ARCH GROUP REINSURANCE LTD.

(a wholly-owned subsidiary of Arch Capital Group Ltd.)

CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2022

April 27, 2023

Report of Independent Auditors

To the Board of Directors of Arch Group Reinsurance Ltd.

Opinions

We have audited the accompanying condensed financial statements of Arch Group Reinsurance Ltd. (the "Company"), which comprise the condensed balance sheet and condensed statement of capital and surplus as of December 31, 2022, and the related condensed statement of income for the period from October 31, 2022 to December 31, 2022, including the related notes (collectively referred to as the "condensed financial statements").

Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations for the period from October 31, 2022 to December 31, 2022 in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the "Legislation").

Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion on U.S. generally accepted accounting principles* section of our report, the accompanying condensed financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2022, or the results of its operations for the period from October 31, 2022 to December 31, 2022.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the condensed 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 opinions.

Basis for adverse opinion on U.S. generally accepted accounting principles

As described in Note 3 to the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Bermuda Monetary Authority.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of management for the condensed financial statements

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the condensed financial statements

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

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the condensed 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 condensed financial statements.
- Obtain an understanding of internal controls 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 condensed financial statements.
- Conclude whether, in our judgement, 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.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Arch Group Reinsurance Ltd.

CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

CONDENSED BALANCE SHEET

As at December 31, 2022
expressed in ['000s] US Dollars

STMT. LINE No.			**2022**
1.	**CASH AND CASH EQUIVALENTS**		0
2.	**QUOTED INVESTMENTS:**		
	(a)	Bonds and Debentures	
		i. Held to maturity	0
		ii. Other	254,423
	(b)	Total Bonds and Debentures	254,423
	(c)	Equities	
		i. Common stocks	
		ii. Preferred stocks	0
		iii. Mutual Funds	0
	(d)	Total equity investments	0
	(e)	Other quoted investments	0
	(f)	Total quoted investments	254,423
3.	**UNQUOTED INVESTMENTS:**		
	(a)	Bonds and Debentures	
		i. Held to maturity	0
		ii. Other	0
	(b)	Total Bonds and Debentures	0
	(c)	Equities	
		i. Common stocks	0
		ii. Preferred stocks	0
		iii . Mutual Funds	0
	(d)	Total equity investments	0
	(e)	Other unquoted investments	0
	(f)	Total unquoted investments	0
4.	**INVESTMENTS IN AND ADVANCES TO AFFILIATES**		
	(a)	Unregulated entities that conduct ancillary services	0
	(b)	Unregulated non-financial operating entities	0
	(c)	Unregulated financial operating entities	0
	(d)	Regulated non-insurance financial operating entities	0
	(e)	Regulated insurance financial operating entities	0
	(f)	Total investments in affiliates	0
	(g)	Advances to affiliates	0
	(h)	Total investments in and advances to affiliates	0
5.	**INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:**		
	(a)	First liens	0
	(b)	Other than first liens	0
	(c)	Total investments in mortgage loans on real estate	0
7.	**POLICY LOANS**		0
7.	**REAL ESTATE:**		
	(a)	Occupied by the company (less encumbrances)	0
	(b)	Other properties (less encumbrances)	0
	(c)	Total real estate	0
8.	**COLLATERAL LOANS**		0
9.	**INVESTMENT INCOME DUE AND ACCRUED**		1,024
10.	**ACCOUNTS AND PREMIUMS RECEIVABLE**		
	(a)	In course of collection	0
	(b)	Deferred - not yet due	0
	(c)	Receivables from retrocessional contracts	0
	(d)	Total accounts and premiums receivable	0

Arch Group Reinsurance Ltd.

As at December 31, 2022
expressed in ['000s] US Dollars

STMT. LINE No.			2022
11.	**REINSURANCE BALANCES RECEIVABLE**		
	(a)	Foreign affiliates	0
	(b)	Domestic affiliates	0
	(c)	Pools & associations	0
	(d)	All other insurers	0
	(e)	Total reinsurance balances receivable	0
12.	**FUNDS HELD BY CEDING REINSURERS**		390,056
13.	**SUNDRY ASSETS:**		
	(a)	Derivative instruments	0
	(b)	Segregated accounts – Long-Term business – variable annuities	0
	(c)	Segregated accounts - Long-Term business - other	0
	(d)	Segregated accounts - General business	0
	(e)	Deposit assets	0
	(f)	Deferred acquisition costs	0
	(g)	Net receivables for investments sold	0
	(h)	Other Sundry Assets - Deferred Tax Asset	7,732
	(i)	Other sundry assets	0
	(j)	Other sundry assets	0
	(k)	Total sundry assets	7,732
14.	**LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS**		
	(a)	Letters of credit	0
	(b)	Guarantees	0
	(c)	Other instruments	0
	(d)	Total letters of credit, guarantees and other instruments	0
15.	**TOTAL**		653,235

Arch Group Reinsurance Ltd.

As at December 31, 2022
expressed in ['000s] US Dollars

STMT. LINE No.		2022
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS	
16.	**UNEARNED PREMIUMS**	
	(a) Gross unearned premium reserves	0
	(b) Less: ceded unearned premium reserve	
	i. Foreign affiliates	0
	ii. Domestic affiliates	0
	iii. Pools & associations	0
	iv. All other insurers	0
	(c) Total ceded unearned premium reserve	0
	(d) Net unearned premium reserve	0
17.	**LOSS AND LOSS EXPENSE PROVISIONS**	
	(a) Gross loss and loss expense provisions	390,056
	(b) Less : Reinsurance recoverable balance	
	i. Foreign affiliates	0
	ii. Domestic affiliates	0
	iii. Pools & associations	0
	iv. All other insurers	0
	(c) Total reinsurance recoverable balance	0
	(d) Net loss and loss expense provisions	390,056
18.	**OTHER GENERAL BUSINESS INSURANCE RESERVES**	0
19.	**TOTAL GENERAL BUSINESS INSURANCE RESERVES**	390,056
	LONG-TERM BUSINESS INSURANCE RESERVES	
20.	**RESERVE FOR REPORTED CLAIMS**	0
21.	**RESERVE FOR UNREPORTED CLAIMS**	0
22.	**POLICY RESERVES - LIFE**	0
23.	**POLICY RESERVES - ACCIDENT AND HEALTH**	0
24.	**POLICYHOLDERS' FUNDS ON DEPOSIT**	0
25.	**LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS**	0
26.	**OTHER LONG-TERM BUSINESS INSURANCE RESERVES**	0
27.	**TOTAL LONG-TERM BUSINESS INSURANCE RESERVES**	
	(a) Total Gross Long-Term Business Insurance Reserves	0
	(b) Less: Reinsurance recoverable balance on long-term business	
	(i) Foreign Affiliates	0
	(ii) Domestic Affiliaties	0
	(iii) Pools and Associations	0
	(iv) All Other Insurers	0
	(c) Total Reinsurance Recoverable Balance	0
	(d) Total Net Long-Term Business Insurance Reserves	0
	OTHER LIABILITIES	
28.	**INSURANCE AND REINSURANCE BALANCES PAYABLE**	0
29.	**COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE**	0
30.	**LOANS AND NOTES PAYABLE**	0
31.	**(a) INCOME TAXES PAYABLE**	7,588
	(b) DEFERRED INCOME TAXES	0
32.	**AMOUNTS DUE TO AFFILIATES**	50
33.	**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**	83
34.	**FUNDS HELD UNDER REINSURANCE CONTRACTS**	0

Arch Group Reinsurance Ltd.

As at December 31, 2022
expressed in ['000s] US Dollars

STMT. LINE No.			2022
35.	**DIVIDENDS PAYABLE**		0
36.	**SUNDRY LIABILITIES:**		
	(a)	Derivative instruments	0
	(b)	Segregated accounts companies	0
	(c)	Deposit liabilities	0
	(d)	Net payable for investments purchased	0
	(e)	Other sundry liabilities	0
	(f)	Other sundry liabilities	0
	(g)	Other sundry liabilities	0
	(h)	Total sundry liabilities	0
37.	**LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS**		
	(a)	Letters of credit	0
	(b)	Guarantees	0
	(c)	Other instruments	0
	(d)	Total letters of credit, guarantees and other instruments	0
38.	**TOTAL OTHER LIABILITIES**		7,721
39.	**TOTAL INSURANCE RESERVES AND OTHER LIABILITIES**		397,777
	STATUTORY CAPITAL AND SURPLUS		
40.	**TOTAL STATUTORY CAPITAL AND SURPLUS**		255,458
41.	**TOTAL**		653,235

Arch Group Reinsurance Ltd.

CONDENSED STATEMENT OF INCOME

For the period ended December 31, 2022

expressed in ['000s] US Dollars

		2022
GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN	
	(a) Direct gross premiums written	0
	(b) Assumed gross premiums written	390,056
	(c) Total gross premiums written	390,056
2.	REINSURANCE PREMIUMS CEDED	0
3.	NET PREMIUMS WRITTEN	390,056
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	0
5.	NET PREMIUMS EARNED	390,056
6.	OTHER INSURANCE INCOME	0
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	390,056
GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSS INCURRED AND NET LOSS EXPENSES INCURRED	390,056
9.	COMMISSIONS AND BROKERAGE	0
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	390,056
11.	**NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS**	**0**
LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:	
	(a) Direct gross premiums and other considerations	0
	(b) Assumed gross premiums and other considerations	0
	(c) Total gross premiums and other considerations	0
13.	PREMIUMS CEDED	0
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:	
	(a) Life	0
	(b) Annuities	0
	(c) Accident and health	0
	(d) Total net premiums and other considerations	0
15.	OTHER INSURANCE INCOME	0
16.	TOTAL LONG-TERM BUSINESS INCOME	0
LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE	0
18.	POLICYHOLDERS' DIVIDENDS	0
19.	SURRENDERS	0
20.	MATURITIES	0
21.	ANNUITIES	0
22.	ACCIDENT AND HEALTH BENEFITS	0
23.	COMMISSIONS	0
24.	OTHER	0
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	0
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):	
	(a) Life	0
	(b) Annuities	0
	(c) Accident and health	0
	(d) Total increase (decrease) in policy reserves	0
27.	TOTAL LONG-TERM BUSINESS EXPENSES	0
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	0
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	0

Arch Group Reinsurance Ltd.

CONDENSED STATEMENT OF INCOME

For the period ended December 31, 2022
expressed in ['000s] US Dollars

UNDERNOTED ITEMS

30.	COMBINED OPERATING EXPENSE		
	(a)	General and administration	133
	(b)	Personnel cost	0
	(c)	Other	0
	(d)	Total combined operating expenses	133
31.	COMBINED INVESTMENT INCOME - NET		359
32.	COMBINED OTHER INCOME (DEDUCTIONS)		0
33.	COMBINED INCOME BEFORE TAXES		226
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a)	Current	7,588
	(b)	Deferred	(7,540)
	(c)	Total	48
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)		178
36.	COMBINED REALIZED GAINS (LOSSES)		0
37.	COMBINED INTEREST CHARGES		0
38.	NET INCOME		178

Arch Group Reinsurance Ltd.

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

As at December 31, 2022

expressed in ['000s] US Dollars

STMT. LINE No.			2022
1.	**CAPITAL**		
	(a)	(i) Capital stock authorized 120,000 shares of par value $1 each issued and fully paid 120,000 shares	120
		(ii) A Preferred Shares: authorized 0 shares of par value $0 each issued and fully paid 0 shares aggregate liquidation value $0	0
		(ii) B Preferred Shares issued by a subsidiary: authorized 0 shares of par value $0 each issued and fully paid 0 shares aggregate liquidation value $0	0
		(iii) Treasury Shares: repurchased 0 shares of par value $0 each issued and fully paid 0 shares	0
	(b)	Contributed surplus	255,880
	(c)	Any other fixed capital	
		(i) Hybrid capital instruments	0
		(ii) Guarantees and others	0
		(iii) Total any other fixed capital	0
	(d)	Total Statutory Capital	256,000
2.	**SURPLUS**		
	(a)	Surplus - Beginning of Year	0
	(b)	Add: Income for Year	178
	(c)	Less: Dividends paid and payable	0
	(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	(720)
	(e)	Add (Deduct) change in any other surplus	0
	(f)	Statutory Surplus - End of Year	(542)
3.	**TOTAL CAPITAL AND SURPLUS**		255,458

ARCH GROUP REINSURANCE LTD.

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS

as at December 31, 2022

(Prepared in accordance with The Insurance Act 1978

and the Related Regulations and Amendments)

General Note to the Financial Statements

1. **Shareholder details:**

   Arch Group Reinsurance Ltd. (the "Company") was incorporated on October 31, 2022 in Bermuda and is a wholly owned subsidiary of Arch Capital Group (U.S.) Inc. ("ACGUS") which is a subsidiary of Arch Capital Group Ltd., a Bermuda exempted company ("ACGL" or, when referring to a member of the Arch Group, "Arch").

2. **General Nature of Risks Underwritten:**

   The Company is licensed as a Class 3A insurer under the Insurance Act 1978 of Bermuda and commenced operations on December 16, 2022. The Company is an elected United States taxpayer through a section 953(d) voluntary election under the Internal Revenue Code 1986.

   The Company serves as an affiliate reinsurance platform for certain North American Arch ceding companies, including Arch Insurance Company ("AIC"), a Missouri-domiciled corporation with its administrative office in Jersey City, New Jersey, and Arch Reinsurance Co. ("ARC"), a Delaware-domiciled corporation with its headquarters in Morristown, New Jersey.

   In 2022, the Company entered into a loss portfolio transfer reinsurance agreement of the risk written by Arch Insurance Company in 2018, 2019 and 2020 in its Executive Assurance, Professional Liability, E&S Casualty and High Excess Workers Compensation products.

3. **Basis of Presentation**

   The condensed general purpose financial statements of the Company have been prepared for the period from October 31, 2022 to December 31, 2022 in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 (the "Legislation"), under the accounting principles generally accepted in the United States of America ("GAAP"). The financial reporting provisions of the Legislation are different from those under GAAP, most notably, there is no requirement to file a cash flow statement, and the note disclosures are not a complete set of footnotes that would otherwise be required under GAAP.

   The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. The Company's principal estimates include:

- The reserve for losses and loss adjustment expenses;
- Estimates of written and earned premiums;
- The valuation of the investment portfolio and assessment of allowance for credit losses;
- The valuation of deferred tax assets.

4. Significant Accounting Policies:

(a) Premium Revenues and Related Expenses

Insurance. Insurance premiums written are generally recorded at the policy inception and are primarily earned on a pro rata basis over the terms of the policies for all products, usually 12 months. Premiums written include estimates that are derived from multiple sources which include the historical experience of the underlying business, similar business and available industry information. Unearned premium reserves represent the portion of premiums written that relates to the unexpired terms of in-force insurance policies.

Reinsurance. Reinsurance premiums written include amounts reported by brokers and ceding companies, supplemented by the Company's own estimates of premiums where reports have not been received. The determination of premium estimates requires a review of the Company's experience with the ceding companies, familiarity with each market, the timing of the reported information, an analysis and understanding of the characteristics of each line of business, and management's judgment of the impact of various factors, including premium or loss trends, on the volume of business written and ceded to the Company. On an ongoing basis, the Company's underwriters review the amounts reported by these third parties for reasonableness based on their experience and knowledge of the subject class of business, taking into account the Company's historical experience with the brokers or ceding companies. In addition, reinsurance contracts under which the Company assumes business generally contain specific provisions which allow the Company to perform audits of the ceding company to ensure compliance with the terms and conditions of the contract, including accurate and timely reporting of information. Based on a review of all available information, management establishes premium estimates where reports have not been received. Premium estimates are updated when new information is received and differences between such estimates and actual amounts are recorded in the period in which estimates are changed or the actual amounts are determined.

Reinsurance premiums written are recorded based on the type of contracts the Company writes. Premiums on the Company's excess of loss and pro rata reinsurance contracts are estimated when the business is underwritten. For excess of loss contracts, premiums are recorded as written based on the terms of the contract. Estimates of premiums written under pro rata contracts are recorded in the period in which the underlying risks are expected to incept and are based on information provided by the brokers and the ceding companies. For multi-year reinsurance treaties which are payable in annual installments, generally, only the initial annual installment is included as premiums written at policy inception due to the ability of the reinsured to commute or cancel coverage during the term of the policy. The remaining annual installments are included as premiums written at each successive anniversary date within the multi-year term.

Reinsurance premiums written, irrespective of the class of business, are generally earned on a pro rata basis over the terms of the underlying policies or reinsurance contracts. Contracts and policies written on a “losses occurring” basis cover claims that may occur during the term of the contract or policy, which is typically 12 months. Accordingly, the premium is earned evenly over the term. Contracts which are written on a “risk attaching” basis cover claims which attach to the underlying insurance policies written during the terms of such contracts. Premiums earned on such contracts usually extend beyond the original term of the reinsurance contract, typically resulting in recognition of premiums earned over a 24-month period. Certain of the Company’s reinsurance contracts include provisions that adjust premiums or acquisition expenses based upon the experience under the contracts. Premiums written and earned, as well as related acquisition expenses, are recorded based upon the projected experience under such contracts.

The Company may also write certain reinsurance business that is intended to provide insurers with risk management solutions that complement traditional reinsurance. Under these contracts, the Company assumes a measured amount of insurance risk in exchange for an anticipated margin, which is typically lower than on traditional reinsurance contracts. The terms and conditions of these contracts may include additional or return premiums based on loss experience, loss corridors, sublimits and caps. Examples of such business include aggregate stop-loss coverages, financial quota share coverages and multi-year retrospectively rated excess of loss coverages. If these contracts are deemed to transfer risk, they are accounted for as reinsurance. Otherwise, such contracts are accounted for under the deposit method.

Reinstatement premiums for the Company’s insurance and reinsurance operations are recognized at the time a loss event occurs, where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. Reinstatement premiums, if obligatory, are fully earned when recognized. The accrual of reinstatement premiums is based on an estimate of losses and loss adjustment expenses, which reflects management’s judgment.

Premium estimates are reviewed by management at least quarterly. Such review includes a comparison of actual reported premiums to expected ultimate premiums along with a review of the aging and collection of premium estimates. Based on management’s review, the appropriateness of the premium estimates is evaluated, and any adjustment to these estimates is recorded in the period in which it becomes known. Adjustments to premium estimates could be material and such adjustments could directly and significantly impact earnings favorably or unfavorably in the period they are determined because the estimated premium may be fully or substantially earned. A significant portion of amounts included as premiums receivable, which represent estimated premiums written, net of commissions, are not currently due based on the terms of the underlying contracts.

Premiums receivable include amounts receivable from agents, brokers and insured that are both currently due and amounts not yet due on insurance, reinsurance and mortgage insurance policies. Premiums receivable balances are reported net of an allowance for expected credit losses. The Company monitors credit risk associated with premiums receivable through its ongoing review of amounts outstanding, aging of the receivable, historical loss data, and counterparty financial strength measures. The allowance also includes estimated uncollectible amounts related to dispute risk. In certain instances, credit risk may be reduced by the Company’s right to offset loss obligations or unearned premiums against premiums receivable. Any allowance for credit losses is charged to net realized gains (losses) in the period the receivable is recorded and revised in subsequent periods to reflect changes in the Company’s estimate of expected credit losses.

Acquisition Costs. Acquisition costs that are directly related and incremental to the successful acquisition or renewal of business are deferred and amortized based on the type of contract. The Company’s insurance and reinsurance operations capitalize incremental direct external costs that result from acquiring a contract but do not capitalize salaries, benefits and other internal underwriting costs. For property and casualty insurance and reinsurance contracts, deferred acquisition costs are amortized over the period in which the related premiums are earned.

Deferred acquisition costs are carried at their estimated realizable value and take into account anticipated losses and loss adjustment expenses, based on historical and current experience, and anticipated investment income.

A premium deficiency occurs if the sum of anticipated losses and loss adjustment expenses, unamortized acquisition costs and maintenance costs exceed unearned premiums (including expected future premiums) and anticipated investment income. A premium deficiency reserve ("PDR") is recorded by charging any unamortized acquisition costs to expense to the extent required in order to eliminate the deficiency. If the premium deficiency exceeds unamortized acquisition costs then a liability is accrued for the excess deficiency.

No premium deficiency charges were recorded by the Company during 2022.

(b) Retroactive Reinsurance

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered by the underlying policies reinsured. In certain instances, reinsurance contracts cover losses both on a prospective basis and on a retroactive basis and, accordingly, the Company bifurcates the prospective and retrospective elements of these reinsurance contracts and accounts for each element separately where practical. Underwriting income generated in connection with retroactive reinsurance contracts is deferred and amortized into income over the settlement period while losses are charged to income immediately. Subsequent changes in estimated amount or timing of cash flows under such retroactive reinsurance contracts are accounted for by adjusting the previously deferred amount to the balance that would have existed had the revised estimate been available at the inception of the reinsurance transaction, with a corresponding charge or credit to income.

(c) Cash

Cash includes cash equivalents, which are investments with original maturities of three months or less that are not part of the investment portfolio.

(d) Investments

The Company currently classifies substantially all of its fixed maturity investments and short-term investments as "available for sale" and, accordingly, they are carried at estimated fair value (also known as fair value) with the changes in fair value recorded as a change in unrealized appreciation/(depreciation) of investments in the condensed statement of capital and surplus. The fair value of fixed maturity securities and equity securities is generally determined from quotations received from nationally recognized pricing services, or when such prices are not available, by reference to broker or underwriter bid indications. Short-term investments comprise securities due to mature within one year of the date of issue. Short-term investments include certain cash equivalents which are part of investment portfolios under the management of external and internal investment managers.

The Company conducts a periodic review to identify and evaluate credit based impairments related to the Company's available for sale investments. The Company derives estimated credit losses by comparing expected future cash flows to be collected to the amortized cost of the security. Estimates of expected future cash flows consider among other things, macroeconomic conditions as well as the financial condition, near-term and long-term prospects for the issuer, and the likelihood of the recoverability of principal and interest. Credit losses are recognized through an allowance account subject to reversal, rather than a reduction in amortized cost. Declines in value attributable to factors other than credit are reported as a change in unrealized appreciation/(depreciation) of investments while the allowance for credit loss is charged to net realized gains (losses) in the condensed statement of income.

For available for sale investments that the Company intends to sell or for which it is more likely than not that the Company would be required to sell before an anticipated recovery in value, the full amount of the impairment is included in net realized gains (losses). The new cost basis of the investment is the previous amortized cost basis reduced by the impairment recognized in net realized gains (losses). The new cost basis is not adjusted for any subsequent recoveries in fair value.

The Company reports accrued investment income separately from investment balances and has elected not to measure an allowance for credit losses for accrued investment income. Any uncollectible accrued interest income is written off in the period it is deemed uncollectible.

Net investment income includes interest and dividend income together with amortization of market premiums and discounts and is net of investment management and custody fees. Anticipated prepayments and expected maturities are used in applying the interest method for certain investments such as mortgage and other asset-backed securities. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in such securities is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the security. Such adjustments, if any, are included in net investment income when determined.

Investment gains or losses realized on the sale of investments are determined on a first-in, first-out basis and are reflected in net income. Unrealized appreciation or decline in the value of available for sale securities, which are carried at fair value, is excluded from net income and recorded as a change in unrealized appreciation/(depreciation) of investments, net of applicable deferred income tax.

(e) Losses and Loss Expense Provisions

Insurance and Reinsurance. Loss and loss expense provisions consists of estimates of unpaid reported losses and loss adjustment expenses and estimates for losses incurred but not reported. Loss and loss expense provisions, established by management based on reports from ceding companies and claims from insureds, excludes estimates of amounts related to losses under high deductible policies, and represents the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Company. Such reserves are supplemented by management’s estimates of reserves for losses incurred for which reports or claims have not been received. The Company’s reserves are based on a combination of reserving methods, incorporating both Company and industry loss development patterns. The Company selects the initial expected loss and loss adjustment expense ratios based on information derived by its underwriters and actuaries during the initial pricing of the business, supplemented by industry data where appropriate. Such ratios consider, among other things, rate changes and changes in terms and conditions that have been observed in the market. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in income in the period in which they are determined. As actual loss information has been reported, the Company has developed its own loss experience and its reserving methods include other actuarial techniques. Over time, such techniques have been given further weight in its reserving process based on the continuing maturation of the Company's reserves. Inherent in the estimates of ultimate losses and loss adjustment expenses are expected trends in claims severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss adjustment expenses may differ materially from the amounts recorded in the accompanying consolidated financial statements. Losses and loss adjustment expenses are recorded on an undiscounted basis, except for excess workers' compensation and employers' liability business written by the Company's insurance operations.

The establishment of reserves across the Company's operations is an inherently uncertain process, are necessarily based on estimates, and the ultimate net cost may vary from such estimates. The methods for making such estimates and for establishing the resulting liability are reviewed and updated using the most current information available. Any resulting adjustments, which may be material, are reflected in current operations.

(f) Income Taxes

Deferred income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. A valuation allowance is recorded if it is more likely than not that some or all of a deferred tax asset may not be realized. The Company considers future taxable income and feasible tax planning strategies in assessing the need for a valuation allowance. In the event the Company determines that it will not be able to realize all or part of its deferred income tax assets in the future, an adjustment to the deferred income tax assets would be charged to income in the period in which such determination is made. In addition, if the Company subsequently assesses that the valuation allowance is no longer needed, a benefit would be recorded to income in the period in which such determination is made. See note 31(a) of Notes to the Balance Sheet for more information.

The Company recognizes a tax benefit where it concludes that it is more likely than not that the tax benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. If the recognition threshold is met, the Company recognizes a tax benefit measured at the largest amount of the tax benefit that, in the Company's judgment, is greater than 50% likely to be realized. The Company records interest and penalties related to unrecognized tax benefits in the provision for income taxes.

(g) Funds Held Arrangements

Funds held arrangements are agreements with a third party reinsurance company, where the reinsured retains the related assets on a funds held basis. Such amounts are included in "Funds Held by Ceding Reinsurers" on the Company's condensed balance sheet. Investment returns produced by those assets are recorded as part of net investment income and net realized gains (losses) in the Company's condensed income statement. Funds held as collateral by the Company are included in "Funds Held Under Reinsurance Contracts" and changes to the funds held liability are reflected as part of interest expense in the Company's condensed income statement.

5. **Recognition of premium income:**

   See note 4(a) and 4(b).

   Recognition of investment income:

   See note 4(d).

   Recognition of commission income:

   Not Applicable

6. **Foreign currency translation:**

   Not Applicable

7. **Foreign exchange control restrictions:**

   There are no foreign exchange control restrictions affecting the assets of the Company.

8. **Contingencies or commitments calling for special mention:**

   The Company does not have any material contingencies or commitments.

9. **Default made by insurer on any securities issued or credit agreement entered into:**

   The Company has not made any default in relation to the principal, interest, sinking fund or redemption provisions of any securities issue made, or any credit agreement entered into, by it.

10. **Arrears of dividends on preferred cumulative shares:**

    The Company does not have any arrears of dividends on preferred cumulative shares.

11. **Loans made to a director or officer of the insured:**

    The Company has not made any loans to any director or officer of the Company.

12. **Obligations in respect of retirement benefits relating to employees:**

    The Company does not have any obligation in respect of retirement benefits relating to employees.

13. **Fair value amounts for all quoted and unquoted investments**

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

The levels in the hierarchy are defined as follows:

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

The following table presents the Company’s financial assets measured at fair value by level at December 31, 2022:

		Fair Value Measurement Using:		
	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:				
Available for sale securities:				
U.S. government and government agencies	250,156	250,156	-	-
Total	250,156	250,156	-	-
Short-term investments	4,267	4,267	-	-
Total assets measured at fair value	254,423	254,423	-	-

14. The contractual maturity profile of the fixed maturity and short-term investments

The contractual maturities of the Company's fixed maturities and short-term investments are shown in the following table. Expected maturities, which are management's best estimates, will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Maturity	December 31, 2022 Estimated Fair Value	Amortized Cost
Due in one year or less	4,267	4,267
Due after one year through five years	250,156	251,068
Due after five years through 10 years	-	-
Due after 10 years	-	-
Total	254,423	255,335

15. Details of Related Party Transactions

On December 31, 2022, the Company entered into a loss portfolio transfer reinsurance agreement with Arch Insurance Company ("AIC"), a wholly owned subsidiary of the Arch Group. As a result, AIC ceded to AGRL on a 100% quota share basis AIC's net retained liability, net of inuring reinsurance, with respect to losses arising out of AIC's subject business written on or after January 1, 2018, but prior to January 1, 2021. Subject business includes policies issued in the following business divisions: Executive Assurance, Professional Liability, E&S Casualty, and High Excess Workers Compensation. There is no limit on the losses ceded to AGRL arising from the business ceded to it under the LPT. Ceded premium payable to AGRL is equal to ceded losses; and therefore, there is no gain or loss recognized at the inception of the contract. Approximately $390.1 million of net liabilities was transferred to AGRL in 2022. As at December 31, 2022, the Company has a funds held by ceding reinsurers asset of $390.1m related to this transaction.

The Company entered into a services agreement with Arch Underwriters Ltd. ("AUL"), a wholly owned subsidiary of the Arch Group, to provide services related to the management of the underwriting portfolio and accounting and other related services. In 2022, the related AUL fees incurred in the condensed statement of income was $50k, which is recorded as amounts due to affiliates as at December 31, 2022.

16. Details of Subsequent Events

There have not been any transactions made or other events occurring between the end of the relevant year and the date of approval of the financial statements by the Board of Directors that materially affect the financial statements, not being a transaction made or event occurring in the ordinary course of business.

17. Any other information which in the opinion of the directors is required to be disclosed if the financial statements are not to be misleading

None

Notes to the Statement of Capital and Surplus

1. Capital Stock

There are 120,000 common shares with a par value of $1.00 per share that were authorized, issued and fully paid in cash during the year.

The Company has not contracted to issue or re-issue shares or given options to purchase shares and no shares were redeemed during the year.

Contributed Surplus

Contributed surplus amounts to $255.9m, which was contributed by ACGUS during the year.

2. Dividends Paid and Payable

No dividends were declared or paid during the year.

Notes to the Balance Sheet

1. **Cash and Cash Equivalents**

   Cash and Cash Equivalents are not subject to any encumberance.

2. **Quoted Investments**

   Quoted Investments are not subject to any encumberance.

   The method of valuation is described in note 4(d) of the General Note to the Financial Statements

3. **Unquoted Investments**

   Not Applicable

4. **Investment in and advances to affiliates**

   Not Applicable

5. **Investments in mortgage loans on real estate**

   Not Applicable

6. **Policy loans**

   Not Applicable

7. **Real estate**

   Not Applicable

8. **Collateral loans**

   Not Applicable

9. **Investment income due and accrued**

   Accrued Investment Income as at December 31, 2022 is $1.0m

10. **Accounts and premiums receivable**

    Not Applicable

11. **Reinsurance balances receivable**

    Not Applicable

12. **Funds held by ceding reinsurers**

    $390.1m of funds held by ceding reinsurers is held by AIC.

13. Sundry assets

Sundry assets consists of a deferred tax asset of $7.7m that reflects temporary differences based on enacted tax rates between the carrying amounts of assets and liabilities for financial reporting and income tax purposes.

14. Letters of credit, guarantees and other instruments

Not Applicable

16. Unearned premium reserve

The method of calculating unearned premiums is described in note 4(a) of the General Note to the Financial Statements

17. Loss and loss expense provisions

The Company entered into a loss portfolio transfer reinsurance agreement for $390.1m on December 31, 2022. A funds held by ceding reinsurers asset of $390.1m is held as collateral against this liability.

	December 31, 2022 ($,000)
Gross loss and loss expense provisions at beginning of year	-
Less: Reinsurance recoverable at beginning of year	-
Net loss and loss expense provisions at beginning of year	-
Acquisition / Sale of loss reserves (net):	390,056
Net losses incurred and net loss expenses incurred related to:	
Current year	-
Prior years	-
Total net incurred losses & loss expenses	-
Net losses and loss expenses paid or payable related to:	
Current year	-
Prior years	-
Total losses and loss expenses paid or payable	-
Foreign exchange and other	-
Net loss and loss expense provisions at end of year	390,056
Add: Reinsurance recoverable at end of year	-
Gross loss and loss expense provisions at end of year	390,056

20. Reserves for reported claims

Not Applicable

21. Reserves for unreported claims

Not Applicable

22. Policy reserves – life

Not Applicable

23. Policy reserves accident and health

Not Applicable

24. Policyholders' funds on deposit

Not Applicable

25. Liability for future policyholders' dividends

Not Applicable

26. Other insurance reserves - long term

Not Applicable

27. Total long-term business insurance reserves

Not Applicable

28. Insurance and reinsurance balances payable

Not Applicable

29. Commissions, expenses, fees and taxes payable

Not Applicable

30. Loans and notes payable

Not Applicable

31. (a) Income taxes payable

The Company has prepared its financial statements in accordance with the financial reporting provisions of the Bermuda Insurance Act of 1978, for the period, October 31, 2022 to December 31, 2022. The Company has submitted its election under Internal Revenue Code (IRC) Section 953(d) to be treated as a U.S. corporation. The election is due with the Company's income tax return and, once accepted, the Company will be under the authority of Section 953(d) for federal income tax purposes for the year ended December 31, 2022.

The method of allocation of the total consolidated income tax among members of the consolidated tax group is subject to a written agreement, approved by their representative authorized officers. Under the current tax allocation agreement, federal income tax amounts are allocated among members of the consolidated tax group based upon separate return calculations with current credit (benefit) for losses that were utilized by the consolidated tax group. Under this approach, the Company's deferred tax assets and tax attributes are considered realized by it so long as the group is able to recognize (or currently use) the related deferred tax asset or attribute. Thus, the need for a valuation allowance is determined at the consolidated return level rather than at the level of the individual entities comprising the consolidated group. Intercompany tax balances are settled on a quarterly basis within 90 days following a federal or state tax payment. In accordance with the tax sharing agreement, the income tax provision is computed as if each company was filing a separate income tax return.

As of December 31, 2022, an income tax payable is recorded in the Company's Condensed Balance Sheet, Line No. 31(a) – Income Taxes Payable.

Below is a summary of the change in the Company's income tax receivable/(payable) for the year ended December 31, 2022:

Change in income taxes receivable/(payable)	**2022** ($,000s)
Balance, beginning of period	-
Current tax provision	(7,588)
Payments	-
Balance, end of period	(7,588)

Deferred Income Taxes

As of December 31, 2022, net deferred tax assets are recorded in the Company's Condensed Balance Sheet, Line No. 13(h) - Other Sundry Assets - Deferred Tax Asset.

The following represents the deferred tax asset / (liability) reported in the Company's Condensed Balance Sheet, by source of temporary differences:

As of December 31,	**2022** ($,000s)
Loss Reserves	7,540
Unrealized (Appreciation) Depreciation of Investments	192
Total	7,732

The movements in net deferred tax asset / (liability) for the year ended December 31, 2022 are as follows:

	Loss Reserves	Unrealized (Appreciation) Depreciation of Investments	Total
As of October 31, 2022	-	-	-
Charged to income	7,540	-	7,540
Charged to capital and surplus	-	192	192
As of December 31, 2022	7,540	192	7,732

There are no accumulated tax losses in 2022.

(b) Deferred income taxes

Not Applicable

32. Amounts due to affiliates

Amounts due to affiliates are non-interest bearing and are payable on demand.

33. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of accrued operating expenses.

34. Funds held under reinsurance contracts

Not Applicable

35. Dividends payable

Not Applicable

36. Sundry liabilities

Not Applicable

37. Letters of credit, guarantees and other instruments

Not Applicable

Notes to the Statement of Income

6. Other Insurance Income

Not Applicable

15. Other Insurance Income

Not Applicable

32. Combined other income (deductions)

Not Applicable

36. Combined realized gains (loss)

Not Applicable