FLEMING REINSURANCE LTD.
INCORPORATED IN BERMUDA

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

April 28, 2023

Report of Independent Auditors

To the Board of Directors and Shareholder of Fleming Reinsurance Ltd.

Opinion

We have audited the accompanying financial statements of Fleming Reinsurance Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and comprehensive income, changes in shareholder's equity and cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Emphasis of matter

As discussed in Note 3 to the financial statements, the Company changed the manner in which it presents assumed retroactive reinsurance contracts in the statements of income and comprehensive income in 2022. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our 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.

Required supplemental information

Management has omitted the required supplemental information pertaining to *Short-Duration Contracts* disclosures that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

FLEMING REINSURANCE LTD.

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(Expressed in U.S. dollars)

	2022 $	2021 $
ASSETS		
Cash and cash equivalents (note 4)	52,657,663	5,734,232
Investments (note 10)	2,406,981	4,544,167
Funds withheld (note 6)	18,279,546	6,827,996
Right-of-use assets – operating leases (note 8)	104,810	-
Insurance balances receivable	-	327
Deferred acquisition costs	472,297	-
Accrued income	41,594	-
Tax receivable (note 12)	-	34,996
Deferred tax asset (note 12)	-	41,093
Accrued interest income	23,632	13,072
Amounts due from related parties (note 13)	626,667	-
Prepaid expenses	93,779	114,759
	74,706,969	17,310,642
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES		
Reserve for losses and loss expenses (note 9)	37,363,921	8,186,377
Accounts payable and accrued expenses	597,393	117,447
Lease liabilities – operating leases (note 8)	104,810	-
Intercompany loan payable (note 5)	-	1,050,000
Loan interest payable (note 5)	-	148,151
Insurance balances payable	4,050,024	322,657
Tax payable (note 12)	244,472	-
Deferred gain on reinsurance contracts (note 7)	1,507,645	919,969
	43,868,265	10,744,601
SHAREHOLDER'S EQUITY		
Share capital (note 11)	120,000	120,000
Contributed surplus (note 11)	35,236,614	6,262,587
Accumulated other comprehensive income/(loss)	(133,154)	(104,153)
Retained earnings	(4,384,756)	287,607
	30,838,704	6,566,041
	74,706,969	17,310,642

FLEMING REINSURANCE LTD.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in U.S. dollars)

	2022	(As Adjusted) 2021
	$	$
UNDERWRITING EXPENSES/(INCOME)		
Incurred losses (note 9)	9,712,384	1,957,156
Acquisition costs	127,703	236
Change in reserves for losses and loss expenses	(8,998,452)	(3,330,692)
Change in deferred gain on reinsurance contracts (note 7)	(510,146)	(424,210)
NET UNDERWRITING INCOME/(LOSS)	(331,489)	1,797,510
NET INVESTMENT INCOME	395,746	195,541
OTHER INCOME/(EXPENSES)	53,105	(129)
GENERAL AND ADMINISTRATIVE EXPENSES (note 8)	(4,469,164)	(2,242,161)
NET LOSS BEFORE INCOME TAXES	(4,351,802)	(249,239)
INCOME TAX (note 12)	(320,561)	(43,739)
NET LOSS	(4,672,363)	(292,978)
OTHER COMPREHENSIVE LOSS		
Change in unrealized holding losses on available-for-sale investment securities arising during the year	(29,001)	(60,679)
Other comprehensive income/(loss)	(29,001)	(60,679)
COMPREHENSIVE LOSS	(4,701,364)	(353,657)

FLEMING REINSURANCE LTD.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in U.S. dollars)

	2022 $	2021 $
SHARE CAPITAL (note 11)		
Balance, beginning and end of year	120,000	120,000
CONTRIBUTED SURPLUS (note 11)		
Balance, beginning of year	6,262,587	6,886,139
Additional contributed surplus	28,974,027	-
Reduction in contributed surplus	-	(623,552)
Balance, end of year	35,236,614	6,262,587
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance, beginning of year	(104,153)	(43,474)
Net change in unrealized gain/ (losses) on investments	(29,001)	(60,679)
Balance, end of year	(133,154)	(104,153)
RETAINED (DEFICIT) / EARNINGS		
Balance, beginning of year	287,607	580,585
Net loss	(4,672,363)	(292,978)
Balance, end of year	(4,384,756)	287,607
TOTAL SHAREHOLDER'S EQUITY	30,838,704	6,566,041

FLEMING REINSURANCE LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

(Expressed in U.S. dollars)

	2022 $	2021 $
CASH AND CASH EQUIVALENTS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net (loss) / income	(4,672,363)	(292,978)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Realized (gain) / loss on investment securities	49,919	26,273
Change in operational balance sheet items:		
Insurance balances receivable	327	1,354
Funds withheld	(11,451,550)	783,841
Right-of-use assets – operating leases	(104,810)	-
Accrued income	(41,594)	-
Accrued interest income	(10,560)	10,476
Tax receivable	34,996	(34,996)
Deferred tax asset	41,093	18,355
Prepaid expenses	20,980	(42,119)
Amounts due from related parties	(626,667)	-
Accounts payable and accrued expenses	479,946	(3,793,947)
Lease liabilities – operating leases	104,810	-
Loan interest payable	(148,151)	105,000
Insurance balances payable	3,727,367	(528,940)
Deferred acquisition costs	(472,297)	-
Deferred gain on reinsurance contracts	587,676	(141,838)
Tax payable	244,472	(91,944)
Reserve for loss and loss expenses	29,177,544	(1,838,287)
Net cash provided by / (used in) operating activities	16,941,138	(5,819,750)
INVESTING ACTIVITIES		
Proceeds on sales/maturities of investments	2,058,266	2,180,013
Net cash provided by investing activities	2,058,266	2,180,013
FINANCING ACTIVITIES		
Proceeds / (repayments) from/of short-term debt	(1,050,000)	18,750
Net proceeds / (repayments) of capital contributions	28,974,027	(623,552)
Net cash provided by / (used in) financing activities	27,924,027	(604,802)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	46,923,431	(4,244,539)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,734,232	9,978,771
CASH AND CASH EQUIVALENTS, END OF YEAR	52,657,663	5,734,232

NOTES TO THE FINANCIAL STATEMENTS

1. THE COMPANY AND ITS ACTIVITIES

Fleming Reinsurance Ltd. (the "Company") is a Bermuda exempted company limited by shares incorporated on March 6, 2015.

The Company is registered as a Class 3A insurer under the Bermuda Insurance Act 1978 amendments thereto and the Insurance Account Rules 2016 (the "Insurance Act"). The Company is registered as a Segregated Accounts Company under the Segregated Account Companies Act 2000, as amended.

On May 5, 2022, there was a change of ownership of the Company. Fleming Holdings (Blocker) LLC (Delaware), a company that is 100% owned by Fleming Holdings LLC (Cayman), which is ultimately majority-owned between The Fleming Corporation and ACP Insurance Management, LLC (Cayman), acquired 100% ownership of the Company, previously held by Fleming Re Holdings LLC (Delaware). Fleming Holdings (Blocker) LLC (Delaware) acquired the authorized and issued share capital of US$120,000 consisting of 120,000 common shares of par value US$1.00 each for a total consideration equal to the net book value of the Company prior to the share transfer.

The change in ownership provides the Company with access to significant capital that will be used to facilitate acquisition of liabilities and further develop infrastructure.

The Company is a specialty run-off acquirer and legacy reinsurance liability carrier focused on the North American Property & Casualty ("P&C") industry. The Company assumes various lines of business, primarily Workers Compensation, General Liability and Auto Liability. As of December 31, 2022, the Company has completed several transactions consisting of Workers' Compensation, General Liability, Auto Liability and other P&C liabilities. During the year ended December 31, 2022, the Company completed two transactions, one being a novation of liabilities related to the Company's recurring planned Loss Portfolio Transfer ("LPT") solution and the other being a reinsurance transaction with an insurance carrier domiciled in the US.

During the year ended December 31, 2020, the Company acquired 100% of the shares of Sinclair Insurance Company Ltd, an insurance company domiciled in Bermuda. In Q2 2021, Sinclair Insurance Company Ltd and Fleming Reinsurance Ltd. merged, with the surviving company being Fleming Reinsurance Ltd.

2. BASIS OF PREPARATION

(a) Use of estimates

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in conformity with generally accepted accounting principles 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 year. Actual results could differ materially from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the following significant accounting policies:

(a) Investment Income

Net investment income primarily comprises of interest earned on funds withheld by ceding companies and is accrued to the balance sheet date. Funds withheld has a stated crediting rate and does not have any underlying investment risks.

Interest income for fixed maturity investments is recognized when earned and is accrued to the balance sheet date based on the contractual terms of the fixed maturity investments and is included in "net investment income" in the statements of income and comprehensive income.

Realized gains and losses on the disposal of fixed maturity investments are included in "net investment income" in the statements of income and comprehensive income.

(b) Cash and cash equivalents

Cash and cash equivalents include deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and which have original maturity dates of three months or less.

Included within cash and cash equivalents is an amount totaling $75,000 (2021 - $75,000) held as collateralized cash for a letter of credit held in favor of the Internal Revenue Service.

Included within cash and cash equivalents is an amount totaling $330,792 (2021 - $330,792) held as collateralized cash for a letter of credit held in favor of ACE American Insurance Company (See Note 4).

Included within cash and cash equivalents is an amount totaling $3,138,779 (2021 - $1,552,291) held as collateralized cash for a letter of credit held in favor of Arch Insurance Company (See Note 4).

Included within cash and cash equivalents is an amount totaling $2,499,676 (2021 - $1,682,389) held as collateralized cash within a reinsurance trust, with the beneficiary of the trust being Zurich American Insurance Company.

Included within cash and cash equivalents is an amount totaling $27,273,193 (2021 - $Nil) held as collateralized cash within a reinsurance trust, with the beneficiary of the trust being Conifer Insurance Company.

Included within cash and cash equivalents is an amount totaling $7,598,917 (2021 - $Nil) held as collateralized cash within a reinsurance trust, with the beneficiary of the trust being White Pine Insurance Company.

(c) Segregated assets and liabilities

Segregated accounts assets and liabilities are recorded consolidated with general account assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Reserve for losses and loss expenses

The reserve for losses and loss expenses comprises reported losses and loss expense as reported by ceding companies plus a provision for losses incurred but not reported and unallocated loss adjustment expenses. The reserve for losses and loss expenses is based upon management's best estimate of the ultimate cost of settlement of losses, loss adjusters' evaluations and consideration of the recommendations of an independent actuary. Although management believes such provisions to be adequate, there can be no assurance that the ultimate cost of settlement of losses may not vary materially from the estimates recorded in the financial statements. Future adjustments to the amounts recorded resulting from the continual review process as well as differences between estimates and ultimate settlements, will be reflected in the statements of income and comprehensive income when such adjustments become known and are estimable.

(e) Accounts Receivable

Receivables are recognized at amounts receivable less a provision for impairment where necessary, at December 31, 2022 there was no provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Any increase or decrease in the provision for impairment is recognized in the statements of income and comprehensive income within underwriting expenses. When a receivable is uncollectible, it is written off against the provision for impairment account. Subsequent recoveries of amounts previously written off are credited against the underwriting expenses in the statements of income and comprehensive income.

(f) Assumed Reinsurance Contracts

The reinsurance assumed under various LPTs and novation agreements qualify to be accounted for as retroactive reinsurance as they provide indemnification of losses and loss adjustment expenses of these run off short-duration insurance contracts. In the absence of US GAAP guidance specific to the accounting for retroactive reinsurance contracts entered into by assuming reinsurance companies, the Company has made an accounting policy election to account for the retroactive reinsurance consistent with guidance specific to ceding companies. Under this accounting model, the retroactive reinsurance is considered to be a financing of an existing obligation, with no immediate gain recognition. For these agreements, the excess of the consideration received over the ultimate expected payout of claims is recognized as a deferred gain liability at inception of the contract and amortized into income over the settlement period of the assumed reserves. The Company subsequently monitors and adjusts the deferred gain balance to reflect differences between the actual and the estimated amount of the loss payments, as well as to reflect revisions to the estimated remaining liability for unpaid losses due to favorable or unfavorable reserve developments. The revised deferred gain balance is determined using the retrospective method so that the adjusted balance reflects the amount that would have existed had the revised estimates been available at the inception of the reinsurance transactions. The amortization of the revised deferred gain is calculated on a retrospective basis with a catch-up adjustment recorded in the statements of income and comprehensive income during the period of change.

In 2022 the Company changed the accounting policy for the presentation of retroactive reinsurance contracts in the statements of income and comprehensive income such that upon initial recognition of the contracts assets and liabilities the Company no longer records any associated items of income or expense. This change has been applied retrospectively to all applicable prior period information presented. The change had no impact on net income, retained earnings or other components of equity or net assets. The impact on the affected financial statement line items in the 2021 comparative statement of income and comprehensive income is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Assumed Reinsurance Contracts (continued)

	as previously presented 2021 $	*presentation adjustment*	*as currently presented* 2021 $
UNDERWRITING REVENUE			
Gross premiums written	1,774,649	(1,774,649)	-
Change in unearned premiums	-	-	-
Net premiums earned	1,774,649	(1,774,649)	-
UNDERWRITING EXPENSES/(INCOME)			
Incurred losses (note 9)	1,957,156		1,957,156
Acquisition costs	236	-	236
Change in reserves for losses and loss expenses	(1,838,286)	(1,492,406)	(3,330,692)
Change in deferred gain on reinsurance contracts (note 7)	(141,838)	(282,372)	(424,210)
	(22,732)	(1,774,778)	(1,797,510)
NET UNDERWRITING INCOME/(LOSS)	1,797,381	129	1,797,510
OTHER INCOME/(EXPENSES)	-	(129)	(129)

(g) Deferred Acquisition Costs

Deferred acquisition costs consist of commissions, brokerage expenses and other costs which are directly attributable to the successful acquisition of legacy reinsurance liabilities. These costs are deferred and amortized over the settlement period of the assumed reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investments in securities

Debt securities are classified as available-for-sale and are carried at fair value with unrealized holding gains and losses excluded from net income and reported as a separate component of other comprehensive income. Investments are periodically reviewed to determine if they have sustained an impairment of value that is considered to be other than temporary. This review involves consideration of several factors including: (i) the significance of the decline in value and the resulting unrealized loss position, (ii) the time period for which there has been a significant decline in value, and (iii) the Company's intent and ability to hold the investment for a sufficient period of time for the value to recover. The identification of potentially impaired investments involves significant management judgment that includes the determination of their fair value and the assessment of whether any decline in value is other than temporary. If available-for-sale investments are determined to be impaired, the cost basis of the investment is written down to fair value at the balance sheet date and a corresponding realized loss is charged to the statement of income and comprehensive income in the period in which it is determined.

Realized gains and losses on sales of securities are recognized in income on the specific identification basis.

Included within investments is an amount totaling $2,406,981 (2021 - $4,544,167) held as collateralized investments for a letter of credit held in favor of Arch Insurance Company (see Note 4).

Accounting standards not yet adopted

Financial instruments - Credit losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326)", which will change how entities account for credit losses for most financial assets, trade receivables and reinsurance receivables. The standard will replace the existing incurred loss impairment model with a new "current expected credit loss model" that generally will result in earlier recognition of credit losses. The standard will apply to financial assets subject to credit losses, including loans measured at amortized cost, reinsurance receivables and certain off-balance sheet credit exposures. During 2018, 2019 and 2020, the FASB issued a number of amendments and targeted improvements to ease with the application of the standard. These updates are effective in line with the effective date of ASU 2016-13.

This standard is effective for non-public entities for fiscal years beginning after December 15, 2022. The Company is currently assessing the impact of this guidance. Although the Company does not anticipate the adoption of this standard to have a material impact on the Financial Statements, the quantitative impact of any change will be dependent on the Company's portfolio at the adoption date, as well as economic conditions and other factors at that time.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly adopted accounting standards

Codification Improvements

In October 2020, the FASB issued ASU 2020-10, "Codification Improvements". The amendments in this update improve the Codification by ensuring that all guidance that requires or provides an option for an entity to provide information in the notes to financial statements is codified in the Disclosure Section of the Codification.

This standard is effective for non-public entities for fiscal years beginning after December 15, 2021. The adoption of this standard does not have a material impact on the Financial Statements.

The Company adopted ASC Topic 842, Leases on May 1, 2022, when the Company entered into an operating lease. Among other requirements, lessees are required to identify leases as either operating or finance and to recognize the following for all leases (except for short-term leases) as of the date of adoption: 1) a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of use (ROU) asset, which is an asset that represents the lessee's ROU, or control the use of a specified asset for the lease term.

(i) Leases

The Company determines if an arrangement is a lease or contains a lease at inception of a contract and classifies each lease as an operating or finance lease. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Company records a right-of-use (ROU) asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments arising from the lease. The discount rate used is typically the Company's secured borrowing rate, as most of the Company's leases do not provide an implicit rate. The lease term includes options to extend or to terminate the lease that the Company is reasonably certain to exercise. The Company has elected for all classes of underlying assets the practical expedient to not separate lease and non-lease components and account for them as a single lease component. ROU assets are subject to review for impairment.

For operating leases, lease expense relating to fixed payments is recognized on a straight-line basis over the lease term and lease expense relating to variable payments is expensed as incurred.

For finance leases, the amortization of the ROU asset is recognized over the shorter of the lease term or useful life of the underlying asset and interest expense is recorded using the effective interest rate method. The Company has elected as an accounting policy not to record ROU assets and lease liabilities that arise from short-term leases for any class of underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income taxes

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

For U.S. tax purposes, each segregated account (or "cell") and the general account ("Core") within the Company are considered separate entities. Effective January 1, 2022, all eligible cells have made an irrevocable election under Section 953(d) of the Internal Revenue Code of 1986, as amended, to be treated as a domestic insurance company for United States federal tax purposes. As a result of this "domestic election", the cells within the Company are subject to taxation on their worldwide income as if they were a U.S. corporation. The Sequre cell also made an irrevocable election under IRC §831(b) that allows it to only pay tax on its investment income; however, this election is not applicable during the year due to the amount of premiums written in the Company. Current and deferred income taxes are calculated by applying currently enacted tax laws.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. A valuation allowance is recorded for the amount of deferred income tax assets for which realization is not likely in the near term.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

As at the year ended December 31, 2022, the Company has recognized a deferred tax asset in the amount of $Nil (2021 - $41,093).

When necessary, the Company recognizes interest and penalties associated with tax matters as a component of income tax expense and the related liability as due to related party.

(k) Business combinations

Business combinations are recognized at 100% of the fair value of the business acquired (i.e., the full fair value of the assets acquired, liabilities assumed and any non-controlling interests) as of the acquisition date. When the fair value of the consideration transferred is less than the fair value of the net assets of the business acquired this results in an economic gain (gain on bargain purchase) to the Company. Any such gain is recognized in earnings only after a thorough reassessment of all elements of the accounting for the acquisition.

There have been no business combinations occurring in the periods presented.

4. LETTERS OF CREDIT

The Company's bankers have issued a letter of credit in the amount of $75,000 (2021 - $75,000) in favor of the Internal Revenue Service. Included within cash and cash equivalents is an amount totaling $75,000 (2021 - $75,000) held as collateralized cash for the letter of credit.

The Company's bankers have issued a letter of credit in the amount of $330,792 (2021 - $330,792) in favor of ACE American Insurance Company. Included within cash and cash equivalents is an amount totaling $330,792 (2021 - $330,792) held as collateralized cash for the letter of credit.

The Company's bankers have issued a letter of credit in the amount of $5,545,760 (2021 - $6,096,457) in favor of Arch Insurance Company. Included within cash and cash equivalents is an amount totaling $3,138,779 (2021 - $1,552,291) held as collateralized cash for the letter of credit.

5. LOAN PAYABLE

The Company received $1,000,000 from Fleming Corp. on August 5, 2020 as an unsecured promissory note. The note had an issue date of August 3, 2020 and a maturity date of March 31, 2022. The principal amount of the loan was $1,050,000 and was issued with an original issue discount of $50,000. The note bore interest at 10% per annum. At the change of ownership, the note was repaid in full along with all outstanding interest.

The balance payable on the note as at December 31, 2022 is $Nil (2021 - $1,050,000). Accrued interest payable as at December 31, 2022 amounts to $Nil (2021 - $148,151).

6. FUNDS WITHHELD

Funds withheld by ceding companies is $18,279,546 (2021 - $6,827,996).

7. DEFERRED GAIN ON REINSURANCE CONTRACTS

The Company has deferred the recognition of gains on LPT and novation transactions in the amount of $1,507,645 (2021 - $919,969). Included in this amount is $850,837 of deferred gains on the novation transactions that took place during 2022 (2021 - $238,451).

8. LEASES

The Company entered into an operating lease for office space in Hamilton, Bermuda which runs from May 1, 2022 through April 31, 2024. The lease does not contain a yearly rental increase and there is not an automatic renewal. An incentive of a rent-free period of three months was provided on commencement of the lease.
The Company has recognized a Right-of-use asset of $104,810 and a lease liability of $104,810 as at December 31, 2022. The Company has incurred an operating lease expense of $35,511 during 2022. The Company does not have any lease commitments that have not yet commenced as of December 31, 2022.

9. RESERVE FOR LOSSES AND LOSS EXPENSES

The reserve for losses and loss expenses at December 31, 2022 and 2021 are:

	2022	2021
Specific claim reserves	$ 27,312,531	$ 4,055,947
Unallocated loss adjustment expenses	1,697,857	538,571
Incurred but not reported	8,353,533	3,591,859
Total Reserves, end of year	$ 37,363,921	$ 8,186,377

Roll forward of loss and loss expenses reserves

Activity in the reserve for losses and loss expenses is summarized as follows:

	2022	2021
Gross and net reserves for loss and loss adjustment expenses, beginning of year	$ 8,186,377	$ 10,024,664
Increase (decrease) in net loss and loss expenses incurred in respect of losses occurring in:		
Current year	-	-
Prior years	(586,068)	(1,373,537)
	(586,068)	(1,373,537)
Net loss and loss adjustment expenses paid in respect of losses occurring in:		
Current year	-	-
Prior years	9,712,384	1,957,156
	9,712,384	1,957,156
Other changes		
Assumed business	39,475,996	1,492,406
Gross and net reserves for loss and loss adjustment expenses, end of year	$ 37,363,921	$ 8,186,377

In 2022 the increase in reserves is related to a combination of one novation and one loss portfolio transfer that occurred during the year, the increase in reserves due to this assumed business has been offset by favorable development recognized on the entire book. In 2021 the decrease in reserves is related to favorable development recognized on the entire book, which offset the assumed business of two novations that occurred during the year.

9. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

General Reserving Methodology

The Company is required to establish reserves for losses and loss adjustment expenses ("loss reserves") that arise from the business the Company underwrites. Loss reserves represent estimates of future amounts required to pay losses and loss adjustment expenses for insured events which have occurred at or before the balance sheet date. Loss reserves do not reflect contingency reserve allowances to account for future loss occurrences. Losses arising from future events will be estimated and recognized at the time the losses are incurred and could be substantial.

Loss reserves are comprised of estimated amounts for (1) reported losses ("specific claim reserves") and (2) incurred but not reported losses ("IBNR reserves"). The reserve for losses and loss expenses are as reported by the ceding company plus a provision for losses incurred but not reported. The reserve for losses incurred but not reported is based upon management's best estimate of the ultimate cost of settlement of losses, loss adjusters' evaluations and the recommendations of an independent actuary.

The actuary has relied on five methodologies for the selection of ultimate losses:

- Reported loss development – this method is based upon the assumption that the relative change in a given year's reported loss estimates from one evaluation point to the next is similar to the relative change in prior years' reported loss estimates at similar evaluation points.
- Paid loss development – this method is similar to the reported loss development method, however case reserves are excluded from the analysis.
- Case reserve development – this method derives implied case reserve development factors by a comparison of the paid loss development factor and the reported loss development factor at a common evaluation period.
- Bornhuetter-Ferguson using reported losses – this method is essentially a blend of two other methods. The first method is the loss development method whereby actual reported losses are multiplied by an expected loss development factor. The second method is the expected loss method whereby the future IBNR reserve equals the difference between a predetermined estimate of expected losses and actual reported losses. The reported B-F method combines these two methods by setting ultimate losses equal to actual reported losses plus expected unreported losses.
- Bornhuetter-Ferguson using paid losses – this method is analogous to the Bornhuetter-Ferguson using reported losses method, using paid losses and development patterns in place of reported losses and patterns.

After reviewing the results of each relevant method, the Company's actuary calculates the selected ultimate losses based on judgment reflecting the range of indications produced by the methods described above and the strengths and weaknesses of each method.

9. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

Incurred and paid development tables

The following is information about incurred and paid claims development as of December 31, 2022 and December 31, 2021, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

The Required Supplementary Information (RSI) under US GAAP has not been disclosed as management of the Company believes the supplementary disclosures are not material to the financial statements and that the omission of the supplementary disclosures will not materially impede the readers understanding of the financial statements.

Workers Compensation Insurance
Incurred Losses and Loss Expenses, Net of Reinsurance

As of December 31, 2022

Accident Year	Incurred Loss and Loss Expenses	Total IBNR Reserve	Claim Count
2013	11,981,409	168,704	1,305
2014	14,240,891	298,908	1,445
2015	10,587,277	289,222	1,127
2016	10,812,332	441,358	1,097
2017	5,954,574	419,275	786
2018	4,210,615	478,039	575
2019	3,340,472	445,592	208
2020	-	-	-
2021	-	-	-
2022	-	-	-
Total	61,127,570	2,541,098	6,543

As of December 31, 2021

Accident Year	Incurred Loss and Loss Expenses	Total IBNR Reserve	Claim Count
2012	8,424,025	98,152	808
2013	10,740,249	134,660	1,023
2014	13,746,113	293,053	1,162
2015	9,758,001	459,429	993
2016	5,290,821	371,548	399
2017	3,516,047	501,046	208
2018	2,995,557	715,126	176
2019	2,342,411	569,404	113
2020	125,161	39,652	12
2021	-	-	-
Total	56,938,385	3,182,070	4,894

9. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

Workers Compensation Insurance
Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year

		2022	2021
	2012	N/A	8,120,096
	2013	11,617,672	11,215,142
	2014	13,589,405	12,772,636
	2015	9,923,387	8,591,296
	2016	9,946,575	4,667,042
	2017	5,350,461	2,883,857
	2018	3,382,661	2,060,646
	2019	2,698,309	1,535,198
	2020	-	79,143
	2021	-	-
	2022	-	-
Total Cumulative Paid Losses and Loss Expenses, Net of Reinsurance		56,508,470	51,925,057
Total Incurred Loss and Loss Expenses, Net of Reinsurance		61,127,570	56,938,387
Total Loss Reserves		4,619,100	5,013,330
Reserves for Losses and Loss Expenses, before 2012, Net of Reinsurance		N/A	2,485,495
Reserves for Losses and Loss Expenses, before 2013, Net of Reinsurance		1,787,556	N/A
Reserves for Losses and Loss Expenses, Net of Reinsurance		6,406,656	7,498,825

9. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

General Liability Insurance
Incurred Losses and Loss Expenses, Net of Reinsurance

As of December 31, 2022

Accident Year	Incurred Loss and Loss Expenses	Total IBNR Reserve	Claim Count
2013	6,122,863	19,585	350
2014	12,914,926	113,041	713
2015	20,182,443	170,526	942
2016	26,784,916	356,956	1,979
2017	34,199,018	1,152,719	3,518
2018	42,699,455	3,136,871	4,540
2019	39,666,617	5,252,478	4,859
2020	-	-	-
2021	-	-	-
2022	-	-	-
Total	182,570,238	10,202,176	16,901

As of December 31, 2021

Accident Year	Incurred Loss and Loss Expenses	Total IBNR Reserve	Claim Count
2012	249,761	-	32
2013	383,571	-	46
2014	503,723	780	50
2015	552,576	1,294	56
2016	146,096	1,781	19
2017	49,585	8,247	12
2018	42,378	10,860	9
2019	26,846	19,288	3
2020	5,697	5,245	-
2021	-	-	-
Total	1,960,233	47,495	227

9. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

General Liability Insurance
Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year

	2022	2021
2012	N/A	249,758
2013	5,992,412	383,571
2014	12,398,452	502,944
2015	19,647,912	548,356
2016	25,131,798	143,340
2017	30,399,553	41,338
2018	32,317,066	31,519
2019	24,419,977	7,558
2020	-	452
2021	-	-
2022	-	-
Total Cumulative Paid Losses and Loss Expenses, Net of Reinsurance	150,307,170	1,908,836
Total Incurred Loss and Loss Expenses, Net of Reinsurance	182,570,238	1,960,233
Total Loss Reserves	32,263,068	51,397
Reserves for Losses and Loss Expenses, before 2012, Net of Reinsurance	N/A	-
Reserves for Losses and Loss Expenses, before 2013, Net of Reinsurance	147,452	N/A
Reserves for Losses and Loss Expenses, Net of Reinsurance	32,410,520	51,397

9. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

Auto Liability Insurance
Incurred Losses and Loss Expenses, Net of Reinsurance

As of December 31, 2022

Accident Year	Incurred Loss and Loss Expenses	Total IBNR Reserve	Claim Count
2013	2,958,480	-	440
2014	8,170,773	57,071	605
2015	10,729,652	18,600	784
2016	12,174,893	18,345	800
2017	9,441,181	69,912	380
2018	6,089,756	51,499	262
2019	5,136,461	351,506	268
2020	-	-	-
2021	-	-	-
2022	-	-	-
Total	54,701,196	566,933	3,539

As of December 31, 2021

Accident Year	Incurred Loss and Loss Expenses	Total IBNR Reserve	Claim Count
2012	1,774,484	-	438
2013	2,953,519	-	432
2014	4,572,164	18,407	546
2015	5,630,186	6,136	713
2016	1,463,155	-	189
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
Total	16,393,508	24,543	2,316

9. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

Auto Liability Insurance
Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

Accident Year

	2022	2021
2012	N/A	1,774,484
2013	2,958,481	2,953,519
2014	8,058,920	4,498,976
2015	10,692,791	5,605,790
2016	12,114,452	1,463,155
2017	8,911,492	-
2018	5,539,117	-
2019	4,077,055	-
2020	-	-
2021	-	-
2022	-	-
Total Cumulative Paid Losses and Loss Expenses, Net of Reinsurance	52,352,308	16,295,924
Total Incurred Loss and Loss Expenses, Net of Reinsurance	54,701,196	16,393,508
Total Loss Reserves	2,348,888	97,584
Reserves for Losses and Loss Expenses, before 2012, Net of Reinsurance	N/A	-
Reserves for Losses and Loss Expenses, before 2013, Net of Reinsurance	-	N/A
Reserves for Losses and Loss Expenses, Net of Reinsurance	2,348,888	97,584

9. RESERVE FOR LOSSES AND LOSS EXPENSES (continued)

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

	2022	2021
Outstanding losses and loss expenses		
Workers Compensation	6,406,656	7,498,825
General Liability	32,410,520	51,397
Auto Liability	2,348,888	97,584
Total outstanding losses and loss expenses	41,166,064	7,647,806
Loss reserve recoverable		
Workers Compensation	-	-
General Liability	-	-
Auto Liability	-	-
Loss corridor on Conifer LPT	5,500,000	-
Total Loss reserve recoverable	5,500,000	-
Unallocated loss adjustment expenses	1,697,857	538,571
	1,697,857	538,571
Total outstanding losses and loss expenses	37,363,921	8,186,377

10. INVESTMENTS

(a) The amortized cost and fair value of investments in fixed maturity securities classified as available for sale are as follows:

At December 31, 2022	Amortized cost	Unrealized gain	Unrealized losses less than 12 months	Unrealized losses greater than 12 months	Fair value
US government	$ 2,292,640	$ -	$ (118,512)	$ -	$ 2,174,128
Asset backed securities	-	-	-	-	-
Mortgage backed securities:					
Commercial	36,579	-	-	(3,428)	33,151
Residential	210,916	-	(9,960)	(1,254)	199,702
	$ 2,540,135	$ -	$ (128,472)	$ (4,682)	$ 2,406,981

At December 31, 2021	Amortized cost	Unrealized gain	Unrealized losses less than 12 months	Unrealized losses greater than 12 months	Fair value
US government	$ 4,352,565	$ 337	$ (32,930)	$ (59,376)	$ 4,260,596
Asset backed securities	1,018	-	-	(882)	136
Mortgage backed securities:					
Commercial	36,579	-	-	(931)	35,648
Residential	258,158	-	(819)	(9,552)	247,787
	$ 4,648,320	$ 337	$ (33,749)	$ (70,741)	$ 4,544,167

During the year ended December 31, 2022 net losses of $49,919 were realized on sales. During the year ended December 31, 2021, net losses of $26,273 were realized on sales.

10. INVESTMENTS (continued)

(b) For marketable securities held on December 31, 2022, the maturity distribution is as follows:

	Amortized cost	Fair value
Within one year	$ 2,494,021	$ 2,365,549
From one to five years	36,579	33,151
From five to ten years	-	-
Ten or more years	9,535	8,281
	$ 2,540,135	$ 2,406,981

For marketable securities held on December 31, 2021, the maturity distribution is as follows:

	Amortized cost	Fair value
Within one year	$ 2,087,778	$ 2,054,367
From one to five years	2,549,996	2,479,437
From five to ten years	-	-
Ten or more years	10,546	10,363
	$ 4,648,320	$ 4,544,167

(c) The components of net investment income for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Interest income	$ 445,665	$ 221,814
Realized (losses)/gains	(49,919)	(26,273)
	$ 395,746	$ 195,541

(d) Investments with a market value of $2,406,981 (2021 - $4,544,167) are held in a Custody account collateralizing a letter of credit in favor of Arch Insurance Company (the beneficiary).

10. INVESTMENTS (continued)

(e) Fair value of investments

ASC 820 "Fair Value Measurement" ("ASC 820") establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by those pricing the Company's securities. In accordance with ASC 820, these two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices for identical securities in active markets;
- Level 2 – Quoted prices for similar securities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

Where the Company uses quoted market prices to determine fair value, such items are classified within Level 1. In some cases where a current market price is unavailable, e.g. because particular securities are thinly traded and did not trade on the measurement date, the price of the security will be based on acceptable practical expedients such as matrix pricing, in which case the securities are classified within Level 2.

As required by ASC 820, when inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value prices for all securities within the Company's fixed income investment portfolio are independently provided by the investment managers through utilization of nationally recognized independent pricing services. These pricing services provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services utilize market data and other observable inputs in matrix pricing models to determine prices. These inputs include, but are not limited to, reported trades, benchmark yields, broker/dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value. The Company considers these Level 2 inputs as they are corroborated with other externally obtained information.

The fair value estimates of most fixed maturity investments are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such fixed maturities provided by the pricing service are included in the amounts disclosed in Level 2 of the hierarchy. As at December 31, 2022, the Company holds no securities which would be classed as Level 3 per the fair value hierarchy established by ASC 820.

10. INVESTMENTS (continued)

(e) Fair value of investments (continued)

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value on a recurring basis as of December 31, 2022:

	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant other unobservable inputs Level 3	Total
US Government	$ –	$ 2,174,128	$ –	$ 2,174,128
Asset backed securities	–	-	–	-
Mortgage backed securities:				
Commercial	–	33,151	–	33,151
Residential	–	199,702	–	199,702
Total	$ –	$ 2,406,981	$ –	$ 2,406,981

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value on a recurring basis as of December 31, 2021:

	Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant other unobservable inputs Level 3	Total
US Government	$ –	$ 4,260,596	$ –	$ 4,260,596
Asset backed securities	–	136	–	136
Mortgage backed securities:				
Commercial	–	35,648	–	35,648
Residential	–	247,787	–	247,787
Total	$ –	$ 4,544,167	$ –	$ 4,544,167

During the year ended December 31, 2022 and 2021, the Company made no reclassifications of assets or liabilities between Levels 1, 2 and 3.

11. SHARE CAPITAL

The authorized share capital of the Company is $120,000 divided into 120,000 shares of US$1.00 each. The minimum subscribed share capital of the Company is $120,000 fully paid.

Contributed surplus represents cash contributed by the shareholder in excess of the issued share capital. An amount of $28,974,027 (2021 - $Nil) was contributed by the shareholder during 2022, being cash of $28,974,027 (2021 - $Nil).

12. TAXATION

Bermuda

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

United States

For U.S. tax purposes, each segregated account (or "cell") and the general account ("Core") within the Company are considered separate entities. Previously only the Sequre cell has made an irrevocable election under Section 953(d) of the Internal Revenue Code of 1986, as amended, to be treated as a domestic insurance company for United States federal tax purposes. Effective January 1, 2022 all other eligible cells have made the election under Section 953(d) of the Internal Revenue Code of 1986, as amended, to be treated as a domestic insurance company for United States federal tax purposes. As a result of this "domestic election", the cells within the Company are subject to taxation on its worldwide income as if they were a U.S. corporation. Deferred taxes have been calculated during the year for the newly elected entities. The Sequre cell also made an irrevocable election under IRC §831(b) that allows it to only pay tax on its investment income; however this election is not applicable during the year due to the amount of premiums written in the Company. Current and deferred income taxes are calculated by applying currently enacted tax laws.

Income taxes have not been provided for the Sinclair cell due to its dormant status. It is a controlled foreign corporation ("CFC") for U.S. tax purposes; therefore, the U.S. taxation of income / (loss) within the cell occurs at the U.S. owner-level. As such, no income taxes are reported by the Company in relation to this cell.

During 2022, the Company incurred net operating loss carryforwards of $2.9M, which, if unused, will begin to expire in year 2041. The Company also incurred capital loss carryforwards of $50K, which, if unused, will begin to expire in 2026. Certain tax attributes are subject to an annual limitation as a result of the acquisition of the Company by Fleming Holdings (Blocker) LLC, which constitutes a change of ownership as defined under Internal Revenue Code Section 382.

Management assesses the available positive and negative evidence to evaluate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. Under ASC 740, a significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2022. Such objective negative evidence limits the ability to consider other subjective positive evidence, such as our projections for future growth, as such positive evidence is not objectively verifiable. On the basis of this evaluation, as of December 31, 2022, a valuation allowance of $1.6M has been recorded. The amount of the deferred tax asset valuation allowance, however, could be adjusted in future years if objective negative evidence in the form of cumulative losses is no longer present and/or positive evidence develops around our future growth which is objectively verifiable. It is management's opinion that the deferred tax assets would be recognized in future years.

12. TAXATION (continued)

Total income taxes for the year ended December 31, 2022 and December 31, 2021, respectively, was allocated as follows:

	2022	2021
	$	$
Income tax expense (benefit) from continuing operations	320,561	43,739
Shareholder's Equity, for unrealized gains and losses recognized for Financial reporting purposes	-	-
Total income tax expense (benefit)	320,561	43,739

The significant components of income tax expense from continuing operations are as follows:

	2022	2021
Federal Income Taxes	$	$
Current	279,468	25,384
Deferred	41,093	18,355
Total income tax expense (benefit)	320,561	43,739

The deferred income tax assets and liabilities as of December 31, 2022 and 2021 are attributable to the following temporary differences:

	2022	2021
	$	$
Deferred income tax assets:		
Unrealized losses	27,962	-
Net operating loss carryforwards	623,714	-
Capital loss carryforward	10,483	-
Change in loss reserves	782,361	28,216
Deferred gain on LPT/novation	316,605	13,172
Organizational costs	5,777	-
Gross deferred income tax asset	1,766,902	41,388
Less: valuation allowance	(1,667,498)	-
Net deferred tax assets:	99,403	41,388
Deferred income tax liabilities:		
Deferred acquisition costs	(99,182)	-
Loss reserve transition adjustment (tax reform)	(221)	(295)
Gross deferred income tax liabilities	(99,403)	(295)
Total net deferred income tax assets	-	41,093

12. TAXATION (continued)

The reconciliation of income taxes attributable to continuing operations computed at U.S. federal statutory tax rates to income tax expense is as follows:

	2022	2021
	$	$
Tax at U.S. statutory rates	(913,880)	31,112
Non-taxable income	-	31,466
953(d) elections	(406,839)	-
Valuation allowance	1,639,536	-
Write down of NOLs	1,743	(18,839)
Income tax expense (benefit)	320,561	43,739

13. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these financial statements are disclosed below.

During the year ended December 31, 2022, the Company was charged interest of $21,287 (2021 - $123,750) on a loan payable to the Company's former ultimate parent, Fleming Corp. These interest charges are included in general and administrative expenses in the statements of income and comprehensive income. Interest of $Nil is payable as at December 31, 2022 (2021 - $148,151).

During the year ended December 31, 2022, the Company paid expenses totaling $Nil (2021 - $623,552) on behalf of Fleming Re Holdings LLC, the Company's former parent.

As at the year ended December 31, 2022, the Company is due $327,484 from Fleming Insurance Management Services, LLC, an associated company.

As at the year ended December 31, 2022, the Company is due $299,183 from Fleming Holdings LLC, an intermediate parent company.

14. STATUTORY REQUIREMENTS

The Company is registered under the Bermuda Insurance Act 1978, amendments thereto and related regulations which require that the Company maintain minimum levels of solvency and liquidity as defined by the Insurance Account Rules 2016. For the years ended December 31, 2022 and 2021, these requirements have been met.

At December 31, 2022 and 2021, the minimum required statutory capital and surplus and the minimum required level of liquid assets follows:

	2022	2021
	$	$
Minimum required statutory capital and surplus	5,605,000	1,228,000
Actual statutory capital and surplus	30,745,000	6,452,000
Minimum required level of liquid assets	32,901,000	8,058,000
Actual level of liquid assets	73,409,000	17,120,000

15. SEGREGATED ACCOUNTS

As discussed in Note 1 and Note 2, these financial statements include the 7 (2021 - 6) Segregated Accounts that were operated by the Company during the year ended December 31, 2022. Set out below are the net assets and net income (loss) and comprehensive income (loss) of the Segregated Accounts as of and for the years ended December 31, 2022 and 2021:

As of December 31, 2022

	Segregated Account Sequre 2022 $	Segregated Account Arch 2022 $	Segregated Account Travelers 2022 $	Segregated Account Sinclair 2022 $	Segregated Account Sparta 2022 $	Segregated Account Zurich 2022 $
Net income (loss) and comprehensive income (loss)	(37,561)	(437,845)	(132,888)	-	(37,566)	171,309
Net assets	4,989,534	2,444,234	(66,188)	0	(155,951)	(103,797)

	Segregated Account Conifer 2022 $	Total 2022 $
Net income (loss) and comprehensive income (loss)	(2,220,518)	(2,695,069)
Net assets	10,096,485	17,204,317

As of December 31, 2021

	Segregated Account Sequre 2021 $	Segregated Account Arch 2021 $	Segregated Account Travelers 2021 $	Segregated Account Sinclair 2021 $	Segregated Account Sparta 2021 $	Segregated Account Zurich 2021 $	Total 2021 $
Net income (loss) and comprehensive income (loss)	297,986	619,039	14,747	-	(118,385)	(275,106)	538,281
Net assets	5,027,095	2,882,079	66,700	-	(118,385)	(275,106)	7,582,383

16. SUBSEQUENT EVENTS

The Company has performed a review of events subsequent to December 31, 2022 through April 28, 2023, the date these financial statements were available for issuance. There are no subsequent events to disclose.