

**EVEREST REINSURANCE (BERMUDA), LTD.**  
(a wholly owned subsidiary of Everest Re Group, Ltd.)  
**GAAP Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**



## **Report of Independent Auditors**

To the Board of Directors of Everest Reinsurance (Bermuda), Ltd.

### ***Opinion***

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

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

### ***Basis for Opinion***

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

### ***Emphasis of Matter***

As discussed in Note 13 to the financial statements, the Company has entered into significant transactions with related parties. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors’ Responsibilities for the Audit of the Financial Statements***

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

aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our 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.

### ***Supplemental Information***

Accounting principles generally accepted in the United States of America require that the information about incurred and paid claims development for the years ended December 31, 2013 to December 31, 2021 on pages 18 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP". The signature is written in dark ink and is positioned above the date.

April 25, 2023

EVEREST REINSURANCE (BERMUDA), LTD.  
BALANCE SHEETS

	December 31,	
	2022	2021
(Dollars in thousands, except par value per share)		
<b>ASSETS:</b>		
Fixed maturities - available for sale (amortized cost: 2022, \$6,528,340; 2021, \$6,215,309; credit allowances: 2022, (\$8,357); 2021, (\$2,247))	\$ 6,046,611	\$ 6,292,599
Fixed maturities - held to maturity, at amortized cost, net of credit allowances (fair value: 2022, \$27,845; credit allowances: 2022, \$0)	27,845	-
Equity securities, at fair value	7,945	27,270
Other invested assets	1,171,321	1,179,074
Short-term investments	105,612	137,833
Cash	245,569	209,989
Total investments and cash	<u>7,604,903</u>	<u>7,846,765</u>
Accrued investment income	43,330	39,243
Premiums receivable (net of credit allowances: 2022, (\$3,040); 2021 (\$3,058))	1,348,651	1,249,076
Reinsurance paid loss recoverables (net of credit allowances: 2022, (\$6); 2021 (\$6))	4,776	6,747
Reinsurance unpaid recoverables	1,565,974	1,422,025
Funds held by reinsureds	723,812	570,866
Deferred acquisition costs	212,536	191,831
Prepaid reinsurance premiums	490,132	413,888
Other assets	21,386	11,844
<b>TOTAL ASSETS</b>	<u><b>\$ 12,015,500</b></u>	<u><b>\$ 11,752,285</b></u>
<b>LIABILITIES:</b>		
Reserve for losses and loss adjustment expenses	7,219,116	\$ 6,629,769
Future policy benefit reserve	28,895	35,669
Unearned premium reserve	1,306,378	1,130,025
Funds held under reinsurance treaties	21,127	28,481
Losses in course of payment	-	133,693
Income tax liability, net	4,220	1,061
Other net payable to reinsurers	490,815	394,328
Deferred gain on retroactive reinsurance	187,284	149,868
Other liabilities	220	65,432
Total liabilities	<u>9,258,055</u>	<u>8,568,326</u>
Contingencies (Note 12)		
<b>SHAREHOLDER'S EQUITY:</b>		
Common shares, par value: \$1.00; 1.25 million shares authorized, issued and outstanding (2022 and 2021)	1,250	1,250
Additional paid-in capital	1,332,529	1,332,529
Accumulated other comprehensive income (loss), net of deferred income tax expense (benefit) of (\$9,440) at 2022 and \$963 at 2021	(644,194)	(46,630)
Retained earnings	2,067,860	1,896,810
Total shareholder's equity	<u>2,757,445</u>	<u>3,183,959</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u><b>\$ 12,015,500</b></u>	<u><b>\$ 11,752,285</b></u>

The accompanying notes are an integral part of the financial statements.

EVEREST REINSURANCE (BERMUDA), LTD.  
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
<b>REVENUES:</b>		
Premiums earned	\$ 2,214,972	\$ 1,917,216
Net investment income	213,292	398,247
Net gains (losses) on Investments:		
Credit allowances on fixed maturity securities	(6,110)	(2,068)
Gains (losses) from fair value adjustments	(4,859)	(17,024)
Net realized gains (losses) from dispositions	(2,951)	18,178
Total net gains (losses) on investments	(13,920)	(914)
Gain (loss) on retroactive reinsurance	(2,410)	(29,925)
Other income (expense)	(116,261)	520
Total revenues	2,295,673	2,285,144
<b>CLAIMS AND EXPENSES:</b>		
Incurred losses and loss adjustment expenses	1,126,502	1,045,764
Commission, brokerage, taxes and fees	496,723	406,918
Other underwriting expenses	61,234	45,860
Total claims and expenses	1,684,459	1,498,542
<b>INCOME (LOSS) BEFORE TAXES</b>	611,213	786,602
Income tax expense (benefit)	10,163	15,380
<b>NET INCOME (LOSS)</b>	\$ 601,050	\$ 771,222
Other comprehensive income (loss), net of tax:		
Unrealized appreciation (depreciation) ("URA(D)") on securities arising during the period	(548,796)	(192,135)
Reclassification adjustment for realized losses (gains) included in net income (loss)	6,289	(13,561)
Total URA(D) on securities arising during the period	(542,507)	(205,696)
Foreign currency translation adjustments	(55,057)	(13,639)
Total other comprehensive income (loss), net of tax	(597,564)	(219,335)
<b>COMPREHENSIVE INCOME (LOSS)</b>	\$ 3,486	\$ 551,887

The accompanying notes are an integral part of the financial statements.

EVEREST REINSURANCE (BERMUDA), LTD.  
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(Dollars and share amounts in thousands)	Years Ended December 31,	
	2022	2021
COMMON SHARES (shares outstanding):		
Balance, beginning of period	1,250	1,250
Balance, end of period	<u>1,250</u>	<u>1,250</u>
COMMON SHARES (par value):		
Balance, beginning of period	\$ 1,250	\$ 1,250
Balance, end of period	<u>1,250</u>	<u>1,250</u>
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of period	1,332,529	1,331,801
Contribution from Parent	-	728
Balance, end of period	<u>1,332,529</u>	<u>1,332,529</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF DEFERRED INCOME TAXES:		
Balance, beginning of period	(46,630)	172,705
Net increase (decrease) during the period	(597,564)	(219,335)
Balance, end of period	<u>(644,194)</u>	<u>(46,630)</u>
RETAINED EARNINGS:		
Balance, beginning of period	1,896,810	1,425,588
Net income (loss)	601,050	771,222
Dividends to Parent	(430,000)	(300,000)
Balance, end of period	<u>2,067,860</u>	<u>1,896,810</u>
TOTAL SHAREHOLDER'S EQUITY, END OF PERIOD	<u>\$ 2,757,445</u>	<u>\$ 3,183,959</u>

The accompanying notes are an integral part of the financial statements.

EVEREST REINSURANCE (BERMUDA), LTD.  
STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 601,050	\$ 771,222
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in premiums receivable	(173,200)	(401,810)
Decrease (increase) in funds held by reinsureds, net	(163,615)	(103,642)
Decrease (increase) in reinsurance receivables	(279,329)	(177,059)
Increase (decrease) in reserve for losses and loss adjustment expenses	862,522	381,484
Increase (decrease) in future policy benefit reserve	(6,774)	(2,054)
Increase (decrease) in unearned premiums	250,947	382,230
Increase (decrease) in losses in course of payment	(135,417)	30,617
Increase (decrease) in other net payable to reinsurer	141,173	215,563
Change in equity adjustments in limited partnerships	(50,300)	(240,217)
Distribution of limited partnership income	67,319	88,908
Change in other assets and liabilities, net	(184,131)	(252,836)
Amortization of bond premium (accrual of bond discount)	20,839	27,429
Net (gains) losses on investments	13,920	914
Net cash provided by (used in) operating activities	<u>965,004</u>	<u>720,749</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from fixed maturities matured/called/repaid - available for sale	867,484	1,021,754
Proceeds from fixed maturities sold - available for sale	246,669	516,914
Proceeds from equity securities sold, at fair value	13,794	128,576
Distributions from other invested assets	1,646,498	1,833,883
Cost of fixed maturities acquired - available for sale	(1,617,221)	(1,756,015)
Cost of fixed maturities acquired - held to maturity	(27,846)	-
Cost of equity securities acquired, at fair value	(4,487)	(29,973)
Cost of other invested assets acquired	(1,667,823)	(1,934,063)
Net change in short-term investments	30,894	(74,459)
Net change in unsettled securities transactions	(18,908)	1,745
Net cash provided by (used in) investing activities	<u>(530,946)</u>	<u>(291,638)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Common shares issued during the period for share-based compensation, net of expense	(558)	253
Dividends paid to shareholder	(430,000)	(300,000)
Net cash provided by (used in) financing activities	<u>(430,558)</u>	<u>(299,747)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>32,080</u>	<u>13,016</u>
Net increase (decrease) in cash	35,580	142,380
Cash, beginning of period	209,989	67,609
Cash, end of period	<u>\$ 245,569</u>	<u>\$ 209,989</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Income taxes paid (recovered)	\$ (3,757)	\$ 1,653

The accompanying notes are an integral part of the consolidated financial statements.

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Business and Basis of Presentation.

Everest Reinsurance (Bermuda) Ltd. (the “Company” or “Bermuda Re”), a Bermuda insurance company and direct wholly owned subsidiary of Everest Re Group, Ltd. (“Group”), is registered as a Class 4 insurer and long-term insurer and underwrites property and casualty reinsurance and insurance and life and annuity business. The Company’s U.K. branch writes property and casualty reinsurance for the United Kingdom and European markets.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). All amounts are reported in U.S. dollars.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate actual results could differ, possibly materially, from those estimates.

#### B. Investments and Cash.

Fixed maturity securities designated as available for sale reflect unrealized appreciation and depreciation, as a result of changes in fair value during the period, in shareholder’s equity, net of income taxes in “accumulated other comprehensive income (loss)” in the balance sheets. The Company reviews all of its fixed maturity, available for sale securities whose fair value has fallen below their amortized cost at the time of review. The Company then assesses whether the decline in value is due to non-credit related or credit related factors. In making its assessment, the Company evaluates the current market and interest rate environment as well as specific issuer information. Generally, a change in a security’s value caused by a change in the market, interest rate or foreign exchange environment does not constitute a credit impairment, but rather a non-credit related decline in fair value. Non-credit related declines in fair value are recorded as unrealized losses in accumulated other comprehensive income (loss). If the Company intends to sell the impaired security or is more likely than not to be required to sell the security before an anticipated recovery in value, the Company records the entire impairment in net gains (losses) on investments in the Company’s statements of operations and comprehensive income (loss). If the Company determines that the decline is credit related and the Company does not have the intent to sell the security; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis, the Company establishes a credit allowance equal to the estimated credit loss and is recorded in net gains (losses) on investments in the Company’s statements of operations and comprehensive income (loss). The determination of credit related or non-credit related impairment is first based on an assessment of qualitative factors, which may determine that a qualitative analysis is sufficient to support the conclusion that the present value of expected cash flows equals or exceeds the security’s amortized cost basis. However, if the qualitative assessment suggests a credit loss may exist, a quantitative assessment is performed, and the amount of the allowance for a given security will generally be the difference between a discounted cash flow model and the Company’s carrying value. The Company will adjust the credit allowance account for future changes in credit loss estimates for a security and record this adjustment through net gains (losses) on investments in the Company’s statements of operations and comprehensive income (loss).

Fixed maturity securities designated as held to maturity consist of debt securities for which the Company has both the positive intent and ability to hold to maturity or redemption and are reported at amortized cost, net of the current expected credit loss allowance. Interest income for fixed maturity securities held to maturity is determined in the same manner as interest income for fixed maturity securities available for sale. The Company evaluates fixed maturity securities classified as held to maturity for current expected credit losses utilizing risk characteristics of each security, including credit rating, remaining time to maturity, adjusted for prepayment considerations, and subordination level, and applying default and recovery rates, which include the incorporation of historical credit loss experience and macroeconomic forecasts, to develop an estimate of current expected credit losses.



The Company does not create an allowance for uncollectible interest. If interest is not received when due, the interest receivable is immediately reversed and no additional interest is accrued. If future interest is received that has not been accrued, it is recorded as income at that time.

The Company's assessments are based on the issuers' current and expected future financial position, timeliness with respect to interest and/or principal payments, speed of repayments and any applicable credit enhancements or breakeven constant default rates on mortgage-backed and asset-backed securities, as well as relevant information provided by rating agencies, investment advisors and analysts.

Retrospective adjustments are employed to recalculate the values of asset-backed securities. All of the Company's asset-backed and mortgage-backed securities have a pass-through structure. Each acquisition lot is reviewed to recalculate the effective yield. The recalculated effective yield is used to derive a book value as if the new yield were applied at the time of acquisition. Outstanding principal factors from the time of acquisition to the adjustment date are used to calculate the prepayment history for all applicable securities. Conditional prepayment rates, computed with life to date factor histories and weighted average maturities, are used in the calculation of projected prepayments for pass-through security types.

For equity securities, the Company reflects changes in fair value as net gains (losses) on investments. Interest income on all fixed maturities and dividend income on all equity securities are included as part of net investment income in the statements of operations and comprehensive income (loss).

Short-term investments comprise securities due to mature within one year from the date of purchase and are stated at cost, which approximates fair value.

Realized gains or losses on sales of investments are determined on the basis of identified cost. For some non-publicly traded securities, market prices are determined through the use of pricing models that evaluate securities relative to the U.S. Treasury yield curve, taking into account the issue type, credit quality, and cash flow characteristics of each security. For other non-publicly traded securities, investment managers' valuation committees will estimate fair value and in many instances, these fair values are supported with opinions from qualified independent third parties. All fair value estimates from investment managers are reviewed by the Company for reasonableness. For publicly traded securities, fair value is based on quoted market prices or valuation models that use observable market inputs. When a sector of the financial markets is inactive or illiquid, the Company may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value.

Other invested assets include limited partnerships and other investments. Limited partnerships are accounted for under the equity method of accounting, which can be recorded on a monthly or quarterly lag.

Cash includes cash on hand. Restricted cash is included within cash in the balance sheets and represents amounts held for the benefit of third parties that is legally or contractually restricted as to its withdrawal or usage. Amounts include trust funds set up for the benefit of ceding companies.

### **C. Allowance for Premium Receivable and Reinsurance Recoverables Balances.**

The Company applies the Current Expected Credit Losses (CECL) methodology for estimating allowances for credit losses. The Company evaluates the recoverability of its premiums and reinsurance recoverable balances and establishes an allowance for estimated uncollectible amounts.

Premiums receivable are primarily comprised of premiums due from policyholders/ cedants. Balances are considered past due when amounts that have been billed are not collected within contractually stipulated time periods. For these balances, the allowance is estimated based on recent historical credit loss and collection experience, adjusted for current economic conditions and reasonable and supportable forecasts, when appropriate.

The Company records total credit loss expenses related to premiums receivable in Other underwriting expenses in the Company's statements of operations and comprehensive income (loss).

The allowance for uncollectible reinsurance recoverable reflects management's best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers' unwillingness or inability to pay. The

allowance for uncollectible reinsurance recoverable comprises an allowance and an allowance for disputed balances. Based on this analysis, the Company may adjust the allowance for uncollectible reinsurance recoverable or charge off reinsurer balances that are determined to be uncollectible.

Due to the inherent uncertainties as to collection and the length of time before reinsurance recoverable become due, it is possible that future adjustments to the Company's reinsurance recoverable, net of the allowance, could be required, which could have a material adverse effect on the Company's results of operations or cash flows in a particular quarter or annual period.

The allowance is estimated as the amount of reinsurance recoverable exposed to loss multiplied by estimated factors for the probability of default. The reinsurance recoverable exposed is the amount of reinsurance recoverable net of collateral and other offsets, considering the nature of the collateral, potential future changes in collateral values, and historical loss information for the type of collateral obtained. The probability of default factors are historical insurer and reinsurer defaults for liabilities with similar durations to the reinsured liabilities as estimated through multiple economic cycles. Credit ratings are forward-looking and consider a variety of economic outcomes. The Company's evaluation of the required allowance for reinsurance recoverable considers the current economic environment as well as macroeconomic scenarios.

The Company records credit loss expenses related to reinsurance recoverable in Incurred losses and loss adjustment expenses in the Company's statements of operations and comprehensive income (loss). Write-offs of reinsurance recoverable and any related allowance are recorded in the period in which the balance is deemed uncollectible.

#### **D. Deferred Acquisition Costs.**

Acquisition costs, consisting principally of commissions and brokerage expenses and certain premium taxes and fees incurred at the time a contract or policy is issued and that vary with and are directly related to the Company's reinsurance and insurance business, are deferred and amortized over the period in which the related premiums are earned. Deferred acquisition costs 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.

#### **E. Reserve for Losses and Loss Adjustment Expenses.**

The reserve for losses and loss adjustment expenses ("LAE") is based on individual case estimates and reports received from ceding companies. A provision is included for losses and LAE incurred but not reported ("IBNR") based on past experience. Provisions are also included for certain potential liabilities, including those relating to asbestos and environmental ("A&E") exposures, catastrophe exposures and COVID-19 exposures, for which liabilities cannot be estimated using traditional reserving techniques. See also Note 3. The reserves are reviewed periodically and any changes in estimates are reflected in earnings in the period the adjustment is made. The Company's loss and LAE reserves represent management's best estimate of the ultimate liability. Loss and LAE reserves are presented gross of reinsurance recoverable and incurred losses and LAE are presented net of reinsurance.

Accruals for commissions are established for reinsurance contracts that provide for the stated commission percentage to increase or decrease based on the loss experience of the contract. Changes in estimates for such arrangements are recorded as commission expense. Commission accruals for contracts with adjustable features are estimated based on expected loss and LAE.

#### **F. Future Policy Benefit Reserve.**

Liabilities for future policy benefits on annuity policies are carried at their accumulated values. Reserves for policy benefits include mortality claims in the process of settlement and IBNR claims. Actual experience in a particular period may fluctuate from expected results.

### **G. Premium Revenues.**

Written premiums are earned ratably over the periods of the related insurance and reinsurance contracts. Unearned premium reserves are established relative to the unexpired contract period. For reinsurance contracts, such reserves are established based upon reports received from ceding companies or estimated using pro rata methods based on statistical data. Reinstatement premiums represent additional premium recognized and earned at the time a loss event occurs and losses are recorded, most prevalently catastrophe related, when limits have been depleted under the original reinsurance contract and additional coverage is granted. The recognition of reinstatement premiums is based on estimates of loss and LAE, which reflects management's judgement. Written and earned premiums and the related costs, which have not yet been reported to the Company, are estimated and accrued. Premiums are net of ceded reinsurance.

### **H. Prepaid Reinsurance Premiums.**

Prepaid reinsurance premiums represent unearned premium reserves ceded to other reinsurers.

### **I. Income Taxes.**

The U.K. branch of Bermuda Re files a U.K. income tax return. Income taxes have been recorded to recognize the tax effect of temporary differences between the financial reporting and income tax bases of assets and liabilities, which arise because of differences between GAAP and U.K. income tax accounting rules.

As an accounting policy, the Company has adopted the aggregate portfolio approach for releasing disproportionate income tax effects from accumulated other comprehensive income ("AOCI").

### **J. Foreign Currency.**

Assets and liabilities relating to foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date; revenues and expenses are translated into U.S. dollars using average exchange rates in effect during the reporting period. Gains and losses resulting from translating foreign currency financial statements, net of deferred income taxes, are excluded from net income (loss) and accumulated in shareholder's equity. Gains and losses resulting from foreign currency transactions, other than debt securities available for sale, are recorded through the statements of operations and comprehensive income (loss) in other income (expense). Gains and losses resulting from changes in the foreign currency exchange rates on debt securities, available for sale, are recorded in the balance sheets in accumulated other comprehensive income (loss) as unrealized appreciation (depreciation) and any losses which are deemed non-credit related are charged to net income (loss) as net realized capital loss.

### **K. Retroactive Reinsurance.**

The gains on assumed retroactive contracts are deferred and amortized into income based on cash payouts. Losses on assumed retroactive contracts are recognized immediately into income.

### **L. Share-Based Compensation**

Certain employees of the Company participate in the Group Employee Stock Incentive Plan. These financial statements include the total cost of share compensation for the plan, calculated using the fair value method of accounting for share-based employee compensation. This stock compensation plan is in respect of shares of Group. Amounts expensed to income in respect to this plan are included in operating expenses.

### **M. Application of Recently Issued Accounting Standard Changes.**

The Company did not adopt any new accounting standards that had a material impact in 2022. The Company assessed the adoption impacts of recently issued accounting standards by the Financial Accounting Standards Board on the Company's financial statements as well as material updates to previous assessments, if any, from the Company's financial statements for the year ended December 31, 2021. There were no accounting standards issued for the year ended December 31, 2022, that are expected to have a material impact to the Company.

## **2. INVESTMENTS**

The tables below present the amortized cost, allowance for credit losses, gross unrealized appreciation/(depreciation) and fair value of fixed maturity securities – available for sale for the periods indicated.

At December 31, 2022					
(Dollars in thousands)	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Fair Value
Fixed maturity securities - available for sale					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	\$ 671,759	\$ -	\$ 5,480	\$ (38,386)	\$ 638,853
U.S. Corporate securities	2,252,485	-	14,455	(155,858)	2,111,082
Asset-backed securities	63,003	-	262	(3,042)	60,223
Mortgage-backed securities					
Commercial	354,368	-	203	(36,407)	318,164
Agency residential	1,303,991	-	2,834	(95,405)	1,211,420
Non-agency residential	1,001	-	-	(110)	891
Foreign government securities	407,764	-	3,463	(55,370)	355,857
Foreign corporate securities	1,473,969	(8,357)	15,291	(130,782)	1,350,121
Total fixed maturity securities - available for sale	<u>\$ 6,528,340</u>	<u>\$ (8,357)</u>	<u>\$ 41,988</u>	<u>\$ (515,360)</u>	<u>\$ 6,046,611</u>

At December 31, 2021					
(Dollars in thousands)	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	Fair Value
Fixed maturity securities - available for sale					
U.S. Treasury securities and obligations of					
U.S. government agencies and corporations	\$ 653,108	\$ -	\$ 11,849	\$ (6,594)	\$ 658,363
U.S. Corporate securities	2,510,809	-	80,500	(24,568)	2,566,741
Asset-backed securities	48,317	-	729	(508)	48,538
Mortgage-backed securities					
Commercial	358,040	-	15,103	(1,395)	371,748
Agency residential	854,333	-	14,371	(4,783)	863,921
Non-agency residential	1,197	-	7	-	1,204
Foreign government securities	412,501	-	11,120	(18,261)	405,360
Foreign corporate securities	1,377,004	(2,247)	31,591	(29,624)	1,376,724
Total fixed maturity securities - available for sale	<u>\$ 6,215,309</u>	<u>\$ (2,247)</u>	<u>\$ 165,270</u>	<u>\$ (85,733)</u>	<u>\$ 6,292,599</u>

The following table shows amortized cost, allowance for credit losses, gross unrealized appreciation/(depreciation) and fair value of fixed maturity securities held to maturity for the periods indicated:

(Dollars in thousands)	At December 31, 2022				Fair Value
	Amortized Cost	Allowance for Credit Losses	Unrealized Appreciation	Unrealized Depreciation	
Fixed maturity securities - held to maturity					
Asset-backed securities	27,845	-	-	-	27,845
Total fixed maturity securities - held to maturity	\$ 27,845	\$ -	\$ -	\$ -	\$ 27,845

The amortized cost and fair value of fixed maturity securities – available for sale are shown in the following table by contractual maturity. Mortgage-backed securities are generally more likely to be prepaid than other fixed maturity securities. As the stated maturity of such securities may not be indicative of actual maturities, the totals for mortgage-backed and asset-backed securities are shown separately.

(Dollars in thousands)	At December 31, 2022		At December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Fixed maturity securities – available for sale:				
Due in one year or less	\$ 471,550	\$ 477,561	\$ 570,994	\$ 569,912
Due after one year through five years	2,708,244	2,537,102	2,398,887	2,414,043
Due after five years through ten years	1,434,980	1,282,328	1,694,449	1,727,076
Due after ten years	191,202	158,922	289,092	296,157
Asset-backed securities	63,003	60,223	48,317	48,538
Mortgage-backed securities:				
Commercial	354,368	318,164	358,040	371,748
Agency residential	1,303,992	1,211,420	854,333	863,921
Non-agency residential	1,001	891	1,197	1,204
Total fixed maturity securities - available for sale	\$ 6,528,340	\$ 6,046,611	\$ 6,215,309	\$ 6,292,599

The changes in net unrealized appreciation (depreciation) for the Company's investments are derived from the following sources for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Increase (decrease) during the period between the fair value and cost of investments carried at fair value, and income taxes thereon:		
Fixed maturity securities - available for sale	\$ (552,910)	\$ (214,189)
Change in unrealized appreciation (depreciation), pre-tax	(552,910)	(214,189)
Income tax benefit (expense)	10,403	8,493
Change in unrealized appreciation (depreciation), net of income taxes, included in shareholder's equity	\$ (542,507)	\$ (205,696)

The tables below display the aggregate fair value and gross unrealized depreciation of fixed maturity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the periods indicated.

	Duration of Unrealized Loss at December 31, 2022 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Gross	Fair Value	Gross	Fair Value	Gross
		Unrealized		Unrealized		Unrealized
(Dollars in thousands)	Fair Value	Depreciation	Fair Value	Depreciation	Fair Value	Depreciation
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	\$ 300,439	\$ (13,093)	\$ 237,390	\$ (25,293)	\$ 537,829	\$ (38,386)
U.S. Corporate securities	1,360,184	(85,351)	397,168	(70,507)	1,757,352	(155,858)
Asset-backed securities	46,148	(2,376)	10,382	(666)	56,530	(3,042)
Mortgage-backed securities						
Commercial	267,797	(32,671)	48,026	(3,736)	315,823	(36,407)
Agency residential	852,660	(59,450)	213,958	(35,955)	1,066,618	(95,405)
Non-agency residential	891	(110)	-	-	891	(110)
Foreign government securities	216,797	(23,218)	101,143	(32,152)	317,940	(55,370)
Foreign corporate securities	829,620	(75,567)	265,508	(55,215)	1,095,128	(130,782)
Total fixed maturity securities	\$ 3,874,536	\$ (291,836)	\$ 1,273,575	\$ (223,524)	\$ 5,148,111	\$ (515,360)

	Duration of Unrealized Loss at December 31, 2022 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Gross	Fair Value	Gross	Fair Value	Gross
		Unrealized		Unrealized		Unrealized
(Dollars in thousands)	Fair Value	Depreciation	Fair Value	Depreciation	Fair Value	Depreciation
Fixed maturity securities						
Due in one year or less	\$ 304,246	\$ (4,010)	\$ 9,992	\$ (3,457)	\$ 314,238	\$ (7,467)
Due in one year through five years	1,555,474	(90,859)	614,933	(87,421)	2,170,407	(178,280)
Due in five years through ten years	765,959	(85,660)	319,291	(74,143)	1,085,250	(159,803)
Due after ten years	81,361	(16,700)	56,993	(18,146)	138,354	(34,846)
Asset-backed securities	46,148	(2,376)	10,382	(666)	56,530	(3,042)
Mortgage-backed securities	1,121,348	(92,231)	261,984	(39,691)	1,383,332	(131,922)
Total fixed maturity securities	\$ 3,874,536	\$ (291,836)	\$ 1,273,575	\$ (223,524)	\$ 5,148,111	\$ (515,360)

The aggregate fair value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2022 were \$5.1 billion and \$515.4 million, respectively. The fair value of securities for the single issuer (United States government) whose securities comprised the largest unrealized loss position at December 31, 2022, did not exceed 1.4% of the overall fair value of the Company's fixed maturity securities. The fair value of the securities for the issuer with the second largest unrealized loss comprised less than 0.7% of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one market sector. The \$291.8 million of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of U.S. and foreign corporate securities, agency residential mortgage-backed securities, commercial mortgage-backed securities and foreign government securities. Of these unrealized losses, \$276.2 million were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The \$223.5 million of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to U.S. and foreign corporate securities, agency residential mortgage-backed securities, foreign government securities and U.S. government agencies and corporations. Of these unrealized losses, \$220.7 million were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The Company, given the size of its investment portfolio and capital position, does not have the intent to sell these securities; and it is more likely than not that the Company will not have to sell the security before recovery of its cost basis. In addition, all securities currently in an unrealized loss position are current with respect to principal and interest payments.

The tables below display the aggregate fair value and gross unrealized depreciation of fixed maturity securities, by security type and contractual maturity, in each case subdivided according to length of time that individual securities had been in a continuous unrealized loss position for the periods indicated.

	Duration of Unrealized Loss at December 31, 2021 By Security Type					
	Less than 12 months		Greater than 12 months		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities - available for sale						
U.S. Treasury securities and obligations of						
U.S. government agencies and corporations	\$ 237,216	\$ (2,968)	\$ 71,716	\$ (3,626)	\$ 308,932	\$ (6,594)
U.S. Corporate securities	450,890	(8,342)	237,493	(16,226)	688,383	(24,568)
Asset-backed securities	21,164	(200)	1,233	(306)	22,397	(506)
Mortgage-backed securities						
Commercial	57,104	(222)	4,844	(1,173)	61,948	(1,395)
Agency residential	280,131	(3,869)	43,253	(914)	323,384	(4,783)
Non-agency residential	-	-	-	-	-	-
Foreign government securities	75,919	(2,232)	82,719	(16,029)	158,638	(18,261)
Foreign corporate securities	527,749	(13,629)	166,069	(15,997)	693,818	(29,626)
Total fixed maturity securities	<u>\$ 1,650,173</u>	<u>\$ (31,462)</u>	<u>\$ 607,327</u>	<u>\$ (54,271)</u>	<u>\$ 2,257,500</u>	<u>\$ (85,733)</u>

	Duration of Unrealized Loss at December 31, 2021 By Maturity					
	Less than 12 months		Greater than 12 months		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation	Fair Value	Unrealized Depreciation
(Dollars in thousands)						
Fixed maturity securities						
Due in one year or less	\$ 8,996	\$ (92)	\$ 77,060	\$ (6,328)	\$ 86,056	\$ (6,420)
Due in one year through five years	684,786	(10,193)	273,156	(24,664)	957,942	(34,857)
Due in five years through ten years	485,320	(14,785)	183,931	(19,222)	669,251	(34,007)
Due after ten years	112,672	(2,101)	23,850	(1,664)	136,522	(3,765)
Asset-backed securities	21,164	(200)	1,233	(306)	22,397	(506)
Mortgage-backed securities	337,235	(4,091)	48,097	(2,087)	385,332	(6,178)
Total fixed maturity securities	<u>\$ 1,650,173</u>	<u>\$ (31,462)</u>	<u>\$ 607,327</u>	<u>\$ (54,271)</u>	<u>\$ 2,257,500</u>	<u>\$ (85,733)</u>

The aggregate fair value and gross unrealized losses related to investments in an unrealized loss position at December 31, 2021 were \$2.3 billion and \$85.7 million, respectively. The fair value of securities for the single issuer (United States government) whose securities comprised the largest unrealized loss position at December 31, 2021, did not exceed 5.0% of the overall fair value of the Company's fixed maturity securities. The fair value of the securities for the issuer with the second largest unrealized loss comprised less than 0.7% of the Company's fixed maturity securities. In addition, as indicated on the above table, there was no significant concentration of unrealized losses in any one fair sector. The \$31.5 million of unrealized losses related to fixed maturity securities that have been in an unrealized loss position for less than one year were generally comprised of U.S. and foreign corporate securities, U.S. government securities, agency residential mortgage-backed securities and foreign government securities. Of these unrealized losses, \$29.3 million were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. The \$54.3 million of unrealized losses related to fixed maturity securities in an unrealized loss position for more than one year related primarily to foreign government securities and U.S. and foreign corporate securities. Of these unrealized losses, \$54.2 million were related to securities that were rated investment grade by at least one nationally recognized statistical rating agency. In all instances, there were no projected cash flow shortfalls to recover the full book value of the investments and the related interest obligations. The

mortgage-backed securities still have excess credit coverage and are current on interest and principal payments.

The components of net investment income are presented in the table below for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Fixed maturities	\$ 165,331	\$ 160,443
Equity securities	-	2,022
Short-term investments and cash	8,988	641
Other invested assets:		
Limited partnerships	50,300	240,217
Other	-	230
Gross investment income before adjustments	224,619	403,553
Funds held interest income (expense)	(3,576)	4,322
Future policy benefit reserve income (expense)	(912)	(1,093)
Gross investment income	220,131	406,782
Investment expenses	(6,839)	(8,535)
Net investment income	\$ 213,292	\$ 398,247

The Company records results from limited partnership investments on the equity method of accounting with changes in value reported through net investment income. The net investment income from limited partnerships is dependent upon the Company's share of the net asset values of interests underlying each limited partnership. Due to the timing of receiving financial information from these partnerships, the results are generally reported on a one month or quarter lag. If the Company determines there has been a significant decline in value of a limited partnership during this lag period, a loss will be recorded in the period in which the Company identifies the decline.

The Company had contractual commitments to invest up to an additional \$605.9 million in limited partnerships at December 31, 2022. These commitments will be funded when called in accordance with the partnership and loan agreements, which have investment periods that expire, unless extended, through 2026.

The Company's other invested assets at December 31, 2022 and 2021 included \$103.1 million and \$146.9 million, respectively, related to a private placement liquidity sweep facility. The primary purpose of the facility is to enhance the Company's return on its short-term investments and cash positions. The facility invests in high quality, short-duration securities and permits daily liquidity.

#### **Variable Interest Entities ("VIE")**

The Company is engaged with various special purpose entities and other entities that are deemed to be VIEs primarily as an investor through normal investment activities but also as an investment manager. A VIE is an entity that either has investors that lack certain essential characteristics of a controlling financial interest, such as simple majority kick-out rights, or lacks sufficient funds to finance its own activities without financial support provided by other entities. The Company performs ongoing qualitative assessments of its VIEs to determine whether the Company has a controlling financial interest in the VIE and therefore is the primary beneficiary. The Company is deemed to have a controlling financial interest when it has both the ability to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. Based on the Company's assessment, if it determines it is the primary beneficiary, the Company consolidates the VIE in the Company's Financial Statements. As of December 31, 2022 and 2021, the Company did not hold any securities for which it is the primary beneficiary.

The Company, through normal investment activities, makes passive investments in general and limited partnerships and other alternative investments. For these non-consolidated VIEs, the Company has determined it is not the primary beneficiary as it has no ability to direct activities that could significantly affect the economic performance of the investments. The Company's maximum exposure to loss as of December 31, 2022 and 2021 is limited to the total carrying value of \$1.1 billion and \$1.0 billion, respectively, which are included in limited partnerships and other alternative investments in Other Invested Assets in the Company's Balance Sheets. As of December 31, 2022, the Company has outstanding commitments totaling



\$605.9 million whereby the Company is committed to fund these investments and may be called by the partnership during the commitment period to fund the purchase of new investments and partnership expenses. These investments are generally of a passive nature in that the Company does not take an active role in management.

In addition, the Company makes passive investments in structured securities issued by VIEs for which the Company is not the manager. These investments are included in asset-backed securities, which includes collateralized loan obligations and are classified as fixed maturities. The Company has not provided financial or other support with respect to these investments other than its original investment. For these investments, the Company determined it is not the primary beneficiary due to the relative size of the Company's investment in comparison to the principal amount of the structured securities issued by the VIEs, the level of credit subordination which reduces the Company's obligation to absorb losses or right to receive benefits and the Company's inability to direct the activities that most significantly impact the economic performance of the VIEs. The Company's maximum exposure to loss on these investments is limited to the amount of the Company's investment.

The components of net gains (losses) on investments are presented in the table below for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Fixed maturity securities:		
Allowance for credit losses	\$ (6,110)	\$ (2,068)
Gains (losses) from sales	1,225	15,008
Equity securities, fair value:		
Gains (losses) from sales	(4,409)	3,169
Gains (losses) from fair value adjustments	(4,859)	(17,023)
Other invested assets	233	-
Short-term investments gain (loss)	-	-
Total net gains (losses) on investments	\$ (13,920)	\$ (914)

(Some amounts may not reconcile due to rounding.)

(Dollars in thousands)	Roll Forward of Allowance for Credit Losses							
	Twelve Months Ended December 31, 2022				Twelve Months Ended December 31, 2021			
	Corporate Securities	Foreign Government Securites	Foreign Corporate Securites	Total	Corporate Securities	Foreign Government Securites	Foreign Corporate Securites	Total
Beginning Balance	\$ -	\$ -	\$ (2,247)	\$ (2,247)	\$ (14)	\$ (22)	\$ (142)	\$ (178)
Credit losses on securities where credit losses were not previously recorded	-	-	(14,748)	(14,748)	-	-	(2,247)	(2,247)
Increases in allowance on previously impaired securities	-	-	(753)	(753)	-	-	-	-
Decreases in allowance on previously impaired securities	-	-	-	-	-	-	-	-
Reduction in allowance due to disposals	-	-	9,391	9,391	14	22	142	178
Total fixed maturity securities	\$ -	\$ -	\$ (8,357)	\$ (8,357)	\$ -	\$ -	\$ (2,247)	\$ (2,247)

The proceeds and split between gross gains and losses, from sales of fixed maturity and equity securities, are presented in the table below for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Proceeds from sales of fixed maturity securities	\$ 246,669	\$ 516,914
Gross gains from dispositions	24,145	22,051
Gross losses from dispositions	(22,920)	(7,043)
Proceeds from sales of equity securities	\$ 13,794	\$ 128,576
Gross gains from dispositions	36	3,169
Gross losses from dispositions	(4,445)	-

### 3. RESERVE FOR LOSSES, LAE AND FUTURE POLICY BENEFIT RESERVE

#### Reserves for losses and LAE.

Activity in the reserve for losses and LAE is summarized for the periods indicated:

(Dollars in thousands)	At December 31,	
	2022	2021
Gross reserves at January 1	\$ 6,629,769	\$ 6,283,337
Less reinsurance recoverables	(1,422,030)	(1,257,853)
Net reserves at January 1	5,207,739	5,025,484
Incurred related to:		
Current year	1,169,408	1,077,106
Prior years	(42,906)	(31,342)
Total incurred losses and LAE	1,126,502	1,045,764
Paid related to:		
Current year	31,639	33,329
Prior years	514,981	838,847
Total paid losses and LAE	546,620	872,176
Foreign exchange/translation adjustment	(134,479)	8,667
Net reserves at December 31	5,653,142	5,207,739
Plus reinsurance recoverables	1,565,974	1,422,030
Gross reserves at December 31	\$ 7,219,116	\$ 6,629,769

(Some amounts may not reconcile due to rounding.)

Current year incurred losses were \$1.2 billion and \$1.1 billion at December 31, 2022 and 2021, respectively. The increases in current year incurred losses in 2022 and 2021 was primarily due to higher catastrophe losses compared to the prior year, and the impact of the increase in premiums earned.

Prior years' reserves decreased by \$42.9 million and \$31.3 million for the years ended December 31, 2022 and 2021, respectively. The decreases in prior years' reserves for 2022 and 2021 were primarily attributable to long-tail lines such as general liability, auto liability and professional liability and to a lesser degree non-cat property lines.

The following is information about incurred and paid claims development as of December 31, 2022, net of reinsurance, as well as cumulative claim frequency and the total of incurred but not reported liabilities (IBNR) plus expected development on reported claims included within the net incurred claims amounts. Each of the Company's financial reporting segments has been disaggregated into casualty and property business. The casualty and property segregation results in groups that have homogeneous loss development characteristics and are large enough to represent credible trends. Generally, casualty claims take longer to be reported and settled, resulting in longer payout patterns and increased volatility. Property claims on the other hand, tend to be reported and settled quicker and therefore tend to exhibit less volatility. The property business is more exposed to catastrophe losses, which can result in year over year fluctuations in incurred claims depending on the frequency and severity of catastrophes claims in any one accident year.

The information about incurred and paid claims development for the years ended December 31, 2013 to December 31, 2021 is presented as supplementary information.

The Cumulative Number of Reported Claims is not shown, as it is impractical to provide the information. The loss activity includes pro rata contracts for which ceding companies provide only summary information via a bordereau. This summary information does not include the number of reported claims underlying the paid and reported losses. Therefore, it is not possible to provide this information.

The Cumulative Number of Reported Claims is not shown, as it is impractical to provide the information. The loss activity includes pro rata contracts for which ceding companies provide only summary information via a bordereau. This summary information does not include the number of reported claims underlying the paid and reported losses. Therefore, it is not possible to provide this information.

The following tables present the ultimate loss and ALAE and the paid loss and ALAE, net of reinsurance for casualty and property, as well as the average annual percentage payout of incurred claims by age, net of reinsurance for each of our disclosed lines of business.

### Casualty Business

Accident Year (Dollars in thousands)	Incurred Claims and Allocated Claim Adjustment Expenses, Net of reinsurance										Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	Years Ended December 31,											
	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)		
2013	\$ 602,387	\$ 674,641	\$ 662,783	\$ 650,087	\$ 615,454	\$ 583,549	\$ 579,117	\$ 578,096	\$ 573,218	\$ 566,314	\$ 30,137	N/A
2014		632,408	711,791	687,299	682,758	579,235	562,200	576,276	571,043	563,631	36,030	N/A
2015			686,873	712,756	715,593	719,498	636,284	675,921	675,455	671,976	72,077	N/A
2016				608,350	759,223	800,379	834,404	847,586	837,737	857,986	121,935	N/A
2017					806,995	802,940	793,144	907,092	890,942	929,875	170,159	N/A
2018						340,393	341,227	390,649	390,279	407,878	190,435	N/A
2019							435,108	471,735	472,333	471,571	247,095	N/A
2020								573,100	583,501	584,250	373,205	N/A
2021									750,495	752,540	610,902	N/A
2022										888,920	620,974	N/A
										<u>\$ 6,694,941</u>		

(Some amounts may not reconcile due to rounding.)

Accident Year (Dollars in thousands)	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance											
	Years Ended December 31,											
	2013 (unaudited)	2014 (unaudited)	2015 (unaudited)	2016 (unaudited)	2017 (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021 (unaudited)	2022 (unaudited)		
2013	\$ 44,047	\$ 127,766	\$ 204,854	\$ 284,849	\$ 333,822	\$ 410,378	\$ 451,274	\$ 468,771	\$ 489,822	\$ 510,586		
2014		57,733	130,095	207,659	274,551	363,135	423,700	450,788	484,227	504,822		
2015			55,959	141,404	174,024	286,973	377,024	421,248	474,920	495,776		
2016				62,828	14,308	143,846	238,700	355,189	422,160	468,142		
2017					1,785	60,630	195,498	344,679	454,399	526,521		
2018						19,889	39,714	71,993	138,202	184,306		
2019							28,067	62,660	103,791	159,549		
2020								27,815	79,171	134,410		
2021									53,240	93,422		
2022										44,401		
										<u>3,121,936</u>		
											679,139	
											<u>\$ 4,252,144</u>	

All outstanding liabilities prior to 2013, net of reinsurance

Liabilities for claims and claim adjustment expenses, net of reinsurance

(Some amounts may not reconcile due to rounding.)

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited)										
Years	1	2	3	4	5	6	7	8	9	10
Casualty	5.9%	6.9%	11.5%	14.0%	12.5%	8.9%	6.3%	4.0%	3.7%	3.7%

## Property Business

Accident Year	Incurred Claims and Allocated Claim Adjustment Expenses, Net of reinsurance										Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	Years Ended December 31,											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
(Dollars in thousands)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2013	\$ 846,892	\$ 612,506	\$ 558,603	\$ 544,540	\$ 541,325	\$ 537,480	\$ 536,928	\$ 535,177	\$ 533,238	\$ 532,914	\$ 1,237	N/A
2014		760,439	675,002	647,091	585,083	583,630	579,343	572,423	573,218	571,943	2,511	N/A
2015			869,100	714,829	660,129	635,264	632,007	625,451	627,188	631,607	2,359	N/A
2016				1,130,636	915,245	939,945	936,867	917,378	917,572	913,750	8,319	N/A
2017					1,646,651	1,641,347	1,621,707	1,661,498	1,642,023	1,634,120	1,205	N/A
2018						272,990	275,428	277,225	279,948	279,285	18,609	N/A
2019							264,918	266,605	281,138	280,475	12,867	N/A
2020								243,289	256,229	253,374	58,453	N/A
2021									236,532	228,139	104,645	N/A
2022										286,958	180,231	N/A
										<u>\$ 5,612,564</u>		

(Some amounts may not reconcile due to rounding.)

Accident Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance											
	Years Ended December 31,											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
(Dollars in thousands)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2013	263,739	387,807	467,251	506,454	516,551	522,180	523,309	524,502	526,667	528,157		
2014		242,740	420,390	488,712	530,641	545,281	549,257	556,394	557,653	561,424		
2015			261,594	412,871	501,799	560,071	571,085	592,875	595,805	597,935		
2016				313,678	525,509	696,697	795,266	833,358	845,559	850,665		
2017					95,468	678,830	862,126	1,080,000	1,146,024	1,201,088		
2018						48,459	111,078	141,984	178,039	187,395		
2019							48,696	113,368	147,625	177,899		
2020								23,837	109,304	138,634		
2021									20,324	79,430		
2022										22,696		
										<u>4,345,324</u>		
											<u>92,178</u>	
											<u>\$ 1,359,418</u>	

All outstanding liabilities prior to 2013, net of reinsurance

Liabilities for claims and claim adjustment expenses, net of reinsurance

(Some amounts may not reconcile due to rounding.)

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (unaudited)										
Years	1	2	3	4	5	6	7	8	9	10
Property	23.9%	28.5%	13.5%	10.8%	3.3%	2.3%	0.6%	0.3%	0.5%	0.3%

## Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claim Adjustment Expenses

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the statement of financial position is as follows.

	December 31, 2022
(Dollars in thousands)	
Net outstanding liabilities	
Casualty	\$ 4,252,144
Property	1,359,418
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	<u>5,611,562</u>
Reinsurance recoverable on unpaid claims	
Casualty	1,271,197
Property	277,397
Total reinsurance recoverable on unpaid claims	<u>1,548,594</u>
Insurance lines other than short-duration	-
Unallocated claims adjustment expenses	46,310
Other	12,650
	<u>58,960</u>
Total gross liability for unpaid claims and claim adjustment expense	<u>\$ 7,219,116</u>

(Some amounts may not reconcile due to rounding.)

## Reserving Methodology

The Company maintains reserves equal to our estimated ultimate liability for losses and loss adjustment expense (LAE) for reported and unreported claims for our insurance and reinsurance businesses. Because reserves are based on estimates of ultimate losses and LAE by underwriting or accident year, the Company uses a variety of statistical and actuarial techniques to monitor reserve adequacy over time, evaluate new information as it becomes known, and adjust reserves whenever an adjustment appears warranted. The Company considers many factors when setting reserves including: (1) exposure base and projected ultimate premium; (2) expected loss ratios by product and class of business, which are developed collaboratively by underwriters and actuaries; (3) actuarial methodologies and assumptions which analyze loss reporting and payment experience, reports from ceding companies and historical trends, such as reserving patterns, loss payments, and product mix; (4) current legal interpretations of coverage and liability; and (5) economic conditions. Management's best estimate is developed through collaboration with actuarial, underwriting, claims, legal and finance departments and culminates with the input of reserve committees. Each reserve committee includes the participation of the relevant parties from actuarial, finance, claims and segment senior management and has the responsibility for recommending and approving management's best estimate. Reserves are further reviewed by Everest's Chief Reserving Actuary and senior management. The objective of such process is to determine a single best estimate viewed by management to be the best estimate of its ultimate loss liability. Actual loss and LAE ultimately paid may deviate, perhaps substantially, from such reserves. Net income will be impacted in a period in which the change in estimated ultimate loss and LAE is recorded.

Reserving for reinsurance requires evaluation of loss information received from ceding companies. Ceding companies report losses in many forms depending on the type of contract and the agreed or contractual reporting requirements. Generally, pro rata contracts require the submission of a monthly/quarterly account, which includes premium and loss activity for the period with corresponding reserves as established by the ceding company. This information is recorded into the Company's records. For certain pro rata contracts, the Company may require a detailed loss report for claims that exceed a certain dollar threshold or relate to a particular type of loss. Excess of loss and facultative contracts generally require individual loss reporting with precautionary notices provided when a loss reaches a significant percentage of the attachment point of the contract or when certain causes of loss or types of injury occur. Experienced claims staff handles individual loss reports and supporting claim information. Based on evaluation of a claim, the Company may establish additional case reserves in addition to the case reserves reported by the ceding company. To ensure ceding companies are submitting required and accurate data, Everest's Underwriting, Claim, Reinsurance Accounting,

and Internal Audit Departments perform various reviews of ceding companies, particularly larger ceding companies, including on-site audits.

The Company assigns business to exposure groupings so that the underlying exposures have reasonably homogeneous loss development characteristics, and are large enough to facilitate credible estimation of ultimate losses. The Company periodically reviews its exposure groupings and may change groupings over time as business changes. One of the key selection characteristics for the exposure groupings is the historical duration of the claims settlement process. Business in which claims are reported and settled relatively quickly are commonly referred to as short tail lines, principally property lines. On the other hand, casualty claims tend to take longer to be reported and settled and casualty lines are generally referred to as long tail lines. Estimates of ultimate losses for shorter tail lines, with the exception of loss estimates for large catastrophic events, generally exhibit less volatility than those for the longer tail lines.

The Company uses a variety of actuarial methodologies, such as the expected loss ratio method, chain ladder methods, and Bornhuetter-Ferguson methods, supplemented by judgment where appropriate, to estimate ultimate loss and LAE for each exposure group.

**Expected Loss Ratio Method:** The expected loss ratio method uses earned premium times an expected loss ratio to calculate ultimate losses for a given underwriting or accident year. This method relies entirely on expectation to project ultimate losses with no consideration given to actual losses. As such, it may be appropriate for an immature underwriting or accident year where few, if any, losses have been reported or paid, but less appropriate for a more mature year.

**Chain Ladder Method:** Chain ladder methods use a standard loss development triangle to project ultimate losses. Age-to-age development factors are selected for each development period and combined to calculate age-to-ultimate development factors which are then applied to paid or reported losses to project ultimate losses. This method relies entirely on actual paid or reported losses to project ultimate losses. No other factors such as changes in pricing or other expectations are taken into account. It is most appropriate for groups with homogeneous, stable experience where past development patterns are expected to continue in the future. It is least appropriate for groups which have changed significantly over time or which are more volatile.

**Bornhuetter-Ferguson Method:** The Bornhuetter-Ferguson method is a combination of the expected loss ratio method and the chain ladder method. Ultimate losses are projected based partly on actual reported (or paid) losses and partly on expectation. Incurred but not reported (IBNR) reserves are calculated using earned premium, an a priori loss ratio, and selected age-to-age development factors and added to actual reported (or paid) losses to determine ultimate losses. It is more responsive to actual reported or paid development than the expected loss ratio method but less responsive than the chain ladder method. The reliability of the method depends on the accuracy of the selected a priori loss ratio.

Although the Company uses similar actuarial methods for both short tail and long tail lines, the faster reporting of experience for the short tail lines allows the Company to have greater confidence in its estimates of ultimate losses for short tail lines at an earlier stage than for long tail lines. As a result, the Company utilizes, as well, exposure-based methods to estimate its ultimate losses for longer tail lines, especially for immature underwriting or accident years. For both short and long tail lines, the Company supplements these general approaches with analytically based judgments.

Key actuarial assumptions contain no explicit provisions for reserve uncertainty nor does the Company supplement the actuarially determined reserves for uncertainty.

Carried reserves at each reporting date are the management's best estimate of ultimate unpaid losses and LAE at that date. The Company completes detailed reserve studies for each exposure group annually for both reinsurance and insurance operations. The completed annual reserve studies are "rolled-forward" for each accounting period until the subsequent reserve study is completed. Analyzing the roll-forward process involves comparing actual reported losses to expected losses based on the most recent reserve study. The Company analyzes significant variances between actual and expected losses and post adjustments to its reserves as warranted.

Certain reserves, including losses from widespread catastrophic events and COVID-19 related losses, cannot be estimated using traditional actuarial methods. These types of events are reserved for separately using a variety of statistical and actuarial techniques. We estimate losses for these types of events based on information derived from catastrophe models, quantitative and qualitative exposure analyses, reports and communications from ceding companies and development patterns for historically similar events, where available.

The Company continues to receive claims under expired insurance and reinsurance contracts asserting injuries and/or damages relating to or resulting from environmental pollution and hazardous substances, including asbestos. Environmental claims typically assert liability for (a) the mitigation or remediation of environmental contamination or (b) bodily injury or property damage caused by the release of hazardous substances into the land, air or water. Asbestos claims typically assert liability for bodily injury from exposure to asbestos or for property damage resulting from asbestos or products containing asbestos.

The Company's reserves include an estimate of the Company's ultimate liability for A&E claims. The Company's A&E liabilities stem from Mt. McKinley Insurance Company's ("Mt. McKinley") direct insurance business and Everest Reinsurance Company's ("Everest Re"), an affiliated entity, assumed reinsurance business. Mt. McKinley was a former wholly-owned subsidiary that was sold in 2015 to Clearwater Insurance Company ("Clearwater"), a subsidiary of Fairfax Financial. All of the contracts of insurance and reinsurance, under which the company has received claims during the past three years, expired more than 20 years ago. There are significant uncertainties surrounding the Company's reserves for its A & E losses. Liabilities related to Mt. McKinley's direct business, which had been ceded to Bermuda Re previously, were retroceded to an affiliate of Clearwater in July 2015, concurrent with the sale of Mt. McKinley to Clearwater.

Concurrently with the closing, the Company entered into a retrocession treaty with an affiliate of Clearwater. Per the retrocession treaty, the Company retroceded 100% of the liabilities associated with certain Mt. McKinley policies. As consideration for entering into the retrocession treaty, the Company transferred cash of \$140.3 million, an amount equal to the net loss reserves as of the closing date. The maximum liability retroceded under the retrocession treaty will be \$440.3 million, equal to the retrocession payment plus \$300.0 million. The Company will retain liability for any amounts exceeding the maximum liability retroceded under the retrocession treaty.

On December 20, 2019, the retrocession treaty was amended and included a partial commutation. As a result of this amendment and partial commutation, gross A&E reserves and correspondingly reinsurance recoverables were reduced by \$43.4 million. In addition, the maximum liability permitted to be retroceded increased to \$450.3 million.

In 2022, the company posted additional A&E reserves of \$22.8 million, following a comprehensive actuarial reserving review. This increase in reserves brings the Company's A&E position in line with the overall industry survival ratios.

A&E exposures represent a separate exposure group for monitoring and evaluating reserve adequacy. The following table summarizes incurred losses with respect to A&E reserves on both a gross and net of reinsurance basis for the periods indicated:

	At December 31,	
	2022	2021
(Dollars in thousands)		
Gross basis:		
Beginning of period reserves	\$ 27,681	\$ 30,815
Incurred losses	24,232	3,148
Paid losses	(4,667)	(6,282)
End of period reserves	\$ 47,247	\$ 27,681
Net basis:		
Beginning of period reserves	\$ 27,681	\$ 30,815
Incurred losses	24,232	3,148
Paid losses	(4,667)	(6,282)
End of period reserves	\$ 47,247	\$ 27,681

**Reinsurance Recoverables.** Reinsurance recoverables for both paid and unpaid losses were \$1.6 billion and \$1.4 billion at December 31, 2022 and 2021, respectively. At December 31, 2022, \$1.4 billion, or 90.8%, was receivable from Everest International Reinsurance, Ltd.. No other retrocessionaire accounted for more than 5% of reinsurance recoverables.

**Future Policy Benefit Reserve.**

Activity in the reserve for future policy benefits is summarized for the periods indicated:

	At December 31,	
	2022	2021
(Dollars in thousands)		
Balance at beginning of year	\$ 35,669	\$ 37,723
Liabilities assumed	22	27
Adjustments to reserves	(2,992)	719
Benefits paid in the current year	(3,804)	(2,800)
Balance at end of year	\$ 28,895	\$ 35,669

(Some amounts may not reconcile due to rounding.)

**4. FAIR VALUE**

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

The levels in the hierarchy are defined as follows:

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

The Company’s fixed maturity and equity securities are primarily managed by third party investment asset managers. The investment asset managers managing publicly traded securities obtain prices from nationally recognized pricing services. These services seek to utilize market data and observations in their evaluation process. They use pricing applications that vary by asset class and incorporate available market information and when fixed maturity securities do not trade on a daily basis the services will apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. In addition, they use model processes, such as the Option Adjusted Spread model to develop prepayment and interest rate scenarios for securities that have prepayment features.

The investment asset managers do not make any changes to prices received from either the pricing services or the investment brokers. In addition, the investment asset managers have procedures in place to review the reasonableness of the prices from the service providers and may request verification of the prices. The Company also continually performs quantitative and qualitative analysis of prices, including but not limited to initial and ongoing review of pricing methodologies, review of prices obtained from pricing services and third party investment asset managers, review of pricing statistics and trends, and comparison of prices for certain securities with a secondary price source for reasonableness. No material variances were noted during these price validation procedures. In limited situations, where financial markets are inactive or illiquid, the Company



may use its own assumptions about future cash flows and risk-adjusted discount rates to determine fair value. At December 31, 2022, there were no fixed maturities fair valued using unobservable inputs. The majority of these fixed maturities were valued by investment managers' valuation committees and many of these fair values were substantiated by valuations from independent third parties. The Company has procedures in place to evaluate these independent third party valuations. At December 31, 2021, \$70.6 million of fixed maturities were fair valued using unobservable inputs.

Equity securities denominated in U.S. currency with quoted prices in active markets for identical assets are categorized as Level 1 since the quoted prices are directly observable. Equity securities traded on foreign exchanges are categorized as Level 2 due to the added input of a foreign exchange conversion rate to determine fair value. The Company uses foreign currency exchange rates published by nationally recognized sources.

Fixed maturity securities listed in the tables below have been categorized as Level 2, since a particular security may not have traded but the pricing services are able to use valuation models with observable market inputs such as interest rate yield curves and prices for similar fixed maturity securities in terms of issuer, maturity and seniority. For foreign government securities and foreign corporate securities, the fair values provided by the third-party pricing services in local currencies, and where applicable, are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

In addition to the valuations from investment managers, some of the fixed maturities with fair values categorized as Level 3 result when prices are not available from the nationally recognized pricing services and are derived using unobservable inputs. The Company will value the securities with unobservable inputs using comparable market information or receive fair values from investment managers. The investment managers may obtain non-binding price quotes for the securities from brokers. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The prices received from brokers are reviewed for reasonableness by the third-party asset managers and the Company. If the broker quotes are for foreign denominated securities, the quotes are converted to U.S. dollars using currency exchange rates from nationally recognized sources.

The composition and valuation inputs for the presented fixed maturities categories are as follows:

- U.S. Treasury securities and obligations of U.S. government agencies and corporations are primarily comprised of U.S. Treasury bonds and the fair value is based on observable market inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields;
- Obligations of U.S. states and political subdivisions are comprised of state and municipal bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;
- Corporate securities are primarily comprised of U.S. corporate and public utility bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities, benchmark yields and credit spreads;
- Asset-backed and mortgage-backed securities fair values are based on observable inputs such as quoted prices, reported trades, quoted prices for similar issuances or benchmark yields and cash flow models using observable inputs such as prepayment speeds, collateral performance and default spreads;
- Foreign government securities are comprised of global non-U.S. sovereign bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source;
- Foreign corporate securities are comprised of global non-U.S. corporate bond issuances and the fair values are based on observable market inputs such as quoted market prices, quoted prices for similar securities and models with observable inputs such as benchmark yields and credit spreads and then, where applicable, converted to U.S. dollars using an exchange rate from a nationally recognized source.

The following tables present the fair value measurement levels for all assets and liabilities, which the Company has recorded at fair value as of the periods indicated:

(Dollars in thousands)	December 31, 2022	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, available for sale				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	\$ 638,853	\$ -	\$ 638,853	\$ -
U.S. Corporate securities	2,111,082	-	2,111,082	-
Asset-backed securities	60,223	-	60,223	-
Mortgage-backed securities				
Commercial	318,164	-	318,164	-
Agency residential	1,211,420	-	1,211,420	-
Non-agency residential	891	-	891	-
Foreign government securities	355,857	-	355,857	-
Foreign corporate securities	1,350,121	-	1,350,121	-
Total fixed maturities, available for sale	6,046,611	-	6,046,611	-
Equity securities, fair value	7,945	-	7,945	-

(Dollars in thousands)	December 31, 2021	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed maturities, available for sale				
U.S. Treasury securities and obligations of				
U.S. government agencies and corporations	\$ 658,363	\$ -	\$ 658,363	\$ -
U.S. Corporate securities	2,566,741	-	2,496,092	70,649
Asset-backed securities	48,538	-	48,538	-
Mortgage-backed securities				
Commercial	371,748	-	371,748	-
Agency residential	863,921	-	863,921	-
Non-agency residential	1,204	-	1,204	-
Foreign government securities	405,360	-	405,360	-
Foreign corporate securities	1,376,724	-	1,376,724	-
Total fixed maturities, available for sale	6,292,599	-	6,221,950	70,649
Equity securities, fair value	27,270	20,605	6,665	-

The following table presents the activity under Level 3, fair value measurements using significant unobservable inputs by asset type, for the periods indicated:

(Dollars in thousands)	December 31, 2022		December 31, 2021	
	Corporate Securities	Total	Corporate Securities	Total
Beginning balance	\$ 70,649	\$ 70,649	\$ 70,649	\$ 70,649
Total gains or (losses) (realized/unrealized)				
Included in earnings	14,514	14,514	-	-
Included in other comprehensive income (loss)	-	-	-	-
Purchases, issuances and settlements	(85,163)	(85,163)	-	-
Transfers in and/or (out) of Level 3	-	-	-	-
Ending balance	\$ -	\$ -	\$ 70,649	\$ 70,649
The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	\$ -	\$ -	\$ -	\$ -

There were no transfers of assets in/(out) Level 3 during 2022 and 2021.

#### **Financial Instruments Disclosed, But Not Reported, at Fair Value**

Certain financial instruments disclosed, but not reported, at fair value are excluded from the fair value hierarchy tables above. Short-term investments are stated at cost, which approximates fair value. See Note 1.

### **5. CREDIT FACILITY**

#### **Group Credit Facility**

Effective May 26, 2016, Group, Everest Reinsurance (Bermuda), Ltd. (“Bermuda Re”) and Everest International Reinsurance, Ltd. (“Everest International”), both direct subsidiaries of Group, entered into a five year, \$800 million senior credit facility with a syndicate of lenders, which amended and restated in its entirety the June 22, 2012, four year, \$800 million senior credit facility. Both the May 26, 2016 and June 22, 2012 senior credit facilities, which have similar terms, are referred to as the “2016 Group Credit Facility”. Wells Fargo Corporation (“Wells Fargo Bank”) is the administrative agent for the 2016 Group Credit Facility.

Effective May 26, 2021, the term of the 2016 Group Credit Facility expired. The Company elected not to renew this facility to allow for the replacement by other collateralized letter of credit facilities such as those described below. As a result of the non-renewal in May 2021, letter of credit commitment/availability in the 2016 Group Credit Facility as of December 21, 2021 was limited to the remaining \$39 million of letters of credit that were in force and which expired in 2022.

The following table summarizes the outstanding letters of credit and/or borrowings for the periods indicated:

(Dollars in thousands)	At December 31, 2022			At December 31, 2021		
	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Bank						
Wells Fargo Bank Group Credit Facility	\$ -	\$ -	-	\$ 39,198	\$ 39,198	12/30/2022

#### **Bermuda Re Wells Fargo Bilateral Letter of Credit Facility**

Effective February 23, 2021, Bermuda Re entered into a letter of credit issuance facility with Wells Fargo referred to as the “2021 Bermuda Re Wells Fargo Bilateral Letter of Credit Facility.” The Bermuda Re Wells Fargo Bilateral Letter of Credit Facility originally provided for the issuance of up to \$50 million of secured letters of credit. Effective May 5, 2021, the agreement was amended to provide for the issuance of up to \$500 million of secured letters of credit.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands) Bank	At December 31, 2022			At December 31, 2021		
	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Wells Fargo Bank Bilateral LOC Agreement	\$ 500,000	\$ 463,068	12/29/2023	\$ 500,000	\$ 351,497	12/30/2022

#### Bermuda Re Citibank Letter of Credit Facility

Effective August 9, 2021, Bermuda Re entered into a new letter of credit issuance facility with Citibank N.A. which superseded the previous letter of credit issuance facility with Citibank that was effective December 31, 2020. Both of these are referred to as the “Bermuda Re Letter of Credit Facility”. The current Bermuda Re Citibank Letter of Credit Facility provides for the committed issuance of up to \$230 million of secured letters of credit. In addition, the facility provided for the uncommitted issuance of up to \$140 million, which may be accessible via written request by the Company and corresponding authorization from Citibank N.A.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands) Bank	At December 31, 2022			At December 31, 2021		
	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Bermuda Re Citibank LOC Facility - Committed	\$ 230,000	\$ 499	01/21/2023	\$ 230,000	\$ 4,425	2/28/2022
		4,425	02/28/2023		925	3/1/2022
		1,302	03/01/2023		1,264	11/24/2022
		710	08/15/2023		423	12/16/2022
		3,391	09/23/2023		146	12/20/2022
		395	12/16/2023		216,622	12/31/2022
		136	12/20/2023		473	1/21/2023
		212,371	12/31/2023		985	8/15/2023
		256	12/01/2024		1,234	9/23/2023
Bermuda Re Citibank LOC Facility - Uncommitted	140,000	87,269	12/31/2023	140,000	84,203	12/31/2022
		163	9/30/2026		22,731	12/30/2025
		17,743	12/30/2026		-	
Total Bermuda Re Citibank LOC Facility	<u>\$ 370,000</u>	<u>\$ 328,660</u>		<u>\$ 370,000</u>	<u>\$ 333,429</u>	

#### Bermuda Re Bayerische Landesbank Bilateral Secured Credit Facility

Effective August 27, 2021 Bermuda Re entered into a letter of credit issuance facility with Bayerische Landesbank, an agreement referred to as the “Bermuda Re Bayerische Landesbank Bilateral Secured Credit Facility”. The Bermuda Re Bayerische Landesbank Bilateral Secured Credit Facility provides for the committed issuance of up to \$200 million of secured letters of credit.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands) Bank	At December 31, 2022			At December 31, 2021		
	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Bayerische Landesbank Bilateral Secured Credit Facility	\$ 200,000	\$ 182,618	12/31/2023	\$ 200,000	\$ 154,691	12/31/2022

### Bermuda Re Bayerische Landesbank Bilateral Unsecured Letter of Credit Facility

Effective December 30, 2022, Bermuda Re entered into a new additional letter of credit issuance facility with Bayerische Landesbank, New York Branch, referred to as the “Bayerische Landesbank Bilateral Unsecured Letter of Credit Facility”. The Bermuda Re Bayerische Landesbank Bilateral Unsecured Letter of Credit Facility provides for the committed issuance of up to \$150 million of unsecured letters of credit.

(Dollars in thousands)	At December 31, 2022		
Bank	Commitment	In Use	Date of Expiry
Bayerische Landesbank Bilateral Unsecured LOC Agreement - Committed	\$ 150,000	\$ 150,000	12/31/2023

### Bermuda Re Lloyd’s Bank Credit Facility.

Effective October 8, 2021 Bermuda Re entered into a letter of credit issuance facility with Lloyd’s Bank Corporate Markets PLC, an agreement referred to as the “Bermuda Re Lloyd’s Bank Credit Facility”. The Bermuda Re Lloyd’s Bank Credit Facility provides for the committed issuance of up to \$50.0 million of secured letters of credit, and subject to credit approval a maximum total facility amount of \$250.0 million.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands)	At December 31, 2022			At December 31, 2021		
	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Bermuda Re Lloyd’s Bank Credit Facility - Committed	\$ 50,000	\$ 50,000	12/31/2023	\$ 50,000	\$ 46,008	12/31/2022
Bermuda Re Lloyd’s Bank Credit Facility - Uncommitted	200,000	135,665	12/31/2023	-	-	
Total Bermuda Re Lloyd’s Bank Credit Facility	\$ 250,000	\$ 185,665		\$ 50,000	\$ 46,008	

### Bermuda Re Barclays Bank Credit Facility.

Effective November 3, 2021 Bermuda Re entered into a letter of credit issuance facility with Barclays Bank PLC, an agreement referred to as the “Bermuda Re Barclays Credit Facility”. The Bermuda Re Barclays Credit Facility provides for the committed issuance of up to \$200.0 million of secured letters of credit.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands)	At December 31, 2022			At December 31, 2021		
	Commitment	In Use	Date of Expiry	Commitment	In Use	Date of Expiry
Bermuda Re Barclays Credit Facility	\$ 200,000	\$ 179,455	12/31/2023	\$ 200,000	\$ 186,299	12/31/2022

### Bermuda Re Nordea Bank Letter of Credit Facility

Effective November 21, 2022, Bermuda Re entered into a letter of credit issuance facility with Nordea Bank ABP, New York Branch, referred to as the “Nordea Bank Letter of Credit Facility”. The Bermuda Re Nordea Bank Letter of Credit Facility provides for the committed issuance of up to \$200.0 million of unsecured letters of credit, and subject to credit approval, uncommitted issuance of \$100.0 million for a maximum total facility amount of \$300.0 million.

The following table summarizes the outstanding letters of credit for the periods indicated:

(Dollars in thousands)	At December 31, 2022		
	Commitment	In Use	Date of Expiry
Nordea Bank ABP, NY Unsecured LOC Facility - Committed	\$ 200,000	\$ 50,000	12/31/2023
Nordea Bank ABP, NY Unsecured LOC Facility - Uncommitted	100,000	100,000	12/31/2023
Total Nordea Bank ABP, NY LOC Facility	\$ 300,000	\$ 150,000	

(Some amounts may not reconcile due to rounding.)

## 6. TRUST AGREEMENTS

The Company has established trust agreements, which effectively use the Company's investments as collateral, as security for assumed losses payable to certain non-affiliated ceding companies. At December 31, 2022 the total amount on deposit in trust accounts was \$1.4 billion, which includes \$99.5 million of restricted cash. At December 31, 2021, the total amount on deposit in trust accounts was \$951.1 million, which includes \$101.6 million of restricted cash.

## 7. LEASES

The Company enters into lease agreements for real estate that is primarily used for office space in the ordinary course of business. Lease agreements are accounted for as operating leases, whereby lease expense is recognized on a straight-line basis over the term of the lease.

Supplemental information related to operating leases is as follows for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Lease expense incurred:		
Operating lease cost	\$ 308	\$ 308

  

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Operating lease right of use assets	\$ 254	\$ 845
Operating lease liabilities	254	845

  

	At December 31,	
	2022	2021
Weighted average remaining operating lease term	0.4 years	1.4 years

The operating lease right of use assets are included in Other Assets and the operating lease liabilities are included in Other Liabilities on the balance sheets.

Maturities of the existing lease liabilities are expected to occur as follows:

(Dollars in thousands)	
2023	\$ 121
2024	-
2025	-
2026	-
2027	-
Thereafter	-
Total operating lease liability	<u>\$ 121</u>

## 8. INCOME TAXES

Under Bermuda law, no income or capital gains taxes are imposed on Group and its Bermuda subsidiaries. The Minister of Finance of Bermuda has assured Group and its Bermuda subsidiaries that, pursuant to The Exempted Undertakings Tax Protection Amendment Act of 2011, they will be exempt until 2035 from imposition of any such taxes. However, the UK Branch of Bermuda Re is subject to UK income taxes on its income.

The provision for income taxes in the statement of operations and comprehensive income (loss) has been determined by reference to the applicable tax laws of jurisdictions in which the income of Bermuda Re is subject to tax. It reflects the permanent differences between financial and taxable income. The significant components of the provision are as follows for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Current foreign tax expense (benefit)	\$ 10,028	\$ 12,286
Deferred foreign tax expense (benefit)	135	3,094
Total income tax expense (benefit)	\$ 10,163	\$ 15,380

The weighted average expected tax provision has been calculated using the pre-tax income (loss) in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. Reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate for the periods indicated is provided below:

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Expected tax provision at weighted average rate	\$ 1,483	\$ 15,259
2022 and prior year benefit related to the HMRC APA agreement	2,260	(7,510)
Withholding tax	448	1,941
Other	5,973	5,690
Total income tax provision	\$ 10,163	\$ 15,380

On October 20, 2017, Her Majesty's Revenue and Customs ("HMRC") signed an Advance Pricing Agreement ("APA") covering tax years 2016 - 2020 with regard to the pricing of the quota share agreement between the UK Branch of Bermuda Re and Everest International Reinsurance, Ltd. As long as the terms of the quota share agreement on which the APA is based remain consistent in the years subsequent to 2020, the Company is permitted to continue applying the terms of the APA. The tax provision includes a \$2.3 million tax expense for tax year 2022 and a \$7.5 million benefit for tax year 2021.

Deferred Income taxes reflect the tax effect of the temporary differences between the value of assets and liabilities for financial statement purposes and such values are measured by the U.S. tax laws and regulations. The principal items making up the net deferred income tax assets/(liabilities) are as follows for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Deferred tax assets:		
Total deferred tax assets	\$ -	\$ -
Deferred tax liabilities:		
Net unrealized investment gains	71	80
Total deferred liabilities	71	80
Net deferred tax assets	71	80
Less: Valuation allowance	-	-
Total net deferred tax assets/(liabilities)	\$ 71	\$ 80

## 9. REINSURANCE

The Company engages in reinsurance transactions, including agreements with affiliates Everest Re, Everest International, Everest Reinsurance Company (Ireland), Ltd. (“Ireland Re”), Everest Insurance Company of Canada (“Everest Canada”), Everest International Assurance (“Everest Assurance”) and Mt. Logan Re, primarily driven by enterprise risk and capital management considerations under which business is assumed or ceded at market rates and terms. These agreements provide for recovery from reinsurers of a portion of losses and LAE under certain circumstances without relieving the ceding company of its obligations to the policyholders. Losses and LAE incurred and premiums earned are reported after deduction for reinsurance. In the event that one or more of the reinsurers were unable to meet their obligations under these reinsurance agreements, the Company would not realize the full value of the reinsurance recoverable balances. The Company may hold partial collateral, including letters of credit and funds held, under these agreements. See also Note 1C and Note 3.

Premiums written and earned and incurred losses and LAE are comprised of the following for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Written premiums:		
Direct	\$ 8,061	\$ 7,235
Assumed	3,315,041	2,911,212
Ceded	(988,472)	(828,440)
Net written premiums	<u>\$ 2,334,630</u>	<u>\$ 2,090,007</u>
Premiums earned:		
Direct	\$ 3,700	\$ 4,191
Assumed	3,071,446	2,529,183
Ceded	(860,173)	(616,158)
Net premiums earned	<u>\$ 2,214,972</u>	<u>\$ 1,917,216</u>
Incurred losses and LAE:		
Direct	\$ 22,460	\$ 5,533
Assumed	1,699,940	1,442,569
Ceded	(595,898)	(402,338)
Net incurred losses and LAE	<u>\$ 1,126,502</u>	<u>\$ 1,045,764</u>

(Some amounts may not reconcile due to rounding.)



The table below represents affiliated quota share reinsurance agreements ("whole account quota share") for all new and renewal business for the indicated coverage period:

(Dollars, British pounds and euros in thousands)

Coverage Period	Ceding Company	Percent Ceded	Assuming Company	Type of Business	Single Occurrence Limit	Aggregate Limit
01/01/2010-12/31/2010	Everest Re	44.0%	Bermuda Re	property / casualty business	\$ 150,000	\$ 325,000
01/01/2011-12/31/2011	Everest Re	50.0%	Bermuda Re	property / casualty business	\$ 150,000	\$ 300,000
01/01/2012-12/31/2014	Everest Re	50.0%	Bermuda Re	property / casualty business	\$ 100,000	\$ 200,000
01/01/2015-12/31/2016	Everest Re	50.0%	Bermuda Re	property / casualty business	\$ 162,500	\$ 325,000
01/01/2017-12/31/2017	Everest Re	60.0%	Bermuda Re	property / casualty business	\$ 219,000	\$ 438,000
01/01/2006-12/31/2008	Bermuda Re (U.K. Branch)	30.0%	Everest International	property business	€ 400,000	-
01/01/2009-12/31/2009	Bermuda Re (U.K. Branch)	50.0%	Everest International	property business	€ 200,000	-
01/01/2010-12/31/2010	Bermuda Re (U.K. Branch)	50.0%	Everest International	property business	€ 160,000	-
01/01/2011-12/31/2011	Bermuda Re (U.K. Branch)	50.0%	Everest International	property / casualty business	€ 80,000	-
01/01/2011-12/31/2012	Bermuda Re (U.K. Branch)	50.0%	Everest International	property / casualty business	£ 70,000	-
01/01/2013-12/31/2015	Bermuda Re (U.K. Branch)	59.5%	Everest International	property business	£ 70,000	-
01/01/2016-12/31/2016	Bermuda Re (U.K. Branch)	50.0%	Everest International	property business	£ 130,000	-
01/01/2017-12/31/2018	Bermuda Re (U.K. Branch)	50.0%	Everest International	property business	£ 70,000	-
01/01/2019-12/31/2019	Bermuda Re (U.K. Branch)	50.0%	Everest International	property business	£ 76,000	-
01/01/2020-12/31/2020	Bermuda Re (U.K. Branch)	50.0%	Everest International	property business	£ 84,000	-
01/01/2021-12/31/2021	Bermuda Re (U.K. Branch)	60.0%	Everest International	property business	£ 100,000	-
01/01/2022-12/31/2022	Bermuda Re (U.K. Branch)	70.0%	Everest International	property business	£ 75,000	-
01/01/2010-12/31/2010	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	\$ 350,000 <sup>(1)</sup>	-
01/01/2011-12/31/2011	Everest Re- Canadian Branch	60.0%	Bermuda Re	property business	\$ 350,000 <sup>(1)</sup>	-
01/01/2012-12/31/2012	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	\$ 206,250 <sup>(1)</sup>	\$ 412,500 <sup>(1)</sup>
01/01/2013-12/31/2013	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	\$ 150,000 <sup>(1)</sup>	\$ 412,500 <sup>(1)</sup>
01/01/2014-12/31/2017	Everest Re- Canadian Branch	75.0%	Bermuda Re	property / casualty business	\$ 262,500 <sup>(1)</sup>	\$ 412,500 <sup>(1)</sup>
01/01/2018	Everest Canada	80.0%	Bermuda Re	property / casualty business	-	-
01/01/2020	Everest International Assurance	100.0%	Bermuda Re	property / casualty business	-	-
07/01/2022-01/01/2023	Everest Insurance (Ireland), dac	60.0%	Bermuda Re	property / casualty business	\$ 60,000	-
07/01/2022-01/01/2023	Everest Insurance (Ireland), dac	variable	Bermuda Re	property / casualty business	-	-

Effective April 1, 2018, the Company entered into a retroactive reinsurance transaction with one of the Mt. Logan Re segregated accounts to retrocede \$269.2 million of casualty reserves related to accident years 2002 through 2015. As consideration for entering the agreement, the Company transferred cash of \$252.0 million to the Mt. Logan Re segregated account. The maximum liability to be retroceded under the agreement will be \$319.0 million. The Company will retain liability for any amounts exceeding the maximum liability. Effective July 1, 2022, the Company has commuted this reinsurance agreement with Mt. Logan segregated account.

As of December 31, 2017, the quota share reinsurance agreements between Everest Re and the Company and between the Everest Re-Canadian Branch and the Company were not renewed.

Effective January 1, 2018, the Company entered into a twelve-month whole account aggregate stop loss reinsurance contract (“stop loss agreement”) with Everest Re. Through the stop loss agreement, the Company provides Everest Re with coverage for ultimate net losses on applicable net earned premiums above a retention level, subject to certain other coverage limits and conditions. The stop loss agreement has been renewed annually and was most recently renewed effective January 1, 2022.

The table below represents loss portfolio transfer reinsurance agreements whereby net insurance exposures and reserves were transferred from an affiliate.

(Dollars in thousands)

Effective Date	Transferring Company	Assuming Company	% of Business or Amount of Transfer	Covered Period of Transfer
10/01/2001	Everest Re (Belgium Branch)	Bermuda Re	100%	All years
10/01/2008	Everest Re	Bermuda Re	\$ 747,022	01/01/2002-12/31/2007
12/31/2017	Everest Re	Bermuda Re	\$ 970,000	All years

On December 31, 2017, the Company entered into a loss portfolio transfer (“LPT”) agreement with Everest Re. The LPT agreement covers Everest Re loss reserves of \$2.3 billion for accident years 2017 and prior. As a result of the LPT agreement, the Company received \$1.0 billion of cash and fixed maturity securities from Everest Re and assumed \$970.0 million of loss reserves to Everest Re. As of December 31, 2022, the deferred gain is \$188.4 million. As part of the LPT agreement, the Company will provide an additional \$500.0 million of adverse development coverage on the subject loss reserves.

Bermuda Re has entered into catastrophe excess of loss reinsurance contracts with Ireland Re beginning in 2010. The table below represents Bermuda Re's liability limits for any losses per one occurrence and for aggregate losses under each contract.

(Euros in thousands)	Liability Limits	
	Exceeding	Not to Exceed
01/01/2010 - 12/31/2010		
Losses per one occurrence	€ 45,000	€ 45,000
Aggregate losses	€ -	€ 100,000
01/01/2011 - 12/31/2011		
Losses per one occurrence	€ 75,000	€ 50,000
Aggregate losses	€ -	€ 100,000
01/01/2012 - 12/31/2012		
Losses per one occurrence	€ 75,000	€ 25,000
Aggregate losses	€ -	€ 50,000
01/01/2013 -		
Losses per one occurrence	€ 75,000	€ 50,000
Aggregate losses	€ -	€ 100,000

The following tables summarize the premiums and losses assumed and ceded by the Company to and from its affiliates for the periods indicated:

**Everest Re and subsidiaries**

(Dollars in thousands)

	Years Ended December 31,	
	2022	2021
Assumed written premiums	\$ 546,436	\$ 457,746
Assumed earned premiums	519,349	426,377
Assumed losses and LAE	113,375	19,051

**Everest International**

(Dollars in thousands)

	Years Ended December 31,	
	2022	2021
Ceded written premiums	\$ 861,417	\$ 682,218
Ceded earned premiums	722,746	495,973
Ceded losses and LAE	443,352	349,367

**Mt. Logan Re**

(Dollars in thousands)

	Years Ended December 31,	
	2022	2021
Ceded written premiums	\$ 16,164	\$ 31,102
Ceded earned premiums	17,078	30,539
Ceded losses and LAE	2,355	25,274

**10. COMPREHENSIVE INCOME (LOSS)**

The following table presents the components of other comprehensive income (loss) in the statements of operations and comprehensive income (loss) for the periods indicated:

	Years Ended December 31,					
	2022			2021		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
(Dollars in thousands)						
Unrealized appreciation (depreciation) ("URA(D)") on securities - non-credit related	\$ (557,562)	\$ 8,766	(548,796)	\$ (201,249)	\$ 9,114	\$(192,135)
Reclassification of net realized losses (gains) included in net income (loss)	4,652	1,637	6,289	(12,940)	(621)	(13,561)
Foreign currency translation adjustments	(55,057)	-	(55,057)	(13,639)	-	(13,639)
Total other comprehensive income (loss)	\$ (607,967)	\$ 10,403	\$ (597,564)	\$ (227,828)	\$ 8,493	\$(219,335)

The following table presents details of the amounts reclassified from accumulated other comprehensive income ("AOCI") for the periods indicated:

AOCI component	Years Ended December 31,		Affected line item within the statements of operations and comprehensive income (loss)
	2022	2021	
(Dollars in thousands)			
URA(D) on securities	\$ 4,652	\$ (12,940)	Other net realized capital gains (losses)
	1,637	(621)	Income tax expense (benefit)
	\$ 6,289	\$ (13,561)	Net income (loss)

The following table shows the components of the change in accumulated other comprehensive income (loss) for the periods indicated:

(Dollars in thousands)	Years Ended December 31,	
	2022	2021
Beginning balance of URA(D) on securities	\$ 79,036	\$ 284,732
Current period change in URA(D) of investments - non-credit related	(542,507)	(205,696)
Ending balance of URA(D) on securities	(463,471)	79,036
Beginning balance of foreign currency translation adjustments	(125,666)	(112,027)
Current period change in foreign currency translation adjustments	(55,057)	(13,639)
Ending balance of foreign currency translation adjustments	(180,723)	(125,666)
Ending balance of accumulated other comprehensive income (loss)	\$ (644,194)	\$ (46,630)

## 11. DIVIDEND RESTRICTIONS AND STATUTORY FINANCIAL INFORMATION

### Dividend Restrictions.

Under Bermuda law, Bermuda Re is prohibited from declaring or making payment of a dividend if it fails to meet its minimum solvency margin or minimum liquidity ratio. As a long term insurer, Bermuda Re is also unable to declare or pay a dividend to anyone who is not a policyholder unless, after payment of the dividend, the value of the assets in its long term business fund, as certified by its approved actuary, exceeds its liabilities for long term business by at least the \$250 thousand minimum solvency margin. Prior approval of the BMA is required if Bermuda Re's dividend payments would exceed 25% of its prior year-end total statutory capital and surplus.

### Statutory Financial Information.

Bermuda Re prepares its statutory financial statements in conformity with the accounting principles set forth in Bermuda in The Insurance Act 1978, amendments thereto and related regulations. The statutory capital and surplus of Bermuda Re was \$2.8 billion and \$3.2 billion at December 31, 2022 and 2021, respectively. The statutory net income of Bermuda Re was \$603.1 million and \$772.3 million for the years ended December 31, 2022 and 2021, respectively.

### Capital Restrictions.

In Bermuda, Bermuda Re is subject to the BSCR administered by the BMA. No regulatory action is taken if an insurer's capital and surplus is equal to or in excess of their enhanced capital requirement determined by the BSCR model. In addition, the BMA has established a target capital level for each insurer, which is 120% of the enhanced capital requirement.

The regulatory targeted capital and the actual statutory capital for Bermuda Re was as follows:

(Dollars in thousands)	Bermuda Re <sup>(1)</sup> At December 31,	
	2022	2021
Regulatory targeted capital	\$ 2,216,919	\$ 2,169,295
Actual capital	2,759,404	3,184,058

<sup>(1)</sup> Regulatory targeted capital represents the target capital level from the applicable year's BSCR calculation.

## 12. CONTINGENCIES

In the ordinary course of business, the Company is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which will determine the Company's rights and obligations under insurance and reinsurance agreements. In some disputes, the Company seeks to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company is resisting attempts by others to collect funds or enforce alleged rights. These disputes arise from time to time and are ultimately resolved through both informal and formal means, including negotiated resolution, arbitration and litigation. In all such matters, the Company believes that its positions are legally and commercially reasonable. The Company considers the statuses of these proceedings when determining its reserves for unpaid loss and loss adjustment expenses.

Aside from litigation and arbitrations related to these insurance and reinsurance agreements, the Company is not a party to any other material litigation or arbitration.

On April 1, 2009, the Company entered into a guaranty agreement with Ireland Re, an affiliate, for an annual fee. The guaranty agreement stated that if Ireland Re's surplus at the end of any fiscal quarter is less than €250.0 million, the Company would guarantee Ireland Re's commercial payment obligations to the extent that such payment obligations are not disputed or contested and have not been discharged or commuted. This guaranty agreement was cancelled effective April 1, 2021.

Effective December 15, 2017, the Company entered into a guaranty agreement with Everest Insurance (Ireland), dac ("Ireland Re"), an affiliated company. The guaranty agreement states that the Company will guarantee payment of Ireland Insurance's undisputed obligations if Ireland Insurance fails to pay any of its undisputed obligations in a legal timeframe as a result of its financial inability to make payment.

## 13. RELATED-PARTY TRANSACTIONS

The Company has engaged in reinsurance transactions with Everest Re, Everest Assurance and Ireland Re under which business is assumed and Everest International and Mt. Logan Re under which business is ceded. See also Note 9.

Everest Global Services, Inc. ("Everest Global"), an affiliate of Bermuda Re, provides centralized management and home office services, through a management agreement. Services provided by Everest Global include executive managerial services, legal services, actuarial services, accounting services, information technology services and others.

The following table presents the expenses incurred by Bermuda Re from services provided by Everest Global for the periods indicated.

	Years Ended December 31,	
	2022	2021
(Dollars in thousands)		
Expenses incurred	\$ 39,008	\$ 20,533

## 14. SUBSEQUENT EVENTS

The Company has evaluated known recognized and non-recognized subsequent events through April 25, 2023 the date the financial statements are available to be issued. In February 2023, an earthquake occurred which impacted the countries of Turkey and Syria. The Company will reflect the impact of this event in its 2023 results.