				
U.S. Corporate securities	\$ 20,932	\$ -	\$ 20,932	\$ -
Asset-backed securities	4,965	-	4,965	-
Mortgage-backed securities				
Commercial	6,002	-	6,002	-
Agency residential	14,248	-	14,248	-
Foreign corporate securities	5,347	-	5,347	-
Total fixed maturities, market value	\$ 51,494	\$ -	\$ 51,494	\$ -

5. REINSURANCE

The Company engages in reinsurance transactions with Everest Reinsurance Company (“Everest Re”), Everest Reinsurance Bermuda, Ltd. (“Bermuda Re”) and Lloyd’s Syndicate 2786, which are all affiliated entities. These transactions are primarily driven by enterprise risk and capital management considerations under which business is ceded at market rates and terms. These agreements provide for recovery from reinsurers of a portion of losses and LAE under certain circumstances without relieving the ceding company of its obligations to the policyholders. All of the Company’s retrocessions are with affiliates.

Premiums written and earned and incurred losses and LAE are comprised of the following for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
Written premiums:		
Direct	\$ 23,899	\$ 9,934
Assumed	4,402	1,796
Ceded	(28,301)	(11,730)
Net written premiums	\$ -	\$ -
Premiums earned:		
Direct	\$ 14,005	\$ 4,506
Assumed	2,654	1,796
Ceded	(16,659)	(6,302)
Net premiums earned	\$ -	\$ -
Incurred losses and LAE:		
Direct	\$ 9,040	\$ 3,114
Assumed	5,933	1,343
Ceded	(14,973)	(4,457)
Net incurred losses and LAE	\$ -	\$ -

The following table summarizes the premiums and losses ceded by the Company to affiliated entities for the periods indicated:

Everest Re, Bermuda Re, and Lloyd's Syndicate 2786 (Dollars in thousands)	Years Ended December 31,	
	2021	2020
Ceded written premiums	\$ 28,301	\$ 11,730
Ceded earned premiums	16,659	6,302
Ceded losses and LAE	13,495	4,457

6. DIVIDEND RESTRICTIONS AND STATUTORY FINANCIAL INFORMATION

Dividend Restrictions.

Under Bermuda law, Everest Assurance is prohibited from declaring or making payment of a dividend if it fails to meet its minimum solvency margin or minimum liquidity ratio. Prior approval of the Bermuda Monetary Authority is required if dividend payments would reduce its prior year-end total statutory capital and surplus by 25% or more.

Statutory Financial Information.

Everest Assurance prepares its statutory financial statements in conformity with accounting principles set forth in Bermuda in The Insurance Act 1978, amendments thereto and related regulations. The statutory capital and surplus of Everest Assurance was \$49.4 million and \$52.6 million at December 31, 2021 and 2020, respectively. The statutory net loss of Everest Assurance was \$1.6 million and \$1.1 million for the years ended December 31, 2021 and 2020, respectively.

Capital Restrictions.

Everest Assurance is subject to the BSCR administered by the BMA. No regulatory action is taken if an insurer's capital and surplus is equal to or in excess of their enhanced capital requirement determined by the BSCR model. In addition, the BMA has established a target capital level for each insurer, which is 120% of the enhanced capital requirement.

The regulatory targeted capital and the actual statutory capital was as follows:

(Dollars in thousands)	At December 31,	
	2021	2020
Regulatory targeted capital ⁽¹⁾	\$ 7,362	\$ 7,374
Actual capital	49,448	52,608

⁽¹⁾ Regulatory targeted capital represents the target capital level from the applicable year's BSCR calculation.

7. RELATED-PARTY TRANSACTIONS

Everest Global Services, Inc. ("Everest Global"), an affiliate of Everest Assurance, provides centralized management and home office services, through a management agreement. Services provided by Everest Global include executive managerial services, legal services, actuarial services, accounting services, information technology services and others.

The following table presents the expenses incurred by Everest Assurance from services provided by Everest Global for the periods indicated.

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
Expenses incurred	\$ 1,124	\$ 601

8. COMPREHENSIVE INCOME (LOSS)

The following table presents the components of comprehensive income (loss) in the statements of operations for the periods indicated:

(Dollars in thousands)	Years Ended December 31,					
	2021			2020		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized appreciation (depreciation) ("URA(D)") on securities - non-credit related	\$ (1,392)	\$ 292	\$ (1,099)	\$ 2,264	\$ (483)	\$ 1,781
Reclassification of net realized losses (gains) included in net income (loss)	(33)	7	(26)	(21)	4	(17)
Total other comprehensive income (loss)	\$ (1,425)	\$ 299	\$ (1,125)	\$ 2,243	\$ (479)	\$ 1,764

The following table presents details of the amounts reclassified from AOCI for the periods indicated:

AOCI component	Years Ended December 31,		Affected line item within the statements of operations and comprehensive income (loss)
	2021	2020	
(Dollars in thousands)			
URA(D) on securities	\$ (33)	\$ (21)	Other net realized capital gains (losses)
	7	4	Income tax expense (benefit)
	\$ (26)	\$ (17)	Net income (loss)

The following table presents the components of accumulated other comprehensive income (loss), net of tax, in the balance sheets for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
Beginning balance of URA (D) on securities	\$ 1,804	\$ 40
Current period change in URA (D) of investments - non credit	(1,125)	1,764
Ending balance of URA (D) on securities	\$ 679	\$ 1,804

9. INCOME TAXES

Under Bermuda law, no income or capital gains taxes are imposed on Group and its Bermuda subsidiaries. The Minister of Finance of Bermuda has assured Group and its Bermuda subsidiaries that, pursuant to The Exempted Undertakings Tax Protection Amendment Act of 2011, they will be exempt until 2035 from imposition of any such taxes. However, the Company has elected to be taxed as a U.S. corporation under Internal Revenue Code Section 953(d) and will accrue and pay U.S. income tax. Pursuant to the tax allocation agreement, current and deferred tax expense or benefit is determined on a separate company basis. The following disclosure, therefore, reflects its share of income tax expense as calculated on that basis.

The significant components of the provision are as follows for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
Current tax expense (benefit):		
U.S.	\$ -	\$ -
Non-U.S.	-	-
Total current tax expense (benefit)	-	-
Deferred U.S. tax expense (benefit):	-	-
Total deferred tax expense (benefit)	-	-
Total income tax expense (benefit)	\$ -	\$ -

A reconciliation of the total income tax provision using the statutory U.S. Federal income tax rate to the company's total income tax provision is as follows for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
Expected tax provision at the applicable statutory rate	\$ (328)	\$ (233)
Change in valuation allowance	324	231
Other	4	2
Total income tax provision	\$ -	\$ -

In 2015, Everest International Assurance, Ltd. became a member of the Everest Reinsurance Holdings Inc. consolidated federal income tax return. The Company's 2015 and subsequent tax years are open to audit by the Internal Revenue Service.

The Company has no reserve for uncertain tax positions.

Deferred income taxes reflect the tax effect of the temporary differences between the value of assets and liabilities for financial statement purposes and such values as measured by U.S. tax laws. The principal items making up the net deferred income tax assets/(liabilities) are as follows for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2021	2020
Deferred tax assets:		
Net operating loss carryforward	\$ 705	\$ 508
Deferred expenses	43	44
Deferred acquisition cost	166	8
Other	-	2
Total deferred tax assets	<u>\$ 914</u>	<u>\$ 562</u>
Deferred tax liabilities:		
Net unrealized investment gains	180	480
Other	10	6
Total deferred tax liabilities	<u>190</u>	<u>486</u>
Net deferred tax assets/(liabilities)	724	76
Less: Valuation allowance	(904)	(556)
Total net deferred tax assets/(liabilities)	<u>\$ (180)</u>	<u>\$ (480)</u>

The Company has a net operating loss carryforward of \$3.4 million. The Company's net operating losses begin to expire in 2035.

10. SUBSEQUENT EVENTS

The Company has evaluated known recognized and non-recognized subsequent events. The Company does not have any subsequent events to report.