

Registration No: 37526

ARDEN REINSURANCE COMPANY LTD.

**CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2022**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Arden Reinsurance Company Ltd.

Opinions

We have audited the accompanying condensed financial statements of Arden Reinsurance Company Ltd. (the "Company"), which comprise the condensed balance sheets as of December 31, 2022 and 2021, and the related condensed statements of income and condensed statements of capital and surplus for the years then ended, including the related notes to 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 2021, and the results of its operations for the years then ended 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 and 2021, or the results of its operations for the years then ended.

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 *Auditor's 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.



Emphasis of Matter

We draw attention to Note 4 of the financial statements, concerning the significant level of uncertainty in relation to the possible claims arising out of the Company's Russian aviation exposures. This matter results in more potential variability than would ordinarily be the case in the potential outcomes regarding loss and loss expense provision. Our opinion is not modified in respect of this matter.

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.

Auditor's 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 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 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 28, 2023

CONDENSED BALANCE SHEET

Arden Reinsurance Company Ltd.

As at 31 December 2022

expressed in United States Dollars

STMT.
LINE No.

General & Long-Term Business

Consolidated

2022

2021

('000s)

('000s)

1. CASH AND CASH EQUIVALENTS

36,533

25,342

2. QUOTED INVESTMENTS:

(a) Bonds and Debentures

i. Held to maturity

-

-

ii. Other

76,831

101,591

(b) Total Bonds and Debentures

76,831

101,591

(c) Equities

i. Common stocks

7,427

1,936

ii. Preferred stocks

-

-

iii. Mutual Funds

-

-

(d) Total equity investments

7,427

1,936

(e) Other quoted investments

-

-

(f) Total quoted investments

84,258

103,527

3. UNQUOTED INVESTMENTS:

(a) Bonds and Debentures

i. Held to maturity

-

-

ii. Other

-

-

(b) Total Bonds and Debentures

-

-

(c) Equities

i. Common stocks

-

-

ii. Preferred stocks

-

-

iii. Mutual Funds

-

-

(d) Total equity investments

-

-

(e) Other unquoted investments

178

89

(f) Total unquoted investments

178

89

4. INVESTMENTS IN AND ADVANCES TO AFFILIATES (EQUITY METHOD):

(a) Unregulated entities that conduct ancillary services

-

-

(b) Unregulated non-financial operating entities

-

-

(c) Unregulated financial operating entities

-

-

(d) Regulated non-insurance financial operating entities

-

-

(e) Regulated insurance financial operating entities

-

-

(f) Total investments in affiliates (equity method)

-

-

(g) Advances to affiliates

-

-

(h) Total investments in and advances to affiliates (equity method)

-

-

5. INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:

(a) First liens

-

-

(b) Other than first liens

-

-

(c) Total investments in mortgage loans on real estate

-

-

6. POLICY LOANS

-

-

7. REAL ESTATE:

(a) Occupied by the company (less encumbrances)

-

-

(b)	Other properties (less encumbrances)	-	-
(c)	Total real estate	-	-
8.	COLLATERAL LOANS	5,309	5,385
9.	INVESTMENT INCOME DUE AND ACCRUED	121	300
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	23,267	20,469
(b)	Deferred - not yet due	115,946	98,869
(c)	Receivables from retrocessional contracts	-	-
(d)	Total accounts and premiums receivable	139,213	119,338
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates	-	-
(b)	Domestic affiliates	-	-
(c)	Pools & associations	-	-
(d)	All other insurers	-	-
(e)	Total reinsurance balances receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS:	-	-
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	Segregated accounts companies - long-term business - others	-	-
(d)	Segregated accounts companies - general business	-	-
(e)	Deposit assets	-	-
(f)	Deferred acquisition costs	17,188	17,045
(g)	Net receivables for investments sold	-	-
(h)	Other Sundry Assets (Specify)	-	-
(i)	Other Sundry Assets (Specify)	-	-
(j)	Other Sundry Assets (Specify)	-	-
(k)	Total sundry assets	17,188	17,045
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	282,800	271,026

INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS

INSURANCE RESERVES

16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	56,902	52,131
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other insurers	-	-
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserves	56,902	52,131
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	99,232	87,953
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other insurers	20,725	22,779
(c)	Total reinsurance recoverable balance	20,725	22,779
(d)	Net loss and loss expense provisions	78,507	65,173
18.	OTHER INSURANCE RESERVES	-	-
19.	TOTAL GENERAL BUSINESS - INSURANCE RESERVES	135,409	117,304

LONG-TERM BUSINESS INSURANCE RESERVES

20	RESERVES FOR REPORTED CLAIMS	-	-
21	RESERVES FOR UNREPORTED CLAIMS	-	-
22	POLICY RESERVES - LIFE	-	-
23	POLICY RESERVES - ACCIDENT AND HEALTH	-	-
24	POLICYHOLDER'S FUNDS ON DEPOSIT	-	-
25	LIABILITY FOR FUTURE POLICYHOLDER DIVIDENDS	-	-
26	OTHER LONG-TERM BUSINESS INSURANCE RESERVES	-	-
27	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance Recoverable Balance:		
	(i) Foreign Affiliates	-	-
	(ii) Domestic Affiliates	-	-
	(iii) Pools and Associations	-	-
	(iv) All Other Insurers	-	-
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	Net Long-Term Business Insurance Reserves	-	-

OTHER LIABILITIES

28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	8,866	11,560
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29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	-
30.	LOANS AND NOTES PAYABLE	-	6,267
31.	(a) INCOME TAXES PAYABLE	-	-
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	151	-
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	664	423
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	9,166	10,563
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies	-	-
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	-	-
(e)	Other sundry liabilities (specify)	-	-
(f)	Other sundry liabilities (specify)	-	-
(g)	Other sundry liabilities (specify)	-	-
(h)	Total sundry liabilities	-	-
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	18,847	28,812
39.	TOTAL INSURANCE PROVISIONS AND OTHER LIABILITIES	154,256	146,117
	STATUTORY CAPITAL AND SURPLUS		
40.	TOTAL STATUTORY CAPITAL AND SURPLUS	128,544	124,909
41.	TOTAL	282,800	271,026
		TRUE	TRUE
	Difference	-	-

CONDENSED STATEMENT OF INCOME

Arden Reinsurance Company Ltd.

For the year ending **31 December 2022**

expressed in ['000s] **United States Dollars**

STMT.
LINE No.

General and Long-Term Business	
Consolidated	
2022	2021
('000s)	('000s)

GENERAL BUSINESS UNDERWRITING INCOME

1.	GROSS PREMIUMS WRITTEN:		
	(a) Direct gross premiums written	12	-
	(b) Assumed gross premiums written	125,792	115,827
	(c) Total gross premiums written	125,804	115,827
2.	REINSURANCE PREMIUMS CEDED	12	22
3.	NET PREMIUMS WRITTEN	125,792	115,805
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	(6,704)	(7,759)
5.	NET PREMIUMS EARNED	119,088	108,046
6.	OTHER INSURANCE INCOME	-	-
7.		119,088	108,046

GENERAL BUSINESS UNDERWRITING EXPENSES

8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	53,727	40,668
9.	COMMISSIONS AND BROKERAGE	41,142	42,182
10.		94,869	82,850
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	24,219	25,196

LONG-TERM BUSINESS UNDERWRITING INCOME

12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	-	-
	(b) Assumed gross premiums and other considerations	-	-
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED	-	-
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	-	-
	(b) Annuities	-	-
	(c) Accident and health	-	-
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME	-	-
16.		-	-

LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES

17.	CLAIMS - LIFE	-	-
18.	POLICYHOLDERS' DIVIDENDS	-	-
19.	SURRENDERS	-	-
20.	MATURITIES	-	-
21.	ANNUITIES	-	-
22.	ACCIDENT AND HEALTH BENEFITS	-	-
23.	COMMISSIONS	-	-
24.	OTHER	-	-
25.		-	-
26.	INCREASE (DECREASE) IN POLICY RESERVES:		
	(a) Life	-	-
	(b) Annuities	-	-
	(c) Accident and health	-	-
	(d) Total increase (decrease) in policy reserves	-	-
27.		-	-
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	-	-
29.	COMBINED NET UNDERWRITING PROFIT (LOSS) BEFORE THE UNDERNOTED ITEMS	24,219	25,196
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSES:		
	(a) General and administrative	8,691	11,074
	(b) Personnel Costs	-	-
	(c) Other	-	-
	(d) Total combined operating expenses	8,691	11,074
31.	COMBINED INVESTMENT INCOME - NET	(10,360)	287
32.	COMBINED OTHER INCOME (DEDUCTIONS)	(389)	(46)
33.	COMBINED INCOME BEFORE TAXES	4,779	14,364
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	-	-
	(b) Deferred	-	-
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	4,779	14,364
36.	COMBINED REALIZED GAINS (LOSSES)	(739)	(879)
37.	COMBINED INTEREST CHARGES	405	1,314
38.	NET INCOME	3,635	12,170

CONDENSED STATEMENT OF CAPITAL AND SURPLUS

Arden Reinsurance Company Ltd.

For the year ending 31 December 2022

expressed in ['000s] United States Dollars

STMT.

LINE No.

General and Long-Term Business	
Consolidated	
2022	2021
('000s)	('000s)

1. STATUTORY CAPITAL

(a) Capital Stock

(i) Common Shares

authorized	120,000	shares of par
value	\$ 1.000	each issued and
fully paid	120,000	shares

120	120
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(ii) Preferred Shares

authorized		shares of par
value		each issued and
fully paid		shares

-	-
---	---

aggregate liquidation value for —

2022	
2021	

(iii) Treasury Shares

repurchased		shares of par
value		each issued

-	-
---	---

(b) Contributed surplus

90,880	90,880
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(c) Any other fixed capital

(i) Hybrid capital instruments

(ii) Guarantees and others

(iii) Total any other fixed capital

-	-
---	---

-	-
---	---

-	-
---	---

(d) Total Statutory Capital

91,000	91,000
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2. STATUTORY SURPLUS:

(a) Statutory Surplus - Beginning of Year

33,909	21,939
--------	--------

(b) Add: Income for Year

3,635	12,170
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(c) Less: Dividends paid and payable

-	-
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(d) Add (Deduct): Change in unrealized appreciation (depreciation) of investments

-	(200)
---	-------

(e) Add (Deduct): Change in non-admitted assets

-	-
---	---

(f) Add (Deduct): Change in appraisal of real estate

-	-
---	---

(g) Add (Deduct): Change in any other statutory capital

-	-
---	---

(h) Statutory Surplus - End of Year

37,544	33,909
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3. MINORITY INTEREST

-	-
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4. TOTAL STATUTORY CAPITAL AND SURPLUS

128,544	124,909
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Line 2g Change in any other statutory capital

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Line 4 Total Statutory Capital & Surplus

ARDEN REINSURANCE COMPANY LTD.
NOTES TO CONDENSED GENERAL PURPOSE
FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Expressed in United States dollars)

PART I - GENERAL NOTES TO THE FINANCIAL STATEMENTS

1. General

Arden Reinsurance Company Ltd., formerly known as Ariel Reinsurance Company Ltd. (“Arden Re” or the “Company”) was incorporated on November 4, 2005, under the laws of Bermuda. The ultimate holding company as at the balance sheet date is Northshore Holdings Limited (“Northshore”). On 14 August 2020, Enstar Group Limited (the previous holding company) announced an exchange transaction with Stone Point Capital LLC, involving Arden Re. The transaction was completed on 1 January 2021 which transferred direct ownership of the company to Northshore.

Effective May 1, 2013, pursuant to Section 4 of the Insurance Act 1978, the Company was registered as a Class 3A Insurer by the Bermuda Monetary Authority.

During 2020, the Company was approved as a Third-Party Funds at Lloyd’s provider, procuring capital to support SGL1 No.1 Limited (“SGL1”) and Atrium Corporate Capital Limited’s (“ACCL”) participation on Syndicate 609 (the “Syndicate”).

2. Business underwritten

The Company’s operations are principally focused on property, casualty, marine and aviation reinsurance business. The majority of the company’s business is written through quota share agreements with ACCL and SGL1.

3. Accounting Standards

These condensed general purpose financial statements are prepared in accordance with financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statements (the “Legislation”). The recognition and measurement principles applied are in line with accounting principles generally accepted in the United States of America (“US GAAP”). The presentation of these financial statements in accordance with the guidance prescribed under the legislation differs from US GAAP in certain respects as follows:

- The format of the financial statements is prescribed by schedules IX and X of the Insurance Accounts Rules 2016.
- Statement of Cash Flows or equivalent is not included.
- Certain disclosures required by US GAAP are not included.
- Comprehensive income and its components are not presented in the condensed statement of income.
- Reserves for loss and loss adjustment expenses and unearned premiums are to be reported net of reinsured amounts.

The effects of the foregoing variances from US GAAP on the accompanying condensed general purpose financial statements have not been determined but are presumed to be immaterial.

ARDEN REINSURANCE COMPANY LTD.
NOTES TO CONDENSED GENERAL PURPOSE
FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Expressed in United States dollars)

4. Significant accounting policies

a) Use of estimates in financial statements

The preparation of the financial statements in conformity with guidance prescribed under the legislation requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from estimates.

The measurement of loss and loss expenses provisions involves judgments and assumptions about the future that have the most significant effect on the amounts recognized in the financial statements.

The Company has reserved for losses arising out of the war in Ukraine on exposures from the quota share reinsurance agreement with ACCL. Direct losses reserved for amount to \$1.7m gross and net of reinsurance as at 31 December 2022. The reserves for the indirect losses amount to \$7.8m gross and net of reinsurance as at 31 December 2022.

The indirect impacts of the war relate to the fate of the western leased aircraft in Russia. This is an extremely complicated situation and one in which the evidential picture is still developing. The following factors: (i) whether there has been a loss at all, and (ii) if so, whether that loss is an all-risks (as multiple aviation war insurers are asserting) or war peril loss, (iii) when it occurred, (iv) whether it's a single loss event or multiple loss events and (v) how sanctions impact same, all result in considerably different reserving outcomes to the Syndicate. In arriving at the reserving position for this loss, the financial implications of multiple scenarios have been modelled, taking account of the uncertainties listed above and utilizing a probabilistic framework. In arriving at our reserving position, the likelihood of these scenarios occurring was established using expert judgement. The two classes potentially impacted are Aviation Reinsurance and Aviation War. The loss reserve is split 93% to the 2021 year of account and 7% to the 2022 year of account. Due to the nature of the circumstances mentioned above, the potential for variation to the booked reserves is considerably greater than the normal level of reserve sensitivity to downside risk and the actual outcome of the loss could be in a particularly wide range with greater than usual variability.

The Directors of Atrium Underwriters Limited, the managing agent of the Syndicate, in conjunction with the relevant subject matter experts, have been monitoring the situation closely, taking legal advice and meeting with market participants on a regular basis to ensure that the most up to date information is reflected within the Syndicate reserves. Regular updates are provided to the Company in its capacity as both a Third-Party Funds at Lloyd's provider for ACCL, as well as reinsurer under the quota share reinsurance agreement with ACCL.

b) Net premiums written and earned and acquisition costs

Premiums written and ceded are recorded in accordance with the terms of the underlying policies and contracts of insurance and reinsurance. Premiums written and ceded are recorded at the inception of the policy and are estimated based upon information received from insured's, ceding companies and their brokers. Subsequent differences arising on such estimates are recorded in the period in which they are determined.

ARDEN REINSURANCE COMPANY LTD.
NOTES TO CONDENSED GENERAL PURPOSE
FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Expressed in United States dollars)

Premiums written and ceded are earned on a pro-rata basis over the period for which coverage is provided (“risk period”). The reserve for unearned premiums represents the portion of premiums written and ceded applicable to the unexpired risk period of policies and contracts of insurance and reinsurance in force. Acquisition costs are not deducted when calculating the amount of unearned premium.

For contracts and policies written on a loss occurring basis, the risk period is generally the same as the contract or policy term. For contracts written on a risk attaching basis, the risk period is based on the terms of the underlying contracts and policies.

Reinstatement premiums that reinstate coverage are estimated based on loss experience and are recorded in accordance with the contract terms based upon the ultimate loss estimate associated with each contract. Reinstatement premiums are generally written and earned at the time the associated loss event occurs.

In the normal course of business, the Company may seek to mitigate underwriting risk that could cause unfavorable results by reinsuring certain amounts of risk with other reinsurers. Reinsurance premiums ceded are expensed on a pro-rata basis over the period the reinsurance coverage is provided. Prepaid reinsurance premiums represent the portion of premiums ceded on the unexpired term of the policies purchased.

Acquisition expenses are costs that vary with, and are directly related to, the production of new and renewal business and consist principally of commissions and brokerage expenses incurred at the time a contract or policy is issued.

c) Loss and loss expense provisions

Loss and loss expense provisions include estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported. The reserve is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled.

Ultimate losses may vary materially from the amounts provided in the Condensed general purpose 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 the condensed statement of income in the period in which they become known and are accounted for as changes in estimates.

Reinsurance recoverables are based on contracts in force and are presented on the Condensed general purpose balance sheet net of any reserves for uncollectible reinsurance. The method for determining the reinsurance recoverable on unpaid losses and loss adjustment expenses involves actuarial estimates in a manner consistent with the determination of unpaid losses and loss adjustment expenses. Any reserve for uncollectible reinsurance is based on an estimate of the amount of the reinsurance recoverable balance that will ultimately not be recovered due to reinsurer insolvency, contractual dispute, or some other reason. The valuation of this reserve for uncollectible reinsurance includes several processes including a review of the credit ratings of the reinsurance recoverables by reinsurer, an analysis of default probabilities as well as coverage issues. These factors require considerable management judgment, and the factors are reviewed in detail on a quarterly basis with any resulting adjustments recorded in earnings in the period that collection issues are identified.

ARDEN REINSURANCE COMPANY LTD.
NOTES TO CONDENSED GENERAL PURPOSE
FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Expressed in United States dollars)

d) Quoted Investments and Investment income

The Company's quoted investments classified as trading are carried at fair market value with unrealized gains (losses) recognized through the condensed statement of income. Realized gains (losses) are determined based on identified cost.

The Company's quoted investments classified as available-for-sale are carried at fair value, with unrealized gains and losses excluded from net income and reported as a separate component of condensed statement of capital and surplus. Realized gains and losses on sales of investments classified as available-for-sale are recognized in the statements of earnings.

Investment income is stated net of investment management and custody fees. Interest income is recognized on the accrual basis.

e) Unquoted Investments

Unquoted investments include investments in limited partnerships and limited liability companies which value their investments at fair value. The Company has no significant influence and does not participate in the management of these investments. Unquoted investments are accounted for at estimated fair values, determined by the Company's proportionate share of the net asset value of the investee reduced by any impairment charges. The Company records movement in the value of its unquoted investments through Income as part of Combined Investment Income - Net. Estimates are involved in the valuation of unquoted investments. Due to the inherent uncertainty of valuation, the estimates of fair value may differ from the values that would have been used had a ready market for the unquoted investments existed. The differences are unlikely to be material or significant.

f) Foreign Currency

Transactions denominated in foreign currencies are recorded at the rates of exchange in effect at the dates of the transactions. At the balance sheet date, monetary assets and liabilities are translated at the period end rates of exchange. Exchange profits or losses arising from transactions are taken to Line 32 of the condensed statement of income. The Company incurred exchange (losses)/gains of (\$0.4million) for the year ended December 31, 2022 (\$0.7million) December 31, 2021). (See Part IV - Notes to the Condensed General Purpose Statement of Income, Note 32).

g) Cash and time deposits

Cash and time deposits represent cash in banks and deposits with financial institutions with original maturities of less than three months.

5. Recognition of premium, investment, and commission income

See Notes 4 (b), (d) and (e)

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6. Transactions denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies have been translated to U.S. dollars at the rates of exchange prevailing at the balance sheet date. Income and expense transactions originating in foreign currencies are translated at the rates of exchange prevailing on the date of the transaction. Gains and losses on foreign currency translation are included in the condensed statement of income.

7. Foreign Exchange Restrictions

Not applicable.

8. Contingencies and commitments

(a) Concentration of credit risk

As at December 31, 2022, two reinsurers accounted for 100% of the reinsurance balances recoverable (2021: two reinsurers accounted for 100%).

(b) Letters of credit

On September 8, 2022, the Company entered into an unsecured letter of credit facility agreement with ING Bank N.V., London Branch for \$20.0 million, expiring on December 31, 2026. The facility agreement includes financial covenants which would require the Company to fully secure the letter of credit to the extent that financial covenants were in default. At December 31, 2022, no events of default existed under the facility.

(b) Pledged assets

Cash of \$21.6million (2021: \$6.1million), investments of \$82.5million (2021: \$93.7million) and the letter of credit of \$20.0million (2021: \$nil), are pledged to provide Funds at Lloyd's in support of ACCL's participation on Syndicate 609.

Cash held on deposit to comply with the Brazilian regulatory authorities' requirements were fully released in the year (2021: \$5.0million).

Cash and investments of \$nil (2021: \$1.3million) were restricted to cover the property and marine reinsurance business with Ariel Re Bda Limited ("Ariel Re") who were the reinsured party.

Cash and investments of \$nil (2021: \$0.2million) were restricted to cover the credit and surety reinsurance business with Arch Reinsurance Limited ("Arch Re") who were the reinsured party.

Cash of \$1.5million (2021: \$1.4million) and investments of \$7.0million (2021: \$9.8million) were restricted to cover the reinsurance business with Valiant Insurance Company and Valiant Specialty Insurance Company (collectively "Valiant") who were the reinsured party. Under the terms of the reinsurance agreements, Arden Re has deposited these funds in a trust for the benefit of Valiant.

9 - 12. Not applicable

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13. Fair Value Investments

\$'000	December 31, 2022				Total
	Level 1	Level 2	Level 3	NAV as a practical expedient	
Bonds and debentures					
Fixed maturity investments	-	76,831	-	-	76,831
Total bonds and debentures	-	76,831	-	-	76,831
Equities					
Exchange traded funds	7,427	-	-	-	7,427
Total equities	7,427	-	-	-	7,427
Other investments					
Other unquoted investments	-	-	-	178	178
Collateral loans	-	5,309	-	-	5,309
Total other investments	-	5,309	-	178	5,487
Total investments	7,427	82,140	-	178	89,745

During 2022, the fair value hierarchy of the Company's equity investments were transferred from Level 2 to Level 1, reflecting the availability of quoted prices in an active market.

\$'000	December 31, 2021				Total
	Level 1	Level 2	Level 3	NAV as a practical expedient	
Bonds and debentures					
Fixed maturity investments	-	101,591	-	-	101,591
Total bonds and debentures	-	101,591	-	-	101,591
Equities					
Exchange traded funds	-	1,936	-	-	1,936
Total equities	-	1,936	-	-	1,936
Other investments					
Other unquoted investments	-	-	-	89	89
Collateral loans	-	5,385	-	-	5,385
Total other investments	-	5,385	-	89	5,474
Total investments	-	108,912	-	89	109,001

There were no transfers into or out of fair value hierarchy levels during 2021.

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14. Contractual Maturity Profile

The contractual maturities of fixed maturity investments are listed in the following table:

\$ '000	December 31, 2022	December 31, 2021
Due in one year or less	4,885	8,331
Due after one year through two years	31,993	15,168
Due after two years through five years	25,031	68,061
Due after five years through ten years	4,316	3,964
Due after ten years	2,700	-
Residential mortgage-backed	6,139	3,745
Asset-backed	1,768	2,321
Total fixed maturity investments	76,831	101,591

15. Related Party Transactions

Effective January 1, 2021 and January 1, 2022, the Company entered into reinsurance agreements with ACCL, a Lloyd's Corporate Member and an affiliate group company, under which the Company assumes a 65% quota share of all insurance and reinsurance risks, operating expenses, foreign exchange gains or losses and investment return arising in respect of reinsured business earned by ACCL in respect of its participation in Lloyd's Syndicate 609 ("Syndicate 609") on the 2021 and 2022 Underwriting Year of Account. The Company pays ACCL a 2.5% commission on all amounts ceded as well as a 25% profit commission.

For the year ended December 31, 2022, ACCL ceded \$109.4million of premiums earned (2021: \$45.0million) and incurred losses of \$53.4million (2021: \$29.9million). There were reinsurance receivables of \$115.9million (2021: \$55.5million), deferred acquisition costs of \$17.2million (2021: \$14.7million), gross unearned premium reserves of \$57.0million (2021: \$45.8million), gross loss and LAE expense provisions of \$69.7million (2021: \$31.1million) and reinsurance balances payable of \$3.8million (2021: \$1.0million) under these quota share agreements.

Atrium Group Services Limited ("AGSL"), an affiliate company, acts as a service company on behalf of Northshore and its subsidiary companies, including Arden Re. A service agreement is in place whereby AGSL provides management services to all subsidiary companies. Under the service agreement AGSL will charge the costs to each group company, including Arden Re, for the respective services provided. (See Part III - General Notes to the Condensed General Purpose Balance Sheet, Note 32).

16. Subsequent Events

No subsequent events were noted.

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17. Other Information

(a) Taxation

The Company provides for income taxes based upon amounts reported in the financial statements and the provisions of currently enacted tax laws. The Company is registered in Bermuda and is subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company is not taxed on any Bermuda income or capital gains taxes and has received an undertaking from the Bermuda Minister of Finance that, in the event of any Bermuda income or capital gains taxes being imposed, the Company will be exempt from those taxes until March 2035.

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PART II - NOTES TO THE CONDENSED GENERAL PURPOSE STATEMENT OF CAPITAL AND SURPLUS

1(a) Capital Stock

(a) Authorized Capital

Ordinary Shares:

Authorized, Issued, and Fully Paid

120,000 shares of par value \$1	\$120,000
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1(b) Contributed surplus

No contributed surplus paid during the period.

2(c). Dividends paid and payable

No dividends were declared in the period.

(a) – (((c) i) ii).	Not applicable
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PART III - NOTES TO THE CONDENSED GENERAL PURPOSE BALANCE SHEET

1. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2022, of \$23.0million (2021: \$14.0million) is considered to be restricted. (See Part I - General Notes to the Financial Statements, Note 8 (b)).

2-3. Investments

The Company's quoted investments are carried at fair market value with unrealized holding gains (losses) recognized through the condensed statement of income for those investments classified as trading and through the condensed statement of capital and surplus for those investments classified as available-for-sale. Realized gains (losses) are determined on the basis of identified cost and are included on Line 36 of the condensed statement of income. (See Part I - General Notes to the Financial Statements, Note 4 (d) and Note 13).

Investments as at December 31, 2022, of \$89.7million (2021: \$103.5million) are considered to be restricted. (See Part I - General Notes to the Financial Statements, Note 8 (b)).

The Company's quoted investments fair market value as at December 31, 2022, was \$84.3million (2021: \$103.5million).

4-7. Not applicable.

8. Collateral loans

Collateral loans includes an investment in a Senior Secured Credit Fund.

9. Investment income due and accrued

Investment income due and accrued of \$0.1million (2021: \$0.3million) includes \$0.1million (2021: \$0.3million) related to restricted investments. (See Part I - General Notes to the Financial Statements, Note 8 (b)).

10. Accounts and premiums receivable

(a) Not applicable.

(b) \$115.9million is due from affiliate ACCL (2021: \$55.5million (ACCL)).

11. Not applicable.

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12. Not applicable.

13. **Sundry assets**

(a) Included in sundry assets are Deferred Acquisition Costs of \$17.2million (2021: \$17.0million) from ACCL and SGL1. These are amortized over the same period as related premiums are earned.

(b) Not applicable.

14. Not applicable.

16. **Unearned premium reserve**

See Part I - General Notes to the Financial Statements, Note 4 (b).

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17. Loss and loss expense provisions

(a) Movements in the loss and loss expense provisions for the current year and previous year are summarized below:

\$'000	December, 31 2022	December 31, 2021
Gross loss and loss expense provisions at beginning of year	87,953	105,491
Less: Reinsurance recoverable at beginning of year	(22,779)	(25,511)
Net loss and loss expense provisions at beginning of year	65,174	79,980
Acquisition / Sale of loss reserves (net):	-	(19,012)
Net losses incurred and net loss expenses incurred related to:		
Current year	55,388	45,677
Prior years	(1,661)	(5,009)
Total net incurred losses & loss expenses	53,727	40,668
Net losses and loss expenses paid or payable related to:		
Current year	(5,138)	(8,670)
Prior years	(31,867)	(25,507)
Total losses and loss expenses paid or payable	(37,005)	(34,177)
Foreign exchange and other	(3,389)	(2,285)
Net loss and loss expense provisions at end of year	78,507	65,174
Add: Reinsurance recoverable at end of year	20,725	22,779
Gross loss and loss expense provisions at end of year	99,232	87,953

See Part I - General Notes to the Financial Statements, Note 4 (c) for full discussion of the estimation methods and significant uncertainties associated with loss and loss expense provisions.

(b) Movement in net losses incurred and net loss expenses incurred on prior years of \$1.7million favorable (2021: \$5.0million favorable) relates to favorable development on the prior accident years of the ACCL and SGL1 business. No additional premium or return premium have been accrued as a result of movement on prior years.

(c) As at December 31, 2022, cash and cash equivalents of \$23.0million (2021: \$14.0million) and investments of \$89.7million (2021: \$103.5million) are considered to be restricted. (See Part I - General Notes to the Financial Statements, Note 8 (b), and Part III - Notes to the Condensed General Purpose Balance Sheet, Notes 1-3).

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20-27. Not applicable.

28. Insurance and reinsurance balances payable

Reinsurance balances payable include \$3.8million due to affiliate ACCL (2021: \$1.0million (ACCL)).

29. Not applicable.

30. Loans and notes payable

On November 25, 2020, the company borrowed \$40.0million until November 25, 2024 at a rate of 3.37% (continuing on a 6-month revolving basis). On September 9, 2022 the loan was repaid in full.

31. Not applicable.

32. Amount due to affiliates

As at December 31, 2022, the Company had accrued liabilities due to various affiliate companies of \$0.2million (2021: \$nil) in respect of management and professional fees incurred on behalf of the Company.

33. Accounts payable and accrued liabilities

As at December 31, 2022, the Company had accrued liabilities of \$0.7million (2021: \$0.4million) in respect of professional fees incurred on behalf of the company.

34. Funds held under reinsurance contracts

Funds held under reinsurance contracts are balances that are 100% assumed and ceded by the Company.

35-37. Not applicable.

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PART IV - NOTES TO THE CONDENSED GENERAL PURPOSE STATEMENT OF INCOME

6. Not applicable.

15. Not applicable.

32. Other income (deductions)

In 2022 the Company recognized \$(0.4million), made up of foreign exchange related and other (deductions)/income (2021: \$0.7million deductions). (See Part I - General Notes to the Financial Statements, Note 4 (d)).

36. Realized gains (losses)

In 2022 and 2021 realized gains include realized gains and losses on the sale of investments. (See Part I - General Notes to the Financial Statements, Note 4 (d)).

37. Not applicable.