

GENEVA RE LTD.

Financial Statements

For the years ended December 31, 2021 and 2020

GENEVA RE LTD.

Index to Financial Statements

December 31, 2021 and 2020

Pages

Independent Auditor's Report	1 - 2
Balance sheets	3
Statements of operations and comprehensive income (loss)	4
Statements of changes in shareholder's equity	5
Statements of cash flow	6
Notes to financial statements	7 - 25



KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Geneva Re Ltd.

Opinion

We have audited the financial statements of Geneva Re Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and comprehensive income (loss), changes in shareholder's equity, and cash flows for the years then ended, and the related notes to 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 U.S. generally accepted accounting principles.

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional scepticism 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

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts in Note 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 11, 2022

GENEVA RE LTD.

Balance sheets

As of December 31, 2021 and 2020
(Expressed in thousands of U.S. dollars)

	<u>2021</u>	<u>2020</u>
Assets		
Fixed income securities (Notes 3, 4 and 7)	\$ 263,786	\$ 210,127
Cash and cash equivalents (Notes 4, 5 and 7)	9,696	5,068
Restricted cash and cash equivalents (Notes 4, 6 and 7)	1,337	8,197
Accrued investment income	1,317	939
Premiums receivable (Notes 8 and 10)	203,839	101,993
Deferred acquisition costs (Note 10)	77,132	36,622
Deferred tax assets (Note 9)	1,838	-
Other assets (Note 10)	<u>7,351</u>	<u>467</u>
Total assets	\$ 566,296	\$ 363,413
Liabilities and shareholder's equity		
Liabilities		
Reserves for losses and loss expenses (Notes 8 and 10)	\$ 136,914	\$ 43,121
Unearned premiums (Note 10)	228,778	114,244
Reinsurance balances payable	3,903	568
Accounts payable and accrued expenses	2,415	2,572
Investments balances payable	-	1,305
Amounts due to affiliates (Note 10)	1,459	992
Deferred tax liabilities (Note 9)	<u>-</u>	<u>128</u>
Total liabilities	373,469	162,930
Shareholder's equity		
Share capital (Note 11)	120	120
Additional paid-in capital (Note 12)	199,880	199,880
Accumulated other comprehensive (loss) income	(1,344)	3,083
Accumulated deficit	<u>(5,829)</u>	<u>(2,600)</u>
Total shareholder's equity	192,827	200,483
Total liabilities and shareholder's equity	\$ 566,296	\$ 363,413



Director



Director

See accompanying notes to the financial statements.

GENEVA RE LTD.

Statements of operations and comprehensive income (loss)

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

	<u>2021</u>	<u>2020</u>
Revenues		
Gross premiums written (Note 10)	\$ 276,840	\$ 147,957
Ceded premiums written	<u>(5,959)</u>	<u>—</u>
Net premiums written	270,881	147,957
Change in unearned premiums	<u>(114,534)</u>	<u>(81,594)</u>
Premiums earned (Note 10)	156,347	66,363
Net investment income (Notes 3 and 10)	<u>2,981</u>	<u>3,911</u>
Total revenues	<u>159,328</u>	<u>70,274</u>
Expenses		
Losses and loss expenses (Notes 8 and 10)	(102,812)	(41,257)
Acquisition costs (Note 10)	(52,989)	(21,102)
General and administrative expenses (Note 10)	<u>(7,269)</u>	<u>(6,036)</u>
Total expenses	<u>(163,070)</u>	<u>(68,395)</u>
Net foreign exchange (losses) gains	<u>(276)</u>	<u>97</u>
Net (loss) income before tax	<u>(4,018)</u>	<u>1,976</u>
Income tax benefit (expense) (Note 9)	<u>789</u>	<u>(415)</u>
Net (loss) income after tax	(3,229)	1,561
Other comprehensive (loss) income, net of tax		
Net change in fair value of fixed income securities, net of tax of \$1,177 (2020: \$853)	<u>(4,427)</u>	<u>3,210</u>
Total other comprehensive (loss) income, net of tax	<u>(4,427)</u>	<u>3,210</u>
Total comprehensive (loss) income attributable to common shareholder	<u>\$ (7,656)</u>	<u>\$ 4,771</u>

See accompanying notes to the financial statements.

GENEVA RE LTD.

Statements of changes in shareholder's equity

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

	<u>2021</u>	<u>2020</u>
Share capital		
Balance, at beginning and end of year	\$ 120	\$ 120
	<hr/>	<hr/>
Additional paid-in capital		
Balance, beginning of year	\$ 199,880	\$ 99,880
Contribution	<hr/> —	<hr/> 100,000
Balance, end of year	<hr/> 199,880	<hr/> 199,880
	<hr/>	<hr/>
Accumulated other comprehensive income (loss), net of tax		
Balance, beginning of year	\$ 3,083	\$ (127)
Unrealized (losses) gains arising on fixed income securities during the period	(4,462)	4,625
Net realized losses (gains) recorded in net income	<hr/> 35	<hr/> (1,415)
Balance, end of year	<hr/> (1,344)	<hr/> 3,083
	<hr/>	<hr/>
Accumulated deficit		
Balance, beginning of year	\$ (2,600)	\$ (4,161)
Net (loss) income	<hr/> (3,229)	<hr/> 1,561
Balance, end of year	<hr/> (5,829)	<hr/> (2,600)
	<hr/>	<hr/>
Total shareholder's equity	<hr/> \$ 192,827	<hr/> \$ 200,483
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the financial statements.

GENEVA RE LTD.

Statements of cash flows

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

	<u>2021</u>	<u>2020</u>
Operating activities		
Net (loss) income after tax	\$ (3,229)	\$ 1,561
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Net amortization of fixed interest securities	2,539	2,129
Net realized losses (gains) on sale of fixed income securities	44	(1,415)
Net changes in assets and liabilities:		
Accrued investment income	(378)	(352)
Premiums receivable	(101,846)	(76,697)
Deferred acquisition costs	(40,510)	(25,711)
Deferred tax assets	(661)	1,140
Other assets	(1,884)	(269)
Reserves for losses and loss expenses	93,793	40,025
Unearned premiums	114,534	81,594
Reinsurance balances payable	3,335	568
Accounts payable and accrued expenses	(157)	1,878
Amounts due to affiliates	467	(1,916)
Deferred tax liabilities	<u>(128)</u>	<u>(725)</u>
Net cash provided by operating activities	<u>65,919</u>	<u>21,810</u>
Investing activities		
Purchase of investments	(237,863)	(257,435)
Proceeds from the sale of investments	176,017	143,847
Change in investments balances receivable	(5,000)	-
Change in investments balances payable	<u>(1,305)</u>	<u>1,305</u>
Net cash used in investing activities	<u>(68,151)</u>	<u>(112,283)</u>
Financing activities		
Additional paid-in capital	<u>-</u>	<u>100,000</u>
Net cash provided by financing activities	<u>-</u>	<u>100,000</u>
Net (decrease) increase in cash, restricted cash, and cash equivalents	(2,232)	9,527
Cash, restricted cash, and cash equivalents, beginning of year	<u>13,265</u>	<u>3,738</u>
Cash, restricted cash, and cash equivalents, end of year	<u>11,033</u>	<u>13,265</u>
Cash and cash equivalents comprise the following:		
Cash	1,193	-
Cash equivalents	8,503	5,068
Restricted cash and cash equivalents	<u>1,337</u>	<u>8,197</u>
	<u>\$ 11,033</u>	<u>\$ 13,265</u>

See accompanying notes to the financial statements.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

1. Nature of operations

Geneva Re Ltd. (the “Company”) was incorporated as an exempted company under the laws of Bermuda on May 31, 2019 and writes reinsurance on a global basis. The Company is registered as a Class 3A insurer under the Insurance Act of 1978 and related regulations of Bermuda (the “Insurance Act”) and commenced operations on July 1, 2019. The Company’s operations include-reinsurance of property, casualty and specialty products.

The Company is a wholly owned subsidiary of Geneva Re Partners, LLC (“Holdings”), a Delaware limited liability company incorporated on May 14, 2019.

Holdings is a joint venture formed between Ryan Specialty Group, LLC (“RSG”), a Delaware limited liability company, and certain of its shareholders, and Nationwide Mutual Insurance Company (“Nationwide”), an Ohio mutual insurance company. The Company acts as an affiliated reinsurer, providing reinsurance exclusively to certain insurance companies of Nationwide. Effective April 1, 2021, the Company received approval from the Bermuda Monetary Authority (“BMA”) to enter into agreements with unrelated cedants subject to certain conditions.

2. Significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States (“U.S. GAAP”).

The COVID-19 pandemic caused a global recession and the sustainability of the economic recovery observed in 2021 remains unclear. The COVID-19 pandemic has also significantly increased economic and demand uncertainty, created disruptions in global supply chains, has caused inflationary pressure in the U.S. and elsewhere, and has led to disruption and volatility in the global capital markets. The inflation rate rose in many industrialized countries. The Company maintains a defensive short duration investment portfolio to protect against rising interest rates in an inflationary environment. Inflation is considered in the reserving process. The COVID-19 pandemic is an ongoing situation making it exceptionally difficult to predict what the ultimate impact for the Company or the insurance industry will be. The Company continues to monitor the impact of the pandemic on its business.

Reporting currency

The financial information is reported in United States dollars (“U.S. dollars” or “\$”).

Use of estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates reflected in the financial statements include, but are not limited to, reserves for losses and loss expenses and estimates of written and earned premiums.

Cash and cash equivalents

Cash and cash equivalents consist of cash held in banks and other short-term, highly liquid investments with original maturity dates of ninety days or less.

2. Significant accounting policies (continued)

Restricted cash

Restricted cash represents cash and cash equivalents that the Company is a) holding for the benefit of the insured and is legally or contractually restricted as to withdrawal or usage for general Company purposes; and b) not replaceable without approval of the insured by another type of asset other than cash or cash equivalents, under the terms of the Company's contractual reinsurance arrangements.

Investments

The fixed income securities portfolio comprises securities issued by governments and government agencies, corporate bonds, mortgage and other asset-backed securities. Investments in fixed income securities have been classified as available-for-sale and are reported at estimated fair value on the Balance Sheets.

Realized and unrealized gains or losses on fixed income securities are determined by the specific identification method. For securities classified as available for sale, unrealized gains or losses are included in Accumulated Other Comprehensive (Loss) Income ("AOCI"), a component of the shareholder's equity until the investment is sold or impaired. Realized gains and losses on sale and write-downs to reflect impairments, are included in the Statements of Operations.

Management evaluates the securities classified as available-for-sale for other-than-temporary-impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assess whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings.

Net investment income

Net investment income includes amounts received and accrued in respect of periodic interest ("coupons") payable to the Company by the issuer of the fixed income securities, and interest credited on cash and cash equivalents. It also includes amortisation of premium and accretion of discount in respect of fixed income securities. Investment management and custody fees are charged against net investment income reported in the Statements of Operations. Investment transactions are recorded on a trade date basis.

Premiums and acquisition costs

Premiums written and ceded are recorded on inception of the policy. Premiums written include estimates based on information received from insureds, brokers and cedants, and any subsequent differences arising on such estimates are recorded as premiums written in the period they are determined. Premiums written are earned over the exposure period in proportion to the risk covered. Unearned premiums represent the portion of premiums written that relate to the remaining term of the underlying policies. Reinstatement premiums are recognised as written and earned after the occurrence of a loss and are recorded in accordance with the contract terms based upon management's estimate of losses and loss expenses.

Acquisition costs are directly related to the acquisition of insurance premiums and are deferred and amortized in line with the related premiums. The Company only defers acquisition costs incurred that are directly related to the successful acquisition of new or renewal insurance contracts, including commissions to agents, brokers and premium taxes. All other acquisition related expenses including indirect costs are expensed as incurred. To the extent that future policy revenues on existing policies are not adequate to cover related costs and expenses, deferred policy acquisition costs are charged to earnings.

2. Significant accounting policies (continued)

The Company evaluates premium deficiency and the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment return is greater than expected future loss and loss adjustment expenses and acquisition costs.

Reserves for losses and loss expenses

The liability for losses and loss expenses includes reserves for unpaid reported losses and for losses incurred but not reported. The reserves for losses and loss expenses are established by management based on reports from insureds, brokers, and ceding companies and the application of generally accepted actuarial techniques and represents the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Company as incurred.

The estimation of unpaid claim liabilities at any given point in time is subject to a high degree of uncertainty for a number of reasons. Inherent in the estimates of ultimate losses and loss expenses are expected trends in claim severity, frequency and inflation which may vary significantly as claims are settled. A significant amount of time can lapse between the assumption of risk, the occurrence of a loss event, the reporting of the event to an insurance or reinsurance company and the ultimate payment of the claim on the loss event. As a relatively new operation, the Company has limited loss history of its own and therefore uses industry data in the estimation of ultimate losses. To the extent that the trend of the Company's loss development compared to the industry changes in any period, it is likely to have an impact on the estimate of ultimate liabilities. Ultimate losses and loss expenses may differ significantly from the amount recorded in the financial statements. These estimates are reviewed regularly and as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are recorded in losses and loss expenses in the periods in which they are determined.

Premiums receivable

Premiums receivable includes amounts receivable from insureds which represent premiums that are both currently due and amounts not yet due on reinsurance policies, these amounts are net of related acquisitions costs for which there is a right of offset. Premiums for reinsurance policies generally become due over the period of coverage based on the policy terms. Contract periods can be several years in length with premiums received in annual or quarterly installments.

The Company monitors the credit risk associated with premiums receivable, taking into consideration the fact that in certain instances credit risk may be reduced by the Company's right to offset loss obligations against premiums receivable. Amounts deemed uncollectible are charged to net income in the period they are determined. Changes in the estimate of reinsurance premiums written will also result in an adjustment to premiums receivable in the period they are determined.

Income taxes

Income taxes have been provided for those operations that are subject to income taxes based on enacted tax laws and rates enacted in those jurisdictions. Current and deferred taxes are charged or credited to net income, with the exception of deferred tax on amounts recorded in AOCI.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

2. Significant accounting policies (continued)

Income taxes (continued)

Deferred tax assets and liabilities result from temporary differences between the amounts recorded in the financial statements and the tax basis of the Company's assets and liabilities. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date. Uncertain tax positions are recognised when deemed more likely than not of being sustained upon examination by tax authorities. Changes in recognition or measurement are recognised in the period in which the change occurs.

A valuation allowance against deferred tax assets is recorded if management deem it is more likely than not that all or some portion of the benefits related to the deferred tax assets will not be realized.

Foreign exchange

The Company's functional currency is the U.S. dollar. Transactions in foreign currencies are translated in U.S. dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currencies are re-measured at the exchange rates in effect at the reporting date. Foreign exchange gains and losses are included in the Statements of Operations.

Recent accounting pronouncements

Recently issued but not yet adopted

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which requires loans, receivables and available-for-sale debt securities to record credit losses through an allowance for credit losses account. The update introduces a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new credit loss model, the Company will be required to recognise an allowance for its expected credit losses on certain financial assets including trade receivables, debt instruments not measured at fair value, and reinsurance receivables. Available-for-sale debt securities will record credit losses through an allowance for credit losses, which will be limited to the amount by which fair value is below amortized cost. The Company does not expect the ASU to have a material impact on the financial statements. The standard update is effective for annual periods beginning after December 15, 2022.

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. The ASU 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. The amendments are effective for fiscal years beginning after December 15, 2021. The Company does not expect the ASU to have a material impact on the financial statements.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

3. Investments

As at December 31, 2021, the Company's investments are managed by Nationwide Asset Management LLC, a related party, through an investment management agreement. The Company monitors the activity and performance of the investment manager on a monthly basis.

a) Fixed income securities

The following table shows the amortized cost, fair value and related unrealized gains and losses of the fixed income securities:

	As at December 31, 2021			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
U.S. treasuries	\$ 54,910	\$ 29	\$ (669)	\$ 54,270
Corporate bonds	103,735	740	(898)	103,577
Asset-backed securities	26,702	12	(105)	26,609
Agency residential mortgage back securities	54,433	243	(839)	53,837
Non-agency residential mortgage back securities	16,062	62	(129)	15,995
Commercial mortgage-backed securities	7,341	43	(144)	7,240
Municipal securities	<u>2,305</u>	<u>—</u>	<u>(47)</u>	<u>2,258</u>
Total	<u>\$ 265,488</u>	<u>\$ 1,129</u>	<u>\$ (2,831)</u>	<u>\$ 263,786</u>

	As at December 31, 2020			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value
U.S. treasuries	\$ 55,389	\$ 650	\$ (128)	\$ 55,911
Corporate bonds	48,678	2,015	(38)	50,655
Asset-backed securities	11,446	40	(54)	11,432
Agency residential mortgage back securities	69,054	898	(10)	69,942
Non-agency residential mortgage back securities	11,948	315	(5)	12,258
Commercial mortgage-backed securities	7,405	178	(10)	7,573
Municipal securities	<u>2,305</u>	<u>51</u>	<u>—</u>	<u>2,356</u>
Total	<u>\$ 206,225</u>	<u>\$ 4,147</u>	<u>\$ (245)</u>	<u>\$ 210,127</u>

Review of the fixed income securities is performed on a regular basis to consider concentration, credit quality and compliance with established guidelines. The composition of the fair values of fixed income securities, based on credit ratings from globally recognized rating agencies, is as follows:

	2021		2020	
	Fair value	%	Fair value	%
AAA	\$ 138,462	52%	\$ 147,515	70%
AA	20,211	8%	9,855	5%
A	33,756	13%	18,289	9%
BBB	55,711	21%	33,648	16%
BB	11,489	4%	820	0%
B	<u>4,157</u>	<u>2%</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 263,786</u>	<u>100%</u>	<u>\$ 210,127</u>	<u>100%</u>

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

3. Investments (continued)**a) Fixed income securities** (continued)

The contractual maturities of fixed income securities are listed in the following table:

	2021		2020	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	\$ 1,302	\$ 1,314	\$ –	\$ –
Due after one year through five years	82,317	82,423	65,912	67,686
Due after five year through ten years	73,509	72,680	44,204	45,065
Due after ten years	<u>108,360</u>	<u>107,369</u>	<u>96,109</u>	<u>97,376</u>
Total	\$ <u>265,488</u>	\$ <u>263,786</u>	\$ <u>206,225</u>	\$ <u>210,127</u>

Expected maturities may differ from contractual maturities as borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Additionally, lenders may have the right to put the securities back to the borrower.

b) Pledged investments

At December 31, 2021, \$125,353 (2020: \$26,760) of available-for-sale fixed income securities were on deposit with a custodian in respect of the Company's trust account. The trust agreement was entered into to support the business ceded by Nationwide and the amount held in trust is based on Nationwide's net exposure to the Company.

c) Net investment income

The components of net investment income are as follows:

	<u>2021</u>	<u>2020</u>
Net interest income	\$ 5,867	\$ 4,853
Net amortisation of fixed income securities	(2,539)	(2,129)
Net realized (loss) gains on fixed income securities	(44)	1,415
Investment expenses	<u>(303)</u>	<u>(228)</u>
Net investment income	\$ <u>2,981</u>	\$ <u>3,911</u>

4. Fair value measurements

Fair value hierarchy

FASB ASC 820-10, Fair Value Measurements and Disclosures, defines fair value, establishes a consistent framework for measuring fair value and requires disclosures about fair value measurements. The standard requires the Company to maximise the use of observable inputs and minimise the use of unobservable inputs when measuring fair value.

FASB ASC 820-10 specifies a hierarchy of fair value inputs based on whether the inputs are observable or unobservable. Observable inputs are developed using independently sourced market data and reflect market participant assumptions, while unobservable inputs reflect the Company's market assumptions in the absence of observable market information. The fair value hierarchy is as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets. The fair value is determined by multiplying the quoted price by the quantity held by the Company.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices (e.g. interest rates, yield curves, prepayment spreads, default rate, etc.) for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or can be corroborated by observable market data.
- Level 3: Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement. Significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

As required under the fair value hierarchy, the Company considers relevant and observable market inputs in its valuations where possible. The Company's policy with respect to transfers between levels of the fair value hierarchy is to recognise transfers into and out of each level as of the beginning of the reporting period.

Determination of fair value

The following section describes the valuation methodologies used by the Company to measure assets and liabilities at fair value, including an indication of the level within the fair value hierarchy in which each asset or liability is generally classified.

Fixed income securities

The Company's fixed income securities portfolio is managed by a related party investment manager with oversight from both the Company's Chief Financial Officer and the Board of Directors. Fair values for all securities in the fixed income investments portfolios are independently provided by the investment custodian and investment manager, each of which utilise internationally recognised independent pricing services.

For determining the fair value of securities that are not actively traded, in general, pricing services use "matrix pricing". The corporate pricing matrix was developed using publicly and privately available spreads for privately placed corporate securities with varying weighted average lives and credit quality ratings. The weighted average life and credit quality rating of a fixed maturity security to be priced using this matrix are important inputs into the model and are used to determine a corresponding spread that is added to the appropriate U.S. Treasury yield to create an estimated market yield for that security. The estimated market yield and other relevant factors are then used to estimate the fair value of the particular security.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

4. Fair value measurements (continued)

Fixed income securities (continued)

The following describes the techniques generally used to determine the fair value of the Company's fixed income securities by asset class.

- U.S. treasuries are bonds issued by the U.S. government. The significant inputs used to determine the fair value of these securities are based on quoted prices in active markets for identical assets and are therefore classified within Level 1.
- Agency residential mortgage backed securities consist of securities issued by U.S. government sponsored agencies such as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation backed by pools of loans with underlying collateral of residential mortgage loans. The significant inputs used to determine the fair value of these securities are based on quoted prices in active markets for identical assets. When not available, the fair values of the securities include the spread above the risk-free yield curve, benchmark yields, broker-dealer quotes, prepayment spreads, collateral performance and default rates. These securities may be rated Level 1 or Level 2.
- Corporate bonds consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. When available, significant inputs are used to determine the fair value of these securities and are based on quoted prices in active markets for identical assets. When not available, the fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. The Company classified the fair values of these securities within Level 2.
- Non-agency residential mortgage backed securities, commercial mortgage backed securities and asset-backed securities consist of only investment-grade bonds backed by pools of loans with a variety of underlying collateral. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, broker-dealer quotes, prepayment spreads, collateral performance and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.
- Municipal securities consist of bonds issued by a state, municipality or county to finance capital expenditures. The significant inputs used to determine the fair value of these securities include benchmark yields, reported trades, broker-dealer quotes and other industry and market indicators. The fair value of these securities are classified as Level 2.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

4. Fair value measurements (continued)

The following table presents the financial instruments measured at fair value on a recurring basis as at December 31, 2021 and 2020:

	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 8,503	\$ –	\$ –	\$ 8,503
Restricted cash equivalents	1,337	–	–	1,337
Fixed income securities				
U.S treasuries	54,270	–	–	54,270
Corporate bonds	–	103,577	–	103,577
Asset-backed securities	–	26,609	–	26,609
Agency residential mortgage backed securities	–	53,837	–	53,837
Non-agency residential mortgage backed securities	–	15,995	–	15,995
Commercial mortgage-backed securities	–	7,240	–	7,240
Municipal securities	–	2,258	–	2,258
Total fixed income securities	54,270	209,516	–	263,786
Total	\$ 64,110	\$ 209,516	\$ –	\$ 273,626

	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 5,068	\$ –	\$ –	\$ 5,068
Restricted cash equivalents	8,197	–	–	8,197
Fixed income securities				
U.S treasuries	55,911	–	–	55,911
Corporate bonds	–	50,655	–	50,655
Asset-backed securities	–	11,432	–	11,432
Agency residential mortgage backed securities	–	69,942	–	69,942
Non-agency residential mortgage backed securities	–	12,258	–	12,258
Commercial mortgage-backed securities	–	7,573	–	7,573
Municipal securities	–	2,356	–	2,356
Total fixed income securities	55,911	154,216	–	210,127
Total	\$ 69,176	\$ 154,216	\$ –	\$ 223,392

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

5. Cash and cash equivalents

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,193	\$ –
Cash equivalents	<u>8,503</u>	<u>5,068</u>
Total cash and cash equivalents	<u>\$ 9,696</u>	<u>\$ 5,068</u>

Due to the short-term nature of cash and cash equivalents, management believes the above noted carrying values approximate their fair value.

6. Restricted cash and cash equivalents

The Company is required to maintain certain levels of cash in a segregated trust account with the custodian. The Company's funds in trust support the reinsurance business written with the reinsured (Note 10).

The restricted cash and cash equivalents as at December 31, 2021 is \$1,337 (2020:\$8,197).

7. Concentration of credit risk

As of December 31, 2021, cash and cash equivalents of \$4,118 (2020: \$4,219), restricted cash and cash equivalent of \$1,337 (2020: \$8,197) and fixed income securities of \$263,786 (2020: \$210,127) are held by one financial institution in the United States of America, and cash equivalents of \$4,385 (2020: \$849) and cash of \$1,193 (2020: \$Nil) are held by one financial institution in Bermuda. Premiums receivable of \$203,762 (2020: \$101,993) are due from certain insurance companies of Nationwide and premiums receivable of \$77 (2020: \$Nil) are due from an external ceding company in the United States of America. Nationwide has a S&P and an A.M Best rating of A+ (2020: A+). Other assets includes a \$5,000 (2020: \$Nil) contribution paid to a fund manager for an investment in an alternative fund effective January 1, 2022.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

8. Reserves for losses and loss expense

The following table presents a reconciliation of the beginning and ending reserves for losses and loss expenses for the years ended December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ <u>43,121</u>	\$ <u>3,096</u>
Net losses and loss expenses incurred:		
Current year	101,431	41,291
Prior year	<u>1,381</u>	<u>(34)</u>
Total incurred	\$ <u>102,812</u>	\$ <u>41,257</u>
Net losses and loss expenses paid:		
Current year	4,579	1,101
Prior year	<u>4,420</u>	<u>144</u>
Net losses and loss expenses paid	\$ <u>8,999</u>	\$ <u>1,245</u>
Foreign exchange and other	<u>(20)</u>	<u>13</u>
Balance at December 31	\$ <u><u>136,914</u></u>	\$ <u><u>43,121</u></u>

The reserves for losses and loss expenses include an amount determined from reported claims and estimates based on Company and industry statistics for losses incurred but not reported ("IBNR") using a variety of actuarial methods.

The reserve amount for losses and loss expenses determined from reported claims are established by underlying carriers and third party administrators based on claim specific details, industry observations and expert judgement. The reserve amount for each claim represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by the underlying carrier.

The reserves for IBNR losses and loss expenses are established by management based on actuarially determined estimates of ultimate losses and loss expenses using various actuarial methods as well as the Company's own growing loss experience, industry loss experience, estimates of pricing adequacy trends and management's professional judgement. In some circumstances, due to the limited historical data available, reliance is placed upon benchmark data and a review of individual policies. Estimates are calculated at the lowest level line of business and for attritional, extreme and catastrophic claims, where appropriate.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

8. Reserves for losses and loss expense (continued)

The principal actuarial methods, and associated key assumptions, used to perform the Company's loss reserve analysis include:

Initial expected loss and loss expense ratio

To estimate ultimate losses and loss expenses ("L&LE"), the Company multiplies earned premiums by an expected L&LE ratio. The expected L&LE ratio is determined using a combination of benchmark data, industry statistics, the business plan, and expert judgement.

Paid and incurred chain ladder

This method estimates ultimate L&LE by calculating past paid and incurred L&LE development factors and applying them to exposure periods with further expected paid or incurred L&LE development. The main underlying assumption of this method is that historical L&LE development patterns are indicative of future L&LE development patterns.

Paid and incurred Bornhuetter-Ferguson ("BF")

This method combines features of the chain ladder and initial Ultimate loss ratio ("ULR") methods by using both reported and paid L&LE as well as an a priori expected loss ratio to arrive at an ultimate L&LE estimate. The weighting between these two methods depends on the maturity of the business. This means that for a more recent year a greater weight is placed on the initial expected loss ratio, while for a more mature year a greater weight is placed on the L&LE development patterns.

Case-by case

Given the nature of the business written, some of the lines of business may consist of a small number of policies. Where appropriate, the L&LE reserves (including IBNR) will be calculated explicitly for a particular contract using management's judgement based on information received from internal and external experts.

The reserve estimates contain an inherent level of uncertainty and actual results may vary, potentially significantly, from the estimates the Company has made. Reserves are reviewed on a quarterly basis and estimates are adjusted to reflect emerging claims experience.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)**8. Reserves for losses and loss expense** (continued)

a) Loss development tables

Property

Losses and loss expenses incurred

Accident year	<u>For the years ended December 31,</u>			<u>As of December 31, 2021</u>
	2019 (unaudited)	2020 (unaudited)	2021	IBNR
2019	\$ 1,024	\$ 1,069	\$ 1,302	\$ 451
2020		20,887	22,518	11,160
2021			53,369	39,910
			Total	
			\$ 77,189	\$ 51,521

Cumulative paid losses and loss expenses

Accident year	<u>For the years ended December 31,</u>		
	2019 (unaudited)	2020 (unaudited)	2021
2019	\$ —	\$ 63	\$ 392
2020		898	4,681
2021			4,029
			Total
			\$ 9,102
			Total outstanding reserves for losses and loss expenses
			\$ 68,087

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)**8. Reserves for losses and loss expenses** (continued)

a) Loss development tables (continued)

Casualty

Losses and loss expenses incurred

Accident year	<u>For the years ended December 31,</u>			<u>As of December 31, 2021</u>
	<u>2019</u> <u>(unaudited)</u>	<u>2020</u> <u>(unaudited)</u>	<u>2021</u>	<u>IBNR</u>
2019	\$ 1,397	\$ 1,260	\$ 1,216	\$ 1,024
2020		18,070	17,705	16,608
2021			40,075	37,998
		Total	\$ 58,996	\$ 55,630

Cumulative paid losses and loss expenses

Accident year	<u>For the years ended December 31,</u>		
	<u>2019</u> <u>(unaudited)</u>	<u>2020</u> <u>(unaudited)</u>	<u>2021</u>
2019	\$ —	\$ 159	\$ 127
2020		64	404
2021			550
		Total	\$ 1,081
		Foreign exchange effect	\$ (7)
		Total outstanding reserves for losses and loss expenses	\$ 57,908

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

8. Reserves for losses and loss expenses (continued)

a) Loss development tables (continued)

Specialty

Losses and loss expenses incurred

Accident year	<u>For the years ended December 31,</u>			<u>As of December 31, 2021</u>
	2019 (unaudited)	2020 (unaudited)	2021	IBNR
2019	\$ 675	\$ 733	\$ 727	\$ 710
2020		2,334	2,266	2,221
2021			<u>7,987</u>	<u>7,988</u>
		Total	\$ 10,980	\$ 10,919

Cumulative paid losses and loss expenses

Accident year	<u>For the years ended December 31,</u>		
	2019 (unaudited)	2020 (unaudited)	2021
2021	\$ —	\$ 17	\$ 17
2020		44	44
2021			<u>—</u>
		Total	\$ 61
		Total outstanding reserves for losses and loss expenses	\$ 10,919

Due to the nature of retrocession coverage, claim-level detail is not readily available and it is not practicable to provide claims frequency information.

The Company's loss and loss expenses reserve analysis is based primarily on accident year data or report year data, depending on the coverage trigger underlying a particular segment's exposure.

The information has been provided separately for each of the property, casualty and specialty lines in line with how the Company manages the business. No data has been omitted in providing this information on a segment basis.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

8. Reserves for losses and loss expenses (continued)

b) Reconciliation of loss and loss expense development information to the reserves for losses and loss expenses

The table below reconciles the loss and loss expense development information to the Company's reserves for losses and loss expenses as at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Reserves for losses and loss expenses		
Property	\$ 51,521	\$ 17,600
Casualty	55,630	18,886
Specialty	<u>10,919</u>	<u>3,006</u>
Total reserves for losses and loss expenses	<u>\$ 118,070</u>	<u>\$ 39,492</u>
Outstanding losses and loss expenses	<u>18,844</u>	<u>3,629</u>
Total liability for unpaid losses and loss expenses	<u>\$ 136,914</u>	<u>\$ 43,121</u>

Historical loss and loss expense duration

The following table (unaudited) presents the Company's historical average annual percentage payout of loss and loss expenses incurred, net of reinsurance by age.

	Year 1	Year 2	Year 3
Property	7%	13%	10%
Casualty	1%	2%	8%
Specialty	0%	2%	0%
All lines	4%	8%	5%

The Company has \$10,244 (2020: \$1,245) payouts to date.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

9. Taxation

Under the current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Company will be exempted until March 31, 2035.

The Company has made an irrevocable election under Section 953(d) of the United States Internal Revenue Code of 1986, as amended, to be taxed as a U.S. domestic insurance company for U.S. federal income tax purposes. As a result of this 'domestic election', the Company is subject to U.S. federal taxation on its world-wide income as if it were a U.S. corporation.

The income tax expense for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense	\$ —	\$ —
Deferred tax benefit (expense)	<u>789</u>	<u>(415)</u>
Income tax benefit (expense)	\$ 789	\$ (415)
	<u> </u>	<u> </u>

The net deferred tax assets (liabilities) balances as of December 31, 2021 and 2020 are made up of the following:

	<u>2021</u>	<u>2020</u>
Deferred tax assets		
Unearned premium	\$ 9,609	\$ 4,798
Discounts on reserves for losses and loss expenses	884	1,004
Start-up costs	788	851
Tax operating loss	6,397	1,728
Unrealized investment loss	<u>595</u>	<u>52</u>
Total deferred tax assets	<u>18,273</u>	<u>8,433</u>
Deferred tax liabilities		
Deferred acquisition costs	(16,198)	(7,691)
Unrealized investment gains	<u>(237)</u>	<u>(870)</u>
Total deferred tax liabilities	<u>(16,435)</u>	<u>(8,561)</u>
Net deferred tax assets (liabilities)	<u>\$ 1,838</u>	<u>\$ (128)</u>

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

10. Related party transactions

In 2020, the Company entered into reinsurance agreements with certain insurance companies of Nationwide. Through the Quota Share (“QS”) treaties Nationwide ceded to the Company its proportionate share of the insurance business as summarized in the table below:

	<u>2021</u>	<u>2020</u>
Gross premium written	\$ 276,715	\$ 147,957
Premiums earned	162,181	66,363
Loss and loss expenses	(102,812)	(41,257)
Acquisition costs	(52,948)	(21,102)

QS Balances at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Premiums receivable	\$ 203,762	\$ 101,993
Deferred acquisition costs	77,132	36,622
Reserves for losses and loss expenses	(136,914)	(43,121)
Unearned premiums	(228,778)	(114,244)
Reinsurance balances payable	(1,294)	(568)

The Company has an investment management agreement in place with Nationwide Asset Management LLC to manage the Company’s investment portfolio. The investment fee during the year amounted to \$270 (2020: \$203) and the amount payable at December 31, 2021 is \$73 (2020: \$59).

The Company entered into a service agreement with Ryan Re Underwriting Management LLC (“Ryan Re”) to provide underwriting, claims, actuarial and administrative support. The fees for the services are calculated at 2.5% (2020: 2.5%) of premiums earned for 2019 and 2020 underwriting years. Effective January 1, 2021, Ryan Re service fees of 2.5% of premiums earned was replaced by cost plus recharge which is invoiced to the Company. Fees incurred during the year amounted to \$3,289 (2020: \$1,659) and are included in general and administrative expenses. The amount payable at December 31, 2021 is \$1,459 (2020: \$992) and is included in the amount due to affiliates. During the year, the Company incurred \$1,382 (2020: \$Nil) of cost recharges from Ryan Re and are included in general and administrative. The related payable at December 31, 2021 is \$691 (2020: \$Nil) and is included in the amount due to affiliates.

Included in other assets is an amount due from Holdings of \$126 (2020: \$95) relating to expenses paid by the Company on behalf of Holdings.

At December 31, 2021, \$127,147 (2020: \$26,651) of available-for-sale fixed income securities, and \$1,337 (2020: \$8,197) of restricted cash and cash equivalents were on deposit with a custodian in respect of the Company’s trust account. The trust agreement was entered into to support the business ceded by Nationwide and the amount held in trust is based on Nationwide’s net exposure to the Company.

Related party balances are due on demand and carry no interest.

GENEVA RE LTD.

Notes to financial statements

For the years ended December 31, 2021 and December 31, 2020
(Expressed in thousands of U.S. dollars)

11. Share capital

	<u>2021</u>	<u>2020</u>
Authorised, issued and fully paid 120,000 shares at \$0.001 each	\$ 120	\$ 120

The Common shareholder is entitled to receive dividends only when, and if, declared by the Board of Directors.

12. Additional paid-in capital

Additional paid-in capital represents amounts contributed by the common shareholder in addition to the subscription to the issued share capital. During the year, the common shareholder contributed additional paid-in capital of \$nil (2020: \$100,000).

13. Statutory requirements

The Company is registered as a Class 3A reinsurer under the Insurance Act which imposes certain solvency and liquidity standards, auditing and reporting requirements and grants the BMA powers to supervise, investigate, require information and the production of documents and intervene in the affairs of insurance companies.

Under the Insurance Act, the Company is either required to or is prohibited from doing the following:

- Required to maintain certain solvency and liquidity standards which includes maintaining a minimum liquidity ratio whereby the value of relevant assets must not be less than 75% of the amount of relevant liabilities. The minimum solvency margin is determined as a percentage of either net reserves for losses and loss expenses or premiums written.
- Required to maintain a minimum statutory capital and surplus (Enhanced Capital Requirement or "ECR") at least equal to the greater of a minimum solvency margin or the Bermuda Solvency Capital Requirement ("BSCR"). The BSCR is calculated based on a standardized risk-based capital model used to measure the risk associated with assets, liabilities and premiums.
- Prohibited from declaring or paying any dividends if it were in breach of its minimum solvency margin or liquidity ratio or if the declaration or payment of such dividends would cause it to fail to meet such margin or ratio.
- Prohibited, without the prior approval of the BMA, from reducing by 15% or more its total statutory capital as set out in its previous year's statutory financial statements.
- Prohibited, without obtaining the prior written approval of the BMA, from writing any "long-term business", as such as expression is understood in the Insurance Act.
- Prohibited, without obtaining the prior written approval of the BMA, from writing any "insurance business", as such expression is understood in the Insurance Act, other than contract of reinsurance with Nationwide Mutual Insurance Company and/or its subsidiaries, with the exception of Punitive Damages Wrap policies with U.S. cedants

On December 31, 2021, an irrevocable standby letter of credit ("LOC") of \$28,000 in favor of the Company was issued with an expiry date of December 31, 2026. The BMA approved the LOC to be recorded as Other Fixed Capital on the Statutory Statement of Capital and Surplus in the Statutory Financial Statements and as Tier 2 Capital.

As of December 31, 2021, the Company met all the requirements that it is subject to under the Insurance Act.

14. Subsequent events

Subsequent events have been evaluated up to and including April 11, 2022, the date of issuance of these financial statements.