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Premia Holdings Ltd.

**Consolidated Financial Statements
and Report of Independent Auditors**

For the Years Ended December 31, 2021 and 2020

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Premia Holdings Ltd.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Premia Holdings Ltd.

Opinion

We have audited the consolidated financial statements of Premia Holdings Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows, for the years then ended, and the related notes to the consolidated financial statements (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 ("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.

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 a period of one year after the date that the financial statements are 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 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 of America require that the disclosure of short-duration contracts included in Note 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Debitte Ltd.

April 11, 2022

Premia Holdings Ltd.

Consolidated Balance Sheets

As at December 31, 2021 and December 31, 2020

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

		2021	2020
Assets			
Short-term investments, available-for-sale, at fair value	\$	88,666	\$ 6,523
Fixed maturities, available-for-sale, at fair value		1,583,574	1,334,626
Other investments, at fair value		217,522	181,073
Equities, at fair value		1,709	1,719
Total investments	Note 4	1,891,471	1,523,941
Cash and cash equivalents		251,784	93,584
Restricted cash and cash equivalents		144,276	98,640
Premiums receivable		54,501	88,693
Ceded unearned premiums		4,071	717
Funds held by ceding companies		15,636	507,020
Reinsurance recoverable on paid and unpaid losses	Note 7	669,356	228,929
Deferred charge asset	Note 6	27,776	14,188
Deferred acquisition costs		19,355	16
Other assets		95,602	55,168
Goodwill and other intangible assets	Note 8	35,617	33,908
Total Assets		\$ 3,209,445	\$ 2,644,804
Liabilities			
Reserve for losses and loss adjustment expenses	Note 6	\$ 1,347,078	\$ 1,055,750
Deposit liability	Note 6	769,176	739,099
Unearned premiums		51,890	48,222
Insurance and reinsurance balances payable		30,219	18,419
Ceded funds held		84,913	32,650
Long term debt	Note 9	247,250	148,287
Deferred gain liability	Note 6	177	6,281
Other liabilities		96,697	66,850
Total Liabilities		2,627,400	2,115,558
Shareholders' Equity			
Common shares (\$0.01 par; shares issued and outstanding: 42,852,729)	Note 10	429	400
Additional paid-in capital		439,354	398,292
Accumulated other comprehensive income		12,456	41,901
Retained earnings		129,806	88,653
Total Shareholders' Equity		582,045	529,246
Total Liabilities and Shareholders' Equity		\$ 3,209,445	\$ 2,644,804

Premia Holdings Ltd.
Consolidated Statements of Operations and Comprehensive Income
For the Years Ended December 31, 2021 and 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Revenues		
Gross premiums written	\$ (29,820)	\$ 12,721
Ceded premiums	(46,724)	(704)
Net premiums written	(76,544)	12,017
Change in unearned premiums	108,620	44,628
Net premiums earned	32,076	56,645
Net investment income	Note 4 44,137	45,767
Realized gains (losses) on investments	Note 4 9,446	(5,799)
Unrealized gains on other investments	Note 4 16,571	3,134
Other income	58,441	54,890
Total revenues	160,671	154,637
Expenses		
Net loss and loss adjustment expenses	23,437	(39,567)
Acquisition expenses	(30,604)	889
Operating expenses	(60,423)	(40,895)
Interest expense	Note 9 (52,455)	(40,970)
Net foreign exchange gain (loss)	1,276	(512)
Total expenses	(118,769)	(121,055)
Net income before income taxes	41,902	33,582
Income tax expense	Note 11 (749)	(86)
Net income	\$ 41,153	\$ 33,496
Other Comprehensive (Loss) Income		
Unrealized (losses) gains arising during the year	\$ (23,466)	\$ 6,646
Adjustment for net realized (gains) losses and OTTI recognized in net income	(5,876)	7,754
Unrealized (losses) gains arising during the year, net of reclassification adjustment	(29,342)	14,400
Foreign currency translation adjustment	(1,032)	893
Other comprehensive (loss) income, before income tax	(30,374)	15,293
Change in deferred tax on unrealized gains (losses)	929	(199)
Total other comprehensive (loss) income	(29,445)	15,094
Comprehensive income	\$ 11,708	\$ 48,590

Premia Holdings Ltd.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2021 and 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Common Shares		
Balance at beginning of year	\$ 400	\$ 400
Common shares issued	29	—
Balance at end of year	429	400
Additional Paid-in Capital		
Balance at beginning of year	398,292	396,981
Contribution during the year	41,062	1,311
Balance at end of year	439,354	398,292
Accumulated Other Comprehensive Income		
Balance at beginning of year	41,901	26,807
<i>Unrealized gains (losses) on available-for-sale securities:</i>		
Balance at beginning of year	41,606	27,206
Change in unrealized (losses) gains on available-for-sale securities	(29,342)	14,400
Balance at end of year	12,264	41,606
<i>Foreign currency translation adjustment</i>		
Balance at beginning of year	855	(38)
Change in foreign currency translation adjustment	(1,032)	893
Balance at end of year	(177)	855
<i>Change in deferred tax on unrealized gains (losses):</i>		
Balance at beginning of year	(560)	(361)
Change in deferred tax on unrealized gains (losses)	929	(199)
Balance at end of year	369	(560)
Balance at end of year	12,456	41,901
Retained Earnings		
Balance at beginning of year	88,653	55,157
Net income	41,153	33,496
Balance at end of year	129,806	88,653
Total Shareholders' Equity	\$ 582,045	\$ 529,246

Premia Holdings Ltd.
Consolidated Statements of Cash Flows
As at December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Operating Activities		
Net income	\$ 41,153	\$ 33,496
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>		
Realized (gains) losses on investments	(11,377)	1,928
Unrealized gains on other investments	(16,571)	(3,673)
Net impairment losses	2,663	4,772
Net foreign exchange (gains) losses	(2,943)	512
Depreciation, amortization and accretion	7,063	3,557
Gain on bargain purchase	(28,497)	(38,540)
Gain on sale of subsidiary	(1,555)	—
<i>Changes in assets and liabilities:</i>		
Premiums receivable	33,796	81,765
Ceded unearned premiums	(2,296)	(717)
Funds held by ceding companies	491,152	103,042
Reinsurance recoverable on paid and unpaid losses	(402,121)	40,492
Deferred charge asset	(15,139)	357
Deferred acquisition costs	(19,626)	(16)
Other assets	(15,624)	8,762
Reserve for losses and loss adjustment expenses	195,504	(280,529)
Deposit liability	30,077	27,384
Unearned premiums	486	(43,999)
Insurance and reinsurance balances payable	3,833	(2,402)
Ceded funds held	26,895	(7,060)
Deferred gain liability	(4,690)	1,587
Other liabilities	(1,075)	15,834
Net cash provided by (used in) Operating Activities	311,108	(53,448)
Investing Activities		
Purchase of available-for-sale investments	(1,289,506)	(541,104)
Proceeds from sale or redemption of available-for-sale investments	966,623	485,420
Purchase of property and equipment	(2,570)	(3,072)
Purchase of subsidiary, net of cash acquired	65,694	49,901
Proceeds from sale of subsidiary, net of cash sold	14,184	—
Net cash used in Investing Activities	(245,575)	(8,855)
Financing Activities		
Proceeds from issuance of common shares	40,000	—
Borrowings, net	98,303	38,766
Net cash provided by Financing Activities	138,303	38,766
Net increase (decrease) in cash, cash equivalents and restricted cash	203,836	(23,537)
Cash, cash equivalents and restricted cash at beginning of period	192,224	215,761
Cash, cash equivalents and restricted cash at end of period	\$ 396,060	\$ 192,224
Reconciliation to Consolidated Balance Sheet		
Unrestricted cash and cash equivalents	\$ 251,784	\$ 93,584
Restricted cash and cash equivalents	144,276	98,640
Cash, cash equivalents and restricted cash	\$ 396,060	\$ 192,224

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

1. Organization

Premia Holdings Ltd. (“Premia Holdings” or the “Company”), incorporated in Bermuda on October 6, 2016, was initially capitalized on January 6, 2017 with \$400.0 million of common equity and \$110.0 million of senior debt, for a total initial capitalization of \$510.0 million excluding incorporation expenses. The equity capital is comprised of a \$300.0 million investment by Kelso & Company and its equity co-investors, and a \$100.0 million investment by Arch Reinsurance Limited (“Arch Re”) and certain members of Arch Re’s senior management, including the senior management team of Premia Holdings itself.

Since its incorporation, Premia Holdings, through its subsidiaries (collectively "Premia Group"), has entered into eleven transactions with third parties including six business acquisitions being the following:

- Alan Gray LLC ("Alan Gray") on August, 31, 2018;
- Public Service Insurance Company ("Public Service") and Western Select Insurance Company ("Western Select") on January 9, 2019;
- Charles Taylor Managing Agency Holdings Limited ("CTMAH"), Charles Taylor Corporate Name Limited ("CTCN"), and The Standard Club Corporate Name Limited ("SCCN") on March 16, 2020. These companies were subsequently renamed Premia Managing Agency Holdings Limited ("PMAH"), Premia Corporate Name (2) Limited ("PCN2"), Premia Corporate Name (3) Limited ("PCN3"), respectively, (collectively referred to as "PMAL");
- The Dominion Insurance Company Limited ("Dominion") and BD Cooke Investments Limited ("BD Cooke") on August 28, 2020,
- Armour Risk Management Inc. on June 1, 2021. The company was subsequently renamed A.G. Risk Management Inc. ("AGRM"), and
- Navigators Holdings (Europe) NV ("NHENV") on December 29, 2021.

The five other transactions completed by Premia Group were retroactive reinsurance contracts, two of which were consummated in 2017 and three in 2019. One of the retroactive reinsurance transactions, originally consummated in 2017, was amended and restated in 2019 and is now accounted for as a deposit liability contract.

On February 18, 2021, the Company completed two Reinsurance-to-Close ("RITC") transactions, under which it reinsured to close the 2018 underwriting Year of Account ("YoA") of both Syndicate 1861 ("s1861") and Syndicate 1955 ("s1955"). s1861 was reinsured to close into Syndicate 1884 ("s1884") as per the terms of a Replacement Quota Share Agreement ("Replacement QS Agreement"), entered into on December 31, 2019. The Replacement QS Agreement was commuted and 100% of the remaining outstanding economics under the existing agreements were transferred to s1884. s1955 was reinsured to close into s1884 as per the terms of the Funds Withheld Quota Share Agreement (Funds Withheld "QS Agreement") and the adverse development cover ("ADC") agreement entered into on November 12, 2019. The Funds Withheld QS Agreement and the ADC agreement were commuted and 100% of the remaining outstanding economics under the existing agreements were transferred to s1884.

On February 15, 2021, Public Service entered into a Sale and Purchase Agreement to sell the entire issued and outstanding share capital of its wholly owned subsidiary, Western Select, for a consideration of \$1.10 million plus the amount of Western Select's statutory capital and surplus, subject to certain fair market value adjustments, on the closing balance sheet, as outlined in the Sale and Purchase Agreement.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

1. Organization, continued

The sale received regulatory approval on August 11, 2021 and closed on September 1, 2021 in exchange for total consideration of \$15.691 million. The Company recognized a pre-tax gain on the sale of Western Select of \$1.555 million, which is included in other income in the Company's consolidated statement of operations. The operating results of Western Select for the period of January 1, 2021 to September 1, 2021, are included in the Company's consolidated statement of operations.

2. Summary of significant accounting policies

(a) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The term "ASC" used in these notes refers to Accounting Standards Codification issued by the United States Financial Accounting Standards Board (the "FASB").

The Company's consolidated financial statements include the financial statements of the Company and all of its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. The results of subsidiaries acquired during the year are included from the date of their acquisition by the Company.

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

(b) Use of estimates

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

The principal estimates recorded in the Company's consolidated financial statements relate to the development and determination of the following:

- a. valuation of loss and loss adjustment expense reserves;
- b. determination of whether reinsurance contracts transfer insurance risk;
- c. recoverability of reinsurance balances receivable;
- d. valuation of investments and assessment of other than temporary impairment;
- e. valuation of assets acquired and liabilities assumed under business combinations;
- f. valuation of goodwill and intangible assets including assessment for impairment; and
- g. valuation of deferred charge assets and deferred gain liabilities.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

(c) Premiums

To the extent that the amount of written premium is estimable, the Company estimates the ultimate premiums for the entire contract period and records this estimate at the inception of the contract. For contracts where the full written premium is not estimable at inception, the Company records written premium for the portion of the contract period for which the amount is estimable. These estimates are based primarily on information in the underlying contracts as well as information provided by clients and/or brokers. Changes in premium estimates are expected and may result in adjustments in any reporting period. These estimates change over time as additional information regarding the underlying business volume is obtained. Any subsequent adjustments arising on such estimates are recorded in the period in which they are determined.

Premiums for retroactive reinsurance contracts are earned at the inception of the contract, as all of the underlying loss events covered by these contracts occurred in the past. If the estimated loss and loss adjustment expense reserve differs from the premium consideration received at the inception of a retroactive reinsurance contract, the resulting difference is deferred and recognized over the estimated claim payment period of the related contract with the periodic amortization reflected in earnings as a component of loss and loss adjustment expenses incurred.

Premiums for prospective reinsurance are earned over the life of the reinsurance contract. At the inception of the contract, the Company records premiums written on prospective business in full with an unearned premium reserve, equal to an actuarial analysis of the reserve balance, as of the same date. The unearned premium reserve is amortized over the remaining contract period in proportion to the amount of insurance protection provided.

(d) Reinsurance premiums ceded

Retrocessional coverage is used to limit the Company's exposure to the risk of loss arising from certain assumed reinsurance contracts. The Company remains obligated to the extent that any retrocessionaire fails to meet its obligations to it. Reinsurance premiums ceded which relate to retroactive reinsurance contracts, are written during the period in which the risks incept and are earned in full at the inception of the contract. Ceded unearned premiums relating to prospective reinsurance contracts, if any, consist of the unexpired portion of reinsurance ceded.

(e) Retroactive reinsurance

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered by the underlying policies reinsured. A deferred charge asset or deferred gain liability ("DCA" or "DGL") is reported separately on the consolidated balance sheets when the premium consideration received is less than, or greater than, the best estimate of the loss reserves assumed, respectively, such that no underwriting gain or loss is recorded at the inception of these retroactive reinsurance contracts. In addition, for retrocessions of loss reserves assumed through retroactive reinsurance contracts where the retroceded liabilities exceed the retrocession premiums paid, the excess is recorded as a DGL and amortized over the estimated period during which the losses paid on the assumed retroceded liabilities are recovered from the retrocessionaire.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

The periodic amortization of the recorded DCA/DGL is recognized within net losses and loss adjustment expenses in the consolidated statements of operations.

Changes to the estimated timing or amount of loss payments produce changes in the periodic amortization of the DCA or DGL, with changes in such estimates being applied retrospectively and included within net income in the period in which the changes are made. In addition, when liabilities for unpaid losses and loss adjustment expenses are extinguished through commutations, they are removed from the estimates for the unpaid loss reserves, which typically results in the acceleration of the amortization of the recorded DCA or DGL.

The total carrying value of the DCA is also assessed at each reporting period for impairment and if the asset is determined to be impaired, then it is written down to its recoverable value in the period in which the determination is made, with that write down reflected in net income as a component of net loss and loss adjustment expenses.

(f) Deposit accounting

An assumed reinsurance contract that is deemed not to have transferred insurance risk is accounted for using the deposit method of accounting. Insurance risk is made up of both significant insurance risk and significant loss. Significant insurance risk exists when both the amount and timing of the reinsurance payments depend on and directly vary with the amount and timing of claims settled under the reinsured contracts, and significant loss exists wherein it remains reasonably possible that the reinsurer may realize a significant loss from the assumed reinsurance transaction.

The contract accounted for under deposit accounting transfers only significant timing risk, therefore an accretion rate, based on actuarial estimates, has been established and applied at inception of the contract to increase the liability to the estimated amount payable to the ceding entity over the contract term.

The amount of the deposit liability shall be adjusted at subsequent reporting periods by calculating the effective yield of the deposit to reflect actual payments to date and expected future payments, with a corresponding credit or charge to interest income or expense.

Where a ceding company on a quota share reinsurance contract retains the related assets on a funds held basis, this is presented separately on the consolidated balance sheet. Interest and investment income produced by those assets are presented as part of net investment income on the Company's consolidated statements of operations.

(g) Reinsurance to close

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can be normally estimated with enough accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. The reinsurance to close premium is estimated by reference to the outstanding technical provisions, including outstanding claims, unearned premium net of deferred acquisition costs, and unexpired risks for the closed year(s) of account.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

Although the estimate for these liabilities is considered fair and reasonable, it is implicit in the estimate that there could be a variance from this premium amount. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of the receiving year of account and gives them the benefit of refunds, recoveries and premium receivable falling due and other income for the closing year of account not credited to date.

(h) Acquisition costs

Acquisition costs, consisting principally of commission, brokerage and federal excise tax, incurred at the time a retroactive reinsurance contract is issued and which directly relate to the successful effort of acquiring such new reinsurance contracts, are typically expensed in full at inception, consistent with how the related premium is earned.

(i) Loss and loss adjustment expenses

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

The Company's loss and loss adjustment expense reserves include case reserves and reserves for losses incurred but not reported ("IBNR reserves"). Case reserves are established for losses that have been reported, but not yet paid. Reserves are established by management in large part based on actuarially determined estimates of ultimate loss and loss adjustment expenses.

Inherent in the estimate of ultimate loss and loss adjustment expenses are expected trends in claim severity and frequency and other factors that may vary significantly as claims are settled. The Company does not anticipate future changes in laws or regulations when setting its reserves. Accordingly, ultimate loss and loss adjustment expenses paid may differ materially from the reserves recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes available, the reserves may be adjusted as necessary.

Such adjustments, if any, are recorded in the consolidated statements of operations in the period in which they become known unless it relates to a contract in which a DCA or DGL has been established, in which case such change will require the DCA or DGL to be reset which will impact the amortization of the DCA or DGL over time. To the extent it becomes apparent that insufficient or excess DCA or DGL has been amortized to date, an adjustment will be recorded during the year in question to true-up the amortization expense on an inception-to-date basis, with such an adjustment being reflected in net income as a component of net loss and loss adjustment expenses.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

(j) Commutations

As the Company actively runs off its insurance and reinsurance subsidiaries, it seeks to mitigate its exposures through early settlement of all its obligations to policyholders or ceding companies by entering into commutations.

These negotiated commutation agreements eliminate the risk of adverse claim experience as they provide for full and final settlement of all current and future policy obligations with respect to the transaction to which they relate. Gains and losses on commutations are recorded as either a decrease or increase in incurred net loss and loss adjustment expenses in the consolidated statements of operations.

(k) Cash and cash equivalents

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

Restricted cash and cash equivalents are separately reported on the consolidated balance sheets and consist of cash and cash equivalents held in trust accounts securing obligations to the Company's cedants under certain reinsurance contracts as well as funds in transit within certain investment accounts.

(l) Investments and net investment income

The Company's investment portfolio is comprised of short-term and fixed maturity securities classified as available-for-sale as well as equities and other investments. Short-term investments comprise securities with maturities greater than three months up to one year from their date of purchase while fixed maturity investments are comprised of securities with maturities greater than one year from their date of purchase. The Company's available-for-sale investments are carried at their estimated fair value with the changes in fair value recorded as an unrealized gain or loss component of accumulated other comprehensive income (loss) in shareholders' equity.

The Company also holds investments in privately held equity securities and in other investments, including investments in funds, which are all carried at their estimated fair values, with the changes in fair value recognized as an unrealized gain or loss in net income. The estimated fair values of the Company's other investments typically represent their most recently reported net asset values ("NAVs") as advised by the fund manager or administrator. The NAV is based on the fund manager's or administrator's valuation of the underlying holdings in accordance with the fund's governing documents. Most of the Company's fund investments publish NAV's on a quarterly basis.

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

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

Realized gains and losses on sales of investments are determined on a first-in, first-out basis and are included in net gains (losses) on investments in the consolidated statements of operations. Investment income is recognized when earned and includes interest and dividend income net of investment management and custody fees, third party investment accounting fees and sponsor oversight fees. The costs of the Company's fixed maturity investments are adjusted for the amortization of premiums and accretion of discounts, which are determined using the effective yield method and included in net investment income.

The Company performs a quarterly review of its fixed maturity investments to determine whether declines in fair value below the amortized cost basis are considered other-than-temporary in accordance with applicable accounting guidance regarding the recognition and the presentation of other-than-temporary impairments ("OTTI"). This process includes reviewing each fixed maturity investment whose fair value is below amortized cost and: (1) determining if the Company has the intent to sell the fixed maturity investment; (2) determining if it is more likely than not that the Company would be required to sell the fixed maturity investment before its anticipated recovery; and (3) assessing whether a credit loss exists, that is, whether it is anticipated if the present value of the cash flows expected to be collected from the fixed maturity investment would be less than the amortized cost basis of the investment. The discount rate used to calculate the estimated present value of the cash flows expected to be collected is the effective interest rate implicit for the security at the date of purchase.

In assessing whether it is more likely than not that the Company would be required to sell a fixed maturity investment before the anticipated recovery of its fair value, various factors are considered including the Company's future cash flow requirements, decisions to reposition the investment portfolio, legal and regulatory requirements, the level of cash, cash equivalents, short-term investments and fixed maturity investments available-for-sale in an unrealized gain position, and other relevant factors.

In evaluating credit losses on fixed maturity investments, a variety of factors are considered in the assessment including: (1) the time period during which there has been a significant decline in the fair value below amortized cost; (2) the extent of the decline below amortized cost and par; (3) the potential for the fair value of the investment to recover; (4) an analysis of the financial condition of the issuer; (5) the rating of the issuer; and (6) failure of the issuer of the investment to make scheduled interest or principal payments.

If it is concluded that an investment is other-than-temporarily impaired, then the difference between the fair value and the amortized cost of the investment is recognized as an OTTI charge in net income, resulting in a new cost basis for the security. Any remaining decline in fair value represents the non-credit portion of the other-than-temporary impairment, which is recognized in other comprehensive income (loss). Accordingly, only the credit loss component of the OTTI amount would have an impact on net income.

(m) Fair value measurement

The Company uses pricing services to obtain the fair value measurements for the majority of its investment securities. Based on management's understanding of the methodologies used, these pricing services only produce an estimate of fair value if there is observable market information that would allow them to make a fair market value estimate. The Company does not adjust prices from pricing services.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

Below is a description of the valuation techniques and inputs used to determine the fair values for the financial instruments carried at fair value, as well as the general classification of these instruments within the fair value hierarchy. The Company's pricing services determine fair value in accordance with current accounting guidance, which defines fair value and establishes a three level fair value hierarchy based upon the transparency of inputs used in the valuation of an asset or liability.

Fair value is defined as the price that the Company would receive to sell an asset or would pay to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgement associated with the inputs used to measure their fair value. An asset or liability's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The hierarchy is broken down into three levels as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgement.

Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally Company generated inputs and are not market based inputs.

Fair values for alternative investments, including investments in funds and limited partnerships are based on their respective NAV and are excluded from the fair value hierarchy.

Other assets and liabilities

The fair value of investment purchases and sales pending settlement, funds held by ceding companies, insurance and reinsurance balances payable, notes payable, other assets and other liabilities approximate their carrying value due to the immediate or short-term maturity of these financial instruments.

(n) Variable interest entities

The Company has investments in certain limited partnership funds which are deemed to be variable interest entities ("VIEs") and which are included in other investments at the reported NAV. Determining whether to consolidate a VIE may require judgment in assessing (i) whether an entity is a VIE, and (ii) if the Company is the entity's primary beneficiary and thus required to consolidate the entity. To determine if the Company is the primary beneficiary of a VIE, management evaluates whether the Company has (i) the power to direct the activities that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Management's evaluation includes identification of the activities that most significantly impact the VIE's economic performance and an assessment of the Company's ability to direct those activities based on governance provisions, contractual arrangements to provide or receive certain services, funding commitments and other applicable agreements and circumstances.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

Management's assessment of whether the Company is the primary beneficiary of its VIEs requires significant assumptions and judgment.

(o) Property and equipment

Property and equipment, which consist of land and building, vehicles, leasehold improvements, office furniture, computer software and computer equipment, are stated at cost less accumulated depreciation. Depreciation is computed using a straight-line method over the estimated useful lives of the assets, ranging from three to thirty five years. Net property and equipment are included in other assets on the consolidated balance sheets.

(p) Goodwill and other intangible assets

The excess of the purchase price paid over the fair value of the net assets acquired in a business combination transaction, is recorded as goodwill, and is not amortized. Intangible assets with finite lives are amortized over their estimated useful lives, whereas intangible assets with indefinite useful lives are not amortized. Goodwill and intangible assets with indefinite useful lives are assessed at least annually for impairment, or more frequently if events or changes in circumstances indicate that it is more likely than not that an impairment exists. If the carrying amounts of intangible assets, including goodwill, are greater than their fair values established during impairment testing, the carrying value is written down to the fair value with a corresponding impairment loss recognized in the consolidated statements of operations. Intangible assets with finite useful lives do not require annual impairment testing but the Company is responsible for routinely assessing whether indicators of impairment exist that would lead to a need for recoverability testing.

(q) Long term debt

Long term subordinated debt instruments issued by the Company are carried at amortized cost. Debt issuance costs and discounts are presented as a direct deduction from the liability in the consolidated balance sheets. Amortization of debt issuance costs and discounts are included in interest expense in the consolidated statements of operations.

(r) Business combinations

The Company accounts for business combinations using the acquisition method of accounting, which requires that the acquirer recognize and measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values, with any goodwill or gain from bargain purchase recognized on the date of acquisition.

The key assumptions used by the Company to value its acquired companies are, (i) the projected payout, timing and amount of assumed loss reserves; (ii) the related projected timing and amount of reinsurance collections; (iii) an appropriate discount rate, which is used to determine the present value of the future cash flows; (iv) the estimated unallocated loss adjustment expenses to be incurred over the life of the run-off of the acquired company; and (v) an appropriate risk margin. The difference between the nominal carrying values of the acquired (re)insurance assets and liabilities as of the acquisition date and their fair value is recorded as a fair value adjustment ("FVA") on the Company's consolidated balance sheet.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

The FVA is amortized over the estimated payout period of the acquired loss reserves and reinsurance balances recoverable.

Transaction expenses incurred in relation to a business combination transaction, including legal and financial advisory services, are expensed as incurred and included in operating expenses.

(s) Held-for-sale business and discontinued operations

The Company reports a business as held-for-sale when certain criteria are met, which include (1) management has either approved the sale or is in the process of obtaining approval to sell the business and is committed to a formal plan to sell the business, (2) the business is available for immediate sale in its present condition, (3) the business is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (4) the sale is anticipated to occur within the next 12 months, among other specified criteria. A business classified as held-for-sale is recorded at the lower of its carrying amount or estimated fair value less costs to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized. Assets and liabilities related to businesses classified as held-for-sale are separately reported in the Company's consolidated balance sheets beginning in the period in which the business is classified as held-for-sale.

Disposals that represent strategic shifts that have or will have a major effect on the Company's operations and financial results are reported as discontinued operations which requires the restatement of the comparatives reflected on the Company's consolidated financial statements.

(t) Share issuance costs

Issuance costs incurred in connection with the capital raise, which included underwriters' fees, legal and accounting fees, printing and other fees were deducted from the gross proceeds of the offering. The proceeds from the issuance of shares, net of offering costs, is included in additional paid-in capital in the consolidated statements of shareholders' equity.

(u) Stock compensation

The Company accounts for its stock plans in accordance with the ASC Topic 718 - *Compensation - Stock Compensation*. Accordingly, the Company recognizes the compensation expense for stock option grants based on the fair value of the award on the date of grant over the requisite service period. Compensation expense is recognized once the occurrence of performance obligations associated with the stock option grants is considered by management to be probable.

(v) Warrants

The Company has accounted for certain warrant contracts issued to its sponsoring investors in conjunction with the capitalization of the Company, and which may be settled by the Company using either the physical settlement or net-share settlement methods, in accordance with ASC Topic 815-40 - *Derivatives and Hedging - Contracts in Entity's Own Equity*. Accordingly, the fair value of these warrants would be recorded in equity as additional paid-in capital.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

(w) Restricted stock units

The Company accounts for its restricted stock unit ("RSU") transactions in accordance with ASC Topic 718 - *Compensation - Stock Compensation*. Accordingly, the Company recognizes the cost of services received based on the fair value of the award on the date of grant. Compensation expense is recognized once services associated with the RSU have been performed, with an offsetting increase to equity.

(x) Foreign currency translation

The functional currency of the Company and many of its subsidiaries is the U.S. dollar. Transactions in currencies other than the Company's functional currency are revalued into its functional currency, and the resulting foreign exchange gains and losses are reflected in Net foreign exchange gain (loss) in the consolidated statements of operations.

Assets and liabilities of the Company's subsidiaries whose functional currency is not the U.S. dollar are translated at period end exchange rates. Revenues and expenses of these foreign subsidiaries are translated at average exchange rates prevailing during the period they are earned or incurred, respectively. The effect of the currency translation adjustments for these foreign subsidiaries is included in accumulated other comprehensive income (loss).

(y) Income tax

Certain of the Company's subsidiaries operate in jurisdictions where they are subject to taxation. Current and deferred tax benefit (expense) is allocated to net income (loss), or, in certain cases, other comprehensive income (loss). Current tax is recognized and measured based on enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the income tax becomes due or realizable. Deferred taxes are provided for temporary differences between the carrying amount of assets and liabilities used in the financial statements and the tax basis used in the various jurisdictional tax returns.

When the Company's assessment indicates that all or some portion of deferred tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets to reduce the assets to the amount more likely than not to be realized. The Company recognizes the benefit relating to tax positions only where the position is more likely than not (greater than 50%) to be sustained. A liability or other adjustment is recognized for any tax benefit (along with any interest and penalty, if applicable) claimed in a tax return in excess of the amount allowed to be recognized in the financial statements under U.S. GAAP. Any changes in the amounts recognized are recorded in the Company's consolidated statements of operations, in the period in which those changes are determined.

New Accounting Standards Adopted in 2021

Accounting Standards Update ("ASU") 2021-03 – Intangibles – Goodwill and Other – Accounting Alternative for Evaluating Triggering Events

In March 2021, the FASB issued ASU 2021-03 which provides private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as of the end of the reporting period, whether the reporting period is an interim or annual period.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. Entities can elect the accounting alternative regardless of whether they have elected the existing accounting alternative that allows them to amortize goodwill. The adoption of ASU 2021-03 did not have an impact on the Company's consolidated financial statements and disclosures.

ASU 2020-04 and ASU 2021-01 – Reference Rate Reform

In January 2020, the FASB issued ASU 2020-04 which is codified in ASC 848 – *Reference Rate Reform* and which provides temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting, to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates (“IBORs”) to alternative reference rates, such as the Secured Overnight Financing Rate (“SOFR”), if certain criteria are met.

Subsequently, in January 2021, the FASB issued ASU 2021-01 to clarify that all derivative instruments affected by changes to the interest rates used for discounting, margining or contract price alignment (commonly referred to as the discounting transition) are within the scope of ASC 848. The amendments in ASU 2021-01 also clarify other aspects of the guidance in ASC 848.

The original guidance in ASU 2020-04 which is codified in ASC 848 as well as ASU 2021-01 are effective as of their issuance dates and the relief provided is temporary and generally cannot be applied to contract modifications that occur after December 31, 2022 or hedging relationships entered into or evaluated after that date. The adoption of both ASU 2020-04 (as codified in ASC 848) and ASU 2021-01 did not have a material impact on the Company's consolidated financial statements and disclosures.

ASU 2018-17 – Consolidation – Targeted Improvements to Related Party Guidance for Variable Interest Entities

In October 2018, the FASB issued ASU 2018-17 which allows private companies to make an accounting policy election to not apply the variable interest entity guidance to certain arrangements between entities under common control in which the reporting entity, the legal entity being evaluated for consolidation and the common control parent are not public business entities. In addition, through ASU 2018-17, the FASB amended the variable interest entity guidance to require an entity to consider a decision maker's indirect interests held through related parties under common control on a proportionate basis when determining whether decision-making fees are variable interests.

ASU 2018-17 was effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021 with early adoption permitted. The adoption of ASU 2018-17 did not have an impact on the Company's consolidated financial statements and disclosures.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

ASU 2018-15 - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

In August 2018, the FASB issued ASU 2018-15 which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. The amendments in ASU 2018-15 also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The entity is also required to apply the existing impairment guidance in ASC 350-40 to the capitalized implementation costs as if the costs were long-lived assets.

The amendments in ASU 2018-15 are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021, with early adoption permitted, including adoption within any interim period. The amendments in ASU 2018-15 should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The adoption of ASU 2018-15 did not have a material impact on the Company's consolidated financial statements and disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

ASU 2021-08 - Business Combinations - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers

In October 2021, the FASB issued ASU 2021-08 which requires companies to apply the guidance in ASC 606 - *Revenue from Contracts with Customers*, to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination. ASU 2021-08 is effective for interim and annual periods beginning after December 15, 2023 with early adoption permitted. The adoption of ASU 2021-08 is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

ASU 2020-08 – Codification Improvements to Subtopic 310-20 - Receivables - Nonrefundable Fees and Other Costs

In October 2020, the FASB issued ASU 2020-08 to clarify that an entity should re-evaluate whether a callable debt security is within the scope of ASC 310-20-35-33 during each reporting period and accelerate the amortization of the premium associated with the callable debt to the earliest call date. All entities are required to apply the amendments in ASU 2020-08 on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities.

The amendments in ASU 2020-08 are effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The adoption of ASU 2020-08 is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

ASU 2019-12 - Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12 which removes certain exceptions for (1) recognizing deferred taxes for investments, (2) performing intraperiod tax allocation, and (3) calculating income taxes in interim periods. ASU 2019-12 also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating income taxes to a legal entity that is not subject to income taxes.

ASU 2019-12 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, although early adoption is permitted, including adoption within any interim period. The Company is currently assessing the impact of adopting ASU 2019-12 however it is not expected that the adoption will have a material impact on its consolidated financial statements and disclosures.

ASU 2016 -13 and ASU 2019-04 - Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13 which is codified in ASC 326 - *Financial Instruments - Credit Losses*, amending the guidance on the impairment of financial instruments and significantly changing how entities measure credit losses for most financial assets and certain other financial instruments including reinsurance balances recoverable on paid and unpaid losses that are not measured at fair value through net income. ASU 2016-13 will replace the existing “*incurred loss*” approach, with an “*expected loss*” model for instruments measured at amortized cost and require entities to record allowances for available-for-sale (“AFS”) debt securities rather than reduce the carrying amount under the existing OTTI model. ASU 2016-13 also simplifies the accounting model for purchased credit-impaired debt (“PCD”) securities and loans.

In April 2019, the FASB issued ASU 2019-04, which amends ASU 2016-13 as codified in ASC 326 to clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments. The guidance in ASU 2016-13 and the related amendments are effective for interim and annual reporting periods beginning after December 15, 2022 and the Company is currently evaluating the impact of adopting the guidance on its consolidated financial statements and disclosures.

ASUs 2016-02, 2018-11 and 2021-09 - Leases

In February 2016, FASB issued ASU 2016-02 which is codified in ASC 842 - *Leases*, amending the guidance on the classification, measurement and disclosure of leases for both lessors and lessees. ASU 2016-02 requires lessees to recognize a right-of-use asset and an offsetting lease liability on the balance sheet and to disclose qualitative and quantitative information about leasing arrangements.

In July 2018, the FASB also issued ASU 2018-11, which adds a transition option that allows entities not to apply the new leases standard in the comparative periods they present in their financial statements in the year of adoption. Under the transition option, entities can instead opt to continue to apply the legacy guidance in ASC 840 - *Leases*, including its disclosure requirements, in the comparative periods presented in the year they adopt the new leases standard.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

2. Summary of significant accounting policies, continued

This means that entities that elect this option will only provide annual disclosures for the comparative periods because ASC 840 does not require interim disclosures. Entities that elect this transition option are still required to adopt the new leases standard using the modified retrospective transition method, but they will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented.

Subsequently in November 2021, the FASB issued ASU 2021-09 which amended ASC 842 to allow a lessee that is not a public business entity to elect to use a risk-free rate as its discount rate by class of underlying asset, rather than for all leases as originally required by ASC 842. ASU 2021-09 also requires lessees to use the rate implicit in the lease when it is readily determinable, even if they make the risk-free rate election.

The guidance in ASU 2016-02 and all the related amendments are effective for annual periods beginning after December 15, 2021. The Company does not anticipate the adoption of ASU 2016-02 and the related amendments to have a material impact on its consolidated financial statements and disclosures.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

3. Business combinations

Acquisition of NHENV

On December 29, 2021, Premia Holdings, through its wholly-owned subsidiary Premia UK3, acquired 100% of the share capital of NHENV from The Navigators Group, Inc. ("Navigators Group"), in turn also gaining ownership of its related subsidiary companies, for a total purchase consideration of €17.350 million (\$19.678 million).

The acquisition was accounted for using the acquisition method under which the Company recorded the identifiable assets acquired and liabilities assumed at their acquisition date fair values. The fair value of net assets acquired amounted to \$46.377 million, resulting in a gain from bargain purchase of \$26.699 million which is included in other income on the consolidated statement of operations.

<i>(in thousands of U.S. dollars)</i>	NHENV
Assets acquired	
Investments at fair value	\$ 71,943
Cash and cash equivalents	78,862
Premiums receivable	147
Ceded unearned premiums	1,404
Reinsurance recoverable on paid and unpaid losses	55,293
Other assets	30,515
Value of business acquired	268
Total assets acquired	\$ 238,432
Liabilities assumed	
Reserve for losses and loss adjustment expenses	\$ (113,216)
Unearned premiums	(3,902)
Insurance and reinsurance balances payable	(13,826)
Ceded funds held	(31,699)
Other liabilities	(29,412)
Total liabilities assumed	\$ (192,055)
Fair value of net identifiable assets acquired and liabilities assumed	46,377
(-) Total purchase price	19,678
Gain from bargain purchase	\$ 26,699

Included within other liabilities on NHENV's fair value balance sheet summarized above is an accrual of €5.889 million (or \$6.697 million) being the fair value of the deferred payment consideration that management has estimated would be payable by Premia UK3 to Navigators Group, pursuant to the terms of the transaction. The deferred payment consideration is calculated based on a specified formula and is payable within a prescribed time period after December 31, 2024.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

3. Business combinations, continued

The acquisition date fair value of NHENV's tax liabilities and the related accrued tax consulting expenses included within Other liabilities in the fair value balance sheet summarized above are provisional and are subject to revision within one year of the acquisition date. The Company is in the process of completing a comprehensive tax review of NHENV and its subsidiaries which once completed, could result in the assumed tax liabilities and the related accrued tax consulting expenses being adjusted materially within the measurement period permitted by ASC 805 – *Business Combinations*.

Acquisition of AGRM

On June 1, 2021, Premia Holdings, through its wholly-owned subsidiary, Alan Gray, acquired 100% of the common stock of Armour Risk Management Inc. for a total purchase consideration of \$3.089 million. AGRM was subsequently renamed A.G. Risk Management Inc.

The acquisition was accounted for using the acquisition method, under which the Company recorded the identifiable assets acquired and liabilities assumed at their acquisition date fair values. The fair value of net assets acquired amounted to \$4.888 million, resulting in a gain from bargain purchase of \$1.799 million which is included in other income on the consolidated statement of operations.

<i>(in thousands of U.S. dollars)</i>		<u>AGRM</u>
Assets acquired		
Cash and cash equivalents, including restricted balances	\$ 9,599	
Other assets	<u>1,577</u>	
Total assets acquired		\$ 11,176
Liabilities assumed		
Other liabilities	\$ <u>(6,288)</u>	
Total liabilities assumed		\$ (6,288)
Fair value of net identifiable assets acquired and liabilities assumed		4,888
(-) Total purchase price		<u>3,089</u>
Gain from bargain purchase		<u>\$ 1,799</u>

Acquisition of Dominion and BD Cooke

On September 1, 2020, Premia Holdings, through its wholly-owned subsidiary Premia UK2, acquired 100% of the share capital of Dominion and BD Cooke, in turn also gaining ownership of their related subsidiary companies, for a total purchase consideration of \$4.750 million.

The acquisition was accounted for using the acquisition method under which the Company recorded the identifiable assets acquired and liabilities assumed at their acquisition date fair values.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

3. Business combinations, continued

The fair value of net assets acquired amounted to \$29.263 million, resulting in a gain from bargain purchase of \$24.513 million which is included in other income on the consolidated statement of operations.

<i>(in thousands of U.S. dollars)</i>		<u>Dominion & BD Cooke</u>
Assets acquired		
Investments at fair value	\$ 111,467	
Cash and cash equivalents, including restricted balances	6,286	
Reinsurance recoverable	37,206	
Accrued investment income	885	
Other assets	<u>3,279</u>	
Total assets acquired		\$ 159,123
Liabilities assumed		
Reserve for losses and loss adjustment expenses	\$ (128,608)	
Insurance and reinsurance balances payable	(583)	
Other liabilities	<u>(669)</u>	
Total liabilities assumed		\$ <u>(129,860)</u>
Fair value of net identifiable assets acquired and liabilities assumed		29,263
(-) Total purchase price		4,750
Gain from bargain purchase		<u>\$ 24,513</u>

Acquisition of PMAL

On March 16, 2020, Premia Holdings, through its wholly-owned subsidiary Premia UK Holdings 1 Limited ("Premia UK1"), acquired 100% of the share capital of CTMAH, CTCN and SCCN (collectively referred to as "PMAL"), in turn also gaining ownership of their related subsidiary companies, for a total purchase consideration of £7.860 million (\$9.746 million).

The acquisition was accounted for using the acquisition method under which the Company recorded the identifiable assets acquired and liabilities assumed at their acquisition date fair values. The fair value of net assets acquired amounted to \$23.773 million, resulting in a gain from bargain purchase of \$14.027 million which is included in other income on the consolidated statements of operations.

Included in the net assets acquired is the intangible asset embedded in the Lloyd's platform representing the benefits that are expected to accrue to the Company as a result of its access to the Lloyd's market and the underlying legacy business opportunities, following its acquisition of PMAL.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

3. Business combinations, continued

This intangible asset which was valued at \$15.863 million based on appropriate valuation methods permitted by ASC 820 – *Fair Value Measurements*, was deemed to have an indefinite useful life and will therefore not be amortized, but will be subjected to an impairment assessment, at least annually.

<i>(in thousands of U.S. dollars)</i>	PMAL
Assets acquired	
Investments at fair value	\$ 48,233
Cash and cash equivalents, including restricted balances	55,251
Premiums receivable	13,126
Accrued investment income	418
Reinsurance recoverable	30,627
Other assets	20,017
Indefinite lived intangible asset - Lloyd's platform benefit	15,863
Total assets acquired	\$ 183,535
Liabilities assumed	
Reserve for losses and loss adjustment expenses	\$ (135,986)
Unearned premiums	(5,142)
Insurance and reinsurance balances payable	(14,180)
Other liabilities	(4,454)
Total liabilities assumed	\$ (159,762)
Fair value of net identifiable assets acquired and liabilities assumed	23,773
(-) Total purchase price	9,746
Gain from bargain purchase	\$ 14,027

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments

- a) The following tables summarize the Company's investments as at December 31, 2021 and 2020. Commercial and residential mortgage-backed securities include securities issued by U.S. government-sponsored enterprises and U.S. government agencies.

<i>(in thousands of U.S. dollars)</i>	2021			Fair value
	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	
Fixed maturity and short-term investments, available-for-sale				
Corporate bonds	\$ 702,097	\$ 18,693	\$ (7,619)	\$ 713,171
Non-agency mortgage-backed securities	269,106	12,129	(7,933)	273,302
U.S. government and govt agency bonds	123,731	562	(2,382)	121,911
Non-U.S. governments	67,706	317	(760)	67,263
Municipals	73,043	2,058	(1,249)	73,852
Agency mortgage-backed securities	55,823	307	(1,143)	54,987
Asset backed securities	164,773	1,509	(1,944)	164,338
Term loans	203,698	2,763	(3,045)	203,416
Total fixed maturity and short-term investments, available-for-sale	1,659,977	38,338	(26,075)	1,672,240
Other investments	190,959	29,440	(2,877)	217,522
Equity investments	2,080	182	(553)	1,709
Total investments	\$ 1,853,016	\$ 67,960	\$ (29,505)	\$ 1,891,471

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

<i>(in thousands of U.S. dollars)</i>	2020			
	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Fixed maturity and short-term investments, available-for-sale				
Corporate bonds	\$ 468,592	\$ 42,686	\$ (338)	\$ 510,940
Non-agency mortgage-backed securities	273,262	10,503	(10,763)	273,002
U.S. government and govt agency bonds	80,230	1,026	(305)	80,951
Non-U.S. governments	6,082	568	(128)	6,522
Municipals	32,079	2,713	(1)	34,791
Agency mortgage-backed securities	98,207	1,672	(591)	99,288
Asset backed securities	183,275	1,462	(5,083)	179,654
Term loans	157,816	3,623	(5,438)	156,001
Total fixed maturity and short-term investments, available-for-sale	1,299,543	64,253	(22,647)	1,341,149
Other investments	171,084	13,240	(3,251)	181,073
Equity investments	2,080	43	(404)	1,719
Total investments	\$ 1,472,707	\$ 77,536	\$ (26,302)	\$ 1,523,941

b) The fair values of the underlying asset categories comprising fixed maturity and short-term investments classified as available-for-sale were as follows as of December 31, 2021 and 2020:

<i>(in thousands of U.S. dollars)</i>	2021		
	Short-term investments, available-for-sale	Fixed maturities, available-for-sale	Total fixed maturity and short- term investments, available-for-sale
Corporate bonds	\$ 40,842	\$ 672,329	\$ 713,171
Non-agency mortgage-backed securities	—	273,302	273,302
U.S. government and govt agency bonds	2,500	119,411	121,911
Non-U.S. governments	19,366	47,897	67,263
Municipals	1,472	72,380	73,852
Agency mortgage-backed securities	—	54,987	54,987
Asset backed securities	982	163,356	164,338
Term loans	23,504	179,912	203,416
Total	\$ 88,666	\$ 1,583,574	\$ 1,672,240

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

<i>(in thousands of U.S. dollars)</i>	2020		
	Short-term investments, available-for-sale	Fixed maturities, available-for-sale	Total fixed maturity and short- term investments, available-for-sale
Corporate bonds	\$ 1,001	\$ 509,939	\$ 510,940
Non-agency mortgage-backed securities	1,216	271,786	273,002
U.S. government and govt agency bonds	—	80,951	80,951
Non-U.S. governments	—	6,522	6,522
Municipals	—	34,791	34,791
Agency mortgage-backed securities	—	99,288	99,288
Asset backed securities	—	179,654	179,654
Term loans	4,306	151,695	156,001
Total	\$ 6,523	\$ 1,334,626	\$ 1,341,149

The following table summarizes the Company's other investments carried at fair value as of December 31, 2021 and 2020. The valuation of other investments is described in Note 5 - "Fair Value Measurements".

<i>(in thousands of U.S. dollars)</i>	2021	2020
Other investments		
Private credit investment funds	\$ 99,620	\$ 110,003
Real assets and intellectual property funds	23,955	19,407
Residential real estate funds	17,186	19,492
Commercial real estate funds	18,568	8,711
Financial funds	17,466	10,957
Credit funds	20,571	2,561
Traditional private equity funds	20,156	9,942
Total other investments	\$ 217,522	\$ 181,073

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

The following is a summary description of the Company's other investments:

Sector classification	Underlying objective of fund
Private credit investment funds	Investments are in a broad range of credit strategies including exposure to investment grade securities, high yield and other credit opportunities.
Real assets and intellectual property funds	Investments primarily related to intellectual property, natural resources and infrastructure.
Residential real estate funds	Investments are primarily focused on residential real estate assets and may take the form of liquidation claims, re-performing loans, receivables, repayment plans and other cash flowing assets.
Commercial real estate funds	Investments are primarily focused on global commercial real estate assets.
Financial funds	Investments are primarily focused on financial service companies covering a broad spectrum of sectors.
Credit funds	Investments are in a broad spectrum of sectors focusing on mispriced, stressed, and distressed credit opportunities.
Traditional private equity funds	Employs traditional private equity investment strategies across a broad spectrum of sectors.

Equity investments represent privately held preferred shares.

- c) The following tables summarize gross unrealized investment losses on fixed maturity and short-term investments classified as available-for-sale by the length of time that the securities have continuously been in an unrealized loss position. Unrealized holding gains have specifically been omitted from the tables below.

<i>(in thousands of US dollars)</i>	2021					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Fixed maturity and short-term investments, available-for-sale						
Corporate bonds	\$ 265,391	\$ (6,412)	\$ 95,983	\$ (1,206)	\$ 361,374	\$ (7,618)
Non-agency mortgage-backed securities	73,282	(3,063)	34,155	(4,871)	107,437	(7,934)
U.S. government and govt agency bonds	14,262	(992)	74,888	(1,391)	89,150	(2,383)
Non-U.S. governments	17,057	(349)	27,487	(410)	44,544	(759)
Municipals	5,573	(872)	39,881	(570)	45,454	(1,442)
Agency mortgage-backed securities	32,293	(832)	18,256	(119)	50,549	(951)
Asset backed securities	75,235	(622)	19,275	(1,322)	94,510	(1,944)
Term loans	16,141	(525)	17,005	(2,519)	33,146	(3,044)
Total fixed maturity and short-term investments, available-for-sale	\$ 499,234	\$ (13,667)	\$ 326,930	\$ (12,408)	\$ 826,164	\$ (26,075)

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

<i>(in thousands of US dollars)</i>	2020					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Fixed maturity and short-term investments, available-for-sale						
Corporate bonds	\$ 25,445	\$ (332)	\$ 510	\$ (6)	\$ 25,955	\$ (338)
Non-agency mortgage-backed securities	85,226	(7,480)	23,298	(3,282)	108,524	(10,762)
U.S. government and govt agency bonds	32,088	(305)	—	—	32,088	(305)
Non-U.S. governments	1,286	(17)	939	(111)	2,225	(128)
Municipals	99	(1)	—	—	99	(1)
Agency mortgage-backed securities	19,168	(351)	296	(241)	19,464	(592)
Asset backed securities	66,818	(2,491)	38,779	(2,592)	105,597	(5,083)
Term loans	26,438	(2,982)	20,373	(2,456)	46,811	(5,438)
Total fixed maturity and short-term investments, available-for-sale	\$ 256,568	\$ (13,959)	\$ 84,195	\$ (8,688)	\$ 340,763	\$ (22,647)

At December 31, 2021 the Company was in an overall net unrealized holding gain position of \$12.263 million (2020: \$41.606 million) on fixed maturity and short-term investments classified as available-for-sale. Gross unrealized holding gains on fixed maturity and short-term investments were \$38.338 million (2020: \$64.253 million) which were partially offset by gross unrealized losses of \$26.075 million (2020: losses of \$22.647 million). At December 31, 2021 there were 1,978 (2020: 891) securities in an unrealized loss position, of which 770 (2020: 196) had been in a continuous unrealized loss position for one year or longer. For the fixed maturity and short-term investments in an unrealized loss position as of December 31, 2021 whose fair values have declined below their amortized cost basis, these declines are primarily attributable to widening credit spreads subsequent to their purchase. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for the anticipated recovery of their fair values.

At December 31, 2021 the Company completed a detailed analysis to assess whether the decline in the fair value of any investment below its amortized cost basis is deemed other-than-temporary. 16 securities were deemed impaired resulting in a total impairment of \$2.663 million (2020: \$4.566 million). An impairment was recorded where it was concluded that based on the analysis performed, the expected future cash flows were estimated to be less than the security's current amortized cost basis. All securities with unrealized losses are reviewed quarterly. The company considers many factors in completing its review of securities with unrealized losses for other-than-temporary impairment, including the length of time and the extent to which fair value has been below cost and the financial condition and near-term prospects of the issuer.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

d) The following table sets forth certain information regarding the investment ratings of the Company's fixed maturity and short-term investments classified as available-for-sale as of December 31, 2021 and 2020.

(in thousands of US dollars)

	2021		2020	
	Fair value	%	Fair value	%
AAA	\$ 184,622	11.0 %	\$ 237,351	17.6 %
AA	245,200	14.7 %	77,340	5.8 %
A	509,062	30.4 %	370,098	27.6 %
BBB	302,016	18.1 %	255,846	19.1 %
BB	39,039	2.3 %	53,872	4.0 %
B	54,109	3.2 %	41,631	3.1 %
CCC or lower	190,880	11.4 %	173,842	13.0 %
Not rated	147,312	8.8 %	131,169	9.8 %
Total fixed maturity and short-term investments, available-for-sale	\$ 1,672,240	100 %	\$ 1,341,149	100 %

Mortgage loans represent \$96.237 million (2020: \$74.131 million) of the Company's not rated nationally recognized statistical rating organization ("NRSRO") classification, since they do not receive NRSRO ratings. The Company assesses the credit quality of the company's mortgage loan portfolio against the National Association of Insurance Commissioners' ("NAIC") commercial mortgage designation methodology.

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

The SVO has developed a ratings process and provides instruction on modeled LBaSS. For modeled LBaSS, the process is specific to the non-agency residential mortgage-backed security ("RMBS") and commercial mortgage-backed security ("CMBS") asset classes. In order to establish ratings at the individual security level, the SVO obtains loan-level analysis of each RMBS and CMBS using a selected vendor's proprietary financial model. The SVO ensures that the vendor has extensive internal quality-control processes in place and the SVO conducts its own quality-control checks of the selected vendor's valuation process.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

The SVO has retained the services of Blackrock, Inc. (“Blackrock”) to model non-agency RMBS and CMBS owned by US insurers for all years presented herein. Blackrock provides five prices (“breakpoints”), based on each US insurer’s statutory book value price, to utilize in determining the NAIC designation for each modeled LBaSS

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

(in thousands of US dollars)

	2021		2020	
	Fair value	%	Fair value	%
NAIC 1	\$ 1,095,590	65.5 %	\$ 846,115	63.1 %
NAIC 2	322,717	19.3 %	291,514	21.7 %
NAIC 3	108,855	6.5 %	79,289	5.9 %
NAIC 4	55,580	3.3 %	36,630	2.7 %
NAIC 5	52,591	3.1 %	45,159	3.4 %
NAIC 6	36,907	2.2 %	42,442	3.2 %
Total fixed maturity and short-term investments, available-for-sale	\$ 1,672,240	100 %	\$ 1,341,149	100 %

e) The amortized cost and estimated fair value of fixed maturity and short-term investments classified as available-for-sale at December 31, 2021 and 2020 are shown below by contractual maturity.

(in thousands of US dollars)

	2021		2020	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	\$ 187,188	\$ 182,711	\$ 37,933	\$ 38,125
Due after one year through five years	597,909	595,973	284,072	289,096
Due after five years through ten years	234,986	237,539	183,723	194,310
Due after 10 years	150,192	163,390	239,071	267,674
Agency mortgage-backed securities	55,823	54,987	98,207	99,288
Asset backed securities	164,773	164,338	183,275	179,654
Non-agency mortgage-backed securities	269,106	273,302	273,262	273,002
Total fixed maturity and short-term investments, available-for-sale	\$ 1,659,977	\$ 1,672,240	\$ 1,299,543	\$ 1,341,149

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, and the lenders may have the right to put the securities back to the borrower. Based on expected maturities, the estimated duration of fixed maturity securities, excluding cash and cash equivalents, at December 31, 2021 was 2.9 years (2020: 4.1 years).

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

f) Major categories of net investment income are summarized as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Fixed maturity and short-term investments	\$ 50,974	\$ 49,085
Equities and Other investments	8,566	8,387
Funds held - directly managed	—	4,626
Funds held - fixed crediting rate	6,775	3,206
Gross investment income	66,315	65,304
Investment expenses	(22,178)	(19,537)
Net investment income	\$ 44,137	\$ 45,767

Components of net realized and unrealized gains (losses) were as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Net realized gains (losses) on sales:		
Gross realized gains on fixed maturity and short-term investments, available-for-sale	\$ 18,047	\$ 9,358
Gross realized losses on fixed maturity and short-term investments, available-for-sale	(12,743)	(15,781)
Gross realized gains (losses) on funds held - directly managed	—	901
Gross realized gains on funds held - fixed crediting rate	956	—
Gross realized gains (losses) on Equities and Other investments	3,186	(277)
Total net realized gains (losses) on sales	9,446	(5,799)
Net unrealized gains (losses) on investments measured at fair value:		
Funds held - directly managed	—	(464)
Equities and Other investments	16,571	3,598
Total net unrealized gains (losses)	16,571	3,134
Net realized and unrealized gains (losses)	\$ 26,017	\$ (2,665)

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

4. Investments, continued

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

<i>(in thousands of US dollars)</i>	2021	2020
Net realized gains on fixed maturity and short-term investments, available-for-sale		
Cash and cash equivalents	\$ 43	\$ 6
Corporate bonds	10,522	4,835
Non-agency mortgage-backed securities	3,388	1,364
U.S. government and govt agency bonds	93	779
Non-U.S. governments	48	111
Municipals	1,313	676
Agency mortgage-backed securities	475	645
Asset backed securities	934	224
Term loans	1,231	718
Total net realized gains	18,047	9,358
Net realized losses on fixed maturity and short-term investments, available-for-sale		
Cash and cash equivalents	(1,196)	—
Corporate bonds	(2,351)	(2,118)
Non-agency mortgage-backed securities	(3,411)	(3,474)
U.S. government and govt agency bonds	(585)	(257)
Non-U.S. governments	(205)	—
Municipals	(131)	—
Agency mortgage-backed securities	(1,095)	(1,023)
Asset backed securities	(537)	(3,134)
Term loans	(569)	(1,209)
OTTI charge recognized in net income	(2,663)	(4,566)
Total net realized losses	(12,743)	(15,781)
Net realized gains on funds held - directly managed	—	901
Net realized gains on funds held - fixed crediting rate	956	—
Net gains (losses) on Equities and Other investments measured at fair value		
Net realized investment gains	3,275	873
Net realized investment losses	(89)	(1,150)
Total net realized gains	3,186	(277)
Total net realized gains (losses) on all securities	\$ 9,446	\$ (5,799)
Net unrealized gains on Equities and Other investments measured at fair value	\$ 16,571	\$ 3,134
Change in net unrealized gain (loss) on investments included in other comprehensive income (loss)		
Fixed maturity and short-term investments, available-for-sale	\$ (29,342)	\$ 14,400
Net (decrease) increase in other comprehensive income	\$ (29,342)	\$ 14,400

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

5. Fair value measurements

As of December 31, 2021 and 2020, the Company's financial instruments have been measured at fair value and classified as either Level 1, 2, and 3 within the fair value hierarchy. Other investments are measured at fair value using NAV as a practical expedient and have not been classified within the fair value hierarchy summarized below:

(in thousands of US dollars)

	2021				
	Level 1	Level 2	Level 3	NAV	Fair value
Fixed maturity and short-term investments, available-for-sale					
Corporate bonds	\$ —	\$ 713,171	\$ —	\$ —	\$ 713,171
Non-agency mortgage-backed securities	—	271,279	2,023	—	273,302
U.S. government and govt agency bonds	117,670	4,241	—	—	121,911
Non-U.S. governments	—	67,263	—	—	67,263
Municipals	—	73,852	—	—	73,852
Agency mortgage-backed securities	—	54,987	—	—	54,987
Asset backed securities	—	164,338	—	—	164,338
Term loans	—	—	203,416	—	203,416
Total fixed maturity and short-term investments, available-for-sale	<u>117,670</u>	<u>1,349,131</u>	<u>205,439</u>	<u>—</u>	<u>1,672,240</u>
Other investments	—	—	—	217,522	217,522
Equity investments	—	—	1,709	—	1,709
Total investments	<u>\$ 117,670</u>	<u>\$ 1,349,131</u>	<u>\$ 207,148</u>	<u>\$ 217,522</u>	<u>\$ 1,891,471</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

5. Fair value measurements, continued

(in thousands of US dollars)

	2020				
	Level 1	Level 2	Level 3	NAV	Fair value
Fixed maturity and short-term investments, available-for-sale					
Corporate bonds	\$ —	\$ 510,940	\$ —	\$ —	\$ 510,940
Non-agency mortgage-backed securities	—	270,856	2,146	—	273,002
U.S. government and govt agency bonds	77,125	3,826	—	—	80,951
Non-U.S. governments	—	6,522	—	—	6,522
Municipals	—	34,791	—	—	34,791
Agency mortgage-backed securities	—	99,288	—	—	99,288
Asset backed securities	—	179,654	—	—	179,654
Term loans	—	—	156,001	—	156,001
Total fixed maturity and short-term investments, available-for-sale	77,125	1,105,877	158,147	—	1,341,149
Other investments	—	—	—	181,073	181,073
Equity investments	—	—	1,719	—	1,719
Total investments	\$ 77,125	\$ 1,105,877	\$ 159,866	\$ 181,073	\$ 1,523,941

During the years ended December 31, 2021 and 2020, the company did not transfer any securities from level 2 into level 3. The Company purchased \$163.867 million of level 3 securities during the year ended December 31, 2021 (2020: \$56.694 million) 2020: nil. All level 3 purchases during 2021 were term loans.

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

<i>(in thousands of US dollars)</i>	Redemption period remaining until liquidation of underlying assets	2021	
		Fair value	Unfunded capital commitments
Private credit investment funds	Quarterly	\$ 99,620	\$ —
Real assets and intellectual property funds	1 to 12 years	23,955	26,204
Residential real estate funds	3 to 8 years	17,186	8,040
Commercial real estate funds	1 to 9 years	18,568	14,513
Financial funds	4 to 8 years	17,466	4,605
Credit funds	4 to 9 years	20,571	36,824
Traditional private equity funds	1 to 10 years	20,156	3,884
Total other investments		\$ 217,522	\$ 94,070

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

5. Fair value measurements, continued

<i>(in thousands of US dollars)</i>	Redemption period remaining until liquidation of underlying assets	2020	
		Fair value	Unfunded capital commitments
Private credit investment funds	Quarterly	\$ 110,003	\$ —
Real assets and intellectual property funds	6 to 8 years	19,407	17,320
Residential real estate funds	4 to 5 years	19,492	—
Commercial real estate funds	1 to 10 years	8,711	22,010
Financial funds	5 to 8 years	10,957	7,187
Credit funds	7 to 10 years	2,561	21,800
Traditional private equity funds	1 to 11 years	9,942	9,348
Total other investments		\$ 181,073	\$ 77,665

For private credit investment funds, the Company's investment in the fund can be redeemed subject to notifying the fund of the Company's intention to redeem prior to the next redemption date. Notice periods for the Company's private credit investment funds range between 65 to 180 days. The Company's private credit investment funds at December 31, 2021 include approximately \$15.816 million (2020: \$24.913 million) of funds where a full or partial redemption notice has been submitted to the manager.

With the exception of private credit investment funds, the Company's remaining other investments (“lock up funds”) contain characteristics similar to traditional private equity funds, such as investment periods, harvest periods, capital draws on committed capital and extension periods. The Company's lock up funds typically release valuation statements on a one quarter reporting lag. Therefore, the Company estimates the fair value of these funds by beginning with the most recent fund valuations and adjusting for any cash activity during the current quarter such as capital draws on committed capital, redemptions, and distributions. Furthermore, return estimates are often not distributed for these funds and as such, the Company generally has a one quarter reporting lag in its fair value measurements of these funds.

For all lock up funds, the manager may only draw capital and invest/reinvest for the duration of the investment period, after which, any proceeds from the liquidation or maturity of existing investments must be remitted to the investors (the “harvest” period). Investment periods for the Company's existing lock up funds vary from approximately six months to four years. For all lock up funds, the harvest period represents the period after the expiration of the investment period, that is the potential length of time until liquidation of the investment in the fund, and which is subject to discretionary extension periods. Discretionary extension periods represent a maximum of three consecutive one year periods after the expiration of the harvest period.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses

The reserve for losses and loss adjustment expenses ("L&LAE" or "loss reserves"), represents our gross estimates before reinsurance for unpaid reported losses (Outstanding Loss Reserves, or "OSLR") and includes losses that have been incurred but not yet reported ("IBNR") determined using a variety of actuarial methods. We recognize an asset for the portion of the liability that we expect to recover from reinsurers. Loss adjustment expenses ("LAE") reserves include allocated LAE ("ALAE") and unallocated LAE ("ULAE"). ALAE are linked to the settlement of an individual claim or loss, whereas ULAE are based on our estimates of future costs to administer the claims. IBNR includes amounts for unreported claims, development on known claims and reopened claims.

The following table presents a breakdown of the reserve for losses and LAE as of December 31, 2021 and 2020:

<i>(in thousands of U.S. dollars)</i>	2021	2020
OSLR	\$ 779,053	\$ 447,280
IBNR	540,593	593,187
ULAE	37,280	27,537
Fair value adjustments - acquired companies	(9,848)	(12,254)
Reserve for losses and loss adjustment expenses, end of year	\$ 1,347,078	\$ 1,055,750

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

The table below provides a reconciliation of the beginning and ending reserves for losses and LAE as of December 31, 2021 and 2020:

<i>(in thousands of U.S. dollars)</i>	2021	2020
Reserve for losses and loss adjustment expenses, beginning of year	\$ 1,055,750	\$ 1,075,509
(-) Reinsurance recoverable on unpaid losses, beginning of year	(213,148)	(186,486)
Net balance, beginning of year	842,602	889,023
Net incurred losses and loss adjustment expenses		
Current accident year	29,904	46,334
Prior accident years	(10,576)	(20,249)
Total net incurred losses and loss adjustment expenses	19,328	26,085
Net paid losses and loss adjustment expenses		
Current accident year	(7,514)	(16,551)
Prior accident years	(286,403)	(266,685)
Total net paid losses and loss adjustment expenses	(293,917)	(283,236)
Other changes:		
Acquired on purchase of subsidiaries	66,729	198,448
Ceded business	(34,631)	—
Fair value adjustment on reserves	(982)	(2,733)
Commutations	(503,437)	—
Losses assumed as a result of RITC transactions	684,524	—
Net foreign exchange (gain) loss	1,123	15,015
Net balance, end of year	781,339	842,602
(+) Reinsurance recoverable on unpaid losses, end of year	565,739	213,148
Reserve for losses and loss adjustment expenses, end of year	\$ 1,347,078	\$ 1,055,750

For the year ended December 31, 2021, the incurred losses and LAE included \$10.576 million (2020: \$20.249 million of net favorable loss development on prior years' loss reserves, which was comprised of \$21.560 million (2020: \$35.577 million) in gross favorable development on prior years' loss reserves and \$10.984 million (2020: \$15.328 million) in ceded favorable development on prior years' reinsurance recoverables. Also included within incurred losses and LAE during the year ended December 31, 2021 is \$2.014 million in net losses related to the coronavirus (or "COVID-19") pandemic (2020: \$7.758 million).

For the year ended December 31, 2021, the net favorable loss development of \$10.576 million on prior years' loss reserves was primarily attributable to the Company's property and workers' compensation exposures which accounted for \$11.427 million and \$1.435 million of net favorable loss development respectively. This net favorable loss development was however partially offset by net adverse loss development of \$1.979 million attributable to the Company's liability exposures.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

For the year ended December 31, 2020, the net favorable loss development of \$20.249 million was primarily attributable to the Company's liability, property, and workers' compensation exposures which accounted for \$13.878 million, \$4.797 million, and \$1.456 million of net favorable loss development respectively.

For the year ended December 31, 2021, the current year net incurred losses and LAE of \$29.904 million (2020: \$46.334 million), were primarily attributable to losses related to net earned premiums.

During 2019, Premia Re agreed to amend and restate an existing retroactive reinsurance agreement. Management assessed that the amended agreement should be accounted for as a deposit liability and was recognized on the consolidated balance sheet as such. As at December 31, 2021 the deposit liability recognized on the consolidated balance sheets was \$769.176 million (2020: \$739.099 million).

The following tables present a reconciliation of the DCA and DGL for the years ended December 31, 2021 and 2020:

<i>(in thousands of U.S. dollars)</i>	2021	2020
Deferred charge asset, beginning of year	\$ 14,188	\$ 14,545
Deferred charge asset recognized during the year	49,331	3,314
Deferred charge asset de-recognized during the year	(22,747)	—
Amortization of deferred charge asset	(12,996)	(3,671)
Deferred charge asset, end of year	\$ 27,776	\$ 14,188

<i>(in thousands of U.S. dollars)</i>	2021	2020
Deferred gain liability, beginning of year	\$ 6,281	\$ 4,694
Deferred gain liability recognized during the year	—	3,206
Deferred gain liability de-recognized during the year	(5,995)	—
Amortization of deferred gain liability	(109)	(1,619)
Deferred gain liability, end of year	\$ 177	\$ 6,281

Reserving methodologies

The process of establishing loss and LAE reserves for property and casualty claims can be complex and is subject to considerable uncertainty as it requires the use of informed estimates and judgments based on circumstances known as of the evaluation date. These estimates and judgments are based on numerous factors and may be revised as additional experience and other data becomes available and is reviewed, as new or improved methodologies are developed or laws or circumstances change.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

The Company's loss and LAE reserves are estimates based on customary actuarial methods including the Loss Development Method and Bornhuetter-Ferguson ("B-F") Method applied to both paid and reported data as described below. The Company's analysis conforms to relevant Actuarial Standards of Practice ("ASP"), including ASP 43 Property/Casualty Unpaid Claim Estimates.

Loss Development Method: The paid or reported loss development method relies on the assumption that, at any given state of maturity, ultimate losses can be predicted by multiplying cumulative paid or reported losses by a cumulative loss development factor ("LDF"). The validity of the results of this method depends on the stability of claim reporting and settlement rates, as well as the consistency of case reserve levels.

Case reserves do not have to be adequately stated for the reported method to be effective; they only need to have a consistent level of adequacy at all stages of maturity. Historical "age-to-age" LDFs were calculated to measure the relative development of an accident year from one maturity-point to the next. We then select appropriate age-to-age LDFs based on these historical factors, supplemented with industry benchmarks where necessary. We used the selected factors to project the ultimate losses.

Bornhuetter-Ferguson Method: The reported B-F loss projection method is based on reported loss data and relies on the assumption that the remaining unreported losses are a function of the total expected losses rather than a function of currently reported losses. The expected losses used in this analysis are based on initial selected ultimate loss ratios by year derived from either prior analyses or review of more mature years. The expected losses are multiplied by the unreported percentage to produce expected unreported losses. The unreported percentage is calculated as one minus the reciprocal of the selected cumulative incurred LDFs. Finally, the expected unreported losses are added to the current reported losses to produce ultimate losses. The Company also used a paid B-F methodology which applies the same procedures using paid loss data to estimate ultimate losses.

Asbestos, pollution and health hazard claims ("APH") are most often associated with occurrences spanning more than one exposure period and/or having more than one theory for applying insurance coverage. The fact that APH claims span multiple years renders customary actuarial methods based on paid and reported losses grouped by accident year or underwriting year ineffective. The company uses several methods to estimate APH liabilities, including:

Exposure Based Model: The Company maintains a database of historical claims paid information and current notified reserves together with policy information including lines and limits underwritten. This information is used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Aggregate Loss Development: Loss development patterns derived from industry APH ultimate loss estimates and inception-to-date losses for all accident years on a combined basis. The resulting patterns are applied to the Company's inception-to-date losses to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Survival Ratios: Survival ratios express the number of years before a reserve will be exhausted if payments persist at the average rate from recent years (typically a three-year period). Benchmark survival ratios derived from industry estimated ultimate losses and recent payments are used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Unpaid-to-Case: The ratio expresses the total reserve, including IBNR, to currently reported case reserves. In combination with inception-to-date payments, this information is used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Market Share: Industry estimated ultimate losses and the Company's estimated market share are used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

The Company uses a weighted average of the results from the methods described above as the basis for its liability best estimate.

Management believes that the assumptions used represent an appropriate basis for estimating the outstanding loss and loss adjustment expenses as at December 31, 2021 and 2020; however, these assumptions are subject to change and the Company regularly reviews its loss reserves estimates and reserving methodologies taking into account all currently known information and updated assumptions related to unknown information.

Incurred and paid development tables by accident year

The information presented below includes net incurred loss and loss adjustment expenses ("L&LAE, net") and net losses incurred but not reported ("IBNR, net"), by accident year for the Company's retroactive reinsurance contracts. The Company's retroactive reinsurance contracts incepting in the year ended December 31, 2018 and prior have been presented in aggregate as these contracts share similar characteristics and as a result, have not been disaggregated further. The Company's retroactive reinsurance contracts incepting in 2019, 2020 and 2021 have been presented in aggregate for the following lines of business - Workers' Compensation ("Workers' Comp"), Liability and Property. It should however be noted that the Company's APH exposures which were acquired during the year-ended December 31, 2020 have been excluded from the loss development tables presented below since the related accident years are all older than 2012 and therefore their disclosure is not required. The Company has presented the loss development tables below for all accident years shown using the year-end exchange rates as of December 31, 2021. Therefore, all accident years prior to the current year have been restated and presented using the current year-end exchange rates. The information related to the net incurred L&LAE and net paid loss and LAE for the years ended December 31, 2012 through 2020 is presented as supplementary information and is therefore unaudited.

The Company's loss reserve analysis is based in part on underwriting year data. The preparation of accident year development tables requires an allocation of underwriting year data to the corresponding accident years. For instance, a contract written in one particular underwriting year may have exposure to losses from two or more accident years. These allocations are done using accident year loss payment and reporting patterns, along with premium earnings patterns. These patterns are derived from the Company's historical loss data.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

The Company believes that its allocations are reasonable; however, to the extent that the Company's allocation procedure for incurred loss and LAE differs from actual historical development, the actual loss development may differ materially from the loss development presented below.

All information for acquisitions and retroactive reinsurance agreements is presented prospectively. Since the loss reserves are effectively re-underwritten at the date they are acquired or assumed, management believes that the historical loss development of the loss reserves prior to being acquired or assumed is not relevant to the Company's own experience managing the acquired or assumed loss reserves. In addition, the information required to prepare the loss development on a retrospective basis is not always available to the Company.

For the retroactive reinsurance agreement accounted for as a deposit liability contract during 2019, claims information related to this contract was retrospectively removed from the 2018 & Prior - All lines loss development table, given the change in accounting treatment, to ensure that the prior loss development related to the contract is not retained within the 2018 & Prior - All lines loss development table, as that would distort the prospective loss development trend. In addition, two retroactive reinsurance agreements were commuted effective January 1, 2021 impacting the 2019 - Liability and 2019 - Property loss development tables. The original business underlying these commuted contracts was then subsequently accepted into the 2021 YoA of Premia Group's s1884. As a result, the claims information for these exposures is now included within the 2021 - Liability and 2021 - Property loss development tables. As described within the loss and LAE reserves roll forward section above, changes in the Company's loss and LAE reserves results from the re-estimation of loss reserves as well as changes in premium estimates.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted prior to the year ended December 31, 2018 - All lines ("2018 & Prior - All lines")

Losses and loss adjustment expenses incurred, net

(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net (unaudited)	2017	2018	2019	2020	2021	
		L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net	IBNR, net
2012	\$ 3,236	\$ 3,236	\$ 3,390	\$ 3,172	\$ 3,385	\$ 3,190	\$ 736
2013	8,239	8,239	10,102	7,332	7,099	7,666	1,400
2014	19,064	19,064	21,272	14,675	12,356	11,683	1,679
2015	35,988	35,988	37,443	31,256	24,012	23,574	3,144
2016	58,297	58,297	49,495	44,676	37,489	41,224	3,722
2017	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—
Total						\$ 87,337	\$ 10,681

Cumulative paid losses and loss adjustment expenses, net

(in thousands of U.S. dollars)

Accident year	2017	2018	2019	2020	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2012	\$ 4	\$ 201	\$ 622	\$ 1,039	\$ 1,069
2013	628	1,159	2,380	3,151	3,920
2014	4,480	7,882	7,169	8,762	9,559
2015	5,328	10,433	18,260	21,912	23,765
2016	2,823	7,384	21,990	30,924	35,896
2017	—	—	—	—	—
2018	—	—	—	—	—
2019	—	—	—	—	—
2020	—	—	—	—	—
2021	—	—	—	—	—
Total					\$ 74,209

Net reserves for losses and loss adjustment expenses from 2012 to 2021 13,128

Net reserves for losses and loss adjustment expenses prior to 2012 26,912

Net reserves for losses and loss adjustment expenses, end of year \$ 40,040

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2019 - Workers' Comp ("2019 - Workers' Comp")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net (unaudited)	2019	2020	2021	
		L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net	IBNR, net
2012	\$ 12,117	\$ 11,989	\$ 11,281	\$ 12,068	\$ 5,382
2013	19,910	19,699	19,980	17,958	9,085
2014	—	—	—	—	—
2015	—	—	—	—	—
2016	8,161	8,075	7,236	8,769	4,745
2017	2,321	2,296	1,653	2,011	1,282
2018	—	—	—	—	—
2019	—	—	—	—	—
2020	—	—	—	—	—
2021	—	—	—	—	—
Total				\$ 40,806	\$ 20,494

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2019	2020	2021
	(unaudited)	(unaudited)	
2012	\$ 4,236	\$ 4,856	\$ 5,520
2013	4,441	5,522	6,556
2014	—	—	—
2015	—	—	—
2016	1,491	1,788	2,246
2017	396	433	538
2018	—	—	—
2019	—	—	—
2020	—	—	—
2021	—	—	—
Total			\$ 14,860

Net reserves for losses and loss adjustment expenses from 2012 to 2021	25,946
Net reserves for losses and loss adjustment expenses prior to 2012	44,630
Net reserves for losses and loss adjustment expenses, end of year	<u>\$ 70,576</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2019 - Liability ("2019 - Liability")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net (unaudited)	2019	2020	2021	
		L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net	IBNR, net
2012	\$ 12,230	\$ 12,318	\$ 11,613	\$ 11,145	\$ 434
2013	17,118	17,209	16,411	17,009	635
2014	14,473	14,677	14,710	14,655	210
2015	22,704	23,050	23,044	23,223	145
2016	49,954	49,869	50,071	49,801	1,334
2017	116,109	129,312	130,062	129,932	2,858
2018	187,338	211,821	213,406	212,658	5,320
2019	85,592	98,833	102,756	102,776	19
2020			25,220	25,220	—
2021				—	—
Total				\$ 586,419	\$ 10,955

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2019	2020	2021
	(unaudited)	(unaudited)	
2012	\$ 2,564	\$ 3,805	\$ 9,565
2013	3,259	6,427	15,869
2014	2,055	5,228	15,014
2015	3,170	8,322	23,194
2016	7,519	19,662	47,504
2017	22,219	50,981	120,687
2018	32,504	77,811	200,507
2019	15,833	38,545	102,756
2020	—	5,594	25,220
2021	—	—	—
Total			\$ 560,316

Net reserves for losses and loss adjustment expenses from 2012 to 2021	26,103
Net reserves for losses and loss adjustment expenses prior to 2012	4,077
Net reserves for losses and loss adjustment expenses, end of year	<u>\$ 30,180</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2019 - Property ("2019 - Property")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net (unaudited)	2019	2020	2021	
		L&LAE, net (unaudited)	L&LAE, net (unaudited)	L&LAE, net	IBNR, net
2012	\$ 439	\$ 446	\$ 375	\$ 320	\$ 84
2013	594	596	664	834	12
2014	965	984	841	861	18
2015	1,925	1,963	1,880	2,061	17
2016	6,366	6,478	3,449	3,645	19
2017	77,368	91,998	80,314	80,275	80
2018	137,321	162,128	163,296	163,308	19
2019	72,317	84,629	97,502	97,440	20
2020			29,290	28,592	67
2021				—	—
Total				\$ 377,336	\$ 336

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2019	2020	2021
	(unaudited)	(unaudited)	
2012	\$ 105	\$ 135	\$ 249
2013	188	359	821
2014	114	140	842
2015	291	513	1,924
2016	1,582	2,035	3,485
2017	37,571	58,097	80,194
2018	49,160	92,833	163,288
2019	23,252	51,458	97,419
2020	—	9,132	28,510
2021	—	—	—
Total			\$ 376,732

Net reserves for losses and loss adjustment expenses from 2012 to 2021	604
Net reserves for losses and loss adjustment expenses prior to 2012	395
Net reserves for losses and loss adjustment expenses, end of year	<u>\$ 999</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2020 - Liability ("2020 - Liability")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net (unaudited)	2020	2021	
		L&LAE, net (unaudited)	L&LAE, net	IBNR, net
2012	\$ —	\$ —	—	\$ —
2013	—	—	—	—
2014	—	—	—	—
2015	98	353	26	135
2016	2,356	2,020	845	1,102
2017	1,938	3,436	2,234	1,701
2018	7,957	6,948	1,980	831
2019	4,711	3,794	768	203
2020	1,448	1,229	245	58
2021			83	71
Total			\$ 6,181	\$ 4,101

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2020	2021
	(unaudited)	
2012	\$ —	\$ —
2013	—	—
2014	—	—
2015	8	(200)
2016	(202)	(300)
2017	126	537
2018	886	1,159
2019	504	567
2020	168	188
2021	—	11
Total		\$ 1,962

Net reserves for losses and loss adjustment expenses from 2012 to 2021	4,219
Net reserves for losses and loss adjustment expenses prior to 2012	3,525
Net reserves for losses and loss adjustment expenses, end of year	\$ 7,744

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2020 - Property ("2020 - Property")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net (unaudited)	2020		2021	
		L&LAE, net (unaudited)	L&LAE, net	IBNR, net	
2012	\$ —	\$ —	\$ —	\$ —	—
2013	—	—	—	—	—
2014	—	—	—	—	—
2015	3,243	4,338	1,237		166
2016	8,534	8,757	5,923		771
2017	20,527	19,767	21,605		4,347
2018	30,905	28,682	30,164		978
2019	15,855	14,605	14,534		(521)
2020	5,364	4,956	3,996		(71)
2021			1,648		24
Total			\$ 79,107	\$	5,694

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2020	2021
	(unaudited)	
2012	\$ —	\$ —
2013	—	—
2014	—	—
2015	325	271
2016	1,284	2,610
2017	4,629	10,610
2018	8,787	19,809
2019	4,653	10,444
2020	1,564	2,951
2021	—	868
Total		\$ 47,563

Net reserves for losses and loss adjustment expenses from 2012 to 2021	31,544
Net reserves for losses and loss adjustment expenses prior to 2012	—
Net reserves for losses and loss adjustment expenses, end of year	\$ 31,544

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2021 - Liability ("2021 - Liability")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net (unaudited)	2021	
		L&LAE, net	IBNR, net
2012	\$ 17,358	\$ 15,693	\$ 2,938
2013	22,415	22,031	3,658
2014	30,137	31,839	6,572
2015	42,027	45,268	10,459
2016	82,238	76,494	15,457
2017	113,649	110,029	35,091
2018	56,263	55,877	19,944
2019	22,589	22,398	7,608
2020	23,435	23,409	6,835
2021	6,884	6,782	1,858
Total		\$ 409,820	\$ 110,420

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2021
2012	\$ 3,524
2013	5,067
2014	7,928
2015	11,146
2016	27,212
2017	29,107
2018	12,584
2019	3,131
2020	842
2021	1,720
Total	\$ 102,261

Net reserves for losses and loss adjustment expenses from 2012 to 2021	307,559
Net reserves for losses and loss adjustment expenses prior to 2012	30,101
Net reserves for losses and loss adjustment expenses, end of year	\$ 337,660

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2021 - Property ("2021 - Property")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net (unaudited)	2021	
		L&LAE, net	IBNR, net
2012	\$ 4,096	\$ 5,320	\$ (1,148)
2013	4,440	5,569	(669)
2014	5,246	5,689	(137)
2015	8,022	9,632	882
2016	15,380	18,542	(287)
2017	30,924	46,383	5,880
2018	93,584	110,314	2,359
2019	67,577	74,552	(193)
2020	22,163	23,928	(888)
2021	7,869	9,101	82
Total		\$ 309,030	\$ 5,881

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2021
2012	\$ 2,119
2013	1,923
2014	1,229
2015	1,448
2016	4,611
2017	11,990
2018	59,156
2019	36,506
2020	8,455
2021	4,915
Total	\$ 132,352

Net reserves for losses and loss adjustment expenses from 2012 to 2021	176,678
Net reserves for losses and loss adjustment expenses prior to 2012	1,968
Net reserves for losses and loss adjustment expenses, end of year	\$ 178,646

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Reconciliation of loss development information to the reserve for losses and loss adjustment expenses

The reconciliation of the net incurred and paid loss development tables to the reserves for losses and loss adjustment expenses in the consolidated balance sheet as of December 31, 2021 is as follows:

<i>(in thousands of U.S. dollars)</i>	<u>2021</u>
2018 & Prior - All lines	\$ 40,040
2019 - Workers' Comp	70,576
2019 - Liability	30,180
2019 - Property	999
2020 - Liability	7,744
2020 - Property	31,544
2021 - Liability	337,660
2021 - Property	178,646
Total net reserve for losses and loss adjustment expenses (Included within the loss development tables)	<u>697,389</u>
2020 - APH (Not included within the loss development tables above)	<u>91,822</u>
Total net reserve for losses and loss adjustment expenses	789,211
Reinsurance recoverable on unpaid losses	567,715
Fair value adjustments - acquired companies	(9,848)
Reserve for losses and loss adjustment expenses, end of year	<u>\$ 1,347,078</u>

Cumulative claims frequency

The Company's business is primarily comprised of reinsurance contracts written on a quota share or aggregate loss basis and the underlying claim count information is not provided for most contracts. Furthermore, even if claim counts were made available by the Company's cedants, the quota share cession percentage varies for each contract, resulting in the cedant claim counts not being a meaningful measure of the Company's loss exposure. As such, the Company determined that the disclosure of claim frequency information was impracticable and as a result, no claims frequency information has been disclosed.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

6. Outstanding losses and loss adjustment expenses, continued

Claims duration

The following table is presented as supplementary information and presents the Company's historical average annual percentage payout of loss and loss adjustment expenses incurred, net by age, as of December 31, 2021 (unaudited).

	Year 1	Year 2	Year 3	Year 4	Year 5
2018 & Prior - All lines	7.37%	13.45%	20.45%	12.08%	11.61%
2019 - Workers' Comp	5.88%	5.54%	24.76%	n/a	n/a
2019 - Liability	58.08%	21.86%	15.10%	n/a	n/a
2019 - Property	43.05%	27.05%	29.63%	n/a	n/a
2020 - Liability	8.28%	14.97%	n/a	n/a	n/a
2020 - Property	33.27%	26.85%	n/a	n/a	n/a
2021 - Liability	23.98%	n/a	n/a	n/a	n/a
2021 - Property	40.94%	n/a	n/a	n/a	n/a

The increase in the Year 1 payout percentages for the 2019 - Liability and 2019 - Property lines of business is driven primarily by the commutation of two retroactive reinsurance agreements effective January 1, 2021. These commutations were presented within the respective loss development tables as paid losses since the associated liabilities were legally extinguished effective January 1, 2021.

7. Reinsurance

The Company's (re)insurance run-off subsidiaries and assumed portfolios prior to their acquisition used reinsurance and retrocessional reinsurance agreements to manage their net retention on individual risks and overall exposure to losses while providing them with the ability to offer policies with sufficient limits to meet policyholder needs. In a reinsurance transaction, an insurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. In a retrocessional reinsurance transaction, a reinsurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. The ceding of insurance does not legally discharge the Company's (re)insurance run-off subsidiaries from their primary liability for the full amount of the policies, and the Company's (re)insurance run-off subsidiaries will be required to pay the loss and bear the collection risk if the reinsurer fails to meet its obligations under the reinsurance or retrocessional agreement.

A credit risk exists with ceded reinsurance to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance or retrocessional contracts, with allowances being established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

7. Reinsurance, continued

The following table presents a breakdown of the reinsurance recoverable on paid and unpaid losses as of December 31, 2021 and 2020:

<i>(in thousands of U.S. dollars)</i>	2021	2020
Reinsurance recoverable on unpaid losses	\$ 567,715	\$ 215,844
Reinsurance recoverable on paid losses	112,228	20,392
Allowance for uncollectible reinsurance recoverable	(8,611)	(4,611)
Fair value adjustments on acquired companies	(1,976)	(2,696)
Reinsurance recoverable on paid and unpaid losses, end of year	\$ 669,356	\$ 228,929

The following table presents the reinsurance recoverable on paid and unpaid losses by counterparty credit ratings as of December 31, 2021:

<i>(in thousands of U.S. dollars)</i>	Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses, net of payables and collateral
AA+	\$ 14,932	\$ 14,444
AA	8,476	8,363
AA-	152,121	144,558
A+	259,210	202,303
A	40,745	34,765
A-	146,990	141,256
BBB and below	48,858	15,279
	\$ 671,332	\$ 560,968

As of December 31, 2021, 92.7% of reinsurance recoverable on paid and unpaid losses were with reinsurers rated “A-” or above by A.M. Best Company, and the remaining 7.3% of reinsurance recoverables were with “BBB” or below, including “NR-not rated”, reinsurers. To further reduce credit exposure to reinsurance recoverable balances, the Company has received collateral, including letters of credit and trust accounts, from certain reinsurers. Collateral related to these reinsurance agreements is available, without restriction, when the Company pays losses covered by the reinsurance agreements.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

7. Reinsurance, continued

The following table presents the reinsurance recoverable on paid and unpaid losses for the top ten counterparties as of December 31, 2021:

<i>(in thousands of U.S. dollars)</i>	<u>Counterparty Credit Rating</u>	<u>Reinsurance recoverable on paid and unpaid losses</u>	<u>Reinsurance recoverable on paid and unpaid losses, net of payables and collateral</u>
Lloyd's of London	A+	\$ 90,941	\$ 85,959
Munich Re Group	AA-	60,949	60,923
Everest Re Group	A+	55,264	54,001
AmTrust Financial Services	A-	49,569	48,588
Hannover Re	AA-	32,914	31,313
Aviva Insurance Limited	AA-	20,699	20,699
Somers Re Ltd.	A-	19,854	19,419
Greenlight Capital	A-	18,962	18,545
Swiss Re	AA-	16,717	14,934
Apollo Global Management	A-	15,709	15,365
Other		289,754	191,222
Total		<u>\$ 671,332</u>	<u>\$ 560,968</u>

As of December 31, 2021, balances recoverable from the ten largest reinsurers represented 56.8% of the reinsurance recoverable on paid and unpaid losses, after considering allowances for uncollectible reinsurance recoverable balances and before payables and collateral. As of December 31, 2021, the largest reinsurance balance was due from Lloyd's of London and represented 13.5% of the reinsurance recoverable on paid and unpaid losses, after considering allowances for uncollectible reinsurance recoverable balances and before payables and collateral.

8. Goodwill and other intangible assets

Intangible assets subject to amortization consist of finite lived intangible assets including customized cloud computing software, customer relationships and a brand name, arising from the acquisition of Alan Gray, all of which are amortized on a straight-line basis over their estimated useful lives of 5 to 15 years. The Company did not recognize any impairment loss on these finite lived intangible assets for the years ended December 31, 2021 and 2020.

Indefinite-lived intangible assets and goodwill as at December 31, 2021 consist of the Lloyd's platform benefit valued at \$15.863 million, resulting from the acquisition of PMAL, US state insurance licenses valued at \$6.125 million, resulting from the acquisition of Public Service, and goodwill of \$7.891 million, resulting from the acquisition of Alan Gray.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

8. Goodwill and other intangible assets, continued

The following tables present the components of the gross and net carrying values of goodwill and other intangible assets as of December 31, 2021 and 2020 respectively.

(in thousands of U.S. dollars)

	2021		
	Gross carrying value	Accumulated amortization	Net carrying value
Cloud computing software	\$ 4,236	(563)	\$ 3,673
Customer relationships	1,277	(284)	993
Brand	1,034	(230)	804
Value of business acquired	268	—	268
Total finite lived intangible assets	<u>6,815</u>	<u>(1,077)</u>	<u>5,738</u>
State insurance licenses	6,500	—	6,500
State insurance licenses sold during the year	(375)	—	(375)
Lloyd's platform benefit	15,863	—	15,863
Total indefinite lived intangible assets	<u>21,988</u>	<u>—</u>	<u>21,988</u>
Goodwill	7,891	—	7,891
Goodwill and other intangible assets	<u>\$ 36,694</u>	<u>(1,077)</u>	<u>\$ 35,617</u>

As part of the sale of Western Select on September 1, 2021, three US state insurance licenses, valued at \$0.375 million were disposed of during the year.

(in thousands of U.S. dollars)

	2020		
	Gross carrying value	Accumulated amortization	Net carrying value
Cloud computing software	\$ 1,741	(39)	\$ 1,702
Customer relationships	1,277	(198)	1,079
Brand	1,034	(161)	873
Total finite lived intangible assets	<u>4,052</u>	<u>(398)</u>	<u>3,654</u>
State insurance licenses	6,500	—	6,500
Lloyd's platform benefit	15,863	—	15,863
Total indefinite lived intangible assets	<u>22,363</u>	<u>—</u>	<u>22,363</u>
Goodwill	7,891	—	7,891
Goodwill and other intangible assets	<u>\$ 34,306</u>	<u>(398)</u>	<u>\$ 33,908</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

9. Long term debt

On September 21, 2020, the Company entered into an indenture agreement with The Bank of New York Mellon for a principal amount of \$40.0 million. The Subordinated Fixed-to-Floating Rate Notes (the "Subordinated Floating Notes") are re-payable in full at the end of ten years, with a par call date set after five years. Annual interest of 6.9% is payable quarterly for the first five years. After the par call date, the interest is floating at a per annum rate equal to LIBOR plus 6.5%. The Company and its lenders may agree on a LIBOR successor rate at the appropriate time to address the replacement of LIBOR.

On January 7, 2021, the Company entered into an indenture agreement with The Bank of New York Mellon for a principal amount of \$50.0 million. The Subordinated Fixed-Rate Reset Notes ("the Subordinated Fixed-Rate Reset Notes due January 2031") are repayable in full at the end of ten years, with a first par call date set after five years and a second par call date set after eight years. Annual interest of 6.50% is payable quarterly for the first five years. After the first par call date the interest is floating at a per annum rate equal to the five-year treasury rate plus 6.15%. After the second par call date the interest is floating at a per annum rate equal to the blended 30-month treasury rate plus 6.15%.

On February 1, 2021, the Company entered into an indenture agreement with The Bank of New York Mellon for a principal amount of \$50.0 million. The Subordinated Fixed-Rate Reset Notes ("the Subordinated Fixed-Rate Reset Notes due February 2031") are repayable in full at the end of ten years, with a first par call date set after five years and a second par call date set after eight years. Annual interest of 6.50% is payable quarterly for the first five years.

After the first par call date the interest is floating at a per annum rate equal to the five-year treasury rate plus 6.15%. After the second par call date the interest is floating at a per annum rate equal to the blended 30-month treasury rate plus 6.15%.

The Company's debt obligations as of December 31, 2021 and 2020 are summarized as follows:

(in thousands of U.S. dollars)

Facility	Issuance Date	Term	2021	2020
7.0% Notes due 2024	January 6, 2017	7 years	\$ 109,626	\$ 109,459
6.90% Fixed-to-Floating Subordinated Notes due 2030	September 21, 2020	10 years	39,059	38,828
6.50% Fixed-Rate Reset Subordinated Notes due January 2031	January 7, 2021	10 years	49,310	—
6.50% Fixed-Rate Reset Subordinated Notes due February 2031	February 1, 2021	10 years	49,255	—
Long term debt			<u>\$ 247,250</u>	<u>\$ 148,287</u>

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

9. Long term debt, continued

Long term debt is presented net of debt issuance costs and discounts. The Notes include a 1% placement fee of \$1.10 million, known as the Original Issuance Discount ("OID"), which was paid by the Company in advance, when the Notes were initially drawn down. The OID is expensed through the consolidated statements of operations quarterly, over the life of the loan. The Subordinated Floating Notes, the Subordinated Fixed-Rate Reset Notes due January 2031, and the Subordinated Fixed-Rate Reset Notes due February 2031 include comprehensive debt issuance costs of \$2.459 million, which are expensed quarterly through the consolidated statements of operations, up until the par call date.

Interest on the Company's deposit liability amounts to \$30.077 million during the year. The following table presents the components of interest expense and other debt facility fees as of December 31, 2021 and 2020 respectively.

<i>(in thousands of U.S. dollars)</i>	2021	2020
Interest on deposit liability	\$ (30,077)	\$ (27,384)
Notes and subordinated notes interest	(17,287)	(8,641)
Interest and fees on letter of credit	(4,317)	(4,449)
Other debt facility fees	(607)	(341)
OID amortization	(167)	(155)
Interest expense	\$ (52,455)	\$ (40,970)

10. Share capital

(a) Common shares

The authorized share capital of the Company consists of 160 million common shares, of par value \$0.01 per share. Issued and outstanding shares at December 31, 2021 consisted of 42,852,729 (December 31, 2020: 40,000,000) common shares.

(b) Warrants

The Company issued 6,250,000 warrants on January 6, 2017 to founding investors, all of which were outstanding as December 31, 2021. The warrants expire on the earlier of January 6, 2027 or the consummation date of a transaction that allows for the warrants to be exercised.

The terms of the warrants contain standard anti-dilutive provisions which adjust the exercise price and the number of shares purchasable under the warrants, as applicable, on the occurrence of certain dilution events. The warrants were initially measured at fair value and recorded in additional paid-in capital.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

10. Share capital, continued

(c) Options

The Company has issued 6,250,000 options to members of management, all of which remained outstanding as of December 31, 2021. No compensation cost was recognized during the year as the performance obligations attached to the options were not considered to be probable to occur as at December 31, 2021.

(d) Restricted stock units

The Company issued 30,188 restricted stock units ("RSUs") for the year ended December 31, 2021 (2020: 131,190) to members of its senior management, all of which remained outstanding as of December 31, 2021. Compensation costs for the year ended December 31, 2021 of \$1.090 million (2020: \$1.312 million) were recognized in relation to the RSUs.

11. Income taxes

Premia Holdings is incorporated under the laws of Bermuda and, under current Bermuda law, is not obligated to pay any taxes in Bermuda based upon income or capital gains. The Company has received a written undertaking from the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits, income, gain or appreciation on any capital asset, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to Premia Holdings or any of its operations until March 31, 2035. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Company to become subject to additional taxation.

Premia Holdings has subsidiaries that operate in the United States, United Kingdom and Continental Europe and are therefore subject to federal, foreign, state and local taxes in those jurisdictions. Current and deferred taxes are assessed annually in the United Kingdom while assessments are performed quarterly in the United States.

The components of income taxes attributable to operations were as follows:

<i>(in thousands of U.S. dollars)</i>	2021	2020
<u>Current (expense) benefit</u>		
United States	\$ (1,885)	\$ 70
UK and Continental Europe	236	(6)
	(1,649)	64
<u>Deferred benefit (expense)</u>		
United States	900	(150)
UK and Continental Europe	—	—
	900	(150)
Income tax expense	\$ (749)	\$ (86)

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

11. Income taxes, continued

The Company's net income (loss) before income taxes was earned in the following jurisdictions:

<i>(in thousands of U.S. dollars)</i>	2021	2020
<u>Income (loss) before income taxes:</u>		
UK and Continental Europe	\$ 30,893	\$ 41,925
Bermuda	11,659	(8,025)
United States	(650)	(318)
 Total	\$ 41,902	\$ 33,582

The expected tax provision computed on pre-tax income or loss at the weighted average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. The statutory tax rates by jurisdiction are as follows: Bermuda (0.0%), United States (21%), Luxembourg (15%), Germany (15%), Belgium (25%), and United Kingdom (19%). The difference between the actual income tax expense and the expense computed by applying the statutory corporate income tax rate is attributable to the geographical distribution of the Company's pre-tax net income between jurisdictions and change in valuation allowance.

Deferred income tax assets and liabilities reflect temporary differences based on enacted tax rates between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. As at December 31, 2021 the Company had gross deferred tax assets of \$6.585 million (2020: \$8.451 million) which were comprised primarily of a U.S. net operating loss carry forward of \$2.769 million, \$1.497 million from the discounting of loss reserves and \$1.523 million related to deferred and other compensation.

As of December 31, 2021 the Company had gross deferred tax liabilities of \$3.655 million (2020: \$7.620 million) comprised primarily of \$0.946 million of low tax basis assets due to the acquisition of Public Service, and \$1.923 million from valuation of intangible assets.

The Company provides a valuation allowance to reduce certain deferred tax assets by an amount which management expects will more than likely not be realized. As of December 31, 2021, the Company has taken a valuation allowance against its net deferred tax asset of \$2.930 million, reducing it to an amount which management believes will more likely than not be realized through one of the four sources of future taxable income. As of December 31, 2021, the Company's consolidated balance sheet reflects a net deferred tax asset (liability) of nil (2020: net deferred tax liability of \$0.571 million) after valuation allowance.

At December 31, 2021, the Company had \$11.593 million (2020: \$9.911 million) of United States federal net operating losses available to offset future taxable income. The U.S. net operating loss carry forward as of December 31, 2021 of \$11.593 million, cannot be carried back. \$4.072 million of the net operating loss relating to non-insurance company net operating losses can be carried forward indefinitely, however its use is limited to 80% of taxable income in any given year. \$7.521 million of the net operating loss relates to insurance company net operating losses which can be carried forward for 20 years with its use limited to 100% of taxable income in any given year.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

11. Income taxes, continued

Generally accepted accounting principles require management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Company recognizes interest and penalties related to uncertain tax positions in the provision for income taxes line of the consolidated statements of operations. The total amount of interest and penalties incurred was nil for the periods ending December 31, 2021 and December 31, 2020. The Company is subject to routine audits by taxing authorities in the United States. At this time there are currently no audits for any tax periods in progress. The Company's U.S. federal and state income tax returns are open for all tax years since inception (2018).

12. Concentrations and contingencies

The Company's investment portfolio is managed by external investment advisors in accordance with the Company's investment guidelines. The Company's investment guidelines limit maximum issuer concentration at 2% of assets. US government and agency securities are excluded from this guideline. There are no significant concentrations of credit risk in excess of the Company's concentration guidelines as at December 31, 2021. As at December 31, 2021 approximately 79.3% (2020: 77.5%) of the Company's total investments including cash and cash equivalents and restricted cash and cash equivalents is rated as either NAIC 1 or NAIC 2.

Reinsurance recoverable includes outstanding loss and LAE recoverable. The Company is subject to credit risk with respect to reinsurance ceded as the ceding of risk does not relieve the Company from its primary obligations to its policyholders. Failure of the Company's reinsurers to honor their obligations could result in the Company incurring credit losses. As of December 31, 2021 the Company's largest single reinsurance recoverable exposure, net of collateral, was \$54.851 million (2020: \$62.372 million). The Company has recorded an allowance for uncollectible reinsurance recoverable balance of \$8.611 million (2020: \$4.611 million) with the increase during the year being attributable to the RITCs into s1884's 2021 YoA. No amounts were written off during the year.

The Company utilizes trust funds where the trust funds are set up for the benefit of ceding companies. The fair value of these restricted assets is \$1.622 billion (2020: \$1.490 billion), of which \$1.518 billion (2020: \$1.392 billion) relates to investments and \$104.151 million relates to cash and cash equivalents from investments, as at December 31, 2021 (2020: \$98.211million).

The Company makes contributions to and receives distributions from investment funds measured at fair value. During the year ended December 31, 2021, the Company made a net contribution of \$12.373 million (2020: \$23.77 million) to its investment funds. The Company is committed to make additional contributions of \$94.070 million (2020: \$77.665 million) to its investment funds over time.

The Company from time to time is involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. Estimated losses relating to claims arising in the ordinary course of business, including the anticipated outcome of any pending arbitration or litigation are included in the reserve for losses and LAE in the consolidated balance sheets. In addition to claims litigation, the Company may be subject to other lawsuits and regulatory actions, which may involve, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

12. Concentrations and contingencies, continued

Management does not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material effect on the Company's business, results of operations or financial condition. Management anticipates that, similar to the rest of the insurance and reinsurance industry, the Company will continue to be subject to litigation and arbitration proceedings in the ordinary course of business, including litigation generally related to the scope of coverage with respect to asbestos and environmental and other claims.

13. Related party transactions

Arch Re, along with certain members of senior management, collectively own approximately 25% of the Company's total equity.

Premia Re has retrocession agreements with Arch Re in which varying percentages of contracts written by Premia Re are ceded to Arch Re on a pro rata basis between 12.5% and 25%. As at December 31, 2021 and 2020 the Company's consolidated balance sheets and statements of operations included the following amounts ceded by Premia Re to Arch Re:

<i>(in thousands of U.S. dollars)</i>	2021	2020
Balance sheets		
Reinsurance recoverable on paid and unpaid losses	\$ 16,387	\$ 22,587
Ceded deferred gain liability (included in Deferred charge asset)	—	1,070
Ceded commutation receivable (included in Other assets)	2,743	4,540
Receivable from related party (included in Other assets)	3,689	2,967
Ceded accrued investment income (included in Other liabilities)	4,277	3,462
Payable to related party (included in Other liabilities)	2,824	1,181
Ceded funds held	23,844	32,650
Statements of operations		
Ceded net investment income (included in Net investment income)	862	989
Ceded loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	1,551	819
Ceded operating expenses (included in Operating expenses)	748	1,077

Premia Re has a service agreement with Arch Underwriters Ltd. specifying that Arch will provide to Premia Re services including technical support, consulting services, office space and other miscellaneous services as requested. For the year ending December 31, 2021 Arch invoiced Premia Re \$0.352 million (2020: \$0.383 million) in relation to the service agreement. Included in other liabilities is \$2.824 million (2020: \$1.181 million) payable to Arch in relation to the service contract.

For the year ending December 31, 2021 Alan Gray invoiced Arch Re and its affiliates \$0.123 million (2020: \$0.756) in relation to services performed.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

13. Related party transactions, continued

Prior to its sale by Public Service to a third party, Western Select had a retrocession agreement with Arch US and Premia Re in which Western Select ceded 25% and 75% quota share interests in certain net retained liabilities to Arch US and Premia Re, respectively, on a pro rata basis. The financial statement impact of the 75% quota share cession from Western Select to Premia Re was eliminated on consolidation at the Premia Holdings level.

As the sale of Western Select by Public Service to a third party closed on September 1, 2021 the 25% quota share cession to Arch US ceased to be a related party transaction and therefore the table below reflects the operating results up until the close of the sale. As at December 31, 2021 and 2020 the following related party balances, attributable to the 25% quota share cession from Western Select to Arch US, are included within the following financial statement line items in the Company's consolidated balance sheets and statements of operations:

<i>(in thousands of U.S. dollars)</i>	<u>2021</u>	<u>2020</u>
Balance sheets		
Reinsurance recoverable on paid and unpaid losses	\$ —	\$ 5,216
Ceded deferred gain (included in Deferred charge asset)	—	1,722
Ceded funds held	—	7,293
Statements of operations		
Ceded loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	\$ (131)	\$ 344

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

13. Related party transactions, continued

On December 31, 2019, Premia Re entered into a retroactive reinsurance transaction with a wholly owned subsidiary of Arch, pursuant to which Premia Re assumed a transfer of liability for the 2018 and prior years of account as of July 1, 2019.

As at December 31, 2021 and 2020 the Company's consolidated balance sheets and statements of operations included the following amounts ceded to Premia Re:

<i>(in thousands of U.S. dollars)</i>	2021	2020
Balance sheets		
Premiums receivable	\$ —	\$ 49,077
Funds held by ceding companies	—	182,963
Deferred charge asset	—	11,396
Reserve for losses and loss adjustment expenses	—	228,032
Unearned premiums	—	5,000
Managing agency fees payable (included in Other liabilities)	—	683
Statements of operations		
Gross written premiums	\$ 5,000	\$ (4,932)
Change in unearned premiums	(5,000)	(7,471)
Gross loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	9,295	12,725
Managing agency fees (included in Net loss and loss adjustment expenses)	(2,734)	(2,590)

PCN3 entered into a retrocession agreement with Arch Re, effective January 1, 2021, through which PCN3 cedes a 12.5% quota share of the risks attaching to the 2018 YoA of s1861, as reinsured into the 2021 YoA of s1884, on a pro rata basis. As at December 31, 2021 and 2020 the consolidated balance sheets and statements of operations included the following amounts ceded by PCN3 to Arch Re:

<i>(in thousands of U.S. dollars)</i>	2021
Balance sheet	
Reinsurance recoverable on paid and unpaid losses	\$ 19,059
Ceded unearned premium	2,666
Ceded funds held	28,397
Statement of operations	
Ceded written premiums	\$ 42,453
Change in ceded unearned premiums (included in Change in unearned premiums)	(2,704)
Ceded net investment income (included in Net investment income)	(150)
Ceded loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	(37,341)
Ceded operating expenses (included in Operating expenses)	(1,020)

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

14. Segment information

Premia Holdings performed a review of its reportable segments and identified two that are managed and operated separately: (i) Run-off business; and (ii) Fee-for-service business. The Run-off segment comprises the operations and financial results of the (re)insurance companies and portfolios in run-off that have either been acquired or reinsured by the Company.

The Fee-for-service business is reportable as a separate segment because it is managed and operated in a separate and distinct manner. The nature of the day-to-day operations of the Fee-for-service business and the type of revenue that is earned is distinctly different to that of the run-off segment.

The following tables shows the Company's statements of operations by segment for the year ending December 31, 2021 and 2020.

<i>(in thousands of U.S. dollars)</i>	2021		
	Run-off business	Fee-for-service business	Total
Revenues			
Gross premiums written	\$ (29,820)	\$ —	\$ (29,820)
Ceded premiums	(46,724)	—	(46,724)
Net premiums written	(76,544)	—	(76,544)
Change in unearned premiums	108,620	—	108,620
Net premiums earned	32,076	—	32,076
Net investment income	44,137	—	44,137
Realized gains on investments	9,446	—	9,446
Unrealized gains on other investments	16,571	—	16,571
Other income	33,224	25,217	58,441
Total Revenues	135,454	25,217	160,671
Expenses			
Net loss and loss adjustment expenses	23,437	—	23,437
Acquisition expenses	(30,604)	—	(30,604)
Operating expenses	(40,327)	(20,096)	(60,423)
Interest expense	(52,455)	—	(52,455)
Net foreign exchange gain	1,276	—	1,276
Total expenses	(98,673)	(20,096)	(118,769)
Net income before income taxes	36,781	5,121	41,902
Income tax benefit (expense)	847	(1,596)	(749)
Net income	\$ 37,628	\$ 3,525	\$ 41,153

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

14. Segment information, continued

<i>(in thousands of U.S. dollars)</i>	2020		
	Run-off business	Fee-for-service business	Total
Revenues			
Gross premiums written	\$ 12,721	\$ —	\$ 12,721
Ceded premiums	(704)	—	(704)
Net premiums written	12,017	—	12,017
Change in unearned premiums	44,628	—	44,628
Net premiums earned	56,645	—	56,645
Net investment income	45,767	—	45,767
Realized losses on all investments	(5,799)	—	(5,799)
Unrealized gains on fair value equity securities	3,134	—	3,134
Other income	40,727	14,163	54,890
Total revenues	140,474	14,163	154,637
Expenses			
Net loss and loss adjustment expenses	(39,567)	—	(39,567)
Acquisition expenses	889	—	889
Operating expenses	(29,133)	(11,762)	(40,895)
Interest expense and other debt facility fees	(40,970)	—	(40,970)
Net foreign exchange loss	(512)	—	(512)
Total expenses	(109,293)	(11,762)	(121,055)
Net income before income taxes	31,181	2,401	33,582
Income tax benefit (expense)	105	(191)	(86)
Net income	\$ 31,286	\$ 2,210	\$ 33,496

15. Statutory financial information and dividend restrictions

The Company's insurance and reinsurance subsidiaries are subject to insurance and/or reinsurance laws and regulations in the jurisdictions in which they operate. These regulations include certain restrictions on the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

Group Supervision

The Bermuda Monetary Authority (“BMA”) is the group supervisor of the Company. Under the Insurance Act 1978, as amended, and related regulations of Bermuda (the “Insurance Act”), the Company is required to meet its minimum solvency margin (“MSM”), defined as the prescribed minimum amount by which the value of the assets of the Company must exceed the value of its liabilities.

In addition, the Company is required to maintain statutory economic capital and surplus at a level at least equal to its enhanced capital requirement (“ECR”). The ECR is equal to the greater of the MSM and the required capital calculated by reference to the Bermuda Solvency Capital Requirement model (“BSCR model”).

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

15. Statutory financial information and dividend restrictions, continued

The Company is currently completing its 2021 group 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 level of required statutory economic capital and surplus. The actual and required statutory capital and surplus for the Company's principal operating subsidiaries at December 31, 2021 and 2020 was as follows:

<i>(in thousands of U.S. dollars)</i>	2021	2020
Actual capital and surplus:		
Bermuda	\$ 823,718	\$ 646,735
United States	42,419	40,465
United Kingdom	294,633	162,133
Europe	39,308	—
Total actual capital and surplus	\$ 1,200,078	\$ 849,333
Required capital and surplus:		
Bermuda	\$ 171,067	\$ 238,249
United States	13,339	28,704
United Kingdom	285,240	155,451
Europe	29,457	—
Total required capital and surplus	\$ 499,103	\$ 422,404

The difference between statutory financial statements and statements prepared in accordance with GAAP vary by jurisdiction, however, with the primary difference being that statutory financial statements may not reflect deferred charge assets, certain net deferred tax assets, goodwill and certain intangible assets, unrealized appreciation or depreciation on debt securities and certain unauthorized reinsurance recoverables and include contingency reserves.

Bermuda

Under the Insurance Act, Premia Re is registered as a Class 4 insurer, and is required to annually prepare and file statutory financial statements and a statutory financial return with the BMA. The Insurance Act requires Premia Re to maintain statutory economic capital and surplus at a level at least equal to its ECR, which is the greater of its MSM and the required capital calculated by reference to the BSCR model. At December 31, 2021 all such requirements were met. Premia Re is also required under its Class 4 license to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business. As of December 31, 2021 Premia Re met the minimum liquidity ratio.

Premia Re may declare dividends subject to it continuing to meet its solvency and capital requirements, which includes continuing to hold statutory capital and surplus equal to or exceeding its ECR. Premia Re is prohibited from declaring or paying in any fiscal year, dividends of more than 25% of its prior year's statutory capital and surplus unless Premia Re files with the BMA a signed affidavit by at least two members of the Board of Directors attesting that a dividend would not cause the Company to fail to meet its relevant margins. While Premia Re's capital is in excess of its ECR, no dividends were paid for the years ended December 31, 2021 or 2020.

Premia Holdings Ltd.
Notes to the Consolidated Financial Statements

15. Statutory financial information and dividend restrictions, continued

The Company is currently completing its 2021 statutory filings for Premia Re, which must be filed with the BMA by April 30, 2022, and at this time, the Company believes it will exceed the target level of required statutory economic capital and surplus.

United States

The Company's U.S. insurance subsidiary Public Service is domiciled in the state of Illinois and files financial statements in accordance with statutory accounting practices prescribed or permitted by insurance regulators.

Public Service was not permitted to declare any dividends during 2021 without approval from the Illinois Department of Insurance. The payment of shareholder dividends without regulatory approval is limited to formula amounts based on net income and capital and surplus, determined in conformity with statutory accounting practices, as well as the timing and amount of dividends paid in the preceding twelve months. No dividends were paid for the years ended December 31, 2021 or 2020.

Public Service is required to maintain paid up capital of not less than the minimum capital requirement applicable to the types of insurance they are authorized to write. Insurance companies are also subject to risk-based capital ("RBC") requirements adopted by state insurance regulators. A company's authorized control level RBC is calculated using various factors applied to certain financial balances and activity. The statutory capital and surplus of Public Service met regulatory requirements for 2021 and 2020.

United Kingdom

The Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") regulate insurance and reinsurance companies and the FCA regulates firms carrying on insurance activities operating in the U.K, under both the Financial Services and Markets Act 2000. The Company's European insurance operations are conducted through Syndicate 1884, which is managed by PMA, Dominion, and Trent. Syndicate 1884 is supported by a corporate member, PCN3. All U.K. companies are also subject to a range of statutory provisions, including the laws and regulations of the Companies Acts 2006 (as amended) (the "U.K. Companies Acts").

Syndicate 1884, via PCN3, Dominion and Trent must maintain a margin of solvency at all times under the Solvency II Directive from the European Insurance and Occupational Pensions Authority ("EIOPA"). The regulations stipulate that insurers are required to maintain the minimum capital requirements and solvency capital requirements at all times. The capital requirements for Syndicate 1884 are calculated using PMA's internal model, and for Dominion and Trent by reference to a standard formula defined in Solvency II. As at December 31, 2021, Syndicate 1884, via PCN3, had a solvency deficit as a result of an increase in solvency requirement following the filing of the annual Lloyd's solvency return in March 2022. Under Lloyd's rules, this deficit must be rectified by June 30, 2022. Dominion and Trent are in compliance with their solvency requirements.

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15. Statutory financial information and dividend restrictions, continued

PMA, Syndicate 1884, and PCN3 are subject to the oversight of the Council of Lloyd's and are therefore required to meet Lloyd's capital and solvency requirements. The capital required to support a Syndicate's underwriting capacity, or funds at Lloyd's, is assessed quarterly and is determined by Lloyd's in accordance with the capital adequacy rules established by the PRA. The Company has provided capital to support the underwriting of Lloyd's Syndicate 1884.

The amount which the Company provides as funds at Lloyd's ("FAL") is not available for distribution to the Company for the payment for dividends. Lloyd's is supervised by the PRA under the Lloyd's Act of 1982 regarding the operation of the Lloyd's market. With respect to managing agents and corporate members, Lloyd's prescribes certain minimum standards relating to management and control, solvency and other requirements and monitors managing agent's compliance with such standards.

Under U.K. law, all U.K. companies are restricted from declaring a dividend to their shareholders unless they have "profits available for distribution". The calculation as to whether a company has sufficient profits is based on its accumulated realized profits minus its accumulated realized losses.

The U.K. insurance regulatory laws do not prohibit the payment of dividends, but the PRA or FCA, as applicable, requires that insurance companies and insurance intermediaries maintain certain solvency margins and may restrict the payment of a dividend by the Company's subsidiaries.

Europe

The Company's Belgian insurance subsidiary, ASCO, files statutory financial statements and returns with the National Bank of Belgium ("NBB"). This subsidiary expects to be in compliance with its solvency and capital requirements under Solvency II and will file its financial statements and returns on or before April 8, 2022. The amount of dividends that ASCO is permitted to distribute is restricted to after tax profits. No dividends have been distributed for the year-ended 2021.

The Company's Luxembourg reinsurance subsidiary, Canal, files statutory financial statements and returns with the Commissariat aux Assurances ("CAA"). Canal expects to be in compliance with its solvency and capital requirements under Solvency II and will file its financial statements and returns on or before April 8, 2022. The amount of dividends that Canal is permitted to distribute is restricted to after tax profits. No dividends have been distributed for the year-ended 2021.

16. Contractual obligations and commitments

On October 5, 2020, the Company entered into a \$45.0 million two-year unsecured revolving credit facility (the "Revolving Credit Facility") with a syndication of lenders. Commitments under the Revolving Credit Facility may be increased up to, but not exceeding, an aggregate of \$50.0 million. There were no outstanding Revolving Credit Facility borrowings as at December 31, 2021. The Revolving Credit Facility requires that the Company maintains certain financial covenants, all of which were met at December 31, 2021.

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16. Contractual obligations and commitments, continued

On November 12, 2019, the Company entered into a \$131.0 million four-year letter of credit facility agreement ("Letter of Credit") with a syndication of lenders. On November 5, 2021, the Letter of Credit was amended to provide commitments of up to, but not exceeding, \$125.0 million. As at December 31, 2021, an aggregate value of \$125.0 million (2020: \$154.130 million) of outstanding Letters of Credit have been issued under the facility, and none remained unused and available to the Company (2020: \$0.070 million). The Letter of Credit requires that the Company maintains certain financial covenants. In March 2022, the Company became aware of an increase in the solvency deficit in PCN3 as of December 31, 2021, resulting in a technical covenant breach under the Letter of Credit for maintaining Primary FAL as a percentage of the LOC. ING, as lead bank on the Letter of Credit, have been notified of the issue and the Company will fund additional FAL of \$2.50m to rectify the breach.

17. Subsequent events

In preparing the consolidated financial statements, management has evaluated subsequent events through April 11, 2022, which is the date that these financial statements were issued.

Acquisition of Armour Re Ltd.

On February 19, 2021, Premia Holdings Ltd. entered into a Sale and Exchange Agreement ("SEA") with Armour Group Ltd. and for purposes of certain sections of the SEA, Aquiline Amour Co-Invest L.P. ("Aquiline"). As part of the SEA, at Phase 1, the Company took over certain service agreements of Armour Group Ltd. and Aquiline made a \$40.0 million equity investment in Premia Holdings on March 2, 2021, in exchange for receiving shares in Premia Holdings ("Phase 1 shares"). At Phase 2, which is not expected to close until Q2 2022, Premia Holdings shall acquire Armour Re Ltd., in exchange for Premia Holdings shares ("Phase 2 shares"). Premia Holdings will receive a four year reserve and litigation guarantee which shall be collateralized against the Phase 2 shares primarily, and Phase 1 shares for certain claims.