Cavello Bay Reinsurance Limited

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

April 30, 2023

Report of Independent Auditors

To the Board of Directors and Shareholder of Cavello Bay Reinsurance Limited

Opinion

We have audited the accompanying consolidated financial statements of Cavello Bay Reinsurance Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statement of earnings, of comprehensive income, of changes in shareholder's equity and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year 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 consolidated 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.

Change in Accounting Principle

As discussed in Notes 2(b) and 7 to the consolidated financial statements, the Company changed the manner in which it accounts for the amortization of deferred charge assets in 2022.

Other Matter

The consolidated financial statements of the Company as of December 31, 2021 and for the year then ended were audited by other auditors whose report, dated April 29, 2022 and April 30, 2023, expressed an unmodified opinion on those statements. The report includes a paragraph highlighting the change in accounting principle related to deferred charge assets effective January 1, 2021.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditors’ responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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

Accounting principles generally accepted in the United States of America require that the required supplemental information pertaining to Short-Duration Contracts disclosures labelled as “Unaudited” within Note 8 on pages 42 to 51 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Cavello Bay Reinsurance Limited

Opinion

We have audited the consolidated financial statements of Cavello Bay Reinsurance Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of earnings, consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity, and consolidated statements of cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Change in accounting principle

As discussed in Notes 2(b) and 7 to the consolidated financial statements, the Company has elected to change its method of accounting for deferred charge assets as of January 1, 2021.

Basis for opinion

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

Responsibilities of management for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required supplementary information

U.S. generally accepted accounting principles require that certain disclosures related to short-duration contracts in Note 8 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 29, 2022, except as to changes to deferred charge assets as described in Notes 2(b) and 7, which is as of April 30, 2023.

Cavello Bay Reinsurance Limited
CONSOLIDATED BALANCE SHEETS
As at December 31, 2022 and 2021

	2022	2021
	(expressed in millions of U.S. dollars, except share data)	
ASSETS		
Short-term investments, trading, at fair value	$ 1	$ 3
Short-term investments, available-for-sale, at fair value (amortized cost: 2022 - $27; 2021 - $22)	28	23
Fixed maturities, trading, at fair value	683	1,111
Fixed maturities, available-for-sale, at fair value (amortized cost: 2022 - $3,999; 2021 - $3,899; net of allowance: 2022 - $27; 2021 - $8)	3,505	3,904
Funds held - directly managed	2,040	2,226
Equities, at fair value	622	1,477
Other investments, at fair value	2,858	1,856
Equity method investments	381	474
Total investments	10,118	11,074
Cash and cash equivalents	308	1,136
Restricted cash and cash equivalents	308	213
Premiums receivable	25	11
Reinsurance balances recoverable on paid and unpaid losses	60	89
Reinsurance balances recoverable on paid and unpaid losses, fair value	118	163
Funds held by reinsured companies	3,794	2,530
Deferred charge assets	470	395
Deferred acquisition costs	4	7
Amounts due from related parties	44	179
Other assets	49	48
TOTAL ASSETS	$ 15,298	$ 15,845
LIABILITIES		
Losses and loss adjustment expenses	$ 8,992	$ 7,340
Losses and loss adjustment expenses, at fair value	610	945
Future policyholder benefits	1,184	1,502
Unearned premiums	58	79
Amounts due to related parties	260	204
Other liabilities	52	199
TOTAL LIABILITIES	11,156	10,270
SHAREHOLDER'S EQUITY		
Share capital - 120,000 common shares, par value of $1 each issued, fully paid and outstanding	—	—
Shares in ultimate holding company	(201)	(201)
Additional paid-in capital	2,871	2,821
Accumulated other comprehensive loss	(449)	(26)
Retained earnings	1,826	2,762
Shareholder's Equity attributable to Shareholder	4,047	5,356
Noncontrolling interest	95	219
TOTAL SHAREHOLDER'S EQUITY	4,142	5,575
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 15,298	$ 15,845

See accompanying notes to the consolidated financial statements

Cavello Bay Reinsurance Limited
CONSOLIDATED STATEMENTS OF EARNINGS
For the Years Ended December 31, 2022 and 2021

	2022	2021
	(expressed in millions of U.S. dollars)	
Net premiums earned	$ 41	$ 73
Net investment income	303	187
Net realized investment losses	(92)	(64)
Net unrealized (losses) gains	(1,044)	164
Other income	18	—
Net gain on purchase of subsidiaries	—	45
TOTAL INCOME	(774)	405
EXPENSES		
Net incurred losses and loss adjustment expenses		
Current Period	14	47
Prior Period	(661)	(200)
Total net incurred losses and loss adjustment expenses	(647)	(153)
Policyholder benefit expense	25	(3)
Amortization of net deferred charge assets	65	38
Acquisition costs	4	9
General and administrative expenses	109	93
Net foreign exchange gains	—	(11)
TOTAL EXPENSES	(444)	(27)
NET (LOSS) EARNINGS BEFORE NET (LOSS) EARNINGS FROM EQUITY METHOD INVESTMENTS	(330)	432
NET (LOSS) EARNINGS FROM EQUITY METHOD INVESTMENTS	(73)	93
NET (LOSS) EARNINGS	(403)	525
Net loss attributable to noncontrolling interest	66	1
NET (LOSS) EARNINGS ATTRIBUTABLE TO SHAREHOLDER	$ (337)	$ 526

See accompanying notes to the consolidated financial statements

Cavello Bay Reinsurance Limited
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021

	2022	2021
	(expressed in millions of U.S. dollars)	
NET (LOSS) EARNINGS	$ (403)	$ 526
Other comprehensive income (loss), net of income taxes:		
Unrealized losses on fixed income available-for-sale investments arising during the year	(503)	(79)
Reclassification adjustment for change in allowance for credit losses recognized in net earnings	22	8
Reclassification adjustment for net realized gains included in net earnings	53	(3)
Change in currency translation adjustment	(3)	—
Total other comprehensive loss	(431)	(74)
Comprehensive (loss) income	(834)	452
Comprehensive loss attributable to noncontrolling interest	74	1
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO SHAREHOLDER	$ (760)	$ 454

Cavello Bay Reinsurance Limited
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
For the Years Ended December 31, 2022 and 2021

	2022		2021	
	(expressed in millions of U.S. dollars)			
SHARE CAPITAL - COMMON SHARES				
Balance, beginning and end of year	$	—	$	—
SHARES IN ULTIMATE PARENT COMPANY				
Balance, beginning and end of year	$	(201)	$	(201)
ADDITIONAL PAID-IN CAPITAL				
Balance, beginning of year	$	2,821	$	2,821
Contribution of capital		50		—
Balance, end of year	$	2,871	$	2,821
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME				
Balance, beginning of year		(26)		—
Unrealized gains (losses) on available-for-sale investments				
Balance, beginning of year	$	(26)	$	47
Change in unrealized losses on available-for-sale investments		(420)		(74)
Balance, end of year		(446)		(26)
Cumulative currency translation adjustment				
Balance, beginning of year		—		—
Change in currency translation adjustment		(3)		—
Balance, end of year		(3)		—
Balance, end of year	$	(449)	$	(26)
RETAINED EARNINGS				
Balance, beginning of year	$	2,762	$	2,595
Net (loss) earnings		(403)		525
Net loss (earnings) attributable to noncontrolling interest		66		(1)
Cumulative effect of change in accounting principle		—		6
Dividends paid		(600)		(364)
Balance, end of year	$	1,826	$	2,762
NONCONTROLLING INTEREST				
Balance, beginning of year	$	219	$	—
Increase due to acquisition		—		218
Dividend Paid		(50)		—
Net (loss) earnings attributed to noncontrolling interest		(66)		1
Change in unrealized losses on available for sale investments attributable to noncontrolling interests		(8)		—
Balance, end of year	$	95	$	219
TOTAL SHAREHOLDER'S EQUITY	$	4,142	$	5,575

See accompanying notes to the consolidated financial statements

Cavello Bay Reinsurance Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
	(expressed in millions of U.S. dollars)	
OPERATING ACTIVITIES:		
Net (loss) earnings	(403)	525
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Realized losses (gains) on sale of investments	92	64
Unrealized losses (gains) on investments	1,044	(164)
Variable interest entity assets and liabilities of InRe Fund (change in)	—	469
Sales and maturities of trading securities	2,275	4,412
Purchases of trading securities	(2,171)	(1,930)
Amortization	17	44
Amortization of deferred charge assets	65	38
Net loss (earnings) from equity method investments	74	(93)
Payments to cover securities sold short	—	(1,156)
Proceeds from securities sold short	—	534
Net Receipts/disbursements from derivative contracts and foreign currencies	—	(94)
Net gain on purchase and sales of subsidiaries	—	(45)
Changes in:		
Funds held by reinsurance companies	(1,264)	(1,017)
Reinsurance recoverable	74	148
Losses and loss adjustment expenses	999	2,111
Unearned premiums	(21)	60
Premiums receivable	(14)	13
Amounts due from related parties	190	50
Other operating assets and liabilities	(283)	(245)
Net cash flows provided by operating activities	674	3,724
INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	—	(206)
Other investing activities	18	—
Sale and maturities of available-for-sale securities	1,737	1,748
Purchase of available-for-sale securities	(1,378)	(3,853)
Purchase of other investments	(1,527)	(928)
Proceeds from other investments	343	382
Consolidation of the InRe Fund opening cash and restricted cash balances	—	574
Net cash flows used in investing activities	(807)	(2,283)
FINANCING ACTIVITIES:		
Dividends	(600)	(364)
Dividends paid to noncontrolling interests	(50)	—
Net contribution of capital	50	—
Net cash flows used in financing activities	(600)	(364)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(733)	1,077
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	1,349	272
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 616	$ 1,349
Reconciliation to Consolidated Balance Sheets:		
Cash and cash equivalents	308	1,136
Restricted cash and cash equivalents	308	213
Cash, cash equivalents and restricted cash	$ 616	$ 1,349

See accompanying notes to the consolidated financial statements

1. BASIS OF PRESENTATION

Cavello Bay Reinsurance Limited (“Cavello Bay”, “we”, “us”, “our” or the “Company”) was incorporated under the laws of Bermuda on April 8, 2015. It is a wholly-owned subsidiary of Kenmare Holdings Ltd., ("Kenmare" or the "Parent"), a company incorporated in Bermuda, on August 16, 2001. The ultimate parent company of Cavello Bay is Enstar Group Limited (“Enstar”), a company incorporated under the laws of Bermuda.

The Company is registered as a Class 3B reinsurer under the Insurance Act 1978 of Bermuda, amendments thereto and related regulations (the “Insurance Act”).

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All intercompany accounts and transactions have been eliminated. Certain comparative information has been reclassified to conform to the current presentation.

Enhanzed Re

Our majority owned subsidiary, Enhanzed Reinsurance Ltd. ("Enhanzed Re"), is included in the consolidated financial statements reported on a one quarter lag. The effect on our consolidated financial condition and results of operations of all material events occurring at Enhanzed Re through December 31, 2022 has been considered for adjustment and/or disclosure.

In August 2022, Enhanzed Re entered into a Master Agreement with the Company, and Allianz SE (“Allianz”). Pursuant to the Master Agreement, Enhanzed Re, the Company and Allianz agreed to a series of transactions that allowed us to unwind Enhanzed Re’s operations in an orderly manner. The transactions included (i) commuting or novating all of the reinsurance contracts written by Enhanzed Re, (ii) repaying the $70 million of subordinated notes issued by Enhanzed Re to an affiliate of Allianz, and (iii) distributing Enhanzed Re’s excess capital to the Company and Allianz in accordance with their respective equity ownership. As of December 31, 2022, all of the transactions were complete, and the impact of transactions completed in the fourth quarter 2022 will be reflected in our 2023 consolidated financial statements, as a result of the one quarter reporting lag.

Use of Estimates, Risks and Uncertainties

The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimation of unpaid claim liabilities at any given point in time is subject to a high degree of uncertainty for a number of reasons. A significant amount of time can lapse between the assumption of risk, the occurrence of a loss event, the reporting of the event to an (re)insurance company and the ultimate payment of the claim on the loss event. Certain estimates for unpaid claim liabilities involve considerable uncertainty due to significant coverage litigation and it can be unclear whether past claim experience will be representative of future claim experience.

We are subject to economic factors such as interest rates, inflation, foreign exchange rates, adverse reserve developments, regulation, tax policy changes, political risks and other market risks that can impact our strategy, operations, and results.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Retroactive Reinsurance Contracts

Retroactive reinsurance contracts provide indemnification for losses and loss adjustment expenses ("LAE") with respect to past loss events. We do not record any income or expense on recognition of the contracts' assets and liabilities. Any subsequent remeasurement of the value of liabilities is recorded to net incurred losses and LAE within the consolidated statements of earnings.

(b) Deferred Charge Assets

If, at the inception of a retroactive reinsurance contract, the estimated liabilities for losses and LAE exceed the premiums received, a deferred charge asset (“DCA”) is recorded for this difference. In contrast, if the premiums received are in excess of the estimated undiscounted ultimate losses payable, a deferred gain liability (“DGL”) is recorded. In addition, for retrocessions of losses and LAE reserves that we have assumed through retroactive reinsurance contracts where the retroceded liabilities exceed the retrocession premiums paid, we record a DGL.

The premium consideration that we charge the ceding companies under retroactive reinsurance contracts may be lower than our estimate of losses and LAE liabilities as these liabilities may not be settled for many years. Our contractual counterparties (cedants) settle the premium consideration upon inception of the contract and we invest the premium received over an extended period of time, thereby generating investment income. As a result, we expect to generate profits from these retroactive reinsurance contracts when taking into account the premium received and expected investment income, less contractual obligations and expenses.

Effective December 31, 2022, we voluntarily changed our accounting policy for calculating the amortization of our DCAs and DGLs. Previously, any change in ultimate losses on the contracts with a recognized DCA or DGL would result in the recognition of an adjustment to the DCA or DGL, as if the adjusted reserves had existed upon inception of the contract. We will no longer adjust the DCAs or DGLs for these events.

We continue to amortize the originating DCA balances over the estimated claim payment period of the related contracts with the amortization adjusted at each reporting period to reflect new estimates of the pattern and timing of remaining loss and LAE payments. Previously, the amortization of our DCAs and DGLs was included in net incurred losses and LAE. We now present the amortization of our DCAs and DGLs as a separate line item in our consolidated statements of earnings.

Refer to Note 7 for additional information.

When liabilities for losses and LAE are extinguished through commutations and policy buybacks, they are removed from our estimates for the remaining loss and LAE payments, and this will generally result in an acceleration of the amortization of the DCAs.

DCAs are assessed at each reporting period for impairment and if the asset is determined to be impaired, then it is written down in the period in which the determination is made with that write down reflected in earnings as a component of net incurred losses and LAE.

For each reinsurance contact where a DCA has been recorded we assess for impairment at each reporting period by determining the rate of return that we are required to earn on the invested assets to ensure that all cashflows arising from the assumed liabilities are met in full over the projected remaining payout period. This required rate of return is compared against the modeled rate of return, the weighted average portfolio yield and the actual annualized rate of return in order to identify indicators that would lead us to record an impairment of the DCA.

(c) Short-duration Insurance Contracts

Premiums written

Premiums written related to prospective risk policies are earned on a pro-rata basis over the period of the related coverage. Reinsurance premiums on prospective risks are recorded at the inception of the policy, are based upon contractual terms and, for certain business, are estimated based on underlying contracts or from information provided by insureds and/or brokers.

Changes in reinsurance premium estimates for prospective risks are recorded as premiums written in the period in which they are determined.

Certain contracts are retrospectively rated and provide for a final adjustment to the premium based on the final settlement of all losses. Premiums on such contracts are adjusted based upon contractual terms, and management judgment is involved with respect to the estimate of the amount of losses that we expect to incur. These adjustments to the premium are recognized at the time loss thresholds specified in the contract are exceeded and are earned over the coverage period, or are earned immediately if the period of risk coverage has passed.

Unearned Premium Reserves and Premiums Receivable

Unearned premium reserves represent the unexpired portion of policy premiums. For retrospectively rated contracts as well as those contracts whose written premium amounts are recorded based on premium estimates at inception, changes to accrued premiums arising from changes to these estimates are reflected as changes in premium balances receivable where appropriate.

Premium balances receivable are reported net of an allowance for expected credit losses as appropriate. The allowance is based upon our ongoing review of amounts outstanding, historical loss data, including delinquencies and write-offs, current and forecasted economic conditions and other relevant factors. However, the credit risk on our premiums receivable balances is substantially reduced where we have the ability to cancel the underlying policy if the policyholder does not pay the related premium.

(d) Acquisition Costs

Acquisition costs, consisting principally of incremental costs including, commissions and brokerage expenses and certain premium taxes and fees incurred at the time a contract or policy is issued and which are directly related to the successful efforts of acquiring new insurance contracts or renewing existing insurance contracts, are deferred and amortized over the period in which the related premiums are earned.

Deferred acquisition costs (“DAC”) are limited to their estimated realizable value by line of business based on the related unearned premiums, anticipated claims and claim expenses and anticipated investment income.

A premium deficiency occurs if the sum of anticipated losses and LAE exceed unearned premiums, DAC and anticipated investment income. A premium deficiency is initially recognized by charging any DAC to expense to the extent required in order to eliminate the deficiency. If the premium deficiency exceeds the DAC, then a liability is accrued for the excess deficiency.

(e) Losses and LAE

The liability for losses and LAE includes reserves for unpaid reported losses and losses incurred but not reported ("IBNR").

We establish reserves for unpaid reported losses and LAE based on reports from brokers, ceding companies and insureds and these represent the estimated ultimate cost of events or conditions that have been reported to or specifically identified by us.

The reserves for IBNR losses are established by us based on actuarially determined estimates of ultimate losses and LAE. Inherent in the estimate of ultimate losses and LAE are expected trends in claim severity and frequency, historical loss experience, industry statistics and other factors which may vary significantly as claims are settled.

These estimates are reviewed regularly and are subject to the impact of future changes in the factors noted above as well as economic conditions including the impact of inflation, legal and judicial developments, and medical cost trends.

Any subsequent remeasurement of our reserves will be recorded in earnings in the period in which they become known and reflected as part of the net increase or reduction in the estimates of ultimate losses included within net incurred losses and LAE in the consolidated statements of earnings.

Prior period development ("PPD") arises from changes to loss estimates recognized in the current calendar year that relate to loss reserves established in previous calendar years.

Our estimates, at inception and on an ongoing basis, do not include an estimate for potential future commutations and policy buybacks. Commutations and policy buybacks are often unique and circumstance-based, and each commutation or policy buyback is separately negotiated. Therefore, the successful execution of one commutation or policy buyback does not necessarily impact the likelihood of other commutations or policy buybacks occurring in the future.

Commutations and policy buybacks provide an opportunity for us to exit exposures to certain policies and insureds generally at a discount to our estimate of the ultimate liability and provide us with the ability to eliminate exposure to

further losses which can be beneficial to us as they legally extinguish liabilities in full, reducing the potential for future adverse loss development and future claims handling costs.

Commutations of acquired companies’ exposures have the effect of accelerating the payout of claims compared to the probability-weighted ranges of actuarially projected cash flows that we applied when estimating the fair values of assets and liabilities at the time of acquisition.

Commutations are only executed directly with (re)insureds and any changes in ultimate losses are recognized upon the execution of a commutation or policy buyback with the (re)insured.

Any material acceleration of payout together with the impact of any material loss reserve savings in any period will also accelerate the amortization of any associated fair value adjustments in that period.

Our (re)insurance subsidiaries also establish provisions for unallocated loss adjustment expenses ("ULAE") for LAE relating to run-off costs for the estimated duration of the run-off, such as internal claim management or associated operational support costs, which are included in the liability for losses and LAE. These provisions are assessed at each reporting date, and provisions relating to future periods are adjusted to reflect any changes in estimates of the periodic run-off costs or the duration of the run-off, including the impact of any acceleration of the run-off period that may be caused by commutations. Provisions relating to the current period together with any adjustment to future run-off provisions are included in net incurred losses and LAE in the consolidated statements of earnings.

Fair Value Option

We have elected to apply the fair value option for certain reinsurance contracts including loss portfolio transfers ("LPTs") and reinsurance to close ("RITC") transactions. This is an irrevocable election that applies to all balances under the reinsurance contract, including funds held assets, reinsurance balances recoverable on paid and unpaid losses, and the liability for losses and LAE.

We use an internal model to calculate the fair value of the liability for losses and LAE and the reinsurance balances recoverable on paid and unpaid losses. The nominal amounts related to the funds held assets, reinsurance balances recoverable on paid and unpaid losses, and the liability for losses and LAE, are inputs in our internal model. These liabilities are included in losses and LAE, at fair value on the consolidated balance sheets, and the changes in the liability are included in net incurred losses and LAE on the consolidated statements of earnings.

(f) Future Policyholder Benefits

Our life reinsurance contracts include traditional single payment premium immediate annuities, life contingent deferred annuities, and whole life reversion annuity policies all possessing significant mortality risk in the form of longevity risk.

Future policyholder benefit provisions are established based on the present value of anticipated future cash flows, which includes judgments over estimates of mortality rates, investment yields, policy expenses, and other assumptions by reference to cedants' historical data, regional mortality tables, industry standards, and other available information sources as may be reasonably available. These estimates include provisions for adverse deviation.

These assumptions are locked in at contract inception or assumption and are only unlocked and modified if it is deemed that the provision for future policyholder benefits are insufficient. The actual versus anticipated experience of the assumptions are reviewed periodically. The effects of changes in assumptions are recorded to the consolidated statements of earnings as adjustments in the period in which the assumptions are unlocked and changes are made.

The consideration received for life reinsurance contracts is calculated as the fair value of the assets received net of commissions, brokerage, or fronting fees.

(g) Reinsurance Balances Recoverable on Paid and Unpaid Losses

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying liability for losses and LAE. We report our reinsurance balances recoverable on paid and unpaid losses net of an allowance for estimated uncollectible amounts.

Our allowance for estimated uncollectible reinsurance is derived based on various data sources, multiple key inputs and forecast scenarios. These include the duration of the collection period, credit quality, changes in reinsurer credit standing, default rates specific to the individual reinsurer, the geographical location of the reinsurer, contractual disputes with reinsurers over individual contentious claims, contract language or coverage issues, industry analyst reports and consensus economic forecasts.

To determine the allowance for estimated uncollectible reinsurance, we use the probability of default ("PD") and loss given default ("LGD") methodology whereby each reinsurer is allocated an appropriate PD percentage based on the expected payout duration by portfolio. This PD percentage is then multiplied by an appropriate LGD percentage to arrive at an overall credit allowance percentage which is then applied to the reinsurance balance recoverable for each reinsurer, net of any specific bad debt provisions, collateral or other contract related offsets, to arrive at the overall allowance for estimated uncollectible reinsurance by reinsurer.

Amounts deemed to be uncollectible, including amounts due from known insolvent reinsurers, are written off against the allowance.

Changes in the allowance, as well as any subsequent collections of amounts previously written off, are reported as part of the net incurred losses and LAE in our consolidated statements of earnings.

On an ongoing basis, we also evaluate and monitor the credit risk of our reinsurers, including those under voluntary schemes of arrangement, to minimize our exposure to significant losses from potential insolvencies.

(h) Investments, Cash and Cash Equivalents

Cash and cash equivalents

Cash equivalents includes money market funds, fixed interest deposits and all highly liquid debt instruments purchased with an original maturity of three months or less.

Short-term investments and fixed maturity investments

Short-term investments comprise investments with a maturity greater than three months up to one year from the date of purchase. Fixed maturities comprise investments with a maturity of greater than one year from the date of purchase.

Short-term and fixed maturity investments classified as trading are carried at fair value, with realized and unrealized gains and losses included in net earnings and reported as net realized and unrealized gains and losses, respectively.

Short-term and fixed maturity investments classified as available-for-sale ("AFS") are carried at fair value, with unrealized gains and losses excluded from net earnings and reported as a separate component of accumulated other comprehensive income (loss) ("AOCI"). Realized gains and losses on sales of investments classified as AFS are recognized in the consolidated statements of earnings.

The costs of short-term and fixed maturity investments are adjusted for amortization of premiums and accretion of discounts, recognized using the effective yield method and included in net investment income. For mortgage-backed and asset-backed investments, and any other holdings for which there is a prepayment risk, prepayment assumptions are evaluated and reviewed on a regular basis.

Investment purchases and sales are recorded on a trade-date basis. Realized gains and losses on the sale of investments are based upon specific identification of the cost of investments.

Allowance for Credit Losses

We perform a detailed analysis every reporting period to identify any credit losses on our investment portfolios not measured at fair value through net earnings. Credit losses on our AFS fixed maturity securities are recognized through an allowance account which is deducted from the amortized cost basis of the security, with the net carrying value of the security presented on the consolidated balance sheet at the amount expected to be collected.

To calculate the amount of the credit loss, we compare the present value of the expected future cash flows with the amortized cost basis of the AFS fixed maturity security, with the amount of the credit loss recognized being limited to the excess of the amortized cost basis over the fair value of the AFS fixed maturity security, effectively creating a "fair value floor".

For our AFS fixed maturity securities that we do not intend to sell or for which it is more likely than not that we will not be required to sell before an anticipated recovery in value, we separate the credit loss component of any unrealized losses from the amount related to all other factors and record the credit loss component in net realized investment gains (losses) in our consolidated statements of earnings. The unrealized losses related to non-credit factors is recorded in other comprehensive income. The allowance for credit losses account is adjusted for any additional credit losses, write-offs and subsequent recoveries and is reflected in earnings.

For our AFS fixed maturity securities where we record a credit loss, a determination is made as to the cause of the credit loss and whether we expect a recovery in the fair value of the security. For our AFS fixed maturity securities where we expect a recovery in fair value, the constant effective yield method is utilized, and the investment is amortized to par.

For our AFS fixed maturity securities that we intend to sell or for which it is more likely than not that we will be required to sell before an anticipated recovery in fair value, the full amount of the unrealized loss is included in net realized investment gains (losses). The new cost basis of the investment is the previous amortized cost basis less the credit loss recognized in net realized investment gains (losses). The new cost basis is not adjusted for any subsequent recoveries in fair value.

Our allowance for credit losses is derived based on various data sources, multiple key inputs and forecast scenarios. These include default rates specific to the individual security, vintage of the security, geography of the issuer of the security, industry analyst reports, credit ratings and consensus economic forecasts.

To determine the credit losses on our AFS securities, we use the PD and LGD methodology through a third-party proprietary tool which calculates the expected credit losses based on a discounted cash flow method. The tool uses effective interest rates to discount the expected cash flows associated with each AFS security to determine its fair value, which is then compared with its amortized cost basis to derive the credit loss on the security.

The methodology and inputs used to determine the credit loss by security type are as follows:

- Corporate and government securities: Expected cashflows are derived that are specific to each security. The PD is based on a quantitative model that converts agency ratings to term structures that vary by country, industry and the state of the credit cycle. This is used along with macroeconomic forecasts to produce scenario conditioned PDs. The LGD is based on default studies provided by a third party which we use along with macroeconomic forecasts to produce scenario conditioned LGDs.
- Municipal securities: Expected cash flows are derived that are specific to each security. The PD model produces scenario conditioned PD output over the lifetime of the municipal security. These PDs are based on key macroeconomic and instrument specific risk factors. The LGD is derived based on a model which uses assumptions specific to the municipal securities.

For corporate, government and municipal securities, we use an explicit reversion and a three year forecast period, which we consider to be a reasonable duration during which an economic forecast could continue to be reliable.

- Asset-backed, commercial and residential mortgaged-backed securities: Expected cash flows are derived that are specific to each security. The PD and LGD for each security is based on a quantitative model that generates scenario conditioned PD and LGD term structures based on the underlying collateral type, waterfall and other trustee information. This model also considers prepayments. For these security types, there is no explicit reversion and the forecasts are deemed reasonable and supportable over the life of the portfolio.

We report the investment income accrued on our AFS fixed maturity securities within other assets and therefore separately from the underlying AFS fixed maturity securities. Due to the short-term period during which accrued investment income remains unpaid, which is typically six months or less since the coupon on our debt securities is paid semi-annually or more frequently, we elected not to establish an allowance for credit losses on our accrued investment income balances. Accrued investment income is written off through net realized investment gains (losses) at the time the issuer of the debt security defaults or is expected to default on payments.

Uncollectible fixed maturity securities are written off when we determine that no additional payments of principal or interest will be received.

Equity Securities

We hold investments in publicly traded equities, exchange-traded funds and privately held equities. Unless we have elected the measurement alternative, our equity investments are carried at fair value with realized and unrealized gains and losses included in net earnings and recorded as net realized and unrealized gains and losses, respectively.

We may elect to measure a privately held equity without a readily determinable fair value that does not qualify for the practical expedient to estimate fair value at its cost less impairment, if any.

Other investments, at fair value

Other investments include investments in limited partnerships and limited liability companies (collectively "private equity funds") and hedge funds, fixed income funds, equity funds, private credit funds, real estate funds, collateralized loan obligation ("CLO") equities and CLO equity funds that carry their investments at fair value and CLO equities.

We have elected the fair value option for certain of our other investments that would otherwise be accounted for as an equity method investment. The primary reason for electing the fair value option is because we believe this measurement basis is consistent with the applicable accounting guidance used by the investment funds themselves.

Our other investments are stated at fair value, which ordinarily will be the most recently reported net asset value ("NAV") as advised by the fund manager or administrator. The NAV is based on the fund manager's or administrator's valuation of the underlying holdings in accordance with the fund's governing documents. Many of our fund investments publish NAVs on a daily basis and provide daily liquidity while others report on a monthly or quarterly basis. Unrealized gains and losses on other investments are included in net earnings and reported as net unrealized gains and losses.

Equity method investments

Investments that we do not consolidate but in which we have significant influence over the operating and financial policies of the investee are classified as equity method investments and are accounted for using the equity method of accounting unless we have elected the fair value option.

In applying the equity method of accounting, investments are initially recorded at cost and are subsequently adjusted based on the Company's proportionate share of net income or loss of the investee, net of any distributions received from the investee.

We typically record our proportionate share of an investee's net income or loss on a quarter lag in line with the timing of when they report their financial information to us. Any adjustments made to the carrying value of our equity method investees are based on the most recently available financial information from the investees.

Changes in the carrying value of such investments are recorded in our consolidated statements of earnings as earnings (losses) from equity method investments. Any decline in the value of our equity method investments considered by management to be other-than-temporary is reflected in our consolidated statements of earnings in the period in which it is determined.

(i) Variable interest entities

We have investments in certain limited partnership funds which are deemed to be variable interest entities (“VIEs”) and which are included in other investments at the reported NAV.

Determining whether to consolidate a VIE may require judgment in assessing (i) whether an entity is a VIE, and (ii) if we are the entity's primary beneficiary and thus required to consolidate the entity. To determine if we are the primary beneficiary of a VIE, we evaluate whether we have (i) the power to direct the activities that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

Our evaluation includes identification of the activities that most significantly impact the VIE's economic performance and an assessment of our ability to direct those activities based on governance provisions, contractual arrangements to provide or receive certain services, funding commitments and other applicable agreements and circumstances. Our assessment of whether we are the primary beneficiary of our VIEs requires significant assumptions and judgment.

(j) Funds Held

Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to us. The funds balance is credited with investment income and losses paid are deducted.

Funds held are shown under two categories on the consolidated balance sheets, funds held where we receive the underlying portfolio economics are shown as "Funds held - directly managed", and funds held where we receive a fixed crediting rate are shown as "Funds held by reinsured companies".

Funds held by reinsured companies are carried at cost and any embedded derivative is carried at fair value.

Funds held - directly managed, are carried at fair value, either because we elected the fair value option at the inception of the reinsurance contract, or because it represents the aggregate of funds held at cost and the value of an embedded derivative. The embedded derivative relates to our contractual right to receive the return on the underlying investment portfolio supporting the reinsurance contract. We include the estimated fair value of these embedded derivatives in the consolidated balance sheets with the host contract in order to reflect the expected settlement of these features with the host contract.

The investment returns on both categories of funds held are recognized in net investment income and net realized and unrealized gains (losses), respectively. The change in the fair value of the embedded derivative is included in net unrealized gains (losses).

(k) Foreign Exchange

Our reporting currency is the U.S. dollar. Assets and liabilities of certain of our equity method investees whose functional currency is not the U.S. dollar are translated at period end exchange rates. Revenues and expenses of such foreign entities are translated at average exchange rates during the year. The effect of the currency translation adjustments for these foreign entities is included in AOCI.

Other foreign currency assets and liabilities that are considered monetary items are translated at exchange rates in effect at the balance sheet date. Foreign currency revenues and expenses are translated either at transaction date exchange rates or using an appropriately weighted average exchange rate for the reporting period. These exchange gains and losses are recognized in net earnings.

(l) Derivative Instruments

We use derivative instruments in our risk management strategies and investment operations. Derivatives, with the exception of embedded derivatives, are recorded on a trade-date basis and carried at fair value within other assets or other liabilities in the consolidated balance sheets.

Embedded derivatives are generally presented with the host contract in the consolidated balance sheets. The corresponding host contract is accounted for according to the accounting guidance applicable for that instrument. Our convertible bond portfolio, recorded within fixed maturities, trading and AFS on the consolidated balance sheets, and certain of our funds held arrangements (as described above) contain embedded derivatives.

Changes in the fair value as well as realized gains or losses on derivative instruments are recognized in net earnings if they are not designated as qualifying hedging instruments or if the criteria for establishing a perfectly effective designated hedging relationship for our net investment hedges has not been met. However, if a designated net investment hedge is deemed to be perfectly effective, then we recognize the changes in the fair value of the underlying hedging instrument in AOCI until the application of hedge accounting is discontinued. Any cumulative gains or losses arising on designated net investment hedges are deferred in AOCI until the cumulative translation adjustment from the underlying hedged net investment is recognized in net earnings due to a disposal, deconsolidation or substantial liquidation.

New Accounting Standards Adopted in 2022

ASU 2021-04 - Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity - Classified Written Call Options

In May 2021, the FASB issued ASU 2021-04 which requires issuers to account for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after the modification or exchange based on the economic substance of the modification or exchange. Under the ASU, an issuer considers the facts and circumstances of a modification or exchange and accounts for the resulting change in fair value of the written call option based on whether the transaction was done to issue equity, to issue or modify debt, or for other reasons. The guidance clarifies that to the extent applicable, issuers should first reference other GAAP to account for the effect of a modification. If other GAAP is not applicable, the guidance clarifies whether to account for the modification or exchange as either (i) an adjustment to equity, or (ii) an expense.

The adoption of ASU 2021-04 did not have an impact on our consolidated financial statements and disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

ASU 2018-12 - Targeted Improvement to the Accounting for Long-Duration Contracts

In August 2018, the FASB issued ASU 2018-12 and subsequently issued ASUs 2019-09 and 2020-11 serving to defer the effective date of implementation. These updates:

- Require at least annual review of assumptions used to determine the provision for future policyholder benefits with the recognition of any resulting re-measurement gains or losses, excluding those related to discount rate changes, in the consolidated statement of earnings;
- Use upper-medium grade fixed-income instrument discount rates to discount future cash flows with the impact of these changes recognized in other comprehensive income; and
- Introduce new disclosure requirements around the provisions for future policyholder benefits, policyholder account balances, market risk benefits, separate account liabilities, and DAC, which includes information about significant inputs, judgments, assumptions and methods used in measurement.

This standard is not required to be adopted by private entities until January 1, 2025. Given the wind down of Enhanzed Re we do not currently expect this standard to have a significant impact on our consolidated financial statements and disclosures.

3. Business Acquisitions

Enhanzed Re

On September 1, 2021, we completed the purchase of the entire 27.7% equity interest in Enhanzed Re held by an affiliate of Hillhouse Group for cash consideration of $217 million and assumed the Hillhouse Group's affiliate's remaining outstanding capital commitment to Enhanzed Re of $40 million (the "Step Acquisition").

Following the completion of the Step Acquisition, our equity interest in Enhanzed Re increased from 47.4% to 75.1% with joint venture partner Allianz SE ("Allianz") continuing to own the remaining 24.9%. Effective September 1, 2021, we consolidated Enhanzed Re (previously accounted for as an equity method investment) and eliminated any intercompany transactions and balances between us and Enhanzed Re.

On December 28, 2022, Enhanzed Re acquired Allianz SE's ("Allianz") remaining 24.9% interest for $174 million, the impact of which will be reflected in our 2023 consolidated financial statements as a result of reporting the results of Enhanzed Re on a one quarter lag.

The following table represents the fair value of net assets acquired, inclusive of the net effect of settlement of pre-existing relationships.

	Fair Value of Net Assets Acquired, Before Settlement of Pre-existing Relationships	Net Effect of Settlement of Pre-existing Relationships	Net Effect of Step Acquisition
	(in millions of U.S. dollars)		
ASSETS			
Fixed maturities, trading, at fair value	$ 49	$ —	$ 49
Funds held - directly managed	2,576	(150)	2,426
Equities, at fair value	855	—	855
Other investments, at fair value	14	—	14
Total investments	3,494	(150)	3,344
Cash and cash equivalents	11	—	11
Funds held by reinsured companies	214	—	214
Other assets	8	(2)	6
TOTAL ASSETS	$ 3,727	$ (152)	$ 3,575
LIABILITIES			
Losses and LAE	$ 1,113	$ (150)	$ 963
Future policyholder benefits	1,539	—	1,539
Debt obligations	76	—	76
Insurance and reinsurance balances payable	102	—	102
Other liabilities	16	(8)	8
TOTAL LIABILITIES	2,846	(158)	2,688
NET ASSETS ACQUIRED AT FAIR VALUE	$ 881	$ 6	$ 887
Less:			
Cash consideration paid to Hillhouse Group affiliate			$ 217
Fair value of previously held equity method investment			418
Fair value of noncontrolling interest			219
Adjustment for the fair value of pre-existing relationships			6
Total purchase price			860
Bargain purchase gain			$ 27

During the third quarter of 2021, we recognized a total gain on the Step Acquisition of $45 million, which was recorded in net gain on purchase of subsidiaries in our consolidated statements of earnings, and consisted of a bargain purchase gain, a gain on remeasurement of our previously held equity investment to fair value and a gain on settlement of pre-existing relationships.

We recognized a bargain purchase gain of $27 million as the fair value of the interest in the net assets acquired exceeded the total purchase price. The bargain purchase gain was attributable to the negotiation process with Hillhouse Group and the resulting cash consideration paid was based on 90% of Enhanzed Re's total shareholders' equity as of June 30, 2021 which was less than the fair value of the net assets acquired.

In accordance with the acquisition method of accounting, we remeasured our previously held equity method investment in Enhanzed Re to fair value. The fair value of the previously held equity method investment and noncontrolling interest was calculated as the fair value of Enhanzed Re's total net assets multiplied by the respective ownership percentages. These fair value measurements are based on significant inputs not observable in the market and thus represent Level 3 measurements. We also considered guideline market transactions, and the implied multiple from those transactions corroborated the results of the fair value estimate.

At the time of the transaction, we held contractual pre-existing relationships with Enhanzed Re, consisting of quota share reinsurance contracts and an agreement to act as the insurance manager for Enhanzed Re. The pre-existing relationships were deemed to be effectively settled at fair value on the acquisition date.

We record Enhanzed Re's results on a one quarter lag. The table below summarizes the results of Enhanzed Re's operations, which are included in our consolidated statement of earnings from September 1, 2021, the date of acquisition, to December 31, 2021:

	September 1 to December 31, 2021 [1]
	(in millions of U.S. dollars)
Total income	$ (17)
Net loss	(19)
Net loss attributable to Cavello	(15)

[1] Excludes earnings from our previously held equity method investment in Enhanzed Re.

4. INVESTMENTS

We hold:

(i) trading portfolios of fixed maturity investments, short-term investments and equities, carried at fair value;

(ii) AFS portfolios of fixed maturity and short-term investments, carried at fair value;

(iii) other investments carried at fair value;

(iv) funds held - directly managed, carried at fair value; and

(v) equity method investments.

Short-term and Fixed Maturity Investments

Asset Types

The fair values of the underlying asset types comprising our short-term investments and fixed maturity investments, classified as trading and AFS and the fixed maturity investments included within our funds held - directly managed balance were as follows as at December 31, 2022 and 2021:

	2022					
	Short-term investments - Trading	Short-term investments - AFS	Fixed maturity investments - Trading	Fixed maturity investments - AFS	Funds Held - Directly Managed	Total
	(in millions of U.S. dollars)					
U.S. government and agency	$ 1	$ 2	$ 20	$ 119	$ 128	$ 270
U.K. government	—	3	23	6	4	36
Other government	—	—	29	14	142	185
Corporate [1]	—	23	535	2,222	679	3,459
Municipal	—	—	14	79	53	146
Residential mortgage-backed	—	—	9	289	113	411
Commercial mortgage-backed	—	—	15	334	203	552
Asset backed	—	—	38	442	77	557
Structured Products	—	—	—	—	587	587
Total fixed maturity and short-term investments	$ 1	$ 28	$ 683	$ 3,505	$ 1,986	$ 6,203

[1] Includes convertible bonds of $233 million, which includes embedded derivatives of $34 million.

	2021					
	Short-term investments - Trading	Short-term investments - AFS	Fixed maturity investments - Trading	Fixed maturity investments - AFS	Funds Held - Directly Managed	Total
	(in millions of U.S. dollars)					
U.S. government and agency	$ —	$ 13	$ 29	$ 195	$ 114	$ 351
U.K. government	—	—	16	—	—	16
Other government	3	—	70	23	235	331
Corporate [(1)]	—	9	850	2,510	412	3,781
Municipal	—	—	19	90	27	136
Residential mortgage-backed	—	—	8	308	80	396
Commercial mortgage-backed	—	—	54	293	87	434
Asset backed	—	1	65	485	51	602
Structured Products	—	—	—	—	1,033	1,033
Total fixed maturity and short-term investments	$ 3	$ 23	$ 1,111	$ 3,904	$ 2,039	$ 7,080

[(1)] Includes convertible bonds of $223 million, which includes embedded derivatives of $43 million.

Included within residential and commercial mortgage-backed securities as at December 31, 2022 were securities issued by U.S. governmental agencies with a fair value of $327.0 million (as of December 31, 2021: $313.0 million).

Contractual Maturities

The contractual maturities of our short-term investments and fixed maturity investments, classified as trading and AFS, and the fixed maturity investments included within our funds held - directly managed balance are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

As at December 31, 2022	Amortized Cost	Fair Value	% of Total Fair Value
	(in millions of U.S.dollars)		
One year or less	$ 120	$ 117	1.9 %
More than one year through two years	233	222	3.6 %
More than two years through five years	1,481	1,324	21.3 %
More than five years through ten years	1,652	1,376	22.2 %
More than ten years	2,403	1,644	26.5 %
Residential mortgage-backed	453	411	6.6 %
Commercial mortgage-backed	594	552	8.9 %
Asset-backed	574	557	9.0 %
	$ 7,510	$ 6,203	100.0 %

Unrealized Gains and Losses on AFS Short-Term and Fixed Maturity Investments

The amortized cost, unrealized gains and losses, allowance for credit losses and fair values of our short-term and fixed maturity investments classified as AFS as of December 31, 2022 and 2021 were as follows:

			Gross Unrealized Losses		
2022	**Amortized Cost**	**Gross Unrealized Gains**	**Non-Credit Related Losses**	**Allowance for Credit Losses**	**Fair Value**
			(in millions of U.S.dollars)		
U.S. government and agency	$ 136	$ —	$ (15)	$ —	$ 121
U.K. government	9	—	—	—	9
Other government	16	—	(2)	—	14
Corporate	2,613	7	(349)	(27)	2,244
Municipal	96	1	(18)	—	79
Residential mortgage-backed	326	—	(37)	—	289
Commercial mortgage-backed	371	1	(38)	—	334
Asset-backed	458	1	(16)	—	443
	$ 4,025	$ 10	$ (475)	$ (27)	$ 3,533

			Gross Unrealized Losses		
2021	**Amortized Cost**	**Gross Unrealized Gains**	**Non-Credit Related Losses**	**Allowance for Credit Losses**	**Fair Value**
			(in millions of U.S.dollars)		
U.S. government and agency	$ 210	$ —	(2)	$ —	$ 208
Other government	23	—	—	—	23
Corporate	2,504	55	(32)	(8)	2,519
Municipal	90	1	(1)	—	90
Residential mortgage-backed	310	1	(3)	—	308
Commercial mortgage-backed	297	2	(6)	—	293
Asset-backed	487	—	(1)	—	486
	$ 3,921	$ 59	$ (45)	$ (8)	$ 3,927

Gross Unrealized Losses on AFS Short-term and Fixed Maturity Investments

The following table summarizes our short-term and fixed maturity investments classified as AFS that were in a gross unrealized loss position, for which an allowance for credit losses has not been recorded, as of December 31, 2022 and 2021:

	12 Months or Greater		Less Than 12 Months		Total	
As of December 31, 2022	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
	(in millions of U.S. dollars)					
U.S. government and agency	$ 85	$ (10)	$ 36	$ (5)	$ 121	$ (15)
Other government	3	(1)	10	(1)	13	(2)
Corporate	971	(211)	1,080	(138)	2,051	(349)
Municipal	50	(13)	20	(5)	70	(18)
Residential mortgage-backed	154	(30)	118	(7)	272	(37)
Commercial mortgage-backed	167	(30)	108	(8)	275	(38)
Asset-backed	122	(6)	204	(10)	326	(16)
Total short-term and fixed maturity investments	$ 1,552	$ (301)	$ 1,576	$ (174)	$ 3,131	$ (475)

	12 Months or Greater		Less Than 12 Months		Total	
As of December 31, 2021	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
	(in millions of U.S. dollars)					
U.S. government and agency	$ 1	$ —	$ 186	$ (2)	$ 187	$ (2)
Other government	—	—	8	—	8	—
Corporate	6	—	1,105	(14)	1,111	(14)
Municipal	—	—	60	(1)	60	(1)
Residential mortgage-backed	2	—	251	(3)	253	(3)
Commercial mortgage-backed	20	(1)	222	(4)	242	(5)
Asset-backed	—	—	391	(1)	391	(1)
Total short-term and fixed maturity investments	$ 29	$ (1)	$ 2,223	$ (25)	$ 2,252	$ (26)

As of December 31, 2022 and 2021, the number of securities classified as AFS in an unrealized loss position for which an allowance for credit loss is not recorded was 1,584 and 1,542, respectively. Of these securities, the number of securities that had been in an unrealized loss position for twelve months or longer was 614 and 32, respectively.

The contractual terms of a majority of these investments do not permit the issuers to settle the securities at a price less than the amortized cost basis of the security. While interest rates have increased and credit spreads have widened, and in certain cases credit ratings were downgraded, we currently do not expect the issuers of these fixed income securities to settle them at a price less than their amortized cost basis and therefore it is expected that we will recover the entire amortized cost basis of each security. Furthermore, we do not intend to sell the securities that are currently in an unrealized loss position, and it is also not more likely than not that we will be required to sell the securities before the recovery of their amortized cost bases.

Allowance for Credit Losses on AFS Fixed Maturity Investments

The following table provides a reconciliation of the beginning and ending allowance for credit losses on our AFS debt securities:

	December 31, 2022	
	Corporate	Total
	(in millions of U.S. dollars)	
Allowance for credit losses, beginning of year	$ (8)	$ (8)
Allowances for credit losses on securities for which credit losses were not previously recorded	(27)	(27)
Reductions for securities sold during the year	4	4
(Increase) decrease to the allowance for credit losses on securities that had an allowance recorded in the previous period	4	4
Allowance for credit losses, end of year	$ (27)	$ (27)

	December 31, 2021	
	Corporate	Total
	(in millions of U.S. dollars)	
Allowance for credit losses, beginning of year	$ —	$ —
Allowances for credit losses on securities for which credit losses were not previously recorded	(8)	(8)
Allowance for credit losses, end of year	$ (8)	$ (8)

During the year ended December 31, 2022 and 2021, we did not have any write-offs charged against the allowance for credit losses or any recoveries of amounts previously written-off.

Equity Investments

The following table summarizes our equity investments as of December 31, 2022 and 2021:

	2022	2021
	(in millions of U.S. dollars)	
Publicly traded equity investments in common and preferred stocks	$ 171	$ 194
Exchange traded funds	102	961
Privately held equity investments in common and preferred stocks	349	322
	$ 622	$ 1,477

Equity investments include publicly traded common and preferred stocks, exchange-traded funds and privately held common and preferred stocks. Our publicly traded equity investments in common and preferred stocks predominantly trade on major exchanges and are managed by our external advisors. Our investments in exchange-traded funds also trade on major exchanges.

Our privately held equity investments in common and preferred stocks are direct investments in companies that we believe offer attractive risk adjusted returns and/or offer other strategic advantages. Each investment may have its own unique terms and conditions and there may be restrictions on disposals. There is no active market for these investments.

Other Investments, at fair value

The following table summarizes our other investments carried at fair value as at December 31, 2022 and 2021:

	2022	2021
	(in millions of U.S. dollars)	
Private equity funds	$ 1,118	$ 535
Fixed Income fund	445	375
Hedge fund	529	272
CLO equity	145	158
CLO equities funds	179	179
Private debt	145	74
Real estate fund	123	21
Patcham Balanced fund	174	242
	$ 2,858	$ 1,856

The following is a description of the nature of each of these investment categories:

- Private equity funds include primary, secondaries diversified by asset classes, regional vintage and sectors and direct co-investment opportunities.
- Hedge funds invest in fixed income, equity and other investments.
- CLO equities comprise investments in the equity tranches of term-financed securitizations of diversified pools of corporate bank loans.
- CLO equity funds invest primarily in the equity tranches of term-financed securitizations of diversified pools of corporate bank loans.
- The Fixed income fund and Balanced fund, all of whose investors are Enstar subsidiaries and affiliates, comprises a number of positions in diversified fixed income and equity funds, and also direct holdings in fixed income and equity securities. Underlying investments vary from high-grade corporate bonds to non-investment grade senior secured loans and bonds, in both liquid and illiquid markets. The liquid fixed income funds have regularly published prices.
- Real estate funds comprise of real estate funds that invest primarily in commercial real estate equity.
- Private credit funds invest in direct senior or collateralized loans.

Other investments, including equities measured at fair value using NAV as a practical expedient

We use NAV as a practical expedient to fair value certain of our other investments, including equities. Due to a lag in the valuations of certain funds reported by the managers, we may record changes in valuation with up to a three-month lag. We regularly review and discuss fund performance with the fund managers to corroborate the reasonableness of the reported net asset values and to assess whether any events have occurred within the lag period that would affect the valuation of the investments.

Certain of our other investments are subject to restrictions on redemptions and sales that are determined by the governing documents, which limits our ability to liquidate those investments. These restrictions may include lock-ups, redemption gates, restricted share classes or side pockets, restrictions on the frequency of redemption and notice periods. A gate is the ability to deny or delay a redemption request, whereas a side-pocket is a designated account for which the investor loses its redemption rights.

Certain of our other investments may not have any restrictions governing their sale, but there is no active market and no guarantee that we will be able to execute a sale in a timely manner. In addition, even if these investments are not eligible for redemption or sales are restricted, we may still receive income distributions from those other investments.

The table below details the estimated period by which proceeds would be received if we had provided notice of our intent to redeem or initiated a sales process as of December 31, 2022 for our investments measured at fair value using NAV as a practical expedient:

	Less than 1 Year	1-2 years	2-3 years	More than 3 years	Not Eligible/ Restricted	Total	Redemption Frequency
	(in millions of U.S. dollars)						
Hedge fund	$ 529	$ —	$ —	$ —	$ —	$ 529	Monthly to Bi-Annually
Fixed income fund	282	—	—	—	62	344	Monthly to Quarterly
Private equity funds	—	—	—	—	1,118	1,118	N/A
CLO equity funds	152	28	—	—	—	180	Quarterly to Bi-Annually
Private debt	—	—	—	—	145	145	N/A
Real estate fund	—	—	—	—	123	123	N/A
Privately held equity	—	—	—	—	39	39	N/A
	$ 963	$ 28	$ —	$ —	$ 1,487	$ 2,478	

Equity Method Investments

The table below summarizes our equity method investments as of December 31, 2022 and 2021:

	2022		2021	
	Ownership %	Carrying Value	Ownership %	Carrying Value
	(in millions of U.S. dollars)			
HH CTCO Holdings Limited [(1)]	31.9 %	60	31.9 %	56
Monument Re [(2)]	20.0 %	110	20.0 %	194
Core Specialty	19.9 %	211	24.7 %	224
		$ 381		$ 474

(1) We own 31.9% of the common shares in HH CTCO Holdings Limited which in turn owns 15.4% of the convertible preferred shares, amounting to a 6.2% interest in the total equity of Citco III Limited ("Citco").

(2) We own 20.0% of the common shares in Monument Re as well as different classes of preferred shares which have fixed dividend yields and whose balances are included in the Investment amount.

Funds Held

Funds held - Directly Managed

The following table summarizes the components of the funds held - directly managed as of December 31, 2022 and 2021:

	2022	2021
	(in millions of U.S. dollars)	
Fixed maturity investments, trading	$ 1,986	$ 2,039
Other assets	54	187
	$ 2,040	$ 2,226

The following table summarizes the fixed maturity investment components of funds held - directly managed as of December 31, 2022 and 2021:

	2022	2021
	(in millions of U.S. dollars)	
Fixed maturity investments, at amortized cost	$ 2,765	$ 2,088
Net unrealized gains (losses):		
Change in fair value - embedded derivative accounting	(572)	(26)
Change in fair value [(1)]	(207)	(23)
Fixed maturity investments within funds held - directly managed, at fair value	$ 1,986	$ 2,039

[(1)] Is clearly and closely related to the host contract.

Funds Held by Reinsured Companies

As of December 31, 2022 and 2021, we had funds held by reinsured companies of $3.8 billion and $2.5 billion, respectively. The increase from December 31, 2021 was primarily driven by the LPT transaction with Aspen.

Pursuant to the terms of the Aspen LPT transaction, in addition to earning a fixed crediting rate ("base crediting rate") on the funds withheld balance we received as premium consideration, as of October 1, 2022 and through September 30, 2025 we will also receive a variable return based on the performance of Aspen's investments (together, the "full crediting rate").

The nature of the arrangement results in an embedded derivative, which represents the fair value of the amount by which all future interest payments on the funds withheld balance made at the full crediting rate are expected to exceed all future interest payments made on the funds withheld balance at the base crediting rate. The fair value of the embedded derivative as of December 31, 2022 was $44 million.

	2022
	(in millions of U.S. dollars)
Funds held by reinsurance companies, at amortized cost	$ 3,750
Initial recognition of embedded derivative	27
Net unrealized gains:	
Change in fair value - embedded derivative	17
Funds held by reinsured companies, at fair value	$ 3,794

Net Investment Income

Major categories of net investment income for the years ended December 31, 2022 and 2021 are summarized as follows:

	2022	2021
	(in millions of U.S. dollars)	
Fixed maturity investments	$ 128	$ 80
Short-term investments and cash and cash equivalents	4	—
Funds held	84	54
Funds held - directly managed	35	6
Equity investments	29	23
Other investments	41	39
Interest income from affiliate	(3)	13
Gross investment income	318	215
Investment expenses	(15)	(28)
Net investment income	$ 303	$ 187

Net Realized and Unrealized Gains (Losses)

Components of net realized and unrealized gains (losses) for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
	(in millions of U.S. dollars)	
Net realized gains (losses) on sale:		
Gross realized gains on fixed maturity securities, AFS	$ 6	$ 11
Gross realized losses on fixed maturity securities, AFS	(59)	(8)
Net realized gains on fixed maturity securities, trading	5	—
Change in allowance for expected credit losses on fixed maturity securities, AFS	(22)	(8)
Net realized (losses) gains recognized on equity securities sold during the period	(19)	9
Other investments (1)	—	65
Net realized investment losses on investment derivatives	(3)	(133)
Total net realized losses on sale	(92)	(64)
Net unrealized (losses) gains:		
Fixed maturity securities, trading	(181)	(44)
Funds held - directly managed portfolios	(430)	(30)
Net unrealized (losses) gains on equity securities, still held at reporting date	(220)	92
Other investments (1)	(180)	170
Investment derivatives	(15)	(21)
Total net unrealized (losses) gains	(1,026)	167
Net unrealized losses and change in fair value of embedded derivative:		
Change in fair value of embedded derivative	(18)	(3)
Net unrealized gains and change in fair value of embedded derivative	(18)	(3)
Net unrealized (losses) gains	$ (1,044)	$ 164

(1) Effective April 1, 2021, the InRe Fund was consolidated by us and subsequently liquidated by December 31, 2021. Refer to Note 13 for additional information. Prior to April 1, 2021, all income or loss from the InRe Fund was determined by the change in net asset value (NAV) of our holdings in the fund, which was included within net realized and unrealized gains (losses) from other investments.

The gross realized gains and losses on AFS investments included in the table above resulted from investment sales of $1.5 billion and $1.4 billion for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the following funds were withheld by affiliated companies and included within "Funds held by reinsurance companies" within the Company's consolidated balance sheets:

	2022	2021
	(in millions of U.S. dollars)	
Syndicate 2008	$ 443	$ 601
Clarendon National Insurance Company ("Clarendon")	136	158
River Thames Insurance Company ("RTI")	131	153
Starstone Insurance SE ("SISE")	43	38
Enstar (US) Inc	11	16
	$ 764	$ 966

Enstar (US) Inc maintains a funds held balance that is used to settle claims on behalf of the Company.

Restricted Assets

We utilize trust accounts to collateralize business with our insurance and reinsurance counterparties. The investments and cash and cash equivalents on deposit are available to settle insurance and reinsurance liabilities. Collateral generally takes the form of assets held in trust, letters of credit or funds held. The assets used as collateral are primarily highly rated fixed maturity securities. The carrying value of our restricted assets, including restricted cash of $308.3 million and $213.2 million as of December 31, 2022 and 2021, respectively, was as follows:

	2022	2021
	(in millions of U.S. Dollars)	
Collateral in trust for third party agreements	$ 4,092	$ 4,366
Collateral for secured letter of credit facilities	20	19
FAL (1)	320	256
	$ 4,432	$ 4,641

(1) The Company assumes business from two associated Lloyd's syndicates. Lloyd's determines the required capital principally through the annual business plan of each syndicate. The capital is referred to as Funds at Lloyd's ("FAL") and will be drawn upon in the event that a syndicate has a loss that cannot be funded from other sources.

5. DERIVATIVE AND HEDGING INSTRUMENTS

We use derivative instruments in our risk management strategies and investment operations.

Foreign currency forward exchange rate contracts are used in qualifying hedging relationships to hedge the foreign currency exchange rate risk associated with certain of our net investments in foreign operations.

We also utilize foreign currency forward contracts in non-qualifying hedging relationships as part of our overall foreign currency risk management strategy or to obtain exposure to a particular financial market, as well as for yield enhancement and collectively managing credit and duration risk.

From time to time we may also utilize credit default swaps to both hedge and replicate credit exposure and government bond futures contracts for interest rate management.

The following table presents the gross notional amounts and estimated fair values of our derivatives recorded within other assets and other liabilities on the consolidated balance sheets as of December 31, 2022 and 2021:

	2022			2021		
	Gross Notional Amount	Fair Value		Gross Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
	(in millions of U.S. dollars)					
Derivatives designated as hedging instruments						
Foreign currency forward contracts	$ 187	$ 1	$ 6	$ 199	$ —	$ 2
Derivatives not designated as hedging instruments						
Foreign currency forward contracts	180	2	2	116	1	—
Total	$ 367	$ 3	$ 8	$ 315	$ 1	$ 2

The following table presents the net gains and losses deferred in the cumulative translation adjustment account, which is a component of AOCI in shareholder's equity, relating to our qualifying hedges and the net gains and losses included in earnings relating to our non-qualifying hedges for the years ended December 31, 2022 and 2021:

	Amounts of Gains (Losses)	
	2022	2021
	(in millions of U.S. dollars)	
Derivatives designated as hedging instruments		
Foreign currency forward contracts	$ 12	$ 14
Derivatives not designated as hedging instruments		
Foreign currency forward contracts	(9)	1

6. REINSURANCE BALANCES RECOVERABLE

The following table provides the total reinsurance balances recoverable on paid and unpaid losses.

	2022	2021
	(in millions of U.S. dollars)	
Recoverable from reinsurers on unpaid:		
Outstanding losses and IBNR	$ 188	$ 226
Fair value adjustments - fair value option	(42)	(22)
Total reinsurance reserves recoverable	146	204
Paid losses recoverable	32	48
Total	$ 178	$ 252
Reconciliation to consolidated balance sheet:		
Reinsurance balances recoverable on paid and unpaid losses	$ 60	$ 89
Reinsurance balances recoverable on paid and unpaid losses - fair value option	118	163
Total	$ 178	$ 252

The fair value adjustments, determined on acquisition of (re)insurance subsidiaries, are based on the estimated timing of loss and LAE recoveries and an assumed interest rate equivalent to a risk free rate for securities with similar duration to the acquired reinsurance balances recoverable on paid and unpaid losses plus a spread for credit risk, and are amortized over the estimated recovery period, as adjusted for accelerations in timing of payments as a result of commutation settlements.

As of December 31, 2022 and 2021, we had reinsurance balances recoverable on paid and unpaid losses of $178.0 million and $252.0 million, respectively. The decrease of $74.0 million was primarily due to the elimination of intercompany cessions on consolidation of Enhanzed Re and cash collections, adverse ceded development and foreign exchange movement.

Top Ten Reinsurers

	December 31, 2022		December 31, 2021	
	Total	%	Total	%
	(in millions of U.S. dollars)			
Top ten reinsurers	136	76.4 %	208	82.5 %
Other reinsures > $1 million	22	12.4 %	28	11.1 %
Other reinsurers < $1 million	20	11.2 %	16	6.4 %
Total	178	100.0 %	252	100.0 %

The following tables show our gross and net balances recoverable from our reinsurers as well as the related allowance for estimated uncollectible reinsurance broken down by the credit ratings of our reinsurers as at December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
	(in millions of U.S. dollars)	
Information regarding top ten reinsurers:		
Number of top 10 reinsurers rated A- or better	$ 7	$ 7
Number of top 10 non-rated reinsurers (1)	3	3
Reinsurers rated A- or better in top 10	$ 40	$ 58
Non-rated reinsurers in top 10 (1)	96	150
Total top 10 reinsurance recoverables	$ 136	$ 208
Single reinsurers that represent 10% or more of total reinsurance balance recoverables as of December 31, 2022 and 2021:		
Michigan Catastrophic Claims Association (2)	$ 79	$ 133

(1) The reinsurance balances recoverable from non-rated top 10 reinsurers was comprised of:

- $79 million and $133 million as of December 31, 2022 and December 31, 2021 respectively, due from a U.S. state backed reinsurer that is supported by assessments on active auto writers operating within the state;
- $11 million and $10 million as of December 31, 2022 and December 31, 2021 respectively, due from related Enstar Companies.

(2) U.S. state backed reinsurer that is supported by assessments on active auto writers operating within the state.

The table below provides a reconciliation of the beginning and ending allowance for estimated uncollectible reinsurance balances for the years ended December 31, 2022 and 2021:

	2022	2021
	(in millions of U.S. dollars)	
Allowance for estimated uncollectible reinsurance, beginning of year	$ 13	$ 11
Cumulative effect of change in accounting principle	—	1
Write-offs charged against the allowance	2	1
Allowance for estimated uncollectible reinsurance, end of year	$ 15	$ 13

7.DEFERRED CHARGE ASSETS AND DEFERRED GAIN LIABILITIES

Change in net DCA Amortization

Effective December 31, 2022, we voluntarily changed our accounting policy for calculating the amortization of our DCAs. Previously, any change in ultimate losses on the contracts with a recognized DCA would result in the recognition of an adjustment to the DCA, as if the adjusted reserves had existed upon inception of the contract. We will no longer adjust the DCA for these events.

We continue to amortize the originating DCA balances over the estimated claim payment period of the related contracts with the amortization adjusted at each reporting period to reflect new estimates of the pattern and timing of remaining losses and LAE payments. Previously, the amortization of our DCAs and DGLs was included in net incurred losses and LAE. We now present the amortization of our DCAs and DGLs as a separate line item in our consolidated statements of earnings.

We will continue to assess the DCA for impairment and record any adjustments in the period evaluated.

We made the change in accounting policy because the primary basis for accepting premium consideration that is lower than the estimate of losses and LAE liabilities assumed is due to the time value of money, inclusive of our expectation of generating investment income, rather than expectations of changes in ultimate losses on the contracts.

We believe that the change in policy improves the usefulness of our financial statements as the changes in amortization of the DCA will no longer offset the loss developments, which allows the insurance loss developments to be recognized consistently through our consolidated statement of earnings regardless of whether the contract resulted in a DCA at inception.

We have retrospectively applied this change in accounting policy to all applicable prior period information presented herein as required. As of January 1, 2021, the cumulative effect of this change resulted in a $6 million increase to retained earnings, which is reflected as a cumulative change in accounting principle in the consolidated statements of changes in shareholders' equity.

The following tables provide a summary of the effect of the change in accounting policy on our 2022 and previously reported consolidated financial statements:

Consolidated Balance Sheets

	As of December 31, 2022			As of December 31, 2021		
	As Computed Under Previous Method	Effect of Accounting Change	As Reported Under New Method	As Previously Reported	Adjustment	Adjustment
	(in millions of U.S. dollars)			(in millions of U.S. dollars)		
Deferred charge assets	$ 224	$ 246	$ 470	$ 324	$ 71	$ 395
Retained earnings	1,580	246	1,826	2,691	71	2,762

Consolidated Statements of Earnings

	As of December 31, 2022			As of December 31, 2021		
	As Computed Under Previous Method	Effect of Accounting Change	As Reported Under New Method	As Previously Reported	Adjustment	Adjustment
	(in millions of U.S. dollars)			(in millions of U.S. dollars)		
Net incurred losses and LAE:						
Prior Period	$ (421)	$ (240)	$ (661)	$ (97)	$ (103)	$ (200)
Total net incurred losses and loss adjustment expenses	(407)	(240)	(647)	(50)	(103)	(153)
Amortization of net deferred charge assets	—	65	65	—	38	38
Total expenses	(269)	(175)	(444)	38	(65)	(27)
NET LOSS	(578)	175	(403)	460	65	525
NET (LOSS) EARNINGS ATTRIBUTABLE TO SHAREHOLDER	$ (512)	$ 175	$ (337)	$ 461	$ 65	$ 526

Consolidated Statements of Comprehensive Income

	As of December 31, 2022			As of December 31, 2021		
	As Computed Under Previous Method	Effect of Accounting Change	As Reported Under New Method	As Previously Reported	Adjustment	As Adjusted
	(in millions of U.S. dollars)			(in millions of U.S. dollars)		
NET LOSS	$ (578)	$ 175	$ (403)	$ 461	$ 65	$ 526
TOTAL COMPREHENSIVE LOSS	(934)	175	(759)	387	65	452

Consolidated Statements of Changes in Shareholders' Equity

	As of December 31, 2022			As of December 31, 2021		
	As Computed Under Previous Method	Effect of Accounting Change	As Reported Under New Method	As Previously Reported	Adjustment	As Adjusted
	(in millions of U.S. dollars)			(in millions of U.S. dollars)		
Retained Earnings						
Balance, beginning of year	$ 2,691	$ 71	$ 2,762	$ 2,595	$ 6	$ 2,601
Net (loss) / earnings	(579)	175	(404)	460	65	525
Balance, end of year	$ 1,579	$ 246	$ 1,825	$ 2,691	$ 71	$ 2,762

Consolidated Statements of Cash Flows

	As of December 31, 2022			As of December 31, 2021		
	As Computed Under Previous Method	Effect of Accounting Change	As Reported Under New Method	As Previously Reported	Adjustment	As Adjusted
	(in millions of U.S. dollars)			(in millions of U.S. dollars)		
Net loss	$ (579)	$ 175	$ (404)	$ 460	$ 65	$ 525
Adjustments to reconcile net earnings to cash flows provided by operating activities:						
Amortization of net deferred charge assets	—	65	65	—	38	38
Other operating assets and liabilities	$ (43)	$ (240)	$ (283)	$ (142)	$ (103)	$ (245)

Reporting consolidated reconciliation of beginning and ending liability for losses and LAE:

	As of December 31, 2022		
	As Computed Under Previous Method	Effect of Accounting Change	As Reported Under New Method
	(in millions of U.S. dollars)		
DCAs on retroactive reinsurance	$ (323)	$ 323	$ —
Net balance as of January 1	7,758	323	8,081
Net incurred losses and LAE:			
Prior periods:			
Amortization of DCAs	240	(240)	—
Total prior periods	(421)	(240)	(661)
Total net incurred losses and LAE	(407)	(240)	(647)
Other changes:			
Assumed business	3,880	141	4,021
Total other changes	2,882	141	3,023
Net balance as of December 31	9,231	224	9,455
DCAs on retroactive reinsurance	$ 224	$ (224)	$ —

	As of December 31, 2021		
	As Previously Reported	Adjustment	As Adjusted
	(in millions of U.S. dollars)		
DCAs on retroactive reinsurance	$ (168)	$ 168	$ —
Net balance as of January 1	4,463	168	4,631
Net incurred losses and LAE:			
Prior periods:			
Amortization of DCAs	103	(103)	—
Total prior periods	(97)	(103)	(200)
Total net incurred losses and LAE	(50)	(103)	(153)
Other changes:			
Acquired business	1,010	10	1,020
Assumed business	3,101	248	3,349
Ceded business	—		—
Total other changes	4,086	258	4,344
Net balance as of December 31	7,758	323	8,081
DCAs on retroactive reinsurance	$ 323	$ (323)	$ —

Deferred Charge Assets and Deferred Gain Liabilities

	2022			2021		
	DCA	DGL	NET	DCA	DGL	NET
	(in millions of U.S. dollars)			(in millions of U.S. dollars)		
Beginning carrying value	$ 396	$ 1	$ 395	$ 177	$ 2	$ 175
Recorded during the year	141		141	258	10	248
Realized on acquisition	—	—	—	—	(10)	10
Amortization	(66)	(1)	(65)	(39)	(1)	(38)
Ending carrying value	$ 470	$ —	$ 470	$ 396	$ 1	$ 395

8. LOSS AND LOSS ADJUSTMENT EXPENSES

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

Our loss reserves cover multiple lines of business, including asbestos, environmental, general casualty, workers' compensation, marine, aviation and transit, construction defect, professional indemnity/directors and officers, motor, property and other non-life lines of business.

The table below provides a consolidated reconciliation of the beginning and ending liability for losses and LAE for the years ended December 31, 2022 and 2021:

	2022	2021
Balance as at January 1	$ 8,285	$ 4,921
Reinsurance reserves recoverable [(1)]	(204)	(290)
Net balance as at January 1	8,081	4,631
Net incurred losses and LAE:		
Current period:		
Increase in estimates of net ultimate losses	12	45
Increase in provisions for ULAE	2	2
Total current period	14	47
Prior periods:		
Reduction in estimates of net ultimate losses	(401)	(116)
Reduction in provisions for ULAE	(101)	(42)
Changes in fair value - fair value option [(2)]	(121)	(42)
Amortization of fair value adjustments [(3)]	(38)	—
Total prior periods	(661)	(200)
Total net incurred losses and LAE	(647)	(153)
Net paid losses:		
Current period	—	—
Prior periods	(1,002)	(741)
Total net paid losses	(1,002)	(741)
Other changes:		
Effect of exchange rate movement	(164)	(25)
Acquired business	4,021	1,020
Assumed/Disposed business	(833)	3,349
Total other changes	3,024	4,344
Net balance as of December 31	9,456	8,081
Reinsurance reserves recoverable [(1)]	146	204
Balance as of December 31	$ 9,602	$ 8,285
Reconciliation to Consolidated Balance Sheet:		
Loss and loss adjustment expenses	8,992	7,340
Loss and loss adjustment expenses, at fair value	610	945
Total	$ 9,602	$ 8,285

[(1)] Excludes paid losses recoverable

[(2)] Comprises discount rate and risk margin components.

[(3)] 2022 amortization of fair value adjustments includes accelerated amortization of $37 million representing the remaining risk margin fair value adjustment liability originally recorded upon acquisition of the Enhanzed Re catastrophe reinsurance business. The liability was released following the commutation of the catastrophe business back to Allianz.

Prior Period Development ("PPD")

Reduction in Estimates of Net Ultimate Losses

The following table summarizes the reduction in estimates of net ultimate losses related to prior years by line of business:

	2022	2021
	(in millions of U.S. dollars)	
Asbestos	$ (12)	$ (9)
Environmental	(6)	3
General casualty	69	105
Workers' compensation	(291)	(160)
Marine, aviation and transit	(24)	(19)
Construction defect	(22)	(48)
Professional indemnity/Directors and Officers	(4)	22
Motor	(16)	(1)
Property	(23)	(1)
All Other	(72)	(8)
Total	$ (401)	$ (116)

2022:

The reduction in estimates of net ultimate losses of $401 million related to prior periods was primarily driven by net favorable development in the following lines of business:

Workers' Compensation - The workers' compensation line of business experienced $291 million of favorable development, most notably in our 2017 and 2019 to 2021 acquisition years, as a result of:

- lower severity trends on certain existing claims;
- reduced levels of expected frequency of claims for excess workers' compensation;
- favorable claim settlements, including accelerated and favorable claim settlement patterns on certain portfolios; and
- an ADC contract where the cedants have experienced continued favorable ground-up performance.

General Casualty - The experience in the general casualty reserves was adverse by $69 million, including adverse development on an LPT portfolio from our 2020 acquisition year, partially offset by favorable development on certain of our 2019 and 2021 ADC contracts. Notably,

- Our 2020 acquisition year general casualty liabilities experienced additional claim reporting latency and unexpected increased severity on a small number of large New York Labor Law claims which resulted in increased overall ultimate loss estimates.
- Our 2019 and 2021 acquisition year ADC general casualty liabilities show a continued pattern of ground up favorable development which has resulted in lower estimates of our reserves for these exposures.

Marine, Aviation and Transit - The marine, aviation and transit line of business experienced $24 million of favorable development as a result of favorable experience across a variety of claim types, related to the 2014, 2018 and 2019 acquisition years.

All Other - During 2022, we commuted back to Allianz the catastrophe reinsurance business originally ceded to Enhanzed Re by Allianz and recognized a favorable commutation gain of $59 million, of which $26 million contributed to a favorable reduction in estimates of net ultimate losses. The remaining $33 million represented the accelerated amortization of the remaining fair value adjustment liability and is included within amortization of fair value adjustments.

2021:

The reduction in estimates of net ultimate losses of $116 million related to prior periods was primarily driven by net favorable development in the following lines of business:

- **General Casualty** - The experience in the general casualty reserves was adverse by $105 million. This was partly due to an increase in opioid exposure from our 2020 acquisition year and and increased expectations of latent claims and a lengthening of the payout pattern related to our 2019 acquisition year.
- **Workers' Compensation** - The workers' compensation line of business experienced a $160 million favorable development as a result of reduced claims activity and other favorable settlements on open claims in 2011 & prior accident years in one portfolio as well as recent 2015 - 2018 accident years on another.
- **Construction Defect** - The construction defect line of business experienced a $48 million favorable development, this was primarily due to favorable reporting related to our 2021 acquisition year.

Changes in Fair Value - Fair Value Option

During 2022 and 2021, changes in the fair value of liabilities related to assumed retroactive reinsurance agreements for which we have elected the fair value option of $(121) million and $42 million, respectively, was primarily driven by an increase in corporate bond yields in 2022 and 2021.

Reconciliation of the Net Liability for Losses and LAE, Prior to the Provision for Bad debt to the Gross Liability for Losses and LAE included in the Consolidated Balance Sheet

The table below presents the reconciliation of the loss development tables disclosed further below to the liability for losses and LAE in the consolidated balance sheet:

	December 31, 2022				
	Net Liability for Losses and LAE, Prior to Provision for Bad Debt	Provision for Bad Debt	Net Liability for Losses and LAE	Reinsurance Recoverable on Liabilities for Losses and LAE	Gross Liabilities for Losses and LAE
	(in millions of U.S. dollars)				
Presented in the loss development tables:					
Asbestos	$ 1,408	$ 9	$ 1,417	$ 14	$ 1,431
General casualty	3,603	1	3,604	3	3,607
Workers' compensation	1,647	—	1,647	63	1,710
Professional indemnity/ Directors and Officers	803	—	803	—	803
Excluded from the loss development tables:					
Motor	111	—	111	99	211
Environmental	319	1	320	2	322
Marine, aviation and transit	245	—	245	—	245
Construction defect	385	—	385	—	385
Property	330	1	331	—	331
Other	508	—	508	7	515
Total OLR and IBNR	9,359	12	9,371	188	9,560
ULAE	305	—	305	—	305
Fair value adjustments - fair value option	(221)	—	(221)	(42)	(263)
Total	**9,443**	**12**	**9,455**	**$ 146**	**$ 9,602**

Loss Development Information

Methodology for Establishing Reserves (Excluding Asbestos and Environmental Claims)

We perform our analysis of loss reserves and IBNR by each portfolio that we have acquired. Exposures for each portfolio are separated into homogenous reserving classes, generally lines of business, within each portfolio. Each reserving class contains either direct insurance or assumed reinsurance reserves and groups of relatively similar types of risks and exposures and lines of business written.

Based upon the exposure characteristics and the nature of available data for each individual reserving class, we select loss development extrapolation methods to calculate an estimate of ultimate losses.

We establish our recorded reserves as an estimate of unpaid losses for each class primarily by utilizing actuarial expertise and projection methods. The actuarial methodologies are selected after consideration of exposure characteristics, data limitations, and strengths and weaknesses of each method applied.

We use generally accepted actuarial methodologies to estimate ultimate losses and LAE, including:

- Cumulative Reported and Paid Loss Development Methods: The Cumulative Reported (Case Incurred) Loss Development method estimates ultimate losses by multiplying cumulative reported losses (paid losses plus case reserves) by a cumulative development factor.

Historical "age-to-age" loss development factors (“LDFs”) are calculated to measure the relative development of an accident year from one maturity point to the next. Age-to-age LDFs are then selected based on these historical factors. The selected age-to-age LDFs are used to project the ultimate losses.

The Cumulative Paid Loss Development Method is mechanically identical to the Cumulative Reported Loss Development Method described above, but the paid method does not rely on case reserves or claim reporting patterns in making projections.

- Incremental Reported and Paid Loss Development Methods: Incremental incurred and paid analyses are performed in cases where cumulative data is not available. The concept of the incremental loss development methods is similar to the cumulative loss development methods described above, in that the pattern of historical paid or incurred losses is used to project the remaining future development.
- IBNR-to-Case Outstanding Method: This method requires the estimation of consistent cumulative paid and reported (case) incurred loss development patterns and age-to-ultimate LDFs, either from data that is specific to the segment being analyzed or from applicable benchmark or industry data. These patterns imply a specific expected relationship between IBNR, including both development on known claims (bulk reserve) and losses on true late reported claims, and reported case incurred losses.
- Bornhuetter-Ferguson Expected Loss Projection Reported and Paid Methods: The Bornhuetter-Ferguson Expected Loss Projection method produces expected unreported losses by multiplying the expected losses, which are based on initial selected ultimate loss ratios by year, by the unreported percentage. The unreported percentage is calculated as one minus the reciprocal of the selected cumulative incurred LDFs. Finally, the expected unreported losses are added to the current reported losses to produce ultimate losses.

The calculations underlying the Bornhuetter-Ferguson Expected Loss Projection method based on paid loss data are similar to the Bornhuetter-Ferguson calculations based on reported losses, with the exception that paid losses and unpaid percentages replace reported losses and unreported percentages.

- Reserve Run-off Method: This method first projects the future values of case reserves for all underwriting years to future ages of development by selecting a run-off pattern of case reserves based on the observed run-off ratios at each age of development. Once the ratios have been selected, they are used to project the future values of case reserves.

A paid on reserve factor is selected in a similar way. The ratios of the observed amounts paid during each development period to the respective case reserves at the beginning of the periods are used to estimate how much will be paid on the case reserves during each development period. These paid on reserve factors are then applied to the case reserve amounts that were projected during the first phase of this method. A summation of the resulting paid amounts yields an estimate of the liability.

We also consider additional information, such as, but not limited to, changes in the legal, regulatory and judicial environment; medical cost trends and general inflation; and adjust the estimate of ultimate losses as deemed necessary.

Paid-to-date losses are then deducted from the estimate of ultimate losses and LAE to arrive at an estimated total loss reserve, and reported outstanding case reserves are then deducted from estimated total loss reserves to calculate the estimated IBNR reserve.

These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. We generally perform a full review of each portfolio annually and additionally we perform interim reviews quarterly to ascertain whether changes to claims paid or case reserve amounts have varied from our expectations developed during the last annual reserve review. In this event, we consider the timing and magnitude of the actual versus expected development and may record an interim adjustment to our recorded reserves.

Asbestos and Environmental Reserving Methodologies

The ultimate losses from A&E claims cannot be estimated using traditional actuarial reserving techniques that extrapolate losses to an ultimate basis using loss development. Claims are spread across multiple policy years, generally from 1985 and prior, based on the still evolving case law in each jurisdiction, making historical development patterns unreliable to forecast the future claim payments.

As such, we estimate IBNR reserves for each of our portfolios with A&E exposures separately using the following methodologies:

- **Paid Survival Ratio Method**: In this method, our historical calendar year payments are examined to determine an expected future annual average payment amount. This amount is multiplied by an expected number of future payment years to estimate a reserve.

  Trends in calendar year payment activity are considered when selecting an expected future annual average payment amount and accepted industry benchmarks are used in determining an expected number of future payment years.

- **Paid Market Share Method**: In this method, our estimated market share is applied to the industry estimated unpaid losses or estimate of industry ultimate losses. The ratio of our historical calendar year payments to industry historical calendar year payments is examined to estimate our market share. This ratio is then applied to the estimate of industry unpaid losses or estimate of industry ultimate losses.
- **Reserve-to-Paid Method**: In this method, the ratio of estimated industry reserves to industry paid-to-date losses is multiplied by our paid-to-date losses to estimate our reserves.
- **IBNR - Case Ratio Method**: In this method, the ratio of estimated industry IBNR reserves to industry case reserves is multiplied by our case reserves to estimate our IBNR reserves.
- **Ultimate-to-Incurred Method**: In this method, the ratio of estimated industry ultimate losses to industry incurred-to-date losses is applied to our incurred-to-date losses to estimate our IBNR reserves.
- **Decay Factor Method**: In this method, a decay factor is directly applied to our payment data to estimate future payments. The decay factors were selected based on a review of our own decays and industry decays.
- **Asbestos Ground-up Exposure Analysis Using Frequency-Severity Method**: This method is used when we have policy and claim data at the defendant or claimant level. In a frequency-severity method there are two components that need to be estimated, namely, (1) the number of claims that will ultimately be settled with payment and (2) the severity of these claims including legal costs.

  The estimate of future settled claims is based on the historical claim filing rates, historical claim dismissal rates, current pending claims and epidemiological forecasts of asbestos disease incident for future claim filings.

Disclosures of Incurred and Paid Loss Development, IBNR, Claims Counts and Payout Percentages

The loss development tables set forth our historic incurred and paid loss development through December 31, 2022, net of reinsurance, as well as the cumulative number of reported claims, IBNR balances, and other supplementary information for our segment lines of business with material net losses and LAE balances as of December 31, 2022.

The following factors are relevant to the loss development information presented in the tables below:

- **Level of Disaggregation:** In addition to accident year, we have disaggregated the information in the loss development tables by line of business and acquisition year. We have presented only the last 10 years of portfolio acquisitions as we believe that the current activity on the preceding acquisition years is not meaningful. We have not presented empty rows where we did not acquire any business for that combination of line of business, acquisition and accident year.

  We present acquisition year information so that the impact of take-on positions from acquired and assumed business (as described below) is additionally separated and provides a consistent trend of the development of our ultimate loss reserves.

- **Assumed Business:** Assumed net reserves arising from retroactive reinsurance agreements are included in the loss development tables on a prospective basis as the loss reserves are effectively re-underwritten at the date that they are acquired or assumed.

  We believe that the historical loss development prior to our acquisition is not relevant with respect to our own experience managing these acquired loss reserves. Furthermore, the information required to prepare the loss development disclosures on a retrospective basis is not always available to us or reliable.

- **Commutations and Policy Buybacks:** The loss development tables include the net incurred effect of agreeing a commutation or policy buyback in the year in which the commutation or policy buyback is contractually agreed and the related settlement in the year in which it is paid or received.

  We do not recast prior years to remove commuted or bought back claims, since this practice would eliminate any historical favorable or adverse development we may have experienced on the commuted loss and LAE reserves.

- **Net Liabilities for Losses and LAE and Net Paid Losses and LAE:** The loss development tables include reported case reserves and IBNR liabilities as well as cumulative paid losses, both of which include ALAE and are net of reinsurance recoveries.

  The loss development tables exclude ULAE and DCAs.

- **PPD:** PPD included in the loss development tables is calculated as follows: subtract the 2021 calendar year net cumulative incurred losses and ALAE from the 2022 calendar year for all accident years.

- **Foreign Exchange:** The loss development tables exclude the impact of foreign exchange rates. Historical amounts are disclosed on a constant-currency basis, which is achieved by using constant foreign exchange rates between years in the loss development tables, and translating prior year amounts denominated in currencies other than the U.S. dollar, which is our reporting currency, using the closing exchange rates as of December 31, 2022.

- **Annual Percentage Payout:** Annual percentage payout disclosures are based on the payout of claims by age, net of reinsurance. Claim age reflects the number of years that have lapsed since the original acquisition to the date the claim is paid.

There may be occasions where, due to our claims management strategies (including commutations and policy buybacks) or due to the timing of claims payments relative to the associated recovery, the cash received from reinsurance recoveries is greater than the cash paid out to our claimants, (i.e. a net recovery rather than a net payout for a particular calendar year), thereby resulting in a negative annual percentage payout for that calendar year.

- **Supplemental Information:** The information related to net incurred and paid loss development for all calendar years preceding the year ended December 31, 2022, as well as 2012 and prior accident year and all acquisition year information (including net acquired reserves and PPD), and the related historical average claims payout percentage disclosure is unaudited and is presented as supplementary information.

Asbestos

Acquisition Year	Accident Year	Net Acquired Reserves	Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31							Year Ended December 31, 2022	As of December 31, 2022
			2016	2017	2018	2019	2020	2021	2022	PPD	IBNR
		(in millions of U.S. dollars)									
			Unaudited							Unaudited	
2016	2012 and Prior	$ 7	$ 6	$ 5	$ 5	$ 5	$ 5	$ 6	$ 5	$ (1)	$ 2
2017	2012 and Prior	605		576	517	545	552	542	532	(10)	322
2018	2012 and Prior	28			34	34	34	33	35	2	12
2019	2012 and Prior	366				367	354	353	355	2	115
2020	2012 and Prior	—					—	—	—	—	—
2021	2012 and Prior	443						443	441	(2)	193
2022	2012 and Prior	334							334	—	167
	Grand Total	$ 1,783							$ 1,702	$ (9)	$ 811

Net cumulative paid losses and ALAE (from table below)	(344)	
2013- 2022 acquisition years - net liabilities for losses and ALAE	1,358	
2012 and prior acquisition years - net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	50	(3)
Total net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	$ 1,408	$ (12)

Asbestos

Acquisition Year	Accident Year	Net cumulative paid losses and allocated loss adjustment expenses For the years ended December 31						
		2016	2017	2018	2019	2020	2021	2022
		(in millions of U.S. dollars)						
		Unaudited						
2016	2012 and Prior	—	$ 1	$ 1	$ 1	$ 1	$ 2	$ 2
2017	2012 and Prior		12	34	57	82	108	134
2018	2012 and Prior			2	4	7	11	14
2019	2012 and Prior				4	45	87	135
2020	2012 and Prior					—	—	—
2021	2012 and Prior						(3)	59
2022	2012 and Prior							—
	Grand Total							$ 344

Asbestos

	Annual Percentage Payout of Incurred Losses since Year of Acquisition, Net of Reinsurance					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Acquisition Year	Unaudited					
2016	— %	20.00 %	20.00 %	20.00 %	20.00 %	40.00 %
2017	2.26 %	6.39 %	10.71 %	15.41 %	20.30 %	
2018	5.71 %	11.43 %	20.00 %	31.43 %		
2019	1.13 %	12.68 %	24.51 %			
2020	— %	— %				
2021	(0.68)%					

General Casualty

			Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31							Year Ended December 31, 2022	As of December 31, 2022
Acquisition Year	Accident Year	Net Reserves Acquired	2016	2017	2018	2019	2020	2021	2022	PPD	IBNR
		(in millions of U.S. dollars)									
		Unaudited								Unaudited	
2016	2016	$ —	15	$ 17	$ 18	$ 23	$ 21	$ 27	$ 26	$ (1)	$ 4
2016	2017	—		19	25	36	41	47	40	(7)	10
2016	2018	—			25	37	36	34	45	11	10
2016	2019	—				14	13	15	19	4	2
2016	2020	—					—	1	—	(1)	—
2016	2021	—						—	—	—	—
2016	2022	—							—		—
	Total	—	15	36	68	110	111	124	130	6	26
2017	2012 and prior	183		161	148	133	131	128	126	(2)	4
	Total	183		161	148	133	131	128	126	(2)	4
2018	2012 and	7			7	8	8	8	10	2	6
	Total	7			7	8	8	8	10	2	6
2019	2012 and prior	4				54	55	55	52	(3)	6
2019	2013	6				20	16	23	16	(7)	8
2019	2014	12				26	23	35	27	(8)	16
2019	2015	19				63	58	69	64	(5)	28
2019	2016	27				46	41	48	52	4	32
2019	2017	32				38	38	49	59	10	43
2019	2018	45				47	47	50	49	(1)	45
2019	2019	—				2	3	2	5	3	5
2019	2020	—					—	—	—	—	—
2019	2021	—						—	—	—	—
2019	2022	—							—	—	—
	Total	145				296	281	331	324	(7)	183
2020	2012 and prior	$ 20					$ 21	$ 19	$ 24	$ 5	$ 4
2020	2013	25					19	18	20	2	4
2020	2014	27					30	29	45	16	11
2020	2015	57					57	48	60	12	16
2020	2016	65					67	70	91	21	22
2020	2017	45					40	43	59	16	21

General Casualty

			Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31							Year Ended December 31, 2022	As of December 31, 2022
Acquisition Year	Accident Year	Net Reserves Acquired	2016	2017	2018	2019	2020	2021	2022	PPD	IBNR
		(in millions of U.S. dollars)									
			Unaudited							Unaudited	
2020	**2018**	$ 18					$ 13	$ 26	$ 42	$ 16	$ 17
2020	**2019**	5					4	7	12	5	8
2020	**2020**	2					1	1	2	1	2
2020	**2021**	—						—	—	—	—
2020	**2022**	—							—		—
	Total	264					252	261	355	94	105
2021	**2012 and prior**	165						166	163	(3)	147
2021	**2013**	42						42	39	(3)	39
2021	**2014**	50						50	47	(3)	47
2021	**2015**	101						101	98	(3)	98
2021	**2016**	141						141	139	(2)	139
2021	**2017**	209						208	206	(2)	206
2021	**2018**	300						300	297	(3)	297
2021	**2019**	375						374	372	(2)	372
2021	**2020**	11						10	8	(2)	8
2021	**2021**	—							—	—	—
2021	**2022**	—							—	—	—
	Total	1,394						1,392	1,369	(23)	1,353
2022	**2012 and prior**	$ 380							$ 386	$ (6)	$ 126
2022	**2013**	97							96	1	38
2022	**2014**	130							133	(3)	42
2022	**2015**	174							170	4	47
2022	**2016**	224							232	(8)	110
2022	**2017**	239							218	21	51
2022	**2018**	277							280	(3)	138
2022	**2019**	340							337	3	196
2022	**2020**	—							—	—	—
2022	**2021**	—							—	—	—
2022	**2022**								—	—	—
	Total	1,861							1,852	9	748
	Grand Total	$ 3,854							$ 4,166	$ 79	$ 2,425

Net cumulative paid losses and LAE (from below)	553	
Net cumulative paid losses and ALAE (from table below)	(553)	
2013 - 2022 acquisition years - net liabilities for losses and ALAE	3,613	
2012 and prior acquisition years - net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	(10)	(10)
Total net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior	$ 3,603	$ 69

General Casualty

Acquisition Year	Accident Year	2016	2017	2018	2019	2020	2021	2022
		Net cumulative paid losses and allocated loss adjustment expenses For the years ended December 31						
		(in millions of U.S. dollars)						
		Unaudited						
2016	2016	—	6	8	14	14	18	19
2016	2017		2	11	27	41	51	55
2016	2018			1	1	6	7	12
2016	2019				—	—	—	1
	Total	—	8	20	42	61	76	87
2017	2012 and prior		32	64	82	95	100	107
	Total		32	64	82	95	100	107
2018	2012 and prior			—	2	3	4	4
	Total			—	2	3	4	4
2019	2012 and prior				4	13	21	28
2019	2013				1	3	4	5
2019	2014				1	3	5	6
2019	2015				3	10	16	21
2019	2016				1	4	6	10
2019	2017				—	1	2	6
2019	2018				—	—	1	1
	Total				10	34	55	77
2020	2012 and prior					1	5	15
2020	2013					3	5	13
2020	2014					6	14	30
2020	2015					12	18	33
2020	2016					10	34	51
2020	2017					4	20	32
2020	2018					—	15	24
2020	2019					—	3	3
	Total					36	114	201
2021	2012 and prior						—	1
	Total							1
2022	2012 and prior							13
2022	2014							2
2022	2015							5
2022	2016							20
2022	2017							11
2022	2018							15
2022	2019							8
2022	2020							2
	Total							76
	Grand Total							553

General Casualty

	Annual Percentage Payout of Incurred Losses since Year of Acquisition, Net of Reinsurance						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Year of Acquisition				Unaudited			
2016	— %	6.15 %	9.23 %	16.92 %	14.62 %	11.54 %	8.46 %
2017	25.40 %	50.79 %	65.08 %	75.40 %	79.37 %	84.92 %	
2018	— %	20.00 %	30.00 %	40.00 %	40.00 %		
2019	3.09 %	10.49 %	16.98 %	23.77 %			
2020	10.14 %	32.11 %	56.62 %				
2021	— %	0.07 %					
2022	— %						

Workers' Compensation

			Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31							Year Ended December 31, 2022	December 31, 2022
Acquisition Year	**Accident Year**	**Net Reserves Acquired**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**PPD**	**IBNR**
		(in millions of U.S. dollars)									
		Unaudited								Unaudited	
2015	**2012 and prior**	$ —	$ 91	$ 83	$ 67	$ 74	$ 72	$ 72	$ 74	$ 2	$ 3
2015	**2013**	—	55	54	47	46	47	47	43	(4)	1
2015	**2014**	—	34	37	31	32	33	34	34	—	1
2015	**2015**	—	3	3	2	2	2	2	2	—	—
	Total	—	183	177	147	154	154	155	153	(2)	5
2016	**2012 and prior**	256	107	97	87	84	85	221	218	(4)	16
2016	**2013**	6	—	—	—	—	—	4	3	—	1
2016	**2014**	4	—	—	—	—	—	—	—	—	—
2016	**2015**	—	—	—	—	—	—	—	—	—	—
2016	**2016**	—	13	14	11	13	13	13	13	—	—
2016	**2017**	—		19	19	16	17	16	16	—	1
2016	**2018**	—			14	14	15	13	14	1	2
2016	**2019**	—				3	2	2	2	—	—
2016	**2020**	—					5	5	4	(1)	—
2016	**2021**	—						—	—	—	—
2016	**2022**	—							—	—	—
	Total	266	120	130	131	130	137	274	270	(4)	19
2017	**2012 and**	132		104	99	104	97	91	78	(13)	13
2017	**2017**	—		5	9	11	10	10	10	—	2
2017	**2018**	—			14	12	13	13	14	1	—
2017	**2019**	—				15	15	15	16	1	1
2017	**2020**	—					18	18	19	1	2
2017	**2021**	—						15	15	—	2
	Total	132		109	122	142	153	162	152	(10)	20
2018	**2012 and**	71			71	78	84	87	71	(16)	22
	Total	71			71	78	84	87	71	(16)	22
2019	**2012 and prior**	9				15	19	35	33	(2)	23
2019	**2013**	15				16	17	16	16	—	13
2019	**2014**	32				34	34	27	27	—	24

Workers' Compensation

			Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31							Year Ended December 31, 2022	December 31, 2022
Acquisition Year	Accident Year	Net Reserves Acquired	2016	2017	2018	2019	2020	2021	2022	PPD	IBNR
		(in millions of U.S. dollars)									
		Unaudited								Unaudited	
2019	2015	49				51	51	41	38	(2)	35
2019	2016	71				76	76	54	50	(4)	42
2019	2017	84				86	86	62	57	(5)	51
2019	2018	118				119	119	83	72	(11)	67
2019	2019	—				—	1	2	2	—	—
2019	2020	—					—	—	—	—	—
2019	2021	—							—	—	—
2019	2022	—							—	—	—
	Total	378				397	403	320	295	(24)	255
2020	2012 and Prior	208					121	104	90	(14)	26
	Total	208					121	104	90	(14)	26
2021	2012 and prior	993						931	755	(176)	211
2021	2013	37						36	27	(9)	18
2021	2014	12						13	13	—	8
2021	2015	17						17	13	(4)	8
2021	2016	31						30	25	(5)	15
2021	2017	24						23	21	(2)	13
2021	2018	50						47	39	(8)	26
2021	2019	29						28	23	(5)	12
2021	2020	5						6	8	2	1
	Total	1,198						1,131	924	(207)	312
2022	2012 and prior	151							148	(3)	4
2022	2013	2							2	—	—
2022	2014	2							4	2	(1)
2022	2015	3							2	(1)	—
2022	2016	2							2	—	2
2022	2017	5							5	—	3
2022	2018	11							9	(2)	8
2022	2019	17							14	(3)	9
	Total	$ 193							$ 186	$ (7)	$ 25
	Grand Total	$ 2,446							$ 2,141	$ (284)	$ 684
Net cumulative paid losses and ALAE (from table below)									(555)		
2013 - 2022 acquisition years - net liabilities for losses and ALAE									1,586		
2012 and prior acquisition years - net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years									61	(7)	
Total net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years									$ 1,647	$ (291)	

Workers' Compensation

Acquisition Year	Accident Year	2015	2016	2017	2018	2019	2020	2021	2022
		Net cumulative paid losses and allocated loss adjustment expenses For the years ended December 31							
		(in millions of U.S. dollars)							
		Unaudited							
2015	2012 and prior	—	$ —	$ 22	$ 46	$ 59	$ 63	$ 66	$ 67
2015	2013	—	—	15	30	37	40	42	41
2015	2014	—	—	13	23	28	31	32	32
2015	2015	—	—	1	1	2	2	2	2
	Total	—	—	51	100	126	136	142	142
2016	2012 and prior	—	3	13	25	38	47	54	75
2016	2013	—	—	—	—	—	—	—	1
2016	2014	—	—	—	—	—	—	—	—
2016	2015		—	—	—	—	—	—	—
2016	2016		1	7	9	10	10	11	11
2016	2017			3	8	12	12	13	15
2016	2018				4	8	10	11	11
2016	2019					1	1	2	2
2016	2020						1	4	5
	Total		4	23	46	69	81	95	119
2017	2012 and prior			26	32	45	55	59	51
2017	2013			—	—	—	—	—	—
2017	2014			—	—	—	—	—	—
2017	2015			—	—	—	—	—	—
2017	2016			—	—	—	—	—	—
2017	2017			—	2	4	6	8	8
2017	2018				3	8	10	12	13
2017	2019					4	8	12	14
2017	2020						2	10	14
2017	2021							4	9
	Total			26	37	61	81	105	109
2018	2012 and prior				71	78	84	87	71
	Total				71	78	84	87	71
2019	2012					2	6	7	7
2019	2013					—	1	1	1
2019	2014					1	1	1	2
2019	2015					—	1	1	2
2019	2016					1	3	3	3
2019	2017					—	1	2	2
	Total					4	13	15	17
2020	2012 and Prior						2	9	14
	Total						2	9	14
2021	2012 and prior							16	50
2021	2013							1	4
2021	2014							2	3
2021	2015							1	3
2021	2016							1	5
2021	2017							2	4
2021	2018							1	5

Workers' Compensation

Acquisition Year	Accident Year	Net cumulative paid losses and allocated loss adjustment expenses For the years ended December 31							
		2015	2016	2017	2018	2019	2020	2021	2022
		(in millions of U.S. dollars)							
		Unaudited							
2021	2019							2	6
2021	2020							1	3
	Total							27	83
	Grand Total								$ 555

Workers' Compensation

	Annual Percentage Payout of Incurred Losses since Year of Acquisition, Net of Reinsurance							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Year of Acquisition	Unaudited							
2015	— %	— %	33.33 %	65.36 %	82.35 %	88.89 %	92.81 %	92.81 %
2016	1.48 %	8.52 %	17.04 %	25.56 %	30.00 %	35.19 %	44.22 %	
2017	17.11 %	24.34 %	40.13 %	53.29 %	69.08 %	71.71 %		
2018	1.41 %	7.04 %	15.49 %	15.49 %	19.72 %			
2019	1.36 %	4.41 %	5.09 %	5.90 %				
2020	2.22 %	10.00 %	15.56 %					
2021	2.92 %	— %						
2022	— %							

Professional Indemnity / Directors and Officers

Acquisition Year	Accident Year	Net Reserves Acquired	Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31							Year Ended December 31, 2022	As of December 31, 2022
			2016	2017	2018	2019	2020	2021	2022	PPD	IBNR
		(in millions of U.S. dollars)									
		Unaudited								Unaudited	
2016	2016	$ —	$ 6	$ 5	$ 5	$ 5	$ 4	$ 5	$ 6	$ 1	$ 1
2016	2017	—		11	16	13	11	9	10	1	2
2016	2018	—			10	13	12	16	14	(2)	4
2016	2019	—				2	4	2	3	1	—
2016	2020	—					1	—	—	—	—
	Total	—	6	21	36	38	36	37	33	1	7
2019	2012 and prior	—				169	160	153	145	(8)	13
2019	2013	—				30	38	40	38	(2)	6
2019	2014	—				29	29	23	23	—	4
2019	2015	—				42	40	39	47	8	6
2019	2016	—				22	24	34	26	(8)	2
2019	2017	—				10	15	19	20	1	2
2019	2018	—				7	8	12	4	(8)	—
2019	2019	—				5	12	12	11	(1)	5
2019	2020	—					—	—	—	—	—
2019	2021	—						—	—	—	—
	Total	—				314	326	332	314	(18)	38
2020	2011 and Prior	—						22	—	(22)	—

Professional Indemnity / Directors and Officers

			Net cumulative incurred losses and allocated loss adjustment expenses For the years ended December 31							Year Ended December 31, 2022	As of December 31, 2022
Acquisition Year	Accident Year	Net Reserves Acquired	2016	2017	2018	2019	2020	2021	2022	PPD	IBNR
		(in millions of U.S. dollars)									
			Unaudited							Unaudited	
2020	2012	—						6	—	(6)	—
2020	2013	—						11	—	(11)	—
2020	2014	—						16	—	(16)	—
2020	2015	—						26	—	(26)	—
2020	2016	—						25	—	(25)	—
2020	2017	—						24	—	(24)	—
2020	2018	—						35	—	(35)	—
2020	2019	—						—	—	—	—
	Total	—						165	—	(165)	—
2021	2012 and prior	50						50	38	(12)	37
2021	2013	19						19	15	(4)	15
2021	2014	13						13	10	(3)	10
2021	2015	25						25	19	(6)	19
2021	2016	23						23	17	(6)	17
2021	2017	31						31	24	(7)	24
2021	2018	54						54	41	(13)	41
2021	2019	73						73	55	(18)	55
2021	2020	—						—	—	—	—
2021	2021	—						—	—	—	—
2021	2022	—							—	—	—
	Total	288						288	219	(69)	218
2022	2012 and prior	$ 6							$ —	$ (6)	$ (5)
2022	2013	18							16	(2)	(1)
2022	2014	19							20	1	6
2022	2015	29							42	13	10
2022	2016	27							47	20	16
2022	2017	71							88	17	27
2022	2018	61							73	12	14
2022	2019	111							140	29	61
2022	2020	—							—	—	—
2022	2021	—							—	—	—
2022	2022	—							—	—	—
	Total	$ 342							$ 426	$ 84	$ 128
	Grand Total	$ 630							$ 992	$ (167)	$ 391

Net cumulative paid losses and ALAE (from table below)	(189)	
2013 - 2022 acquisition years - net liabilities for losses and ALAE	803	
2012 and prior acquisition years - net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	—	163
Total net liabilities for losses and ALAE / net increase (reduction) in estimates of net ultimate losses related to prior years	$ 803	$ (4)

Professional Indemnity / Directors and Officers

Net cumulative paid losses and allocated loss adjustment expenses
For the years ended December 31
(in millions of U.S. dollars)

Acquisition Year	Accident Year	2016	2017	2018	2019	2020	2021	2022
		Unaudited						
2016	2016	—	$ 2	$ 3	$ 3	$ 4	$ 4	$ 4
2016	2017		1	3	6	8	8	8
2016	2018			—	2	4	7	8
2016	2019				—	—	—	3
2016	2020					—	—	—
2016	2021						—	—
2016	2022							—
	Total	—	5	9	14	20	23	23
2019	2012 and prior				4	18	30	56
2019	2013				1	3	6	11
2019	2014				1	3	5	8
2019	2015				1	4	9	15
2019	2016				—	2	6	10
2019	2017				—	1	3	5
2019	2018				—	—	1	3
2019	2019				—	—	1	3
	Total				7	31	61	111
2022	2012							—
2022	2013							1
2022	2014							4
2022	2015							—
2022	2016							8
2022	2017							22
2022	2018							1
2022	2019							19
	Total							$ 55
	Grand Total							$ 189

Professional Indemnity/Directors & Officers

Annual Percentage Payout of Incurred Losses since Year of Acquisition, Net of Reinsurance

Year of Acquisition	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	Unaudited							
2015	— %	— %	— %	— %	— %	— %	— %	
2016	— %	9.09 %	18.18 %	33.33 %	48.48 %	57.58 %	69.70 %	
2019	2.23 %	9.87 %	19.43 %	35.35 %				
2020	— %	— %						
2021	— %							
2022	— %							

9. FUTURE POLICYHOLDER BENEFITS

The provision for future policyholder benefits includes provisions for life contingent liabilities assumed as well as other policy benefits for insureds. The future policyholder benefits are equal to the present value of the future benefits payments and related expenses less the present value of future net premiums.

The mortality assumptions are based on cedant historical data, regional mortality tables, and industry standards. The present value of the liabilities are discounted utilizing the discount rate derived from the yield on the assets supporting the liabilities and may include certain reinvestment assumptions. The future policyholder benefits related to traditional annuity products include provisions for adverse deviation.

The carrying value of the provision for future policyholder benefits as of December 31, 2022 and 2021 was as follows:

	2022	2021
	(in millions of U.S. dollars)	
Deferred life contingent annuities	$ 196	$ 294
Whole of life reversion annuities	127	165
In-payment annuities	861	1,043
Total	$ 1,184	$ 1,502

As of December 31, 2022 and 2021, we had future policyholder benefit liabilities of $1.2 billion and $1.5 billion, respectively. The decrease of $318 million was primarily due to foreign currency translation following the strengthening of the U.S. dollar against the Euro.

We believe that the assumptions used represent a realistic and appropriate basis for estimating the provision for future policyholder benefits as of December 31, 2022. However, these assumptions are subject to change and we regularly review and adjust our estimates and provisioning methodologies taking into account all currently known information and updated assumptions relating to unknown information.

In November 2022, we completed a novation of all of our life contingent liabilities and other policy benefits pursuant to the Master Agreement we entered into with Allianz. The impact of the novation will be reflected in our 2023 consolidated financial statements as we report the results of Enhanzed Re on a one quarter reporting lag.

10. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. We use a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The hierarchy is broken down into three levels as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets that we have the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to Level 1 instruments.
- Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or significant inputs that are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on unobservable inputs where there is little or no market activity. Unadjusted third party pricing sources or management's assumptions and internal valuation models may be used to determine the fair values.

In addition, certain of our other investments are measured at fair value using net asset value ("NAV") per share (or its equivalent) as a practical expedient and have not been classified within the fair value hierarchy above.

	December 31, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Based on NAV as Practical Expedient	Total Fair Value
	(in millions of U.S. dollars)				
Investments:					
Fixed maturity investments:					
U.S. government and agency	$ —	$ 270	$ —	$ —	$ 270
U.K. government	—	36	—	—	36
Other government	—	185	—	—	185
Corporate	—	3,459	—	—	3,459
Municipal	—	146	—	—	146
Residential mortgage-backed	—	411	—	—	411
Commercial mortgage-backed	—	552	—	—	552
Asset-backed	—	557	—	—	557
Structured products	—	587	—	—	587
	—	6,203	—	—	6,203
Other assets included within funds held-directly managed	—	54	—	—	54
Equities:					
Publicly traded equity investments	152	19	—	—	171
Exchange-traded funds	102	—	—	—	102
Privately held equity investments	—	—	309	40	349
	254	19	309	40	622
Other investments:					
Private equity fund	—	—	—	1,118	1,118
Fixed Income fund	—	1	—	444	445
Hedge fund	—	—	—	529	529
Patcham Balanced fund	—	—	—	174	174
CLO equity	—	145	—	—	145
CLO equity fund	—	—	—	179	179
Private debt	—	—	—	145	145
Real estate fund	—	—	—	123	123
	—	146	—	2,712	2,858
Total Investments	$ 254	$ 6,422	$ 309	$ 2,752	$ 9,737
Reinsurance balances recoverable:	$ —	$ —	$ 118	$ —	$ 118
Funds held by reinsured companies:	—	—	44	—	44
Other Assets:					
Derivative Instruments	$ —	$ 3	$ —	$ —	$ 3
	$ —	$ 3	$ —	$ —	$ 3
Losses and LAE:	$ —	$ —	$ 610	$ —	$ 610
Other Liabilities:					
Derivative Instruments	$ —	$ 8	$ —	$ —	$ 8
	$ —	$ 8	$ —	$ —	$ 8

	December 31, 2021				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Based on NAV as Practical Expedient	Total Fair Value
	(in millions of U.S. dollars)				
Investments:					
Fixed maturity investments:					
U.S. government and agency	$ —	$ 351	$ —	$ —	$ 351
U.K Government		16			16
Other government	—	331	—	—	331
Corporate	—	3,781	—	—	3,781
Municipal	—	136	—	—	136
Residential mortgage-backed	—	396	—	—	396
Commercial mortgage-backed	—	434	—	—	434
Asset-backed	—	602	—	—	602
Structured products	—	1,033	—	—	1,033
	—	7,080	—	—	7,080
Other assets included within funds held-directly managed	—	187	—	—	187
Equities:					
Publicly traded equity investments	170	24	—	—	194
Exchange-traded fund	961	—	—	—	961
Privately held equity investments	—	—	322	—	322
	1,131	24	322	—	1,477
Other investments:					
Private equity fund	—	—	—	535	535
Fixed income fund	—	1	—	374	375
Hedge fund	—	—	—	272	272
Patcham Balanced fund	—	—	—	242	242
CLO equity	—	158	—	—	158
CLO equity fund	—	—	—	179	179
Private debt	—	—	—	74	74
Real estate fund	—	—	—	21	21
	—	159	—	1,697	1,856
Total Investments	$ 1,131	$ 7,450	$ 322	$ 1,697	$ 10,600
Reinsurance balances recoverable:	$ —	$ —	$ 163	$ —	$ 163
Other Assets:					
Derivative Instruments	$ —	$ 1	$ —	$ —	$ 1
	$ —	$ 1	$ —	$ —	$ 1
Losses and LAE:	$ —	$ —	$ 945	$ —	$ 945
Other Liabilities:					
Derivative Instruments	$ —	$ 2	$ —	$ —	$ 2
	$ —	$ 2	$ —	$ —	$ 2

Valuation Methodologies of Financial Instruments Measured at Fair Value

Short-term and Fixed Maturity Investments

The fair values for all securities in the short-term and fixed maturity investments and funds held - directly managed portfolios are obtained or validated from independent pricing services either directly or through our accounting service provider or investment managers.

We record the unadjusted price and validate this price through a process that includes, but is not limited to:

i. comparison of prices against alternative pricing sources;
ii. quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark);
iii. evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing; and
iv. comparing the price to our knowledge of the current investment market.

Our internal price validation procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

The independent pricing services used by our service providers obtain actual transaction prices for securities that have quoted prices in active markets. Where we utilize single unadjusted broker-dealer quotes, they are generally provided by market makers or broker-dealers who are recognized as market participants in the markets for which they are providing the quotes.

For determining the fair value of securities that are not actively traded, in general, pricing services use "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker-dealer quotes, interest rates, prepayment speeds, default rates and other such inputs as are available from market sources to determine a reasonable fair value.

The following describes the techniques generally used to determine the fair value of our short-term and fixed maturity investments by asset class, including the investments underlying the funds held - directly managed.

- **U.S. and non-U.S. government and agency securities** consist of securities issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies, or consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified as Level 2.

- **Corporate securities** consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair values of these securities are classified as Level 2.

- **Municipal securities** consist primarily of bonds issued by U.S.-domiciled state and municipal entities. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes and benchmark yields. These are considered observable market inputs and therefore the fair values of these securities are classified as Level 2.

- **Asset-backed and commercial and residential mortgaged-backed securities** consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, prepayment speeds and default rates. These are considered observable market inputs and therefore the fair value of these securities are classified as Level 2.

- **Structured products** consist of funds withheld securities which are utilized to achieve asset-liability matching requirements and to reduce our exposure to credit risk. We utilize observable benchmark yields, issue spreads, issuer credit ratings, loss given default rates, and probability of default rates to discount the future cash flows to derive the fair value of these investments. These are considered observable market inputs and, therefore, the fair values of these securities are classified as Level 2.

Equities

Our investments in equities consist of a combination of publicly and privately traded investments. Our publicly traded equity investments in common and preferred stocks predominantly trade on major exchanges and are managed by our external advisors. Our exchange-traded funds also trade on major exchanges.

Our publicly traded equities are widely diversified and there is no significant concentration in any specific industry. We use an internationally recognized pricing service to estimate the fair value of our publicly traded equities and exchange-traded funds. We have categorized the majority of our publicly traded equity investments, other than preferred stock, and our exchange-traded funds as Level 1 investments because the fair values of these investments are based on unadjusted quoted prices in active markets for identical assets. One equity security trades in an inactive market and, as a result has been classified as Level 2. The fair value estimates of our investments in publicly traded preferred stock are based on observable market data and, as a result, have been categorized as Level 2.

Our privately held equity investments in common and preferred stocks are direct investments in companies that we believe offer attractive risk adjusted returns and/or offer other strategic advantages. Each investment may have its own unique terms and conditions and there may be restrictions on disposals. The market for these investments is illiquid and there is no active market. For the majority of these we use a combination of cost, internal models and reported values from co-investors/managers to calculate the fair value of the privately held equity investments. The fair value estimates of these are based on unobservable market data so have been categorized as Level 3.

Other investments, at fair value

We have ongoing due diligence processes with respect to the other investments carried at fair value in which we invest, including active discussions with managers of the investments. These processes are designed to assist us in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether further review is warranted.

Certain funds do not provide full transparency of their underlying holdings; however, we obtain the audited financial statements for funds annually and review the audited results relative to the net asset values provided by the managers, and regularly review and discuss the fund performance with the fund managers to corroborate the reasonableness of the reported NAV.

The use of NAV as an estimate of the fair value for investments in certain entities that calculate NAV is a permitted practical expedient. Due to the time lag in the NAV reported by certain fund managers we adjust the valuation for capital calls and distributions. Other investments measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. Other investments for which we do not use NAV as a practical expedient have been valued using prices from independent pricing services and investment managers.

The following describes the techniques generally used to determine the fair value of our other investments.

- For our investments in hedge funds, private equity funds, CLO equity funds, private credit funds real estate debt fund and the balanced funds, we primarily measure fair value by obtaining the most recently available NAV as advised by the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.
- Our investments in fixed income funds are valued based on a combination of prices from independent pricing services, external fund managers or third-party administrators. For the publicly available prices we have classified the investments as Level 2. For the non-publicly available prices we are using NAV as a practical expedient and therefore these have not been categorized within the fair value hierarchy.
- We measure the fair value of our direct investment in CLO equities based on valuations provided by independent pricing services. The fair values measured using prices provided by independent pricing services have been classified as Level 2.

Insurance Contracts - Fair Value Option

The Company uses an internal model to calculate the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses for certain retroactive reinsurance contracts where we have elected the fair value option.

The fair value was calculated as the aggregate of discounted cash flows plus a risk margin. The discounted cash flow approach uses:

i. estimated nominal cash flows based upon an appropriate payment pattern developed in accordance with standard actuarial techniques; and

ii. a discount rate based upon a high quality rated corporate bond yield plus a credit spread for non-performance risk.

The model uses corporate bond rates across the yield curve depending on the estimated timing of the future cash flows and specific to the currency of the risk.

The risk margin was calculated using the present value of the cost of capital. The cost of capital approach uses:

i. projected capital requirements;

ii. multiplied by the risk cost of capital representing the return required for non-hedgeable risk based upon the weighted average cost of capital less investment income; and

iii. discounted using the weighted average cost of capital.

Derivative Instruments

The fair values of our derivative instruments are classified as Level 2. The fair values are based upon prices in active markets for identical contracts.

Funds Held by Reinsured Companies

The fair value of the embedded derivative representing the contractually agreed variable return on the funds held by reinsured companies associated with the Aspen LPT transaction is classified as Level 3 and is calculated using an internal model.

The fair value is calculated as the difference between:

i. the present value of all future expected interest payments based on the full crediting rate, calculated using a Monte Carlo simulation model; and

ii. the present value of all future expected interest payments based on the base crediting rate, calculated using a discounted cash flow model.

The Monte Carlo simulation model uses:

i. a continuous forward risk-free rate commensurate with the crediting interest rate period (observable); and

ii. an estimated historical volatility rate based upon the annualized standard deviation of daily log returns observed on a portfolio replicating the Aspen investment portfolio over a period commensurate with the crediting rate period (unobservable).

The discounted cash flow model uses:

i. estimated expected loss payments based upon an appropriate payment pattern developed in accordance with standard actuarial techniques (unobservable);

ii. a risk-free rate based on U.S. treasury rates as of the valuation date (observable); and

iii. a credit spread based upon the historical option adjusted spread of the Aspen publicly traded corporate debt instrument (observable).

Level 3 Measurements and Changes in Leveling

Transfers into or out of levels are recorded at their fair values as of the end of the reporting period, consistent with the date of determination of fair value.

Investments

The following tables present a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using Level 3 inputs during the years ended December 31, 2022 and 2021:

	2022		2021	
	Privately-held Equities	Total	Privately-held Equities	Total
	(in millions of U.S. dollars)			
Beginning fair value	$ 322	$ 322	$ 264	$ 264
Purchases	5	5	52	52
Total net unrealized gains (losses)	(43)	(43)	6	6
Transfer out of Level 3 into Level 2	—	—	—	—
Ending fair value	$ 284	$ 284	$ 322	$ 322

Net unrealized gains (losses) related to Level 3 assets in the table above are included in unrealized gains (losses) in our consolidated statements of earnings.

There were no transfers to and from Level 2 and Level 3 investments for the years ended December 31, 2022 and 2021.

Valuation Techniques and Inputs

The table below presents the quantitative information related to the fair value measurements for investments measured at fair value on a recurring basis using Level 3 inputs:

Quantitative Information about Level 3 Fair Value Measurements

Valuation Techniques	Fair Value as of December 31, 2022	Unobservable Input	Average [(1)]
	(in millions of U.S. dollars)		
Recurring bases:			
Guideline companies method	$ 182	P/BV multiple P/BV (excluding AOCI) multiple Price/LTM earnings multiple Expected term	1.70 - 2.3x 1.6 - 1.7x 13.3 - 15.4x 1 - 3 years
Dividend discount model; Guideline companies method;	77	Discount rate P/BV multiple Price/2023 earnings Price/2024 earnings	15-16% 1.4-2x 7.5-10.4x 6.3-6.5x
Guideline companies method; Earnings	25	LTM Enterprise Value/ EBITDA multiples LTM EV/Revenue multiples Multiple on earnings	11.5-12.5X 2.5-3x 5x
	284		
Non-recurring bases:			
Cost as approximation of fair value	25	Cost as approximation of fair value	
	$ 309		

[(1)] The average represents the arithmetic average of the inputs and is not weighted by the relative fair value.

As of December 31, 2022, the valuation techniques we used to fair value $182 million privately held equity investment includes an option pricing model, which allows for consideration of various exit options that exist within the investment. The unobservable inputs to the option pricing model have been identified and disclosed in the table above, and we no longer use a distribution waterfall to fair value the investment.

Funds Held by Reinsured Companies - Embedded Derivative

During the second quarter of 2022, we recognized an embedded derivative in relation to the Aspen LPT transaction to account for the fair value of the full crediting rate we expect to earn on the funds withheld received as premium consideration.

The following table presents a reconciliation of the beginning and ending balances for the embedded derivative measured at fair value on a recurring basis using Level 3 inputs during the year ended December 31, 2022:

	2022
	(in millions of U.S. dollars)
Beginning fair value	$ —
Initial recognition	27
Total net unrealized gains	17
Ending fair value	$ 44

Net unrealized gains in the table above are included in net unrealized gains (losses) in our consolidated statements of earnings.

Valuations Techniques and Inputs

The table below presents the quantitative information related to the fair value measurements for the embedded derivative on our funds held by reinsured companies measured at fair value on a recurring basis using Level 3 inputs:

Qualitative Information about Level 3 Fair Value Measurements

Valuation Techniques	Fair Value as of December 31, 2022	Unobservable Input	Average
	(in millions of U.S. dollars)		
Monte Carlo simulation model;		Volatility rate;	4.86%
Discounted cash flow analysis	$ 44	Expected loss payments	$1.3 billion

Insurance Contracts - Fair Value Option

The following table presents a reconciliation of the beginning and ending balances for all insurance contracts measured at fair value on a recurring basis using Level 3 inputs during the year ended December 31, 2022 and 2021:

	2022			2021		
	Liability for losses and LAE	Reinsurance balances recoverable	Net	Liability for losses and LAE	Reinsurance balances recoverable	Net
	(in millions of U.S. dollars)					
Beginning fair value	$ 945	$ 163	$ 782	$ 1,157	$ 191	$ 965
Incurred losses and LAE:						
Reduction in estimates of ultimate losses	(39)	(4)	(35)	(58)	(17)	(41)
Reduction in unallocated LAE	(7)	—	(7)	(9)	—	(9)
Changes in fair value:	(141)	(20)	(121)	(43)	(1)	(42)
Total incurred losses and LAE	(187)	(24)	(163)	(110)	(19)	(92)
Paid losses	(94)	(21)	(73)	(94)	(10)	(84)
Effect of exchange rate movements	(54)	—	(54)	(7)	—	(7)
Ending fair value	$ 610	$ 118	$ 493	$ 945	$ 163	$ 782

Changes in fair value in the table above are included in net incurred losses and LAE in our consolidated statements of earnings.

The following table presents the components of the net change in fair value for the years December 31, 2022 and 2021:

	2022	2021
	(in millions of U.S. dollars)	
Changes in fair value due to changes in:		
Duration	$ 23	$ 18
Corporate bond yield	(132)	(60)
Credit Risk	(12)	—
Change in fair value	$ (121)	$ (42)

Below is a summary of the quantitative information regarding the significant observable and unobservable inputs used in the internal model to determine fair value on a recurring basis as at December 31, 2022 and 2021:

Valuation Technique	Unobservable (U) and Observable (O) Inputs	2022	2021
		Weighted Average	Weighted Average
Internal model	Corporate bond yield (O)	A Rated	A rated
Internal model	Credit spread for non-performance risk (U)	0.65%	0.2%
Internal model	Risk cost of capital	5.1%	5.1%
Internal model	Weighted average cost of capital (U)	8.25%	8.25%
Internal model	Duration - liability for losses and LAE (U)	9.89 years	10.05 years
Internal model	Duration - reinsurance balances recoverable (U)	8.93 years	9.65 years

The fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses may increase or decrease due to changes in the corporate bond rate, the credit spread for non-performance risk, the risk cost of capital, the weighted average cost of capital and the estimated payment pattern.

In addition, the estimate of the capital required to support the liabilities is based upon current industry standards for capital adequacy.

11. VARIABLE INTEREST ENTITIES

We have investments in certain limited partnership funds which are deemed to be variable interest entities ("VIEs"). The activities of these VIEs are generally limited to holding investments and our involvement in these entities is passive in nature. We consolidate all VIEs in which we are considered to be the primary beneficiary.

InRe Fund

During 2021, we redeemed an aggregate of $2.7 billion and completed the liquidation of our investment in the InRe Fund.

On April 1, 2021, we obtained control of the InRe Fund following redemption by the general partner, an affiliate of Hillhouse Group, of all of its outstanding ownership interests and the termination of its investment management activities. From that date we had both full ownership of the InRe Fund and the power to direct its activities, which led to our determination to consolidate the InRe Fund.

Prior to consolidation, our investment in the InRe Fund was recorded at fair value using the NAV as a practical expedient, with any changes included within net unrealized gains in the consolidated statements of earnings. Thus, there was no gain or loss upon consolidation.

During the year ended December 31, 2021 we recognized net investment expenses for the InRe Fund of $13 million and net realized losses of $58 million (as all investments were redeemed and liquidated during the year subsequent to consolidation).

During the year ended December 31, 2021, our consolidated statements of cash flows included net operating cash flows of $2.1 billion attributed to the InRe Fund driven by net sales of trading securities, partially offset by net payments to cover securities sold short, and net investing cash flows of $574 million resulting from the initial consolidation of the InRe Fund's cash and restricted cash balances

Nonconsolidated VIEs

The tables below present the fair value of our investments in nonconsolidated VIEs as well as our maximum exposure to loss associated with these VIEs:

	As of December 31, 2022			As of December 31, 2021		
	Fair Value	Unfunded Commitments	Maximum Exposure to Loss	Fair Value	Unfunded Commitments	Maximum Exposure to Loss
	(in millions of U.S. dollars)					
Equities						
Publicly traded equity investment in common stock	$ 3	$ —	$ 3	$ 4	$ —	$ 4
Other investments						
Hedge funds	$ 531	$ —	$ 531	$ 272	$ —	$ 272
Fixed income funds	344	33	377	124	36	160
Private equity funds	1,118	815	1,933	535	845	1,380
CLO equity funds	179	—	179	179	—	179
Equity Fund	25	—	25	—	—	—
Private credit funds	145	148	293	14	166	180
Real estate funds	123	450	573	21	311	332
Total	$ 2,465	$ 1,446	$ 3,911	$ 1,145	$ 1,358	$ 2,503
Total investments in nonconsolidated VIEs	$ 2,468	$ 1,446	$ 3,914	$ 1,149	$ 1,358	$ 2,507

12. PREMIUMS WRITTEN AND EARNED

The following table provide a summary of net premiums written and earned for the year ended December 31, 2022 and 2021:

	2022		2021	
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned
	(in million of U.S. dollars)			
Total				
Total Gross	$ 10	$ 43	$ 28	$ 75
Total Ceded	—	(2)	—	(1)
Total Net	$ 10	$ 41	$ 28	$ 74

Gross premiums written for the year ended December 31, 2022 decreased by $18 million primarily due to no major premium transactions entered in by the Company during 2022.

13. DEBT OBLIGATIONS

We utilize debt financing and credit facilities primarily for funding acquisitions and significant new business, investment activities and, from time to time, for general corporate purposes.

Our debt obligations were as follows:

				December 31, 2022		December 31, 2021	
Facility	Origination Date	Term	Principal	(Unamortized Cost) / Fair Value Adjustments	Carrying Value	(Unamortized Cost) / Fair Value Adjustments	Carrying Value
				(in millions of U.S. dollars)			
5.50% Enhanzed Re's Subordinated Notes due 2031	December 20, 2018	12.1 years	$ —	$ —	$ —	$ 6	$ 76
Total Subordinated Notes					—		76
Total debt obligations					$ —		$ 76

Subordinated Notes

Debt Repayment

In September 2022, we repaid Enhanzed Re's $70 million of Subordinated Notes due 2031 that had been issued to an affiliate of Allianz. We also recognized a gain on extinguishment of $6 million as a result of accelerating the amortization of the remaining fair value adjustment, which was included within interest expense in our consolidated statements of earnings.

Credit and Deposit Facilities

We utilize unsecured and secured letters of credit ("LOCs") and a deposit facility to support certain of our (re)insurance performance obligations. We also utilize unsecured LOCs to support the regulatory capital requirements of certain of our subsidiaries.

Our credit and deposit facilities were as follows:

			Aggregate Amount Issued / Requested as Deposits / Face Amount	
	Commitment	Additional Commitments Available [1]	December 31, 2022	December 31, 2021
	(in millions of U.S. dollars)			
$365.0 million LOC Facility	$ 365	$ —	$ 365	$ 250
$800.0 million Syndicated LOC Facility	800	—	625	568
$65.0 million LOC Facility	—	—	—	61
$100.0 million Bermuda LOC Facility	$ 100	$ —	$ 100	$ 100

[1] Additionally the Company issued LOC's under it's parent's facility, $97 million as at December 31, 2022 and $111 million as at December 31, 2021.

14. NONCONTROLLING INTEREST

We have noncontrolling interest ("NCI") on our consolidated balance sheets. NCI, which is carried at book value, does not have redemption features and is classified within equity in the consolidated balance sheets.

Noncontrolling Interest

As of December 31, 2022 and 2021, we had $95 million and $219 million, respectively, of NCI primarily related to external interests in one of our subsidiaries, Enhanzed Re. A reconciliation of the beginning and ending carrying amount of the equity attributable to NCI is included in the consolidated statements of changes in shareholder's equity.

On December 28, 2022, Enhanzed Re repurchased the entire 24.9% ownership interest Allianz held in Enhanzed Re for $174 million. We will reflect the impact of reclassifying the carrying value of the NCI obtained to Enstar shareholders' equity in our 2023 consolidated financial statements, as we report the results of Enhanzed Re on a one quarter reporting lag.

15. SHAREHOLDER'S EQUITY

Share Capital

The authorized share capital of the Company at December 31, 2022 consisted of 120,000 voting common shares, of par value $1 per share, all of which are issued, fully paid and outstanding.

Shares in Ultimate Parent Company

During the year ended December 31, 2022 and 2021, the Company held $201 million in Preferred Shares in Enstar, the Company's ultimate parent.

Additional paid-in capital

As at December 31, 2022 and 2021 the Company had additional paid-in capital of $2,871 million and $2,821 million respectively.

16. TAXATION

The company is incorporated under the laws of Bermuda and is therefore subject to Bermuda law with respect to taxation. Under the current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the 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.

17. RELATED PARTY TRANSACTIONS

The following tables summarize our related party balances and transactions. Additional details about the nature of our relationships and transactions are included further below.

As of December 31, 2022	Stone Point [1]	Northshore	Monument	AmTrust	Citco	Core Specialty	Other
	(in millions of U.S. dollars)						
Assets							
Short-term investments, AFS, at fair value	1	—	—	—	—	—	—
Fixed maturities, trading, at fair value	$ 24	$ —	$ —	$ —	$ —	$ —	$ —
Fixed maturities, AFS, at fair value	334	—	—	—	—	—	—
Equities, at fair value	84	37	—	182	—	—	—
Other investments, at fair value	269	0	—	—	—	—	1,668
Equity method investments	—	—	110	—	60	211	—
Total investments	712	37	110	182	60	211	1,668
Cash and cash equivalents	25	—	—	—	—	—	—
Reinsurance balances recoverable on paid and unpaid losses	—	—	—	—	—	2	—
Funds held by reinsured company	—	—	—	—	—	25	—
Other assets	—	—	—	—	—	5	—
Liabilities							
Losses and LAE	—	—	—	—	—	334	—
Insurance and reinsurance balances payable	—	—	—	—	—	11	—
Net assets (liabilities)	$ 737	$ 37	$ 110	$ 182	$ 60	$ (102)	$ 1,668

[1] As of December 31, 2022, we had unfunded commitments of $145 million to other investments and $13 million to fixed maturity investments managed by Stone Point and its affiliated entities.

As of December 31, 2021	Stone Point	AnglePoint HK [1]	Northshore	Monument	AmTrust	Citco	Core Specialty	Other
	(in millions of U.S. dollars)							
Assets								
Fixed maturities, trading, at fair value	35	—	180	—	—	—	—	—
Fixed maturities, AFS, at fair value	216	—	1	—	—	—	—	—
Equities, at fair value	49	—	37	—	216	—	—	—
Other investments, at fair value	246	9	14	—	—	—	—	892
Equity method investments	—	—	—	194	—	56	225	—
Total investments	546	9	232	194	216	56	225	892
Cash and cash equivalents	9	—	27	—	—	—	—	—
Restricted cash and cash equivalents	—	—	4	—	—	—	—	—
Reinsurance balances recoverable on paid and unpaid losses	—	—	63	—	—	—	2	—
Funds held by reinsured company	—	—	35	—	—	—	41	—
Other assets	—	—	28	—	—	—	13	—
Liabilities								
Losses and LAE	—	—	226	—	—	—	504	—
Insurance and reinsurance balances payable	—	—	63	—	—	—	5	—
Other liabilities	$ —	$ —	$ 63	$ —	$ —	$ —	$ —	$ —
Net assets (liabilities)	$ 555	$ 9	$ 37	$ 194	$ 216	$ 56	$ (228)	$ 892

[1] Subsequent to December 31, 2021, AnglePoint HK ceased to be a related party.

	2022					
	Stone Point	Monument	AmTrust	Citco	Core Specialty	Other
	(in millions of U.S. dollars)					
Net premiums earned	$ —	$ —	$ —	$ —	$ 1	$ —
Net investment income (expense)	9	—	6	—	—	—
Net unrealized gains (losses)	(49)	—	(34)	—	—	(62)
Other (expense) income	—	—	—	—	9	—
	(40)	—	(28)	—	10	(62)
Net incurred losses and LAE	—	—	—	—	(16)	—
	—	—	—	—	(16)	—
Earnings from equity method investments	—	(65)	—	5	(14)	—
Total net earnings (loss)	$ (40)	$ (65)	$ (28)	$ 5	$ (20)	$ (62)

	2021									
	Stone Point	Hillhouse (1)	AnglePoint HK (2)	Northshore	Monument	AmTrust	Citco	Enhanzed Re (3)	Core Specialty	Other
	(in millions of U.S. dollars)									
Net premiums earned	—	—	—	58	—	$ —	—	(2)	8	—
Net investment income (expense)	$ 14	$ —	$ (13)	$ 3	$ —	$ 6	$ —	$ (4)	$ —	$ 3
Net realized gains	—	77	—	—	—	—	—	—	—	—
Net unrealized gains (losses)	39	20	(69)	—	—	(6)	—	—	—	103
Other (expense) income	—	—	—	(15)	—	—	—	2	15	—
	53	97	(82)	46	—	—	—	(4)	23	106
Net incurred losses and LAE	—	—	—	(18)	—	—	—	—	32	—
Acquisition costs	—	—	—	(13)	—	—	—	1	6	—
General and administrative expenses	—	—	—	(10)	—	—	—	—	—	—
	—	—	—	(41)	—	—	—	1	38	—
Earnings from equity method investments	—	—	—	—	14	—	4	82	(6)	—
Total net earnings (loss)	$ 53	$ 97	$ (82)	$ 5	$ 14	$ —	$ 4	$ 79	$ 55	$ 106

(1) Includes earnings from our direct investment in the InRe Fund, which was managed by AnglePoint Cayman through March 31, 2021, and the impact of a $100 million deduction from amounts due to affiliates of Hillhouse Group from the InRe Fund, which had the effect of increasing our NAV in the InRe Fund on February 21, 2021. The Hillhouse Group ceased to be a related party on July 22, 2021.

(2) Includes earnings from our direct investment in the InRe Fund, which was managed by AnglePoint HK from April 1, 2021 to October 15, 2021, and another fund managed by AnglePoint HK. For the year ended December 31, 2021, we incurred management and performance fees of $16 million in relation to the InRe Fund, which consisted of a $10 million minimum performance fee and operating expense reimbursements of $6 million. These fees were deducted from the AnglePoint HK funds' reported net asset values and recorded as net investment expenses in the consolidated statements of earnings. AnglePoint HK ceased to be a related party subsequent to December 31, 2021.

(3) Following completion of the Step Acquisition and related consolidation, Enhanzed Re ceased to be a related party on September 1, 2021.

Transactions with Enstar's Subsidiaries

Reinsurance Agreements with affiliates

The table below summarizes the outstanding liabilities under reinsurance agreements between the Company and its affiliates as of December 31, 2022 and 2021:

	2022	2021
	(in millions of U.S. dollars)	
Outstanding liabilities under reinsurance agreements:		
Syndicate 2008	$ 514	$ 687
Mercantile Indemnity Company	375	595
StarStone Group	229	284
Clarendon National Insurance Company	142	168
Fletcher Reinsurance Company	—	158
River Thames Insurance Company	108	131
Gordian Run-off Limited ("Gordian")	63	86
Yosemite Insurance Company	—	64

Loans

The tables below summarize the outstanding principal and accrued interest balances between the Company and its affiliates as of December 31, 2022 and 2021:

December 31, 2022	Relationship	Interest Rate	Principal	Accrued Interest	Total
Loans Receivable:					
BH Acquisition	Affiliate	3.00 %	$ 27	$ 1	$ 28

December 31, 2021	Relationship	Interest Rate	Principal	Accrued Interest	Total
Loans Receivable:					
BH Acquisition	Affiliate	3.00 %	$ 27	$ 1	$ 28
Enstar	Ultimate Parent	1.93 %	3	—	3

Kenmare Revolving Credit Facility

As of December 31, 2022, we permitted either Kenmare or Cavello Bay to borrow from each other up to an aggregate amount of $250 million under a bi-lateral unsecured revolving credit agreement.

As of December 31, 2022, there was $250 million of available to Kenmare and $128 million available to Cavello Bay of unutilized capacity under the facility.

Each party pay interest on loans borrowed under the facility at a per annum rate equal to the Benchmark Rate for the applicable Interest Period plus the Applicable Margin, computed based on the number of calendar days outstanding from its Advance Date to (but excluding) the date on which it is fully repaid.

If an event of default occurs, the interest rate may increase and the agent may, and at the request of the required lenders shall, terminate lender commitments and demand early repayment of any outstanding loans borrowed under the facility.

Enstar Group Limited Revolving Credit

As of December 31, 2022, we permitted either Enstar Group Limited or Cavello Bay to borrow from each other up to an aggregate amount of $250 million under a bi-lateral unsecured revolving credit agreement.

As of December 31, 2022, there was $250 million available to Enstar Group Limited and $250 million available to Cavello Bay of unutilized capacity under the facility.

Each party pays interest on loans borrowed under the facility at a per annum rate equal to the Benchmark Rate for the applicable Interest Period plus the Applicable Margin, computed based on the number of calendar days outstanding from its Advance Date to (but excluding) the date on which it is fully repaid.

If an event of default occurs, the interest rate may increase and the agent may, and at the request of the required lenders shall, terminate lender commitments and demand early repayment of any outstanding loans borrowed under the facility.

Investments

The Company invests in Patcham Investment Funds Plc ("Patcham Funds"), as part of a group investment pool with other companies related through common control. These funds are managed by a wholly-owned subsidiary of Enstar and are included in other investments at fair value.

The table below summarizes the Company's investments in the Patcham Funds carried on its consolidated balance sheets as at December 31, 2022 and 2021 as well as the net unrealized losses included in its consolidated statements of earnings for the years ended December 31, 2022 and 2021:

	2022	2021
	(in millions of U.S. dollars)	
Patcham Fixed Income fund	$ 101	$ 161
Patcham Balanced fund	174	242
Net unrealized (losses)	$ (58)	$ (9)

Stone Point

In May 2022, we entered into a share purchase agreement with an affiliate of Stone Point.

As of December 31, 2022, investment funds managed by Stone Point own 1,546,196 of Enstar's voting ordinary shares, which constitutes 9.7% of it's outstanding voting ordinary shares. James D. Carey, a managing director of Stone Point, is a member of Enstar's Board.

As of December 31, 2022, investment funds managed by Stone Point have a 39.3% interest in our affiliate StarStone Specialty Holdings Limited ("SSHL"), and a 77.3% interest in Northshore. Additional information relating to our remaining interest in Northshore is set forth under the heading "Northshore" below. As of December 31, 2022 and December 31, 2021, the Redeemable noncontrolling interest ("RNCI") on Enstar's balance sheet relating to these co-investment transactions was $161 million and $172 million, respectively.

We have made various investments in funds and separate accounts managed by Stone Point or affiliates of Stone Point, and we have also made direct investments in entities affiliated with Stone Point. Where we have made an investment in a fund, the manager of such fund generally charges certain fees to the fund, which are deducted from the net asset value.

We also have certain co-investments alongside Stone Point and its affiliates, including our investments in AmTrust and Northshore, which are described below, and Mitchell TopCo Holdings, the parent company of Mitchell International ("Mitchell"), and Genex Services in which we have invested $25 million. Mitchell provides third-party outsourcing managed care services to one of our subsidiaries in the ordinary course of its business.

Hillhouse Group

On July 22, 2021, Enstar repurchased the Hillhouse Funds' (as defined below) entire equity interest in Enstar, and as a result the Hillhouse Group (as defined below) ceased to be a related party on the same date.

We have historically made significant direct investments in funds (the "Hillhouse Funds") managed by Hillhouse Capital Management, Ltd. and Hillhouse Capital Advisors, Ltd. (together, "Hillhouse Group") and AnglePoint Asset Management Ltd., an affiliate of Hillhouse Group ("AnglePoint Cayman"). From February 2017 to February 2021, Jie Liu, a partner of AnglePoint HK (as defined below), served on Enstar's Board.

On February 21, 2021, we entered into a Termination and Release Agreement (the "TRA") with the InRe Fund, Hillhouse Group, AnglePoint Cayman, AnglePoint Asset Management Limited ("AnglePoint HK"), and InRe Fund

GP, Ltd. pursuant to which we agreed to terminate certain relationships with Hillhouse and its affiliates, primarily with respect to the InRe Fund. In connection with AnglePoint Cayman ceasing to serve as investment manager of the InRe Fund, affiliates of Hillhouse Group agreed to a deduction of $100 million from amounts due to them from the InRe Fund and to waive their right to receive any performance fees that could have been earned for 2021. We also redeemed our investments in the other Hillhouse Funds at their carrying value plus an implied interim return and received $381 million in the form of additional interest in the InRe Fund.

AnglePoint Cayman previously received sub-advisory services with respect to the InRe Fund from its affiliate, AnglePoint HK, an investment advisory company licensed by the Securities and Futures Commission in Hong Kong. Pursuant to the TRA, we acquired an option to buy AnglePoint HK, which we also had the right to assign to a third-party. On April 1, 2021, we entered into a Designation Agreement with Jie Liu (the "Designation Agreement"), pursuant to which we designated Mr. Liu, an AnglePoint HK partner, as the purchaser of AnglePoint HK, and he acquired the company from an affiliate of Hillhouse Group on the same day. AnglePoint Cayman simultaneously assigned its investment management agreement with the InRe Fund to AnglePoint HK, at which point AnglePoint HK became a related party.

As a result of the terms of the Designation Agreement, the InRe Fund qualified as a VIE and was consolidated effective April 1, 2021. During the fourth quarter of 2021, we completed the liquidation of our investment in the InRe Fund.

On September 1, 2021, we completed the purchase of the Hillhouse Group's entire 27.7% interest in Enhanzed Re for a purchase price of $217 million.

AnglePoint HK

In October 2021, we terminated our investment management agreement with AnglePoint HK, the InRe Fund and the general partner of the InRe Fund, and placed the InRe Fund into an orderly liquidation. As of December 31, 2021, AnglePoint HK ceased to be a related party.

Northshore

Following the completion of the Exchange Transaction on January 1, 2021, our equity interest in Northshore, the holding company that owns Atrium and Arden, was reduced to 13.8% from 54.1%. We have accounted for our residual equity interest in Northshore as an investment in a privately held equity security at fair value.

Monument Re

As of December 31, 2022, we own 20% of the common shares of Monument Re and 24.4% of its preferred shares, which is reduced to 13.7% on a committed capital basis. As of December 31, 2022, a fund managed by Stone Point owns 6.7% of Monument Re’s preferred shares, which increases to 11.2% on a committed capital basis.

In November 2022, we closed a transaction with Monument Re to novate our reinsurance closed block of life annuity policies written by Enhanzed Re. A portion of the net gain on novation will be subject to deferral to account for our existing ownership interest in Monument Re. The final impact of the novation will be reflected in our 2023 consolidated financial statements, as we report the results of Enhanzed Re on a one quarter reporting lag.

We have accounted for our investment in the common and preferred shares of Monument Re as an equity method investment.

Our losses from Monument Re include an other-than-temporary impairment charge for the year ended December 31, 2022.

AmTrust

As of December 31, 2022 and 2021, Enstar owns 8.7% of the equity interest in Evergreen Parent L.P. ("Evergreen") and Trident Pine Acquisition LP ("Trident Pine") owns 22.6%. Evergreen owns all of the equity interest in AmTrust Financial Services, Inc. (“AmTrust"). Trident Pine is an entity owned by private equity funds managed by Stone Point.

We have accounted for our investment in the shares of AmTrust as an investment in a privately held equity security at fair value.

Citco

As of December 31, 2022 and 2021, we owned 31.9% of the common shares in HH CTCO Holdings Limited, which in turn owns 15.4% of the convertible preferred shares, amounting to a 6.2% interest in the total equity of Citco III Limited ("Citco"). As of December 31, 2022 and 2021, Trident owned 3.4% interest in Citco.

We have accounted for our indirect investment in the shares of Citco as an equity method investment.

Enhanzed Re

In September 2021 we repurchased the Hillhouse Group's entire 27.7% interest in Enhanzed Re for a purchase price of $217 million, assumed its remaining outstanding capital commitment to Enhanzed Re of $40 million, and increased our equity interests in Enhanzed Re from 47.4% to 75.1%. Upon closing, we consolidated Enhanzed Re (previously accounted for as an equity method investment) and as a result, it ceased to be a related party.

Core Specialty

We account for our investment in the common shares of Core Specialty as an equity method investment on a one quarter lag.

Other

We also have certain other investments, including investments in limited partnerships and partnership-like limited liability companies, that had we not elected the fair value option would otherwise be accounted for as equity method investments. We have disclosed our investments in these entities on an aggregated basis as they are individually immaterial.

18. DIVIDEND RESTRICTIONS AND STATUTORY FINANCIAL INFORMATION

Statutory Financial Information and Dividend Restrictions

The Company is registered as a Class 3B reinsurer under the Insurance Act 1978 of Bermuda and related regulations, as amended (the "Insurance Act"). The Insurance Act imposes certain solvency and liquidity standards and auditing and reporting requirements and grants the Bermuda Monetary Authority ("BMA") powers to supervise, investigate, require information and the production of documents and intervene in the affairs of insurance companies.

The Insurance Act requires that the Company maintains certain solvency and liquidity standards. The minimum liquidity ratio requires that the value of relevant assets not be less than 75% of the amount of relevant liabilities. The minimum solvency margin, which varies depending on the class of the insurer, is determined as a percentage of either net reserves for losses and LAE or premiums. As the Company has a commercial insurance license it is required to maintain a minimum statutory capital and surplus (Enhanced Capital Requirement or "ECR") at least equal to the greater of a minimum solvency margin or the Bermuda Solvency Capital Requirement ("BSCR"). The BSCR is calculated based on a standardized risk-based capital model as provided by the BMA.

The Company would be prohibited from declaring or paying any dividends if it were in breach of its minimum solvency margin or liquidity ratio or if the declaration or payment of such dividends would cause it to fail to meet such margin or ratio. In addition, the Company is prohibited, without the prior approval of the BMA, from reducing by 15% or more its total statutory capital, or from reducing by 25% of more its total statutory capital and surplus, as set out in its previous year's statutory financial statements.

As of December 31, 2022, the Company met all the requirements that it is subject to under the Insurance Act.

19. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

We believe that there are no significant concentrations of credit risk associated with our cash and cash equivalents, fixed maturity investments, or other investments. Our cash and investments are managed pursuant to guidelines that follow prudent standards of diversification and liquidity, and limit the allowable holdings of a single issue and issuers. We are also subject to custodial credit risk on our investments, which we manage by diversifying our holdings amongst large financial institutions that are highly regulated.

We have exposure to credit risk on certain of our assets pledged to ceding companies under insurance contracts. In addition, we are potentially exposed should any insurance intermediaries be unable to fulfill their contractual obligations with respect to payments of balances owed to and by us.

Credit risk exists in relation to (re)insurance balances recoverable on paid and unpaid losses. We remain liable to the extent that counterparties do not meet their contractual obligations and, therefore, we evaluate and monitor concentration of credit risk among our (re)insurers.

We are also subject to credit risk in relation to funds held by reinsured companies. Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to our reinsurance subsidiaries. The funds are not typically placed into trust or subject to other security arrangements. However, we generally have the contractual ability to offset any shortfall in the payment of the funds held balances with amounts owed by us.

We have a significant funds held concentration of $443.2 million (December 31, 2021: $601.0 million) to an Enstar affiliate.

We limit the amount of credit exposure to any one counterparty and none of our counterparty credit exposures, excluding U.S. Government instruments and the counterparties noted above, exceeded 10% of shareholders' equity as of December 31, 2022. Our credit exposure to the U.S. government was $596.0 million as at December 31, 2022 (December 31, 2021: $664.0 million).

Legal Proceedings

We are, from time to time, involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. Estimated losses relating to claims arising in the ordinary course of business, including the anticipated outcome of any pending arbitration or litigation are included in the liability for losses and LAE in our consolidated balance sheets. In addition to claims litigation, we may be subject to other lawsuits and regulatory actions in the normal course of business, which may involve, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity. We do not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material effect on our business, results of operations or financial condition. We anticipate that, similar to the rest of the (re)insurance industry, we will continue to be subject to litigation and arbitration proceedings in the ordinary course of business, including litigation generally related to the scope of coverage with respect to A&E and other claims.

Unfunded Investment Commitments

As of December 31, 2022, we had unfunded commitments of $1.6 billion to other investments and $18 million to privately held equity.

20. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 30, 2023, which is the date that the financial statement were available to be issued. As part of this evaluation, the following should be noted:

Transactions

Enhanzed Re

In November 2022, Enhanzed Re completed a novation of the reinsurance closed block of life annuity policies to Monument Re Limited ("Monument Re"). We settled the life liabilities and the related assets at carrying value in return for cash consideration as of the closing date.

As at September 30, 2022, the carrying value of the life liabilities and related assets was $1.2 billion and $1.0 billion, respectively, which we would record as other income of $328 million, if measured as of this date. This amount consists of both the gain or loss on the novation transaction and the reclassification of the component of AOCI to earnings.

- Our net earnings attributable to the Company will be reduced by the amount attributable to Allianz's 24.9% noncontrolling interest in Enhanzed Re at the time of the transaction and a portion of our other income recorded will be subject to deferral over the expected settlement period for the life annuity policies to account for our pre-existing 20% ownership interest in Monument Re, resulting in an expected overall increase in our 2023 net earnings of $197 million from the novation.
- Activity for the period from October 1, 2022 to November 7, 2022 will impact the amount of other income and net earnings recorded.

On December 28, 2022, Enhanzed Re repurchased the entire 24.9% ownership interest Allianz held in Enhanzed Re for $174 million. The purchase price will be subject to a post-closing adjustment based on the final net book value of Enhanzed Re as of December 31, 2022. Following the completion of this transaction, Enhanzed Re became a wholly-owned subsidiary of the Company.

The final impact of the novation and the share repurchase will be reflected in our 2023 consolidated financial statements, as we report the results of Enhanzed Re on a one quarter reporting lag.

QBE LPT

On February 16, 2023, the Company and certain of it's affiliates entered into an LPT agreement with certain subsidiaries of QBE Insurance Group Limited ("QBE") relating to a diversified portfolio of business, covering International and North America financial lines, European and North American reinsurance portfolios and several US discontinued programs. The transaction is effective as of January 1, 2023.

The LPT agreement covers ground up net loss reserves of $1.9 billion and provides an additional $900 million of cover on business underwritten between 2010 and 2018. Upon completion, a portion of the portfolio currently underwritten via QBE's Lloyd's Syndicates 386 and 2999 transferred to Enstar's Syndicate 2008. The LPT agreement closed on April 6, 2023.

RACQ

On February 21, 2023, the Company entered into an agreement with RACQ Insurance Limited ("RACQ") to reinsure 80% of RACQ's motor vehicle Compulsory Third Party ("CTP") insurance liabilities, covering accident years 2021 and prior.

The reinsurance agreement is effect as of July 1, 2022. RACQ will cede net reserves of AUD $360 million (USD $245 million), and the Company will provide AUD $200 million (USD $136 million) of additional cover in excess of the ceded reserves. The closing of the transaction is subject to regulatory approval and other closing conditions.