PREMIA

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Premia Reinsurance Ltd.

Consolidated Financial Statements
and Report of Independent Auditors

For the Years Ended December 31, 2022 and 2021

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Premia Reinsurance Ltd.

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Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Premia Reinsurance Ltd.

Opinion

We have audited the consolidated financial statements of Premia Reinsurance Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive (loss) income, changes in shareholders' equity, and cash flows, for the years then ended, and the related notes to the consolidated financial statements (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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's 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.

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 a period of one year after the date that the financial statements are issued.

Auditor's 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 auditor's report that includes our opinion.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 Stated 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.

Deloitte Ltd.

April 28, 2023

Premia Reinsurance Ltd.

Consolidated Balance Sheets

As at December 31, 2022 and December 31, 2021

(Expressed in thousands of U.S. dollars, except share data)

		2022	2021
Assets			
Short-term investments, available-for-sale, at fair value		$ 14,499	$ 26,986
Fixed maturities, available-for-sale, at fair value		1,054,923	1,098,434
Other investments, at fair value		213,464	212,221
Equities, at fair value		2,808	1,709
Total investments	Note 4	1,285,694	1,339,350
Cash and cash equivalents		4,060	37,312
Restricted cash and cash equivalents		40,359	85,700
Premiums receivable		127,000	28,000
Funds held by ceding companies		785,287	402,438
Reinsurance recoverable on paid and unpaid losses	Note 7	312,814	16,388
Deferred charge asset	Note 6	36,297	20,851
Other assets		49,077	28,695
Receivable from parent		256,840	227,096
Total Assets		**$ 2,897,428**	**$ 2,185,830**
Liabilities			
Reserve for losses and loss adjustment expenses	Note 6	$ 982,757	$ 492,589
Deposit liability	Note 6	801,133	769,176
Unearned premiums		8,319	19,040
Insurance and reinsurance balances payable		49,500	—
Ceded funds held		268,227	23,843
Other liabilities		34,641	35,505
Total Liabilities		**2,144,577**	**1,340,153**
Shareholders' Equity			
Common shares ($1 par; shares issued and outstanding: 1,000,000)		1,000	1,000
Additional paid-in capital		681,865	681,865
Accumulated other comprehensive (loss) income		(93,071)	17,400
Retained earnings		163,057	145,412
Total Shareholders' Equity		**752,851**	**845,677**
Total Liabilities and Shareholders' Equity		**$ 2,897,428**	**$ 2,185,830**

Premia Reinsurance Ltd.

Consolidated Statements of Operations and Comprehensive (Loss) Income

For the Years Ended December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars)

		2022	2021
Revenues			
Gross premiums written		$ 777,929	$ 484,976
Ceded premiums		(387,250)	—
Net premiums written		390,679	484,976
Change in unearned premiums		10,721	25,559
Net premiums earned		401,400	510,535
Net investment income	Note 4	58,582	40,314
Net realized gains on investments	Note 4	2,427	6,443
Net unrealized (losses) gains on other investments	Note 4	(18,522)	14,979
Other income		21,808	7,169
Total revenues		**465,695**	**579,440**
Expenses			
Net loss and loss adjustment expenses		(397,021)	(488,368)
Operating expenses		(15,056)	(17,792)
Interest expense		(34,854)	(34,394)
Net foreign exchange loss		(1,119)	(1,659)
Total expenses		**(448,050)**	**(542,213)**
Net income		**$ 17,645**	**$ 37,227**
Other Comprehensive (Loss) Income			
Available for sale investments:			
Unrealized gains (losses) arising during the year		$ (114,811)	(11,255)
Adjustment for net realized losses (gains) and OTTI recognized in net income		4,340	(6,639)
Unrealized gains (losses) arising during the year, net of reclassification adjustment		(110,471)	(17,894)
Total other comprehensive (loss) income		**(110,471)**	**(17,894)**
Comprehensive (loss) income		**$ (92,826)**	**$ 19,333**

Premia Reinsurance Ltd.

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2022 and 2021

(Expressed in thousands of U.S. dollars)

	2022	2021
Common Shares		
Balance at beginning of year	$ 1,000	$ 1,000
Common shares issued	—	—
Balance at end of year	1,000	1,000
Additional Paid-in Capital		
Balance at beginning of year	681,865	503,000
Contribution during the year	—	178,865
Balance at end of year	681,865	681,865
Accumulated Other Comprehensive (Loss) Income		
Balance at beginning of year	17,400	35,294
Unrealized losses on available-for-sale securities	(110,471)	(17,894)
Balance at end of year	(93,071)	17,400
Retained Earnings		
Balance at beginning of year	145,412	108,185
Net income	17,645	37,227
Balance at end of year	163,057	145,412
Total Shareholders' Equity	**$ 752,851**	**$ 845,677**

Premia Reinsurance Ltd.
Consolidated Statements of Cash Flows
As at December 31, 2022 and 2021
(Expressed in thousands of U.S. dollars)

	2022	2021
Operating Activities		
Net income	$ 17,645	$ 37,227
Adjustments to reconcile net income to net cash used in operating activities:		
Net realized gains on investments	(9,711)	(12,708)
Net unrealized losses (gains) on other investments	7,354	(16,229)
Net impairment losses	3,776	2,663
Depreciation, amortization and accretion	4,674	4,549
Changes in assets and liabilities:		
Premiums receivable	—	49,077
Funds held by ceding companies	2,496	104,581
Reinsurance recoverable on paid and unpaid losses	(1,511)	6,200
Deferred charge asset	—	(4,539)
Other assets	(32,605)	(1,599)
Reserve for losses and loss adjustment expenses	2,763	(211,099)
Deposit liability	31,957	30,077
Unearned premiums	(10,721)	(25,559)
Insurance and reinsurance balances payable	(306)	—
Ceded funds held	9,468	(8,806)
Other liabilities	(17,489)	(13,263)
Due from related parties	(28,655)	(108,492)
Net cash used in Operating Activities	(20,865)	(167,920)
Investing Activities		
Purchase of available-for-sale investments	(476,324)	(670,976)
Proceeds from sale or redemption of available-for-sale investments	418,596	704,894
Net cash (used in) provided by Investing Activities	(57,728)	33,918
Financing Activities		
Capital contributions	—	178,865
Net cash provided by Financing Activities	—	178,865
Net (decrease) increase in cash, cash equivalents and restricted cash	(78,593)	44,863
Cash, cash equivalents and restricted cash at beginning of year	123,012	78,149
Cash, cash equivalents and restricted cash at end of year	$ **44,419**	$ **123,012**
Reconciliation to Consolidated Balance Sheet		
Unrestricted cash and cash equivalents	4,060	37,312
Restricted cash and cash equivalents	40,359	85,700
Cash, cash equivalents and restricted cash	**$ 44,419**	**$ 123,012**

Premia Reinsurance Ltd.
Notes to the Consolidated Financial Statements

1. Organization

Premia Reinsurance Ltd. (“Premia Re” or the “Company”) was incorporated in Bermuda on October 31, 2016 as a Bermuda exempted company, and obtained a license from the Bermuda Monetary Authority (“BMA”) to operate as a Class 4 insurer and reinsurer under the Insurance Act 1978 (the “Act”) on January 1, 2017. The ultimate parent company of Premia Re is Premia Holdings Ltd. (“Premia Holdings”), which was incorporated in Bermuda on October 6, 2016, and capitalized on January 6, 2017.

Premia Re was capitalized with $500.0 million and $4.0 million on January 9, 2017 and February 3, 2017, respectively, by Premia Holdings.

2. Summary of significant accounting policies

(a) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The term “ASC” used in these notes refers to Accounting Standards Codification issued by the United States Financial Accounting Standards Board (the “FASB”).

The Company’s consolidated financial statements include the financial statements of the Company and all of its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

(b) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed 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 year. While management believes the amounts included in the consolidated financial statements reflect management’s best estimates and assumptions, actual results could differ from those estimates.

The principal estimates recorded in the Company’s consolidated financial statements relate to the development and determination of the following:

a. valuation of loss and loss adjustment expense reserves;
b. determination of whether reinsurance contracts transfer insurance risk;
c. recoverability of reinsurance balances receivable;
d. valuation of investments and assessment of other than temporary impairment; and
e. valuation of deferred charge assets and deferred gain liabilities.

2. Summary of significant accounting policies, continued

(c) Premiums

To the extent that the amount of written premium is estimable, the Company estimates the ultimate premiums for the entire contract period and records this estimate at the inception of the contract. For contracts where the full written premium is not estimable at inception, the Company records written premium for the portion of the contract period for which the amount is estimable. These estimates are based primarily on information in the underlying contracts as well as information provided by clients and/or brokers. Changes in premium estimates are expected and may result in adjustments in any reporting period. These estimates change over time as additional information regarding the underlying business volume is obtained. Any subsequent adjustments arising on such estimates are recorded in the period in which they are determined.

Premiums for retroactive reinsurance contracts are earned at the inception of the contract, as all of the underlying loss events covered by these contracts occurred in the past. If the estimated loss and loss adjustment expense reserve differs from the premium consideration received at the inception of a retroactive reinsurance contract, the resulting difference is deferred and recognized over the estimated claim payment period of the related contract with the periodic amortization reflected in earnings as a component of net loss and loss adjustment expenses.

Premiums for prospective reinsurance are earned over the life of the reinsurance contract. At the inception of the contract, the Company records premiums written on prospective business in full with an unearned premium reserve, equal to an actuarial analysis of the reserve balance, as of the same date. The unearned premium reserve is amortized over the remaining contract period in proportion to the amount of insurance protection provided.

(d) Reinsurance premiums ceded

Retrocessional coverage is used to limit the Company's exposure to the risk of loss arising from certain assumed reinsurance contracts. The Company remains obligated to the extent that any retrocessionaire fails to meet its obligations to it. Reinsurance premiums ceded which relate to retroactive reinsurance contracts, are written during the period in which the risks incept and are earned in full at the inception of the contract. Ceded unearned premiums relating to prospective reinsurance contracts, if any, consist of the unexpired portion of reinsurance ceded.

(e) Retroactive reinsurance

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered by the underlying policies reinsured. A deferred charge asset or deferred gain liability ("DCA" or "DGL") is recorded by the Company when the premium consideration received is less than, or greater than, the best estimate of the loss reserves assumed, respectively, such that no underwriting gain or loss is recorded at the inception of these retroactive reinsurance contracts. In addition, for retrocessions of loss reserves assumed through retroactive reinsurance contracts where the retroceded liabilities exceed the retrocession premiums paid, the excess is recorded as a DGL and amortized over the estimated period during which the losses paid on the assumed retroceded liabilities are recovered from the retrocessionaire.

2. Summary of significant accounting policies, continued

The periodic amortization of the recorded DCA/DGL is recognized within net losses and loss adjustment expenses in the consolidated statements of operations.

Changes to the estimated timing or amount of loss payments produce changes in the periodic amortization of the DCA or DGL, with changes in such estimates being applied retrospectively and included within net income in the period in which the changes are made. In addition, when liabilities for unpaid losses and loss adjustment expenses are extinguished through commutations, they are removed from the estimates for the unpaid loss reserves, which typically results in the acceleration of the amortization of the recorded DCA or DGL.

The total carrying value of the DCA is also assessed at each reporting period for impairment and if the asset is determined to be impaired, then it is written down to its recoverable value in the period in which the determination is made, with that write down reflected in net income as a component of net loss and loss adjustment expenses.

(f) Deposit accounting

An assumed reinsurance contract that is deemed not to have transferred insurance risk is accounted for using the deposit method of accounting. Insurance risk is made up of both significant insurance risk and significant loss. Significant insurance risk exists when both the amount and timing of the reinsurance payments depend on and directly vary with the amount and timing of claims settled under the reinsured contracts, and significant loss exists wherein it remains reasonably possible that the reinsurer may realize a significant loss from the assumed reinsurance transaction.

The contract accounted for under deposit accounting transfers only significant timing risk, therefore an accretion rate, based on actuarial estimates, has been established and applied at inception of the contract to increase the liability to the estimated amount payable to the ceding entity over the contract term.

The amount of the deposit liability shall be adjusted at subsequent reporting periods by calculating the effective yield of the deposit to reflect actual payments to date and expected future payments, with a corresponding credit or charge to interest income or expense.

Where a ceding company on a quota share reinsurance contract retains the related assets on a funds held basis, this is presented separately on the consolidated balance sheet. Interest and investment income produced by those assets are presented as part of net investment income on the Company's consolidated statements of operations.

(g) Acquisition costs

Acquisition costs, consisting principally of commission, brokerage and federal excise tax, incurred at the time a retroactive reinsurance contract is issued and which directly relate to the successful effort of acquiring such new reinsurance contracts, are typically expensed in full at inception, consistent with how the related premium is earned.

2. Summary of significant accounting policies, continued

(h) Loss and loss adjustment expenses

The Company establishes reserves for outstanding losses and loss expenses for what it estimates will be the future amount to be paid in settlement of its ultimate liabilities for claims arising under reinsurance contracts that have occurred at or before the balance sheet date. The estimation of ultimate loss and loss adjustment expense liabilities is a significant judgment made by management and is inherently subject to uncertainties.

The Company's loss and loss adjustment expense reserves include case reserves and reserves for losses incurred but not reported ("IBNR reserves"). Case reserves are established for losses that have been reported, but not yet paid. Reserves are established by management in large part based on actuarially determined estimates of ultimate loss and loss adjustment expenses.

Inherent in the estimate of ultimate loss and loss adjustment expenses are expected trends in claim severity and frequency and other factors that may vary significantly as claims are settled. The Company does not anticipate future changes in laws or regulations when setting its reserves. Accordingly, ultimate loss and loss adjustment expenses paid may differ materially from the reserves recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes available, the reserves may be adjusted as necessary.

Such adjustments, if any, are recorded in the consolidated statements of operations in the period in which they become known unless it relates to a contract in which a DCA or DGL has been established, in which case such change will require the DCA or DGL to be reset which will impact the amortization of the DCA or DGL over time. To the extent it becomes apparent that insufficient or excess DCA or DGL has been amortized to date, an adjustment will be recorded during the year in question to true-up the amortization expense on an inception-to-date basis, with such an adjustment being reflected in net income as a component of net loss and loss adjustment expenses.

(i) Commutations

As the Company actively runs off its insurance and reinsurance subsidiaries, it seeks to mitigate its exposures through early settlement of its obligations to policyholders or ceding companies by entering into commutations. In addition, where appropriate the Company will negotiate commutations with its reinsurers by securing lump sum settlements from the reinsurers in complete satisfaction of their liability to the Company for any losses ceded to them.

These negotiated commutation agreements eliminate the risk of adverse claim experience as they provide for full and final settlement of all current and future policy obligations as well as ceded balances recoverable from the Company's reinsurers, with respect to the transactions to which they relate. Gains and losses on commutations are recorded as either a decrease or increase in incurred net loss and loss adjustment expenses in the consolidated statements of operations.

2. Summary of significant accounting policies, continued

(j) Cash and cash equivalents

Cash equivalents include highly liquid instruments, such as money market funds and other time deposits with commercial banks and financial institutions which have maturities of less than three months from the date of purchase.

Restricted cash and cash equivalents are separately reported on the consolidated balance sheets and consist of cash and cash equivalents held in trust accounts securing obligations to the Company's cedants under certain reinsurance contracts as well as funds in transit within certain investment accounts.

(k) Investments and net investment income

The Company's investment portfolio is comprised of short-term and fixed maturity securities classified as available-for-sale as well as equities and other investments. Short-term investments comprise securities with maturities greater than three months up to one year from their date of purchase while fixed maturity investments are comprised of securities with maturities greater than one year from their date of purchase. The Company's available-for-sale investments are carried at their estimated fair value with the changes in fair value recorded as an unrealized gain or loss component of accumulated other comprehensive income (loss) in shareholders' equity.

The Company also holds investments in privately held equity securities and in other investments, including investments in funds, which are all carried at their estimated fair values, with the changes in fair value recognized as an unrealized gain or loss in net income. The estimated fair values of the Company's other investments typically represent their most recently reported net asset values ("NAVs") as advised by the fund manager or administrator. The NAV is based on the fund manager's or administrator's valuation of the underlying holdings in accordance with the fund's governing documents. Most of the Company's fund investments publish their NAVs on a quarterly basis.

The fair value of the Company's fixed maturity investments is based on quoted market prices, or when such prices are not available, the fair values are determined with reference to broker bid indications or industry recognized pricing vendors. Investment transactions are recorded on a trade date basis with balances pending settlement included in receivable/payable for securities sold/purchased in the consolidated balance sheet.

Realized gains and losses on sales of investments are determined on a first-in, first-out basis and are included in net gains (losses) on investments in the consolidated statements of operations.

The Company performs a quarterly review of its fixed maturity investments to determine whether declines in fair value below the amortized cost basis are considered other-than-temporary in accordance with applicable accounting guidance regarding the recognition and the presentation of other-than-temporary impairments ("OTTI"). This process includes reviewing each fixed maturity investment whose fair value is below amortized cost and: (1) determining if the Company has the intent to sell the fixed maturity investment; (2) determining if it is more likely than not that the Company would be required to sell the fixed maturity investment before its anticipated recovery; and (3) assessing whether a credit loss exists, that is, whether it is anticipated if the present value of the cash flows expected to be collected from the fixed maturity investment would be less than the amortized cost basis of the investment.

2. Summary of significant accounting policies, continued

The discount rate used to calculate the estimated present value of the cash flows expected to be collected is the effective interest rate implicit for the security at the date of purchase.

In assessing whether it is more likely than not that the Company would be required to sell a fixed maturity investment before the anticipated recovery of its fair value, various factors are considered including the Company's future cash flow requirements, decisions to reposition the investment portfolio, legal and regulatory requirements, the level of cash, cash equivalents, short-term investments and fixed maturity investments available-for-sale in an unrealized gain position, and other relevant factors.

In evaluating credit losses on fixed maturity investments, a variety of factors are considered in the assessment including: (1) the time period during which there has been a significant decline in the fair value below amortized cost; (2) the extent of the decline below amortized cost and par; (3) the potential for the fair value of the investment to recover; (4) an analysis of the financial condition of the issuer; (5) the rating of the issuer; and (6) failure of the issuer of the investment to make scheduled interest or principal payments.

If it is concluded that an investment is other-than-temporarily impaired, then the difference between the fair value and the amortized cost of the investment is recognized as an OTTI charge in net income, resulting in a new cost basis for the security. Any remaining decline in fair value represents the non-credit portion of the other-than-temporary impairment, which is recognized in other comprehensive income (loss). Accordingly, only the credit loss component of the OTTI amount would have an impact on net income.

Other assets and liabilities

The fair value of investment purchases and sales pending settlement, funds held by ceding companies, insurance and reinsurance balances payable, other assets and other liabilities approximate their carrying value due to the immediate or short-term maturity of these financial instruments.

(m) Variable interest entities

The Company has investments in certain limited partnership funds which are deemed to be variable interest entities ("VIEs") and which are included in other investments at the reported NAV. Determining whether to consolidate a VIE may require judgment in assessing (i) whether an entity is a VIE, and (ii) if the Company is the entity's primary beneficiary and thus required to consolidate the entity. To determine if the Company is the primary beneficiary of a VIE, management evaluates whether the Company has (i) the power to direct the activities that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Management's evaluation includes identification of the activities that most significantly impact the VIE's economic performance and an assessment of the Company's ability to direct those activities based on governance provisions, contractual arrangements to provide or receive certain services, funding commitments and other applicable agreements and circumstances. Management's assessment of whether the Company is the primary beneficiary of its VIEs requires significant assumptions and judgment.

2. Summary of significant accounting policies, continued

(n) Property and equipment

Property and equipment, which consist of land and building, vehicles, leasehold improvements, office furniture, computer software and computer equipment, are stated at cost less accumulated depreciation.

Depreciation is computed using a straight-line method over the estimated useful lives of the assets, ranging from three to thirty five years. Net property and equipment are included in other assets on the consolidated balance sheets.

(o) Foreign currency revaluation

The functional currency of the Company and its subsidiaries is the US dollar. For these companies, all foreign currency asset and liability amounts are revalued into US dollar at the year-end exchange rates with the resulting foreign exchange gains and losses recognized in the consolidated statements of operations. Foreign currency income and expenses are revalued at average rates in effect during the period in which they are earned or incurred, respectively.

New Accounting Standards Adopted in 2022

Accounting Standards Update ("ASU") 2022-06 – Reference Rate Reform - Deferral of the Sunset Date

In December 2022, the FASB issued ASU 2022-06 to defer the sunset date of the guidance in ASC 848 on reference rate reform which was established by ASU 2020-04, until December 31, 2024. The ASU became effective upon issuance and its adoption by the Company did not have an impact on its consolidated financial statements and disclosures.

ASU 2020-08 – Codification Improvements to Subtopic 310-20 - Receivables - Nonrefundable Fees and Other Costs

In October 2020, the FASB issued ASU 2020-08 to clarify that an entity should re-evaluate whether a callable debt security is within the scope of ASC 310-20-35-33 during each reporting period and accelerate the amortization of the premium associated with the callable debt to the earliest call date. All entities are required to apply the amendments in ASU 2020-08 on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities.

The amendments in ASU 2020-08 were effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The adoption of ASU 2020-08 did not have a material impact on the Company's consolidated financial statements and disclosures.

2. Summary of significant accounting policies, continued

Recently Issued Accounting Pronouncements Not Yet Adopted

ASU 2022-03 - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

In June 2022, the FASB issued ASU 2022-03 which (1) clarifies the guidance in ASC 820 on the fair value measurement of an equity security that is subject to a contractual sale restriction, and (2) requires specific disclosures related to such an equity security. Specifically, ASU 2022-03 clarifies that a *"contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security"* and is not included in the equity security's unit of account. Accordingly, an entity should not consider the contractual sale restriction when measuring the equity security's fair value (i.e., the entity should not apply a discount related to the contractual sale restriction, as stated in ASC 820-10-35-36B as amended by the ASU). In addition, the ASU prohibits an entity from recognizing a contractual sale restriction as a separate unit of account.

The amendments in ASU 2022-03 are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years, and should be applied prospectively with any adjustments from the adoption of the amendments being recognized in net income and disclosed on the date of adoption. The adoption of ASU 2022-03 is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

ASU 2016 -13 and ASU 2019-04 - Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13 which is codified in ASC 326 - *Financial Instruments - Credit Losses*, amending the guidance on the impairment of financial instruments and significantly changing how entities measure credit losses for most financial assets and certain other financial instruments including reinsurance balances recoverable on paid and unpaid losses that are not measured at fair value through net income. ASU 2016-13 will replace the existing *"incurred loss"* approach, with an *"expected loss"* model for instruments measured at amortized cost and require entities to record allowances for available-for-sale ("AFS") debt securities rather than reduce the carrying amount under the existing OTTI model. ASU 2016-13 also simplifies the accounting model for purchased credit-impaired debt ("PCD") securities and loans.

In April 2019, the FASB issued ASU 2019-04, which amends ASU 2016-13 as codified in ASC 326 to clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments. The guidance in ASU 2016-13 and the related amendments are effective for interim and annual reporting periods beginning after December 15, 2022 and based on the results of the detailed implementation work completed by the Company, the adoption of the guidance will not have a material impact on the Company's consolidated financial statements and disclosures.

3. Significant new business

During the years ended December 31, 2022 and December 31, 2021, the Company completed the following significant new business transactions which do not meet the classification of business acquisition transactions:

<u>Significant New Business Completed in 2022:</u>

Loss Portfolio Transfer Reinsurance Agreement with CoAction

On December 31, 2022, Premia Re closed its Loss Portfolio Transfer ("LPT") reinsurance agreement with New York Marine and General Insurance Company ("New York Marine"), Southwest Marine and General Insurance Company ("Southwest Marine") and Gotham Insurance Company ("Gotham"), all subsidiaries of Coaction Specialty Insurance Group, Inc. ("CoAction") and collectively, the "CoAction Companies". Through this LPT reinsurance agreement, Premia Re assumed net loss reserves of $795.499 million, in exchange for a reinsurance premium consideration of up to $774.50 million, which were both rolled forward for net paid losses of $200.355 million from the effective date of the LPT reinsurance agreement on April 1, 2022 through to the closing date on December 31, 2022.

The initial reinsurance premium consideration payable to Premia Re by the CoAction Companies on the closing of the LPT reinsurance agreement amounted to $700.0 million, of which $675.50 million was retained by the CoAction Companies in a Funds Withheld account with the balance initially being credited with interest at a fixed annual rate of 4.35%. The residual reinsurance premium consideration of $24.50 million was paid to Premia Re by the CoAction Companies in cash. Pursuant to the terms of the LPT reinsurance agreement with CoAction, Premia Re has recognized additional premiums of $74.50 million on the transaction which is subject to true-up based on the development of the net loss reserves assumed from CoAction.

Cash flow Statement Treatment of the LPT Transaction with CoAction

Given the funds withheld nature of the LPT transaction between Premia Re and CoAction as described in detail above, the impact of this transaction on Premia Re's assets and liabilities has been stripped out when preparing the Company's Consolidated Statement of Cash flows as of December 31, 2022, since changes in those balances don't have a direct impact on the Company's cash flows.

<u>Significant New Business Completed in 2021:</u>

Quota Share Reinsurance Agreement with PCN3

On March 31, 2021, Premia Re entered into a quota share reinsurance agreement on a funds withheld basis with Premia Corporate Name (3) Limited ("PCN3") an affiliated entity, effective January 1, 2021 covering 65.0% of the risks attaching to the 2018 Year of Account ("YoA) of Syndicate 1884, Syndicate 1955 and Syndicate 1861 as reinsured into the 2021 YoA of Syndicate 1884 and 87.50% of the net losses on the 2018 YoA of Syndicate 1861's contingency class of business arising from the Covid-19 pandemic. The premium payable and losses ceded to Premia Re were equal to the relevant share of the Reinsurance-to-Close premiums received by Syndicate 1884. Premia Re is also due 65.0% of the economics relating to the underlying investment assets recorded on PCN3's balance sheet. The underlying investment assets are held on deposit by Syndicate 1884 and are not due to transfer to the Company. The economics due to Premia Re are on a total return basis and are not based on a defined crediting rate.

4. Investments

Investment Categories

The following tables summarize the Company's investments as at December 31, 2022 and 2021. Commercial and residential mortgage-backed securities include securities issued by US government-sponsored enterprises and US government agencies.

	2022			
(in thousands of US dollars)	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Fixed maturity and short-term investments, available-for-sale				
Corporate bonds	$ 451,349	$ 58	$ (42,950)	$ 408,457
Non-agency mortgage-backed securities	275,481	4,128	(22,427)	257,182
U.S. government and govt agency bonds	30,373	7	(2,140)	28,240
Non-U.S. governments	3,980	4	(718)	3,266
Municipals	14,027	—	(1,952)	12,075
Agency mortgage-backed securities	23,348	139	(3,716)	19,771
Asset backed securities	165,831	534	(13,168)	153,197
Term loans	198,104	1,108	(11,978)	187,234
Total fixed maturity and short-term investments, available-for-sale	1,162,493	5,978	(99,049)	1,069,422
Other investments	194,880	23,457	(4,873)	213,464
Equity investments	2,079	1,050	(321)	2,808
Total investments	$ 1,359,452	$ 30,485	$ (104,243)	$ 1,285,694

4. Investments, continued

	2021			
(in thousands of US dollars)	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Fixed maturity and short-term investments, available-for-sale				
Corporate bonds	$ 406,256	$ 16,653	$ (3,878)	$ 419,031
Non-agency mortgage-backed securities	264,158	12,129	(7,891)	268,396
U.S. government and govt agency bonds	33,159	180	(519)	32,820
Non-U.S. governments	3,995	304	(149)	4,150
Municipals	17,963	1,879	(30)	19,812
Agency mortgage-backed securities	27,007	148	(715)	26,440
Asset backed securities	157,820	1,502	(1,931)	157,391
Term loans	197,662	2,763	(3,045)	197,380
Total fixed maturity and short-term investments, available-for-sale	1,108,020	35,558	(18,158)	1,125,420
Other investments	185,183	29,344	(2,306)	212,221
Equity investments	2,080	182	(553)	1,709
Total investments	$ 1,295,283	$ 65,084	$ (21,017)	$ 1,339,350

4. Investments, continued

Fixed Maturity and Short-term Investments

The fair values of the underlying asset categories comprising fixed maturity and short-term investments classified as available-for-sale were as follows as of December 31, 2022 and 2021:

	2022		
(in thousands of US dollars)	Short-term investments, available-for-sale	Fixed maturities, available-for-sale	Total fixed maturity and short-term investments, available-for-sale
Corporate bonds	$ 687	$ 407,770	$ 408,457
Non-agency mortgage-backed securities	—	257,182	257,182
U.S. government and govt agency bonds	49	28,191	28,240
Non-U.S. governments	—	3,266	3,266
Municipals	—	12,075	12,075
Agency mortgage-backed securities	—	19,771	19,771
Asset backed securities	—	153,197	153,197
Term loans	13,763	173,471	187,234
Total	$ 14,499	$ 1,054,923	$ 1,069,422

	2021		
(in thousands of US dollars)	Short-term investments, available-for-sale	Fixed maturities, available-for-sale	Total fixed maturity and short-term investments, available-for-sale
Corporate bonds	$ —	$ 419,031	$ 419,031
Non-agency mortgage-backed securities	—	268,396	268,396
U.S. government and govt agency bonds	2,500	30,320	32,820
Non-U.S. governments	—	4,150	4,150
Municipals	—	19,812	19,812
Agency mortgage-backed securities	—	26,440	26,440
Asset backed securities	982	156,409	157,391
Term loans	23,504	173,876	197,380
Total	$ 26,986	$ 1,098,434	$ 1,125,420

4. Investments, continued

Other investments

The following is a summary description of the Company's other investments:

Sector classification	Underlying objective of fund
Private credit investment funds	Investments are in a broad range of credit strategies including exposure to investment grade securities, high yield and other credit opportunities.
Real assets and intellectual property funds	Investments primarily related to intellectual property, natural resources and infrastructure.
Residential real estate funds	Investments are primarily focused on residential real estate assets and may take the form of liquidation claims, re-performing loans, receivables, repayment plans and other cash flowing assets.
Commercial real estate funds	Investments are primarily focused on global commercial real estate assets.
Financial funds	Investments are primarily focused on financial service companies covering a broad spectrum of sectors.
Credit funds	Investments are in a broad spectrum of sectors focusing on mispriced, stressed, and distressed credit opportunities.
Traditional private equity funds	Employs traditional private equity investment strategies across a broad spectrum of sectors.

The following table summarizes the Company's other investments carried at fair value as of December 31, 2022 and 2021. The valuation of other investments is described in Note 4 - *Fair Value Measurements*.

(in thousands of US dollars)	2022	2021
Other investments		
Private credit investment funds	$ 54,267	$ 99,619
Real assets and intellectual property funds	29,336	23,956
Residential real estate funds	20,531	17,186
Commercial real estate funds	31,093	17,586
Financial funds	18,575	17,466
Credit funds	40,211	20,571
Traditional private equity funds	19,451	15,837
Total other investments	$ 213,464	$ 212,221

4. Investments, continued

Equity investments

The Company's equity investments represent privately held preferred shares.

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

The following tables summarize gross unrealized investment losses on fixed maturity and short-term investments classified as available-for-sale by the length of time that the securities have continuously been in an unrealized loss position. Unrealized holding gains have specifically been omitted from the tables below.

(in thousands of US dollars)	2022					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Fixed maturity and short-term investments, available-for-sale						
Corporate bonds	$ 347,097	$ (31,256)	$ 52,335	$ (11,694)	$ 399,432	$ (42,950)
Non-agency mortgage-backed securities	172,074	(13,618)	48,691	(8,809)	220,765	(22,427)
U.S. government and govt agency bonds	13,389	(929)	11,983	(1,211)	25,372	(2,140)
Non-U.S. governments	2,255	(394)	508	(324)	2,763	(718)
Municipals	11,850	(1,877)	225	(75)	12,075	(1,952)
Agency mortgage-backed securities	12,423	(2,265)	6,099	(1,451)	18,522	(3,716)
Asset backed securities	112,392	(7,041)	31,047	(6,127)	143,439	(13,168)
Term loans	80,256	(7,787)	15,662	(4,191)	95,918	(11,978)
Total fixed maturity and short-term investments, available-for-sale	$ 751,736	$ (65,167)	$ 166,550	$ (33,882)	$ 918,286	$ (99,049)

(in thousands of US dollars)	2021					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Fixed maturity and short-term investments, available-for-sale						
Corporate bonds	$ 173,656	$ (3,534)	$ 7,782	$ (344)	$ 181,438	$ (3,878)
Non-agency mortgage-backed securities	70,200	(3,049)	32,717	(4,842)	102,917	(7,891)
U.S. government and govt agency bonds	9,554	(162)	10,275	(357)	19,829	(519)
Non-U.S. governments	890	(22)	706	(127)	1,596	(149)
Municipals	1,201	(25)	95	(5)	1,296	(30)
Agency mortgage-backed securities	21,458	(597)	3,214	(118)	24,672	(715)
Asset backed securities	70,918	(609)	19,056	(1,322)	89,974	(1,931)
Term loans	16,141	(525)	17,005	(2,520)	33,146	(3,045)
Total fixed maturity and short-term investments, available-for-sale	$ 364,018	$ (8,523)	$ 90,850	$ (9,635)	$ 454,868	$ (18,158)

4. Investments, continued

At December 31, 2022 the Company was in an overall net unrealized holding loss position of $93.071 million compared to an overall net unrealized gain position of $17.400 million at December 31, 2021 on its fixed maturity and short-term investments classified as available-for-sale. At December 31, 2022 gross unrealized holding losses on fixed maturity and short-term investments were $99.049 million (2021: $18.158 million) which were either partially or fully offset by gross unrealized gains of $5.978 million and $35.558 million as at December 31, 2022 and 2021, respectively. At December 31, 2022 there were 4,366 (2021: 1,174) securities in an unrealized loss position, of which 568 (2021: 264) had been in a continuous unrealized loss position for one year or longer. For the fixed maturity and short-term investments in an unrealized loss position as of December 31, 2022 whose fair values have declined below their amortized cost basis, these declines are primarily attributable to increased interest rates and widening credit spreads subsequent to their purchase. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for the anticipated recovery of their fair values.

At December 31, 2022 the Company completed a detailed analysis to assess whether the decline in the fair value of any investment below its amortized cost basis is deemed other-than-temporary. 16 securities were deemed impaired resulting in a total impairment of $3.776 million (2021: $2.663 million). An impairment was recorded where it was concluded that based on the analysis performed, the expected future cash flows were estimated to be less than the security's current amortized cost basis. All securities with unrealized losses are reviewed quarterly. The company considers many factors in completing its review of securities with unrealized losses for other-than-temporary impairment, including the length of time and the extent to which fair value has been below cost and the financial condition and near-term prospects of the issuer.

Credit Ratings

The following table sets forth certain information regarding the investment ratings of the Company's fixed maturity and short-term investments classified as available-for-sale as of December 31, 2022 and 2021.

(in thousands of US dollars)	2022		2021	
	Fair value	%	Fair value	%
AAA	$ 93,426	8.8 %	$ 103,635	9.2 %
AA	57,368	5.4 %	60,193	5.3 %
A	347,603	32.5 %	324,812	28.9 %
BBB	192,185	18.0 %	212,070	18.8 %
BB	21,839	2.0 %	38,445	3.4 %
B	60,163	5.6 %	54,109	4.8 %
CCC or lower	154,269	14.4 %	190,880	17.0 %
Not rated	142,569	13.3 %	141,276	12.6 %
Total fixed maturity and short-term investments, available-for-sale	$ 1,069,422	100 %	$ 1,125,420	100 %

4. Investments, continued

Mortgage loans represent $89.674 million (2021: $90.201 million) of the Company's not rated nationally recognized statistical rating organization ("NRSRO") classification, since they do not receive NRSRO ratings. The Company assesses the credit quality of the company's mortgage loan portfolio against the National Association of Insurance Commissioners' ("NAIC") commercial mortgage designation methodology.

As it relates to all other fixed maturity securities, for reinsurance trust compliance and BMA capital purposes, the Company primarily utilizes the NAIC Securities Valuations Office's ("SVO") loan-backed and structured securities ("LBaSS") methodology to assess and assign credit quality. The NRSRO ratings methodology is focused on the likelihood of recovery of all contractual payments, including principal at par, regardless of an investor's carrying value. In effect, the NRSRO rating assumes that the holder is the original purchaser at par. In contrast, the SVO's LBaSS methodology is focused on determining the risk associated with the recovery of the amortized cost of each security. Because the NAIC's methodology explicitly considers amortized cost and the likelihood of recovery of such amount, we view the NAIC's methodology as the most appropriate way to view our fixed maturity portfolio for purposes of evaluating credit quality since a large portion of our holdings were purchased and are carried at significant discounts to par.

The SVO has developed a ratings process and provides instruction on modeled LBaSS. For modeled LBaSS, the process is specific to the non-agency residential mortgage-backed security ("RMBS") and commercial mortgage-backed security ("CMBS") asset classes. In order to establish ratings at the individual security level, the SVO obtains loan-level analysis of each RMBS and CMBS using a selected vendor's proprietary financial model. The SVO ensures that the vendor has extensive internal quality-control processes in place and the SVO conducts its own quality-control checks of the selected vendor's valuation process.

The SVO has retained the services of Blackrock, Inc. ("Blackrock") to model non-agency RMBS and CMBS owned by US insurers for all years presented herein. Blackrock provides five prices ("breakpoints"), based on each US insurer's statutory book value price, to utilize in determining the NAIC designation for each modeled LBaSS.

4. Investments, continued

Utilizing the above methodology, the Company's credit quality is as follows:

(in thousands of US dollars)	2022		2021	
	Fair value	%	Fair value	%
NAIC 1	$ 629,429	58.9 %	$ 639,310	56.8 %
NAIC 2	207,749	19.4 %	232,771	20.7 %
NAIC 3	103,278	9.7 %	108,261	9.6 %
NAIC 4	55,223	5.2 %	55,580	4.9 %
NAIC 5	40,101	3.7 %	52,591	4.7 %
NAIC 6	33,642	3.1 %	36,907	3.3 %
Total fixed maturity and short-term investments, available-for-sale	$ 1,069,422	100 %	$ 1,125,420	100 %

Contractual Maturities

The amortized cost and estimated fair value of fixed maturity and short-term investments classified as available-for-sale at December 31, 2022 and 2021 are shown below by contractual maturity.

	2022		2021	
(in thousands of US dollars)	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ 71,275	$ 69,124	$ 80,485	$ 80,499
Due after one year through five years	290,399	274,511	275,349	273,826
Due after five years through ten years	234,823	210,208	157,856	160,427
Due after 10 years	101,336	85,429	145,345	158,441
Agency mortgage-backed securities	23,348	19,771	27,007	26,440
Asset backed securities	165,831	153,197	157,820	157,391
Non-agency mortgage-backed securities	275,481	257,182	264,158	268,396
Total fixed maturity and short-term investments, available-for-sale	$ 1,162,493	$ 1,069,422	$ 1,108,020	$ 1,125,420

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, and the lenders may have the right to put the securities back to the borrower. Based on expected maturities, the estimated duration of fixed maturity securities, excluding cash and cash equivalents, at December 31, 2022 was 3.0 years (2021: 3.1 years).

4. Investments, continued

Net Investment Income

Major categories of net investment income are summarized as follows:

(in thousands of US dollars)		2022		2021
Fixed maturity and short-term investments	$	54,375	$	42,382
Equities and Other investments		12,295		8,489
Funds held - directly managed		2,222		3,532
Funds held - fixed crediting rate		10,732		6,775
Gross investment income		79,624		61,178
Investment expenses		(21,042)		(20,864)
Net investment income	$	58,582	$	40,314

Net Realized and Unrealized Gains (Losses)

Components of net realized and unrealized gains (losses) were as follows:

(in thousands of US dollars)		2022		2021
Net realized gains on sales:				
Gross realized gains on fixed maturity and short-term investments, available-for-sale	$	4,463	$	16,185
Gross realized losses on fixed maturity and short-term investments, available-for-sale		(9,304)		(9,416)
Gross realized losses on funds held - directly managed		(3,508)		(4,557)
Gross realized gains on funds held - fixed crediting rate		—		956
Gross realized gains on equities and other investments		10,776		3,275
Total net realized gains on sales		2,427		6,443
Net unrealized (losses) gains on investments measured at fair value:				
Unrealized (losses) on funds held - directly managed		(11,168)		(1,250)
Unrealized (losses) gains on Equities and other investments		(7,354)		16,229
Total net unrealized (losses) gains		(18,522)		14,979
Net realized and unrealized (losses) gains	$	(16,095)	$	21,422

4. Investments, continued

The following table presents realized and unrealized investment gains (losses) on the Company's investment portfolio for the years ended December 31, 2022 and 2021.

(in thousands of US dollars)	2022	2021
Realized gains on fixed maturity and short-term investments, available-for-sale		
Corporate bonds	2,253	8,915
Non-agency mortgage-backed securities	1,188	3,381
U.S. government and govt agency bonds	—	68
Municipals	428	1,304
Agency mortgage-backed securities	16	379
Asset backed securities	16	934
Term loans	562	1,204
Total realized gains	4,463	16,185
Realized losses on fixed maturity and short-term investments, available-for-sale		
Corporate bonds	(1,289)	(1,128)
Non-agency mortgage-backed securities	(2,809)	(3,410)
U.S. government and govt agency bonds	(102)	(455)
Non-U.S. governments	—	(113)
Municipals	(8)	—
Agency mortgage-backed securities	(62)	(557)
Asset backed securities	(212)	(537)
Term loans	(1,046)	(553)
OTTI charge recognized in net income	(3,776)	(2,663)
Total realized losses	(9,304)	(9,416)
Realized (losses) on funds held - directly managed	(3,508)	(4,557)
Realized gains on funds held - fixed crediting rate	—	956
Realized gains on Equities and Other investments measured at fair value	10,776	3,275
Total net realized gains on all securities	$ 2,427	$ 6,443
Unrealized (losses) gains on Funds Held (directly managed), Equities and Other investments measured at fair value	$ (18,522)	$ 14,979

5. Fair value measurements

Fair value is defined as the price that the Company would receive to sell an asset or would pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses pricing services to obtain the fair value measurements for the majority of its investment securities. Based on management's understanding of the valuation methodologies used, these pricing services only produce an estimate of fair value if there is observable market information that would allow them to make a fair market value estimate. The Company does not adjust prices obtained from pricing services.

The Company's pricing services determine fair value in accordance with current accounting guidance, which defines fair value and establishes a three level fair value hierarchy based upon the transparency of inputs used in the valuation of an asset or liability.

Assets and liabilities recorded at fair value in the Company's consolidated balance sheets are categorized within the fair value hierarchy based upon the level of judgement associated with the inputs used to measure their fair value. An asset or liability's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation.

The hierarchy is broken down into three levels as follows:

a. Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgement.
b. Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
c. Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally Company generated inputs and are not market based inputs.

5. Fair value measurements, continued

As of December 31, 2022 and 2021, the Company's financial instruments have been measured at fair value and classified as either Level 1, 2, and 3 within the fair value hierarchy. Other investments are measured at fair value using NAV as a practical expedient and have not been classified within the fair value hierarchy summarized below:

(in thousands of US dollars)	2022				
	Level 1	Level 2	Level 3	NAV	Fair value
Fixed maturity and short-term investments, available-for-sale					
Corporate bonds	$ —	$ 408,457	$ —	$ —	$ 408,457
Non-agency mortgage-backed securities	—	257,182	—	—	257,182
U.S. government and govt agency bonds	28,240	—	—	—	28,240
Non-U.S. governments	—	3,266	—	—	3,266
Municipals	—	12,075	—	—	12,075
Agency mortgage-backed securities	—	19,771	—	—	19,771
Asset backed securities	—	153,197	—	—	153,197
Term loans	—	—	187,234	—	187,234
Total fixed maturity and short-term investments, available-for-sale	28,240	853,948	187,234	—	1,069,422
Other investments	—	—	—	213,464	213,464
Equity investments	—	—	2,808	—	2,808
Total investments	$ 28,240	$ 853,948	$ 190,042	$ 213,464	$ 1,285,694

(in thousands of US dollars)	2021				
	Level 1	Level 2	Level 3	NAV	Fair value
Fixed maturity and short-term investments, available-for-sale					
Corporate bonds	$ —	$ 419,031	$ —	$ —	$ 419,031
Non-agency mortgage-backed securities	—	266,373	2,023	—	268,396
U.S. government and govt agency bonds	32,820	—	—	—	32,820
Non-U.S. governments	—	4,150	—	—	4,150
Municipals	—	19,812	—	—	19,812
Agency mortgage-backed securities	—	26,440	—	—	26,440
Asset backed securities	—	157,391	—	—	157,391
Term loans	—	—	197,380	—	197,380
Total fixed maturity and short-term investments, available-for-sale	32,820	893,197	199,403	—	1,125,420
Other investments	—	—	—	212,221	212,221
Equity investments	—	—	1,709	—	1,709
Total investments	$ 32,820	$ 893,197	$ 201,112	$ 212,221	$ 1,339,350

5. Fair value measurements, continued

During the years ended December 31, 2022 and 2021, the company did not transfer any securities from level 2 into level 3 and vice versa. The Company purchased $102.921 million of level 3 securities during the year ended December 31, 2022 (2021: $160.858 million). All level 3 purchases during 2022 were term loans. During the years ended December 31, 2022 and 2021, the Company did not sell any level 3 securities.

The following is a summary description of the Company's other investments that are measured at fair value using NAV as a practical expedient.

		2022	
(in thousands of US dollars)	Redemption period remaining until liquidation of underlying assets	Fair value	Unfunded capital commitments
Private credit investment funds	Quarterly	$ 54,267	$ —
Real assets and intellectual property funds	0 to 11 years	29,336	19,872
Residential real estate funds	2 to 7 years	20,531	2,546
Commercial real estate funds	5 to 8 years	31,093	23,926
Financial funds	3 to 7 years	18,575	1,541
Credit funds	3 to 8 years	40,211	15,421
Traditional private equity funds	6 to 9 years	19,451	3,601
Total other investments		$ 213,464	$ 66,907

		2021	
(in thousands of US dollars)	Redemption period remaining until liquidation of underlying assets	Fair value	Unfunded capital commitments
Private credit investment funds	Quarterly	$ 99,619	—
Real assets and intellectual property funds	1 to 12 years	23,956	26,204
Residential real estate funds	3 to 8 years	17,186	8,040
Commercial real estate funds	6 to 9 years	17,586	14,513
Financial funds	4 to 8 years	17,466	4,605
Credit funds	4 to 9 years	20,571	36,824
Traditional private equity funds	7 to 10 years	15,837	3,884
Total other investments		$ 212,221	$ 94,070

For private credit investment funds, the Company's investment in the fund can be redeemed subject to notifying the fund of the Company's intention to redeem prior to the next redemption date. The notice period for the Company's private credit investment funds is 65 days. At December 31, 2022 there were no private credit investment funds where a full or partial redemption notice has been submitted to the manager (2021: $15.816 million).

5. Fair value measurements, continued

With the exception of private credit investment funds, the Company's remaining other investments ("lock up funds") contain characteristics similar to traditional private equity funds, such as investment periods, harvest periods, capital draws on committed capital and extension periods. The Company's lock up funds typically release valuation statements on a one quarter reporting lag. Therefore, the Company estimates the fair value of these funds by beginning with the most recent fund valuations and adjusting for any cash activity during the current quarter such as capital draws on committed capital, redemptions, and distributions. Furthermore, return estimates are often not distributed for these funds and as such, the Company generally has a one quarter reporting lag in its fair value measurements of these funds.

For all lock up funds, the manager may only draw capital and invest/reinvest for the duration of the investment period, after which, any proceeds from the liquidation or maturity of existing investments must be remitted to the investors (the "harvest" period). Investment periods for the Company's existing lock up funds vary from approximately six months to four years. For all lock up funds, the harvest period represents the period after the expiration of the investment period, that is the potential length of time until liquidation of the investment in the fund, and which is subject to discretionary extension periods. Discretionary extension periods represent a maximum of three consecutive one year periods after the expiration of the harvest period.

Other assets and liabilities

The fair value of investment purchases and sales pending settlement, funds held by ceding companies, insurance and reinsurance balances payable, notes payable, other assets and other liabilities approximate their carrying value due to the immediate or short-term maturity of these financial instruments.

6. Outstanding losses and loss adjustment expenses

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

The following table presents a breakdown of the reserve for losses and LAE as of December 31, 2022 and 2021:

(in thousands of US dollars)	2022	2021
OSLR	$ 432,711	$ 330,840
IBNR	544,972	153,959
ULAE	5,074	7,790
Reserve for losses and loss adjustment expenses	$ 982,757	$ 492,589

6. Outstanding losses and loss adjustment expenses, continued

The table below provides a reconciliation of the beginning and ending reserves for losses and LAE as of December 31, 2022 and 2021:

(in thousands of US dollars)	2022	2021
Reserve for losses and loss adjustment expenses, beginning of year	$ 492,589	$ 703,689
(-) Reinsurance recoverable on unpaid losses, beginning of year	(16,388)	(22,587)
Net balance, beginning of year	476,201	681,102
Net incurred losses and loss adjustment expenses		
Current year	8,215	22,748
Prior years	215	(6,015)
Total net incurred losses and loss adjustment expenses	8,430	16,733
Net paid losses and loss adjustment expenses		
Current year	(2,872)	(5,447)
Prior years	(214,527)	(194,741)
Total net paid losses and loss adjustment expenses	(217,399)	(200,188)
Other changes		
Assumed business	402,711	497,269
Commutations	—	(518,715)
Net balance, end of year	669,943	476,201
(+) Reinsurance recoverable on unpaid losses, end of year	312,814	16,388
Reserve for losses and loss adjustment expenses, end of year	$ 982,757	$ 492,589

For the year ended December 31, 2022, the incurred losses and LAE included $0.215 million of net adverse development (2021: $6.015 million of net favorable development) on prior years' loss reserves, which was comprised of $1.750 million of gross adverse development on prior years' loss reserves (2021: $4.699 million of gross favorable development) and $1.535 million in ceded favorable development on prior years' reinsurance recoverables (2021: $1.316 million of ceded adverse development).

For the year ended December 31, 2022, the net adverse loss development of $0.215 million on prior years' loss reserves was primarily attributable to the Company's pre-2018 retroactive reinsurance contracts which accounted for $4.580 million of net adverse loss development, together with its Asbestos, pollution and health hazard ("APH") exposures, which accounted for $1.759 million of net adverse loss development. This was partially offset by net favorable development of $6.183 million attributable to the Company's liability and property lines of business arising from its 2021 quota share retroactive reinsurance agreement with PCN3.

6. Outstanding losses and loss adjustment expenses, continued

For the year ended December 31, 2022, the current year net incurred losses and LAE of $8.215 million (2021: $22.748 million), were primarily attributable to losses related to net earned premiums.

Deposit liability

During 2019, Premia Re agreed to amend and restate an existing retroactive reinsurance agreement. Management assessed that the amended agreement should be accounted for as a deposit liability and was recognized on the consolidated balance sheet as such. As at December 31, 2022 the deposit liability recognized on the consolidated balance sheet was $801.133million (2021: $769.176 million).

DCA and DGL balances

The following tables present a reconciliation of the DCA and DGL balances for the years ended December 31, 2022 and 2021:

Deferred charge asset

(in thousands of US dollars)	2022	2021
Deferred charge asset, beginning of year	$ 20,851	$ 16,311
Deferred charge asset recognized during the year	20,999	31,538
Deferred charge asset de-recognized during the year	—	(19,080)
Amortization of deferred charge asset	(5,553)	(7,918)
Deferred charge asset, end of year	$ 36,297	$ 20,851

Deferred gain liability

(in thousands of US dollars)	2022	2021
Deferred gain liability, beginning of year	$ 177	$ 10,562
Deferred gain liability recognized during the year	10,500	(494)
Deferred gain liability de-recognized during the year	—	(9,487)
Amortization of deferred gain liability	(65)	(404)
Deferred gain liability, end of year	$ 10,612	$ 177

Reserving methodologies

The process of establishing loss and LAE reserves for property and casualty claims can be complex and is subject to considerable uncertainty as it requires the use of informed estimates and judgments based on circumstances known as of the evaluation date. These estimates and judgments are based on numerous factors and may be revised as additional experience and other data becomes available and is reviewed, as new or improved methodologies are developed or laws or circumstances change.

6. Outstanding losses and loss adjustment expenses, continued

The Company's loss and LAE reserves are estimates based on customary actuarial methods including the Loss Development Method and Bornhuetter-Ferguson ("B-F") Method applied to both paid and reported data as described below. The Company's analysis conforms to relevant Actuarial Standards of Practice ("ASP"), including ASP 43 Property/Casualty Unpaid Claim Estimates.

Loss Development Method: The paid or reported loss development method relies on the assumption that, at any given state of maturity, ultimate losses can be predicted by multiplying cumulative paid or reported losses by a cumulative loss development factor ("LDF"). The validity of the results of this method depends on the stability of claim reporting and settlement rates, as well as the consistency of case reserve levels.

Case reserves do not have to be adequately stated for the reported method to be effective; they only need to have a consistent level of adequacy at all stages of maturity. Historical "age-to-age" LDFs were calculated to measure the relative development of an accident year from one maturity-point to the next. We then select appropriate age-to-age LDFs based on these historical factors, supplemented with industry benchmarks where necessary. We used the selected factors to project the ultimate losses.

Bornhuetter-Ferguson Method: The reported B-F loss projection method is based on reported loss data and relies on the assumption that the remaining unreported losses are a function of the total expected losses rather than a function of currently reported losses. The expected losses used in this analysis are based on initial selected ultimate loss ratios by year derived from either prior analyses or review of more mature years. The expected losses are multiplied by the unreported percentage to produce expected unreported losses. The unreported percentage is calculated as one minus the reciprocal of the selected cumulative incurred LDFs. Finally, the expected unreported losses are added to the current reported losses to produce ultimate losses. The Company also used a paid B-F methodology which applies the same procedures using paid loss data to estimate ultimate losses.

APH claims are most often associated with occurrences spanning more than one exposure period and/or having more than one theory for applying insurance coverage. The fact that APH claims span multiple years renders customary actuarial methods based on paid and reported losses grouped by accident year or underwriting year ineffective. The company uses several methods to estimate APH liabilities, including:

Exposure Based Model: The Company maintains a database of historical claims paid information and current notified reserves together with policy information including lines and limits underwritten. This information is used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Aggregate Loss Development: Loss development patterns derived from industry APH ultimate loss estimates and inception-to-date losses for all accident years on a combined basis. The resulting patterns are applied to the Company's inception-to-date losses to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

6. Outstanding losses and loss adjustment expenses, continued

Survival Ratios: Survival ratios express the number of years before a reserve will be exhausted if payments persist at the average rate from recent years (typically a three-year period). Benchmark survival ratios derived from industry estimated ultimate losses and recent payments are used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Unpaid-to-Case: The ratio expresses the total reserve, including IBNR, to currently reported case reserves. In combination with inception-to-date payments, this information is used to estimate a range of possible ultimate claims amounts, together with a liability best estimate.

Market Share: Industry estimated ultimate losses and the Company's estimated market share are used to estimate a range of possible ultimate claims amounts, together with a liability best estimate. The Company uses a weighted average of the results from the methods described above as the basis for its liability best estimate.

Management believes that the assumptions used represent an appropriate basis for estimating the outstanding loss and loss adjustment expenses as at December 31, 2022 and 2021; however, these assumptions are subject to change and the Company regularly reviews its loss reserves estimates and reserving methodologies taking into account all currently known information and updated assumptions related to unknown information.

Incurred and paid development tables by accident year

The information presented below includes net incurred loss and loss adjustment expenses ("L&LAE, net") and net losses incurred but not reported ("IBNR, net"), by accident year for the Company's retroactive reinsurance contracts. The Company's retroactive reinsurance contracts incepting in the year ended December 31, 2018 and prior have been presented in aggregate as these contracts share similar characteristics and as a result, have not been disaggregated further. The Company's retroactive reinsurance contracts incepting in 2019 and 2021 have been presented in aggregate for the following lines of business - Workers' Compensation ("Workers' Comp"), Liability and Property. It should however be noted that the Company's APH exposures which were acquired during the year-ended December 31, 2020 have been excluded from the loss development tables presented below since the related accident years are all older than 2013 and therefore their disclosure is not required. The Company has presented the loss development tables below for all accident years shown using the year-end exchange rates as of December 31, 2022. Therefore, all accident years prior to the current year have been restated and presented using the current year-end exchange rates. The information related to the net incurred L&LAE and net paid loss and LAE for the years ended December 31, 2012 through 2021 is presented as supplementary information and is therefore unaudited.

The Company's loss reserve analysis is based in part on underwriting year data. The preparation of accident year development tables requires an allocation of underwriting year data to the corresponding accident years. For instance, a contract written in one particular underwriting year may have exposure to losses from two or more accident years. These allocations are done using accident year loss payment and reporting patterns, along with premium earnings patterns. These patterns are derived from the Company's historical loss data.

6. Outstanding losses and loss adjustment expenses, continued

The Company believes that its allocations are reasonable; however, to the extent that the Company's allocation procedure for incurred loss and LAE differs from actual historical development, the actual loss development may differ materially from the loss development presented below.

All information for acquisitions and retroactive reinsurance agreements is presented prospectively. Since the loss reserves are effectively re-underwritten at the date they are acquired or assumed, management believes that the historical loss development of the loss reserves prior to being acquired or assumed is not relevant to the Company's own experience managing the acquired or assumed loss reserves. In addition, the information required to prepare the loss development on a retrospective basis is not always available to the Company.

For the retroactive reinsurance agreement accounted for as a deposit liability contract during 2019, claims information related to this contract was retrospectively removed from the 2018 & Prior - All lines loss development table, given the change in accounting treatment, to ensure that the prior loss development related to the contract is not retained within the 2018 & Prior - All lines loss development table, as that would distort the prospective loss development trend. In addition, two retroactive reinsurance agreements were commuted effective January 1, 2021 impacting the 2019 - Liability loss development table. The original business underlying these commuted contracts was then subsequently accepted into the 2021 YoA of Premia Holdings' Syndicate 1884 ("Syndicate 1884"), through two Reinsurance-to-Close ("RITC") transactions, with quota share cessions of the liabilities assumed by Syndicate 1884 being concurrently reinsured by the Company. As a result, the claims information for these ceded exposures is now included within the Company's 2021 - Liability and 2021 - Property loss development tables. As described within the loss and LAE reserves roll forward section above, changes in the Company's loss and LAE reserves results from the re-estimation of loss reserves as well as changes in premium estimates.

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted prior to the year ended December 31, 2018 - All lines ("2018 & Prior - All lines")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2017 L&LAE, net	2018 L&LAE, net	2019 L&LAE, net	2020 L&LAE, net	2021 L&LAE, net	2022 L&LAE, net	2022 IBNR, net
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2013	$ 8,239	$ 8,239	$ 10,102	$ 7,332	$ 7,099	$ 7,666	$ 7,413	$ 1,436
2014	19,064	19,064	21,272	14,675	12,356	11,683	11,253	1,615
2015	35,988	35,988	37,443	31,256	24,012	23,574	22,886	2,958
2016	58,297	58,297	49,495	44,676	37,489	41,224	45,790	3,552
2017	—	—	—	—	—	—	—	—
2018			—	—	—	—	—	—
2019				—	—	—	—	—
2020					—	—	—	—
2021						—	—	—
2022							—	—
Total							$ 87,342	$ 9,561

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2017	2018	2019	2020	2021	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
2013	$ 628	$ 1,159	$ 2,380	$ 3,151	$ 3,920	$ 4,038
2014	4,480	7,882	7,169	8,762	9,559	10,196
2015	5,328	10,433	18,260	21,912	23,765	24,531
2016	2,823	7,384	21,990	30,924	35,896	40,467
2017	—	—	—	—	—	—
2018		—	—	—	—	—
2019			—	—	—	—
2020				—	—	—
2021					—	—
2022						—
Total						$ 79,232

Net reserves for losses and loss adjustment expenses from 2013 to 2022	8,110
Net reserves for losses and loss adjustment expenses prior to 2013	30,381
Net reserves for losses and loss adjustment expenses, end of year	$ 38,491

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2019 - Liability ("2019 - Liability")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year		2019	2020	2021	2022	
	Acquired Reserves, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2013	$ 12,204	$ 12,347	$ 11,805	$ 11,941	$ 11,851	$ —
2014	14,475	14,674	14,722	14,636	14,521	38
2015	22,708	23,046	23,057	23,010	23,363	33
2016	50,079	49,733	50,703	48,246	47,837	27
2017	116,167	129,249	130,455	129,989	130,851	1,092
2018	187,338	211,821	213,406	212,657	212,533	2,406
2019	85,592	98,833	102,756	102,756	102,756	—
2020	—	—	25,220	25,220	25,220	—
2021				—	—	—
2022					—	—
Total					$ 568,932	$ 3,596

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2019	2020	2021	2022
	(unaudited)	(unaudited)	(unaudited)	
2013	$ 1,781	$ 3,991	$ 12,442	$ 12,442
2014	2,031	5,210	15,027	15,031
2015	3,109	8,265	23,096	24,034
2016	6,251	18,854	47,501	48,517
2017	22,002	50,816	122,654	124,579
2018	32,504	77,811	200,507	201,078
2019	15,833	38,545	102,756	102,756
2020		5,594	25,220	25,220
2021			—	—
2022				—
Total				553,657
Net reserves for losses and loss adjustment expenses from 2013 to 2022				15,275
Net reserves for losses and loss adjustment expenses prior to 2013				1,602
Net reserves for losses and loss adjustment expenses, end of year				16,877

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2021 - Liability ("2021 - Liability")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net (unaudited)	2021 L&LAE, net (unaudited)	2022 L&LAE, net	2022 IBNR, net
2013	$ 14,623	$ 14,314	$ 12,630	$ 49
2014	20,365	21,442	18,102	81
2015	28,077	29,908	24,183	139
2016	57,904	53,228	57,445	273
2017	81,191	78,105	85,523	(117)
2018	40,075	39,573	68,228	4,809
2019	9,666	9,476	27,782	3,272
2020	2,734	2,701	7,406	748
2021	4,867	4,763	3,755	230
2022			1,654	274
Total			$ 306,708	$ 9,758

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2021 (unaudited)	2022
2013	$ 3,294	$ 4,417
2014	5,153	7,569
2015	7,124	11,776
2016	18,690	24,996
2017	20,623	30,766
2018	9,006	25,803
2019	2,238	11,153
2020	605	2,805
2021	1,184	1,960
2022		1,792
Total		$ 123,037

Net reserves for losses and loss adjustment expenses from 2013 to 2022	183,671
Net reserves for losses and loss adjustment expenses prior to 2013	1,688
Net reserves for losses and loss adjustment expenses, end of year	$ 185,359

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2021 - Property ("2021 - Property")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

		2021	2022	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)		
2013	$ 2,994	$ 3,728	$ 1,252	$ 3
2014	3,806	4,103	799	—
2015	6,424	6,738	1,509	12
2016	14,523	14,394	4,834	39
2017	32,070	41,389	35,062	1,164
2018	79,789	88,691	104,664	1,801
2019	45,505	48,682	40,227	866
2020	10,682	11,529	904	213
2021	6,809	7,391	4,187	82
2022			(728)	431
Total			$ 192,710	$ 4,611

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2021	2022
	(unaudited)	
2013	$ 1,250	$ 1,250
2014	799	799
2015	910	1,017
2016	3,769	4,041
2017	12,888	13,775
2018	49,133	69,985
2019	29,472	43,134
2020	6,866	10,003
2021	4,035	5,026
2022		1,080
Total		$ 150,110
Net reserves for losses and loss adjustment expenses from 2013 to 2022		42,600
Net reserves for losses and loss adjustment expenses prior to 2013		17,688
Net reserves for losses and loss adjustment expenses, end of year		$ 60,288

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2022 - Liability ("2022 - Liability")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2022 L&LAE, net	2022 IBNR, net
	(unaudited)		
2013	$ 8,986	$ 10,115	$ 2,453
2014	10,515	10,310	5,882
2015	14,440	15,044	6,333
2016	22,802	23,632	10,246
2017	33,080	33,224	16,958
2018	48,478	47,941	26,328
2019	64,599	63,033	36,762
2020	47,841	45,756	29,054
2021	23,649	22,435	14,724
2022	—	—	—
Total		$ 271,490	$ 148,740

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2022
2013	6,594
2014	1,867
2015	5,955
2016	8,925
2017	8,883
2018	10,151
2019	10,267
2020	4,054
2021	1,301
2022	—
Total	$ 57,997
Net reserves for losses and loss adjustment expenses from 2012 to 2021	213,493
Net reserves for losses and loss adjustment expenses prior to 2012	3,664
Net reserves for losses and loss adjustment expenses, end of year	$ 217,157

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2022 - Auto ("2022 - Auto")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

		2022	
Accident year	Acquired Reserves, net	L&LAE, net	IBNR, net
	(unaudited)		
2013	$ 704	$ 653	$ 466
2014	1,518	1,461	903
2015	4,177	4,236	2,061
2016	3,806	3,794	2,005
2017	4,622	4,818	2,019
2018	9,081	9,681	3,550
2019	19,810	20,704	8,559
2020	18,816	19,064	9,318
2021	15,869	15,618	8,767
2022	—	—	—
Total		$ 80,029	$ 37,648

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2022
2013	$ 149
2014	1,277
2015	916
2016	1,921
2017	4,585
2018	8,419
2019	5,690
2020	3,034
2021	—
2022	—
Total	$ 25,991
Net reserves for losses and loss adjustment expenses from 2013 to 2022	54,038
Net reserves for losses and loss adjustment expenses prior to 2013	204
Net reserves for losses and loss adjustment expenses, end of year	$ 54,242

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2022 - Workers' Comp ("2022 - Workers' Comp")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2022 L&LAE, net	2022 IBNR, net
	(unaudited)		
2013	$ 159	$ 521	$ 106
2014	541	724	322
2015	752	1,471	446
2016	1,527	1,917	906
2017	1,930	2,398	1,031
2018	2,409	3,022	1,276
2019	3,012	3,062	1,548
2020	2,985	484	1,403
2021	489	—	265
2022	—	—	—
Total		$ 13,599	$ 7,303

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2022
2013	$ 58
2014	83
2015	171
2016	437
2017	567
2018	800
2019	1,048
2020	104
2021	—
2022	—
Total	$ 3,268
Net reserves for losses and loss adjustment expenses from 2013 to 2022	10,331
Net reserves for losses and loss adjustment expenses prior to 2013	249
Net reserves for losses and loss adjustment expenses, end of year	$ 10,580

6. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2022 - Other Lines ("2022 - Other Lines")

Losses and loss adjustment expenses incurred, net
(in thousands of U.S. dollars)

Accident year	Acquired Reserves, net	2022 L&LAE, net	2022 IBNR, net
	(unaudited)		
2013	$ 290	$ 271	$ 189
2014	564	530	359
2015	667	664	354
2016	1,945	2,033	840
2017	2,674	2,692	1,356
2018	9,671	11,091	2,237
2019	4,076	4,000	2,275
2020	4,285	4,233	2,335
2021	32	32	17
2022	—	—	—
Total		$ 25,546	$ 9,962

Cumulative paid losses and loss adjustment expenses, net
(in thousands of U.S. dollars)

Accident year	2022
2013	$ —
2014	15
2015	156
2016	827
2017	745
2018	7,881
2019	734
2020	882
2021	8
2022	—
Total	$ 11,248
Net reserves for losses and loss adjustment expenses from 2013 to 2022	14,298
Net reserves for losses and loss adjustment expenses prior to 2013	1,295
Net reserves for losses and loss adjustment expenses, end of year	$ 15,593

6. Outstanding losses and loss adjustment expenses, continued

Reconciliation of loss development information to the reserve for losses and loss adjustment expenses

The reconciliation of the net incurred and paid loss development tables to the reserves for losses and loss adjustment expenses in the consolidated balance sheet as of December 31, 2022 is as follows:

(in thousands of U.S. dollars)		2022
2018 & Prior - All lines	$	38,491
2019 - Liability		16,877
2020 - APH (Not included within the loss development tables)		71,356
2021 - Liability		185,359
2021 - Property		60,288
2022 - Liability		217,157
2022 - Auto		54,242
2022 - Workers' Comp		10,580
2022 - Other Lines		15,593
Outstanding losses and loss expenses, net of reinsurance		669,943
Reinsurance recoverable on unpaid losses		312,814
Reserve for losses and loss adjustment expenses, end of year	$	982,757

Cumulative claims frequency

The Company's business is primarily comprised of reinsurance contracts written on a quota share or aggregate loss basis and the underlying claim count information is not provided for most contracts. Furthermore, even if claim counts were made available by the Company's cedants, the quota share cession percentage varies for each contract, resulting in the cedant claim counts not being a meaningful measure of the Company's loss exposure. As such, the Company determined that the disclosure of claim frequency information was impracticable and as a result, no claims frequency information has been disclosed.

6. Outstanding losses and loss adjustment expenses, continued

Claims duration

The following table is presented as supplementary information and presents the Company's historical average annual percentage payout of loss and loss adjustment expenses incurred, net by age, as of December 31, 2022 and is unaudited:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
2018 & Prior - All lines	5.16 %	7.09 %	12.93 %	19.66 %	11.61 %	11.16 %
2019 - Liability	0.77 %	61.45 %	22.06 %	14.96 %	n/a	n/a
2021 - Liability	17.97 %	23.79 %	n/a	n/a	n/a	n/a
2021 - Property	20.90 %	53.54 %	n/a	n/a	n/a	n/a
2022 - Liability	21.36 %	n/a	n/a	n/a	n/a	n/a
2022 - Auto	32.39 %	n/a	n/a	n/a	n/a	n/a
2022 - Workers' Comp	23.61 %	n/a	n/a	n/a	n/a	n/a
2022 - Other Lines	16.32 %	n/a	n/a	n/a	n/a	n/a

The increase in the Year 2 payout percentages for the 2019 - Liability line of business is driven primarily by the commutation of two retroactive reinsurance agreements effective January 1, 2021. These commutations were presented within the respective loss development tables as paid losses since the associated liabilities were legally extinguished effective January 1, 2021.

7. Reinsurance

The Company uses reinsurance and retrocessional reinsurance agreements to manage its net retention on individual risks and overall exposure to losses while providing it with the ability to offer policies with sufficient limits to meet policyholder needs. In a reinsurance transaction, an insurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. In a retrocessional reinsurance transaction, a reinsurance company transfers, or cedes, all or part of its exposure in return for a portion of the premium. The ceding of insurance does not legally discharge the Company from its primary liability for the full amount of the policies, and the Company will be required to pay the loss and bear the collection risk if the reinsurer fails to meet its obligations under the reinsurance or retrocessional agreement.

A credit risk exists with ceded reinsurance to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance or retrocessional contracts, with allowances being established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers.

7. Reinsurance, continued

As of December 31, 2022 and 2021, the Company had reinsurance recoverable balances on unpaid losses amounting to $312.814 million and $16.388 million, respectively. The Company did not have any reinsurance recoverable balances on paid losses as of December 31, 2022 and 2021.

The following table presents the reinsurance recoverable on unpaid losses for the Company's counterparties along with counterparty ratings as of December 31, 2022 and 2021.

(in thousands of U.S. dollars)	2022				
	Counterparty Credit Rating		Reinsurance recoverable on unpaid losses		Reinsurance recoverable on unpaid losses, net of payables and collateral
Arch Capital Group	A+	$	104,513	$	302
Elevation Re (SPC)	Non rated		208,301		705
Total		$	312,814	$	1,007

(in thousands of U.S. dollars)	2021				
	Counterparty Credit Rating		Reinsurance recoverable on unpaid losses		Reinsurance recoverable on unpaid losses, net of payables and collateral
Arch Capital Group	A+	$	16,388	$	—
Total		$	16,388	$	—

8. Share capital

The authorized share capital of the Company at December 31, 2022 and 2021 consisted of 1,000,000 common shares, of par value $1.00 per share.

9. Concentrations and contingencies

The Company’s investment portfolio is managed by external investment advisors in accordance with the Company’s investment guidelines. The Company's investment guidelines limit maximum issuer concentration at 2% of assets. US government and agency securities are excluded from this guideline. There are no significant concentrations of credit risk in excess of the Company's concentration guidelines as at December 31, 2022. As at December 31, 2022 approximately 68.3% (2021: 68.1%) of the Company’s total investments including cash and cash equivalents and restricted cash and cash equivalents is rated as either NAIC 1 or NAIC 2.

9. Concentrations and contingencies, continued

Reinsurance recoverable balances include outstanding loss and LAE recoverable. The Company is subject to credit risk with respect to reinsurance ceded as the ceding of risk does not relieve the Company from its primary obligations to its policyholders. Failure of the Company's reinsurers to honor their obligations could result in the Company incurring credit losses, therefore the Company continuously evaluates and monitors the concentration of credit risk among its reinsurers. The Company has not recorded a provision for credit losses against its reinsurance recoverable balances and no amounts were written off during the year.

The Company utilizes trust funds where the trust funds are set up for the benefit of the ceding companies. The fair value of these restricted assets is $1.192 billion (2021: $1.286 billion), of which $1.155 billion (2021: $1.203 billion) relates to investments and $36.588 million relates to cash and cash equivalents, as at December 31, 2022 (2021: $82.985 million).

The Company makes contributions to and receives distributions from investment funds measured at fair value. During the year ended December 31, 2021, the Company made a net contribution of $8.258 million (2021: $12.652 million) to its investment funds. The Company is committed to make additional contributions of $66.906 million (2021: $94.071 million) to its investment funds over time.

The Company from time to time is involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. Estimated losses relating to claims arising in the ordinary course of business, including the anticipated outcome of any pending arbitration or litigation are included in the reserve for losses and LAE in the consolidated balance sheets. In addition to claims litigation, the Company may be subject to other lawsuits and regulatory actions, which may involve, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity.

Management does not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material effect on the Company's business, results of operations or financial condition. Management anticipates that, similar to the rest of the insurance and reinsurance industry, the Company will continue to be subject to litigation and arbitration proceedings in the ordinary course of business, including litigation generally related to the scope of coverage with respect to asbestos and environmental and other claims.

10. Income taxes

Premia Re and its parent company, Premia Holdings, are incorporated under the laws of Bermuda and, under current Bermuda law, they are not obligated to pay any taxes in Bermuda based upon income or capital gains. The Company has received a written undertaking from the Minister of Finance in Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits, income, gain or appreciation on any capital asset, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to Premia Holdings or any of its operations until March 31, 2035. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Company to become subject to additional taxation.

11. Related party transactions

The following table presents the components of the receivable from related party balance at December 31, 2022 and 2021 respectively.

(in thousands of U.S. dollars)	2022	2021
Loans to fund business combinations	$ 118,689	$ 111,217
Loans to support Bermuda operations	74,183	58,728
Loan to support Lloyd's operations	22,643	22,644
Loans to support U.S. operations	28,976	22,523
Loans to support European operations	12,349	11,984
Total receivable from parent	$ 256,840	$ 227,096

During the year ended December 31, 2022, a US domiciled related party invoiced the Company a sum of $0.527 million (2021: $1.557 million) in relation to claims administration and due diligence services provided.

Transactions between Premia Re and Arch Re

Arch Re, along with certain members of senior management, has a 25% equity ownership in Premia Re's parent company. Premia Re has retrocession agreements with Arch Re in which varying percentages of contracts written by Premia Re are ceded to Arch Re on a pro rata basis between 12.5% and 25%.

11. Related party transactions, continued

As at December 31, 2022 and 2021, the Company's consolidated balance sheets and statements of operations included the following amounts ceded by Premia Re to Arch Re:

(in thousands of US dollars)	2022	2021
Balance sheets		
Reinsurance recoverable on paid and unpaid losses	104,513	16,387
Reinsurance premiums payable (included in Insurance and reinsurance balances payable)	14,850	—
Ceded commutation receivable (included in Other assets)	1,361	2,743
Receivable from related party (included in Other assets)	4,097	3,689
Ceded accrued investment income (included in Other liabilities)	4,920	4,277
Payable to related party (included in Other liabilities)	3,156	2,824
Ceded funds held	95,282	23,844
Statements of operations		
Ceded written premiums	116,175	—
Ceded net investment income (included in Net investment income)	3,659	862
Ceded loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	119,478	1,551
Ceded operating expenses (included in Operating expenses)	450	748

Transactions between Premia Re and Arch Underwriters

Premia Re has a service agreement with Arch Underwriters Ltd. specifying that Arch will provide to Premia Re services including technical support, consulting services, office space and other miscellaneous services as requested. For the year ended December 31, 2022 AUL invoiced Premia Re $0.332 million (2021: $0.352 million) in relation to the service agreement. Included in other liabilities is $3.156 million (2021: $2.824 million) payable to AUL in relation to the service contract.

Transactions between Premia Re and Western Select

Prior to its sale by Public Service to a third party, Western Select had a retrocession agreement with Arch Reinsurance Company US ("Arch US") and Premia Re in which Western Select ceded 25% and 75% quota share interests in certain net retained liabilities to Arch US and Premia Re, respectively, on a pro rata basis.

As the sale of Western Select by Public Service to a third party closed on September 1, 2021 the cession to Premia Re and Arch US ceased to be a related party transaction. As at December 31, 2021, the Company recognized $2.989 million within net loss and loss adjustment expenses, arising from the acceleration of the amortization of the deferred gain liability that had been recorded at the inception of the cession assumed from Western Select. As at December 31, 2022 and 2021, the Company recorded a commutation payable balance of $1.291 million to Arch Re within Other liabilities.

11. Related party transactions, continued

Transactions between Premia Re and Barbican

On December 31, 2019, Premia Re entered into a retroactive reinsurance transaction with Barbican Corporate Member Limited a wholly owned subsidiary of Arch Capital Group Ltd. ("Arch"), pursuant to which Premia Re assumed a transfer of liability for the 2018 and prior years of account as of July 1, 2019. This retroactive reinsurance transaction was subsequently commuted on January 1, 2021.

As at December 31, 2021, the Company's consolidated balance sheets and statements of operations included the following amounts ceded to Premia Re:

(in thousands of US dollars)		2021
Statements of operations		
Gross written premiums	$	5,000
Change in unearned premiums		(5,000)
Gross loss and loss adjustment expenses (included in Net loss and loss adjustment expense)		9,295
Managing agency fees (included in Net loss and loss adjustment expenses)		2,734

Transactions between Premia Re and Dominion

Immediately following the acquisition of Dominion, the Company entered into a retroactive reinsurance agreement. As at December 31, 2022 and 2021 the consolidated balance sheets and statements of operations included the following amounts ceded by Dominion to the Company:

(in thousands of US dollars)		2022	2021
Balance sheets			
Deferred charge asset	$	3,117	3,540
Reserve for losses and loss adjustment expenses		71,356	80,066
Statements of operations			
Gross loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	$	(2,182)	(304)

Transactions between Premia Re and PCN3

The Company entered into a quota share reinsurance agreement on a funds withheld basis with Premia Corporate Name (3) Limited ("PCN3") effective January 1, 2021, in which PCN3 cedes 65% of the risks attaching to the 2018 YoA of Syndicate 1884, the 2018 YoA of Syndicate 1955 and the 2018 YoA of Syndicate 1861 as reinsured into the 2021 YoA of Syndicate 1884, except for net losses arising from the Covid-19 pandemic on the 2018 YoA of Syndicate 1861's contingency class of business where the ceded percentage is 87.5%. The reinsurance premium consideration payable to the Company was equal to the relevant share of the RITC premium consideration received by Syndicate 1884.

11. Related party transactions, continued

As at December 31, 2022 and 2021, the consolidated balance sheets and statements of operations include the following amounts ceded by PCN3 to the Company:

(in thousands of US dollars)	2022	2021
Balance sheets		
Deferred charge asset	$ 12,180	$ 17,309
Funds held by ceding companies	291,157	402,438
Interco debtor	22,644	22,644
Reserve for losses and loss adjustment expenses	245,647	334,807
Unearned premiums	8,079	18,448
Statements of operations		
Gross written premiums	3,429	$ 528,320
Change in unearned premiums	10,369	(18,448)
Gross loss and loss adjustment expenses (included in Net loss and loss adjustment expense)	(7,161)	(495,433)

Transactions between Premia Re and Kelso & Company

Kelso & Company own approximately 75% of the Company's total equity. The Company has an investment in Kelso & Company's KIA X Fund and as at December 31, 2022 the fair value of the Company's investment in the Fund amounted to $19.475 million (2021: $15.837 million). During the year ended December 31, 2022 total investment income related to the Company's investment in the Fund amounted to $4.684 million (2021: $4.393 million). Total fees related to the Fund amounting to $1.301 million (2021: $1.234 million) are deducted from the Company's reported net asset value and recorded as investment expenses through total investment income.

Transactions between Premia Re and Somers Group

On May 23, 2022, Premia Re invested a total of $4.0 million in a 6.5% Fixed Rate Reset Subordinated Note due in 2032 ("6.5% Fixed Rate Reset Note") issued by Somers Group Holdings Ltd. ("Somers Group"), in which Arch Capital and Kelso & Company jointly own the majority of the equity interests. As at December 31, 2022, the fair value of the 6.5% Fixed Rate Reset Note amounted to $4.312 million (2021: nil). During the year ended December 31, 2022, total interest income on the 6.5% Fixed Rate Reset Note amounted to $0.167 million (2021: nil).

12. Statutory financial information and dividend restrictions

Under the Insurance Act 1978, as amended, and related regulations of Bermuda (the "Insurance Act"), Premia Re is registered as a Class 4 insurer, and is required to annually prepare and file statutory financial statements and a statutory financial return with the BMA. The Insurance Act requires Premia Re to maintain statutory economic capital and surplus at a level at least equal to its Eligible Capital Requirement ("ECR"), which is the greater of its Minimum Solvency Margin ("MSM") and the required capital calculated by reference to the BSCR model. At December 31, 2022 all such requirements were met. Premia Re is also required under its Class 4 license to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities for general business. As of December 31, 2022 Premia Re met the minimum liquidity ratio.

The Company is currently completing its 2022 statutory filings for Premia Re, which must be filed with the BMA by April 30, 2023, and at this time, the Company believes it will exceed the target level of required statutory economic capital and surplus.

The actual statutory capital and surplus, required statutory capital and surplus and statutory net income for the Company at December 31, 2022 and 2021 was as follows:

(in thousands of US dollars)	2022	2021
Actual capital and surplus	$ 715,574	$ 823,718
Required capital and surplus	232,352	171,067
Statutory net income	17,645	37,227

Premia Re may declare dividends subject to it continuing to meet its solvency and capital requirements, which includes continuing to hold statutory capital and surplus equal to or exceeding its ECR. Premia Re is prohibited from declaring or paying in any fiscal year, dividends of more than 25% of its prior year's statutory capital and surplus unless Premia Re files with the BMA a signed affidavit by at least two members of the Board of Directors attesting that a dividend would not cause the Company to fail to meet its relevant margins. While Premia Re's capital is in excess of its ECR, no dividends were paid for the years ended December 31, 2022 or 2021.

13. Contractual obligations and commitments

On November 12, 2019, the Company entered into a $131.0 million four-year letter of credit facility agreement ("Letter of Credit") with a syndication of lenders. On November 5, 2021, the Letter of Credit was amended to provide commitments of up to, but not exceeding, $125.0 million with a further amendment being made on November 1, 2022 which decreased the commitments on the Letter of Credit up to but not exceeding $116.5 million. As at December 31, 2022, an aggregate value of $116.5 million of outstanding Letters of Credit have been issued under the facility.The Letter of Credit requires that the Company maintains certain financial covenants, all of which were met at December 31, 2022.

14. Subsequent events

In preparing the consolidated financial statements, management has evaluated subsequent events through April 28, 2023, which is the date that these financial statements were issued.

Adverse Development Cover with Woodward Straits Insurance Company

On April 6, 2023, Premia Re, as the Retrocessionaire, and Woodward Straits Insurance Company ("Woodward Straits"), as the Retrocedant, entered into an Adverse Development Cover ("ADC") Excess of Loss Reinsurance agreement ("ADC Agreement") which had an effective date of March 31, 2023, through which Premia Re assumed 100% of Woodward Straits' carried net loss reserves with respect to business originally assumed from an affiliated entity, with loss occurrence dates from January 1, 1995 through to December 31, 2022 for occurrence policies or claims reported for claims made policies during the same period.

Pursuant to the terms of the ADC Agreement, Premia Re would provide two layers of cover to Woodward Straits as follows - (1) a First Layer Limit for $500.0 million in excess of Woodward Straits' Retention of $571.325 million, and (2) a Second Layer Limit of $200.0 million in excess of $1.129 billion (which includes a loss corridor of $57.30 million covered by Woodward Straits). Premia Re's Aggregate Limit under the ADC Agreement would be $700.0 million while the reinsurance premium consideration due under the transaction shall be $523.422 million, net of all taxes but gross of brokerage fees. Woodward Straits would retain $500.0 million of the reinsurance premium consideration in a Funds Withheld account with interest initially being credited on the balance at a fixed annual rate of 4.76%. The residual reinsurance premium consideration of $23.422 million would be paid to Premia Re in cash. Both the ultimate net loss assumed by Premia Re as well as the reinsurance premium consideration due under the ADC Agreement would be rolled forward for net paid losses from the coverage date of January 1, 2023 through to the effective date on March 31, 2023.