PREMIA

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Premia Holdings Ltd.

Consolidated Financial Statements
and Report of Independent Auditors

For the Years Ended December 31, 2022 and 2021

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Premia Holdings Ltd.

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Financial Statements

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Premia Holdings 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 7 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 Holdings 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		$ 49,211	$ 88,666
Fixed maturities, available-for-sale, at fair value		1,455,329	1,583,574
Other investments, at fair value		230,402	217,522
Equities, at fair value		2,808	1,709
Equity method investment		19,506	—
Total investments	Note 5	1,757,256	1,891,471
Cash and cash equivalents		102,046	251,784
Restricted cash and cash equivalents		86,627	144,276
Premiums receivable		149,122	54,501
Prepaid reinsurance premiums		1,938	4,071
Funds held by ceding companies		630,441	15,636
Reinsurance recoverable on paid and unpaid losses	Note 8	819,290	669,356
Deferred charge asset	Note 7	38,782	27,776
Deferred acquisition costs		6,554	19,355
Other assets		100,971	95,602
Goodwill and other intangible assets	Note 9	35,002	35,617
Total Assets		**$ 3,728,029**	**$ 3,209,445**
Liabilities			
Reserve for losses and loss adjustment expenses	Note 7	$ 1,729,977	$ 1,347,078
Deposit liability	Note 7	801,133	769,176
Unearned premiums		19,825	51,890
Insurance and reinsurance balances payable		61,788	30,219
Ceded funds held		308,077	84,913
Long term debt	Note 10	247,083	247,250
Other liabilities		97,363	96,874
Total Liabilities		**3,265,246**	**2,627,400**
Shareholders' Equity			
Common shares ($0.01 par; shares issued and outstanding: 42,852,729)	Note 11	429	429
Additional paid-in capital		439,354	439,354
Accumulated other comprehensive (loss) income		(142,637)	12,456
Retained earnings		165,637	129,806
Total Shareholders' Equity		**462,783**	**582,045**
Total Liabilities and Shareholders' Equity		**$ 3,728,029**	**$ 3,209,445**

Premia Holdings 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		$ 973,347	$ (29,820)
Ceded premiums		(388,229)	(46,724)
Net premiums written		585,118	(76,544)
Change in unearned premiums		27,398	108,620
Net premiums earned		612,516	32,076
Net investment income	Note 5	66,557	44,137
Net realized gains on investments	Note 5	3,041	9,446
Net unrealized (losses) gains on other investments	Note 5	(2,007)	16,571
Other income		49,297	58,441
Net foreign exchange gain		3,025	1,276
Total revenues		**732,429**	**161,947**
Expenses			
Net loss and loss adjustment expenses		(582,636)	23,437
Acquisition expenses		(13,722)	(30,604)
Operating expenses		(63,654)	(60,423)
Interest expense	Note 10	(52,018)	(52,455)
Total expenses		**(712,030)**	**(120,045)**
Net income before income taxes		**20,399**	**41,902**
Income tax expense	Note 12	(74)	(749)
Income from equity method investment		15,506	—
Net income		**$ 35,831**	**$ 41,153**
Other Comprehensive Loss			
Available for sale investments:			
Unrealized gains (losses) arising during the year		$ (149,095)	$ (23,466)
Adjustment for net realized losses (gains) and OTTI recognized in net income		6,625	(5,876)
Unrealized gains (losses) arising during the year, net of reclassification adjustment		(142,470)	(29,342)
Foreign currency translation adjustment		(12,751)	(1,032)
Other comprehensive loss, before income tax		(155,221)	(30,374)
Change in deferred tax on unrealized losses		128	929
Total other comprehensive loss		**(155,093)**	**(29,445)**
Comprehensive (loss) income		**$ (119,262)**	**$ 11,708**

Premia Holdings 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	$ 429	$ 400
Common shares issued	—	29
Balance at end of year	429	429
Additional Paid-in Capital		
Balance at beginning of year	439,354	398,292
Contribution during the year	—	41,062
Balance at end of year	439,354	439,354
Accumulated Other Comprehensive (Loss) Income		
Balance at beginning of year	12,456	41,901
Unrealized gains (losses) on available-for-sale securities:		
Balance at beginning of year	12,264	41,606
Change in unrealized losses on available-for-sale securities	(142,470)	(29,342)
Balance at end of year	(130,206)	12,264
Foreign currency translation adjustment		
Balance at beginning of year	(177)	855
Change in foreign currency translation adjustment	(12,751)	(1,032)
Balance at end of year	(12,928)	(177)
Change in deferred tax on unrealized gains (losses):		
Balance at beginning of year	369	(560)
Change in deferred tax on unrealized losses	128	929
Balance at end of year	497	369
Balance at end of year	(142,637)	12,456
Retained Earnings		
Balance at beginning of year	129,806	88,653
Net income	35,831	41,153
Balance at end of year	165,637	129,806
Total Shareholders' Equity	**$ 462,783**	**$ 582,045**

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

	2022	2021
Operating Activities		
Net income	$ 35,831	$ 41,153
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Realized gains on investments	(6,895)	(11,377)
Unrealized losses (gains) on other investments	2,000	(16,571)
Net impairment losses	3,776	2,663
Change in deferred tax on unrealized (gains) losses	128	—
Net income from equity method investment	(15,506)	—
Foreign exchange losses (gains)	1,435	(1,266)
Depreciation, amortization and accretion	8,128	7,063
Gain on sale of long-term asset	(2,134)	—
Gain on bargain purchase	—	(28,497)
Gain on sale of business	—	(1,555)
Changes in assets and liabilities:		
Premiums receivable	(10,516)	33,796
Prepaid reinsurance premiums	5	(2,296)
Funds held by ceding companies	(373,688)	491,152
Reinsurance recoverable on paid and unpaid losses	70,025	(402,121)
Deferred charge asset	—	(15,139)
Deferred acquisition costs	10,925	(19,626)
Other assets	(28,086)	(15,624)
Reserve for losses and loss adjustment expenses	103,759	195,504
Deposit liability	31,957	30,077
Unearned premiums	(27,084)	486
Insurance and reinsurance balances payable	21,803	3,833
Ceded funds held	35,409	26,895
Other liabilities	(39,286)	(5,765)
Net cash (used in) provided by Operating Activities	(178,014)	312,785
Investing Activities		
Purchase of available-for-sale investments	(600,104)	(1,289,506)
Proceeds from sale or redemption of available-for-sale investments	594,511	966,623
Purchase of equity method investment	(4,000)	—
Proceeds from sale of long-term asset	4,233	—
Purchase of property and equipment	(880)	(2,570)
Purchase of business, net of cash acquired	—	65,694
Net proceeds from sale of business	—	14,184
Net cash used in Investing Activities	(6,240)	(245,575)
Financing Activities		
Proceeds from issuance of common shares	—	40,000
Borrowings, net	(85)	98,303
Net cash (used in) provided by Financing Activities	(85)	138,303
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(23,048)	(1,677)
Net (decrease) increase in cash, cash equivalents and restricted cash	(207,387)	203,836
Cash, cash equivalents and restricted cash at beginning of year	396,060	192,224
Cash, cash equivalents and restricted cash at end of year	**$ 188,673**	**$ 396,060**

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

		2022		2021
Reconciliation to Consolidated Balance Sheet				
Unrestricted cash and cash equivalents	$	102,046	$	251,784
Restricted cash and cash equivalents		86,627		144,276
Cash, cash equivalents and restricted cash	**$**	**188,673**	**$**	**396,060**
Supplemental Cash Flow Information:				
Income taxes paid, net of refunds	$	240	$	—
Interest paid		14,321		3,455

1. Organization

Premia Holdings Ltd. (“Premia Holdings” or the “Company”), incorporated in Bermuda on October 6, 2016, was initially capitalized on January 6, 2017 with $400.0 million of common equity and $110.0 million of senior debt, for a total initial capitalization of $510.0 million excluding incorporation expenses. The equity capital is comprised of a $300.0 million investment by Kelso & Company and its equity co-investors, and a $100.0 million investment by Arch Reinsurance Limited (“Arch Re”) and certain members of Arch Re’s senior management, including the senior management team of Premia Holdings.

Since its incorporation, Premia Holdings, through its subsidiaries (collectively "Premia Group"), has entered into various transactions with third parties including six business acquisitions which are summarized below:

- Alan Gray LLC ("Alan Gray") on August, 31, 2018,
- Public Service Insurance Company ("Public Service") on January 9, 2019,
- Charles Taylor Managing Agency Holdings Limited, Charles Taylor Corporate Name Limited, and The Standard Club Corporate Name Limited on March 16, 2020. These companies were subsequently renamed Premia Managing Agency Holdings Limited, Premia Corporate Name (2) Limited, Premia Corporate Name (3) Limited ("PCN3"), respectively, (collectively "PMAL"),
- The Dominion Insurance Company Limited and BD Cooke Investments Limited (collectively referred to as "Dominion") on August 28, 2020,
- Armour Risk Management Inc. ("ARMI") on June 1, 2021. The company was subsequently renamed A.G. Risk Management Inc. ("AGRM"), and
- Navigators Holdings (Europe) NV ("NHENV") on December 29, 2021. The company was subsequently renamed Premia Holdings (Europe).

Since its incorporation, Premia Group has also completed various retroactive reinsurance transactions with third parties two of which were completed in 2017, three in 2019 and two in 2022. One of the retroactive reinsurance transactions, originally completed in 2017, was amended and restated in 2019 and is now accounted for as a deposit liability contract. In addition, the net exposures assumed by the Company through two retroactive reinsurance contracts completed by its wholly owned subsidiary Premia Reinsurance Ltd. ("Premia Re") in 2019, were subsequently transferred to the Company's Syndicate 1884 at Lloyd's through two Reinsurance-to-Close transactions which were completed on February 18, 2021 but with an effective date of January 1, 2021 as discussed further below in Note 4 - *Significant New Business*.

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. The results of subsidiaries acquired during the year are included from the date of their acquisition by the Company.

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;
e. valuation of assets acquired and liabilities assumed under business combinations;
f. valuation of goodwill and intangible assets including assessment for impairment; and
g. 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) Reinsurance to close

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can be normally estimated with enough accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. The reinsurance to close premium is

2. Summary of significant accounting policies, continued

estimated by reference to the outstanding technical provisions, including outstanding claims, unearned premium net of deferred acquisition costs, and unexpired risks for the closed year(s) of account.

Although the estimate for these liabilities is considered fair and reasonable, it is implicit in the estimate that there could be a variance from this premium amount. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of the receiving year of account and gives them the benefit of refunds, recoveries and premium receivable falling due and other income for the closing year of account not credited to date.

(h) 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.

(i) 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.

2. Summary of significant accounting policies, continued

(j) 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.

(k) 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.

(l) 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.

2. Summary of significant accounting policies, continued

Investments that are not consolidated but which the Company has significant influence over the operating and financial policies of the investee are classified as equity method investments and are accounted for using the equity method of accounting. In applying the equity method of accounting, investments are initially recorded at cost and are subsequently adjusted based on the Company's proportionate share of net income or loss of the investee and net of any distributions received from the investee.

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. Investment income is recognized when earned and includes interest and dividend income net of investment management and custody fees, third party investment accounting fees and sponsor oversight fees. The costs of the Company's fixed maturity investments are adjusted for the amortization of premiums and accretion of discounts, which are determined using the effective yield method and included in net investment income.

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. 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.

2. Summary of significant accounting policies, continued

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.

(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. The Company also has contractual and fee arrangements with certain entities that have been deemed to be VIEs, but which have not been consolidated by the Company.

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. That said, based on its current assessment, management has concluded that the Company is not the primary beneficiary of its VIEs and is therefore not required to consolidate those VIEs.

(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) Goodwill and other intangible assets

The excess of the purchase price paid over the fair value of the net assets acquired in a business combination transaction, is recorded as goodwill, and is not amortized. Intangible assets with finite lives are amortized over their estimated useful lives, whereas intangible assets with indefinite useful lives are not amortized.

2. Summary of significant accounting policies, continued

Goodwill and intangible assets with indefinite useful lives are assessed at least annually for impairment, or more frequently if events or changes in circumstances indicate that it is more likely than not that an impairment exists. If the carrying amounts of intangible assets, including goodwill, are greater than their fair values established during impairment testing, the carrying value is written down to the fair value with a corresponding impairment loss recognized in the consolidated statements of operations. Intangible assets with finite useful lives do not require annual impairment testing but the Company is responsible for routinely assessing whether indicators of impairment exist that would lead to a need for recoverability testing.

(p) Long term debt

Long term subordinated debt instruments issued by the Company are carried at amortized cost. Debt issuance costs and discounts are presented as a direct deduction from the liability in the consolidated balance sheets. Amortization of debt issuance costs and discounts are included in interest expense in the consolidated statements of operations.

(q) Business combinations

The Company accounts for business combinations using the acquisition method of accounting, which requires that the acquirer recognize and measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values, with any goodwill or gain from bargain purchase recognized on the date of acquisition.

The key assumptions used by the Company to value its acquired companies are, (i) the projected payout, timing and amount of assumed loss reserves; (ii) the related projected timing and amount of reinsurance collections; (iii) an appropriate discount rate, which is used to determine the present value of the future cash flows; (iv) the estimated unallocated loss adjustment expenses to be incurred over the life of the run-off of the acquired company; and (vi) an appropriate risk margin. The difference between the nominal carrying values of the acquired (re)insurance assets and liabilities as of the acquisition date and their fair value is recorded as a fair value adjustment ("FVA") on the Company's consolidated balance sheet. The FVA is amortized over the estimated payout period of the acquired loss reserves and reinsurance balances recoverable.

Transaction expenses incurred in relation to a business combination transaction, including legal and financial advisory services, are expensed as incurred and included in operating expenses.

2. Summary of significant accounting policies, continued

(r) Held-for-sale business and discontinued operations

The Company reports a business as held-for-sale when certain criteria are met, which include (1) management has either approved the sale or is in the process of obtaining approval to sell the business and is committed to a formal plan to sell the business, (2) the business is available for immediate sale in its present condition, (3) the business is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (4) the sale is anticipated to occur within the next 12 months, among other specified criteria. A business classified as held-for-sale is recorded at the lower of its carrying amount or estimated fair value less costs to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized. Assets and liabilities related to businesses classified as held-for-sale are separately reported in the Company's consolidated balance sheets beginning in the period in which the business is classified as held-for-sale.

Disposals that represent strategic shifts that have or will have a major effect on the Company's operations and financial results are reported as discontinued operations which requires the restatement of the comparatives reflected on the Company's consolidated financial statements.

(s) Share issuance costs

Issuance costs incurred in connection with the capital raise, which included underwriters' fees, legal and accounting fees, printing and other fees were deducted from the gross proceeds of the offering. The proceeds from the issuance of shares, net of offering costs, is included in additional paid-in capital in the consolidated statements of shareholders' equity.

(t) Stock compensation

The Company accounts for its stock plans in accordance with the ASC Topic 718 - *Compensation - Stock Compensation*. Accordingly, the Company recognizes the compensation expense for stock option grants based on the fair value of the award on the date of grant over the requisite service period. Compensation expense is recognized once the occurrence of performance obligations associated with the stock option grants is considered by management to be probable.

(u) Warrants

The Company has accounted for certain warrant contracts issued to its sponsoring investors in conjunction with the capitalization of the Company, and which may be settled by the Company using either the physical settlement or net-share settlement methods, in accordance with ASC Topic 815-40 - *Derivatives and Hedging - Contracts in an Entity's Own Equity*. Accordingly, the fair value of these warrants would be recorded in equity as additional paid-in capital.

(v) Restricted stock units

The Company accounts for its restricted stock unit ("RSU") transactions in accordance with ASC Topic 718 - *Compensation - Stock Compensation*. Accordingly, the Company recognizes the cost of services received based on the fair value of the award on the date of grant. Compensation expense is recognized once services associated with the RSU have been performed, with an offsetting increase to equity.

2. Summary of significant accounting policies, continued

(w) Foreign currency translation

The functional currency of the Company and many of its subsidiaries is the U.S. dollar. Transactions in currencies other than the Company's functional currency are revalued into its functional currency, and the resulting foreign exchange gains and losses are reflected in Net foreign exchange gain (loss) in the consolidated statements of operations.

Assets and liabilities of the Company's subsidiaries whose functional currency is not the U.S. dollar are translated at period end exchange rates. Revenues and expenses of these foreign subsidiaries are translated at average exchange rates prevailing during the period they are earned or incurred, respectively. The effect of the currency translation adjustments for these foreign subsidiaries is included in accumulated other comprehensive income (loss).

(x) Income tax

Certain of the Company's subsidiaries operate in jurisdictions where they are subject to taxation. Current and deferred tax benefit (expense) is allocated to net income (loss), or, in certain cases, other comprehensive income (loss). Current tax is recognized and measured based on enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the income tax becomes due or realizable. Deferred taxes are provided for temporary differences between the carrying amount of assets and liabilities used in the financial statements and the tax basis used in the various jurisdictional tax returns.

When the Company's assessment indicates that all or some portion of deferred tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets to reduce the assets to the amount more likely than not to be realized. The Company recognizes the benefit relating to tax positions only where the position is more likely than not (greater than 50%) to be sustained. A liability or other adjustment is recognized for any tax benefit (along with any interest and penalty, if applicable) claimed in a tax return in excess of the amount allowed to be recognized in the financial statements under U.S. GAAP. Any changes in the amounts recognized are recorded in the Company's consolidated statements of operations, in the period in which those changes are determined.

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.

2. Summary of significant accounting policies, continued

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.

ASU 2019-12 - Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12 which removes certain exceptions for (1) recognizing deferred taxes for investments, (2) performing intraperiod tax allocation, and (3) calculating income taxes in interim periods. ASU 2019-12 also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating income taxes to a legal entity that is not subject to income taxes.

The adoption of ASU 2019-12 which was effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, did not have a material impact on the Company's consolidated financial statements and disclosures.

ASUs 2016-02, 2018-11 and 2021-09 - Leases

In February 2016, the FASB issued ASU 2016-02 which is codified in ASC 842 - *Leases*, amending the guidance on the classification, measurement and disclosure of leases for both lessors and lessees. ASU 2016-02 requires lessees to recognize a right-of-use asset and an offsetting lease liability on the balance sheet and to disclose qualitative and quantitative information about leasing arrangements.

In July 2018, the FASB also issued ASU 2018-11, which adds a transition option that allows entities not to apply the new leases standard in the comparative periods they present in their financial statements in the year of adoption. Under the transition option, entities can instead opt to continue to apply the legacy guidance in ASC 840 - *Leases*, including its disclosure requirements, in the comparative periods presented in the year they adopt the new leases standard.

This means that entities that elect this option will only provide annual disclosures for the comparative periods because ASC 840 does not require interim disclosures. Entities that elect this transition option are still required to adopt the new leases standard using the modified retrospective transition method, but they will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented.

2. Summary of significant accounting policies, continued

Subsequently in November 2021, the FASB issued ASU 2021-09 which amended ASC 842 to allow a lessee that is not a public business entity to elect to use a risk-free rate as its discount rate by class of underlying asset, rather than for all leases as originally required by ASC 842. ASU 2021-09 also requires lessees to use the rate implicit in the lease when it is readily determinable, even if they make the risk-free rate election.

The adoption of ASU 2016-02 and all the related amendments which were effective for annual periods beginning after December 15, 2021 did not have a material impact on the Company's consolidated financial statements and disclosures.

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 2021-08 - Business Combinations - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers

In October 2021, the FASB issued ASU 2021-08 which requires companies to apply the guidance in ASC 606 - *Revenue from Contracts with Customers*, to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination. ASU 2021-08 is effective for interim and annual periods beginning after December 15, 2023 with early adoption permitted. The adoption of ASU 2021-08 is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

2. Summary of significant accounting policies, continued

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. Business combinations

Acquisition of NHENV

On December 29, 2021, Premia Holdings, through its wholly-owned subsidiary Premia, UK Holdings 3 Ltd. ("Premia UK3"), acquired 100% of the share capital of NHENV from The Navigators Group, Inc. ("Navigators Group"), in turn also gaining ownership of its related subsidiary companies, for a total purchase consideration of €17.350 million ($19.678 million). NHENV was subsequently renamed Premia Holdings (Europe).

The acquisition was accounted for using the acquisition method under which the Company recorded the identifiable assets acquired and liabilities assumed at their acquisition date fair values. The fair value of net assets acquired amounted to $46.377 million, resulting in a gain from bargain purchase of $26.699 million as summarized on the table below and which was included in other income on the Company's consolidated statement of operations:

3. Business combinations, continued

(in thousands of U.S. dollars)				NHENV
Assets acquired				
Investments at fair value	$	71,943		
Cash and cash equivalents		78,862		
Premiums receivable		147		
Prepaid reinsurance premiums		1,404		
Reinsurance recoverable on paid and unpaid losses		55,293		
Other assets		30,515		
Value of business acquired		268		
Total assets acquired			$	238,432
Liabilities assumed				
Reserve for losses and loss adjustment expenses	$	(113,216)		
Unearned premiums		(3,902)		
Insurance and reinsurance balances payable		(13,826)		
Ceded funds held		(31,699)		
Other liabilities		(29,412)		
Total liabilities assumed			$	(192,055)
Fair value of net identifiable assets acquired and liabilities assumed				46,377
(-) Total purchase price				19,678
Gain from bargain purchase			$	26,699

Included within Other liabilities on NHENV's fair value balance sheet summarized above was an accrual of €5.889 million (or $6.697 million) being the fair value of the deferred payment consideration that management had estimated would be payable by Premia UK3 to Navigators Group, pursuant to the terms of the transaction. As of December 31, 2022 the deferred payment consideration accrual was adjusted to €7.114 million (or $7.593 million) in line with the changes to the underlying reserve for losses and loss adjustment expenses that were assumed following the acquisition of NHENV, pursuant to the terms of the Amended and Restated Sale and Purchase Agreement ("SPA") between Premia UK3 and the Navigators Group. The deferred payment consideration is calculated based on a formula specified in the SPA and is payable within a prescribed time period after December 31, 2024.

As of December 31, 2021, the acquisition date fair value of NHENV's tax liabilities and the related accrued tax consulting expenses included within Other liabilities in the fair value balance sheet summarized above were provisional and were subject to revision within one year of the acquisition date. During the year, management completed a comprehensive review of the tax liabilities and the related accrued tax expenses that had been assumed following the acquisition of NHENV, and concluded that no adjustments were required to the provisional balances that were initially recorded as of December 31, 2021. This conclusion by management marked the closure of the measurement period for the transaction pursuant to the provisions of ASC 805 – *Business Combinations*.

3. Business combinations, continued

Acquisition of AGRM

On June 1, 2021, Premia Holdings, through its wholly-owned subsidiary, Alan Gray, acquired 100% of the common stock of Armour Risk Management Inc. for a total purchase consideration of $3.089 million. ARMI was subsequently renamed A.G. Risk Management Inc.

The acquisition was accounted for using the acquisition method, under which the Company recorded the identifiable assets acquired and liabilities assumed at their acquisition date fair values. The fair value of net assets acquired amounted to $4.888 million, resulting in a gain from bargain purchase of $1.799 million as summarized on the table below and which was included in other income on the Company's consolidated statement of operations:

(in thousands of U.S. dollars)				AGRM
Assets acquired				
Cash and cash equivalents, including restricted balances	$	9,599		
Other assets		1,577		
Total assets acquired			$	11,176
Liabilities assumed				
Other liabilities	$	(6,288)		
Total liabilities assumed			$	(6,288)
Fair value of net identifiable assets acquired and liabilities assumed				4,888
(-) Total purchase price				3,089
Gain from bargain purchase			$	1,799

4. 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, the Company through its wholly-owned subsidiary 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.

Investment in Canvas Holdco, LLC and Acquisition of SPX Subsidiaries

On November 1, 2022, Canvas Holdco, LLC ("Canvas"), an entity jointly owned and controlled by Premia Holdings through its wholly-owned subsidiary Premia Intermediate Holdings, Inc. ("Premia Intermediate") and Global Risk Capital LLC ("Global Risk"), completed the acquisition of three wholly-owned subsidiaries from SPX Technologies, Inc. ("SPX"), which hold asbestos liabilities and the related insurance recoverable asset. In connection with this transaction, SPX contributed $138.850 million in cash to the three subsidiaries acquired by Canvas. In addition, both Premia Intermediate and Global Risk each made capital injections of $4.0 million into Canvas, concurrent with the closing of its acquisition of the three wholly-owned subsidiaries from SPX.

Following the completion of the acquisition, Canvas assumed the operational management of the three subsidiaries acquired from SPX, including the administration of all the asbestos claims and collection of existing insurance policy reimbursements.

The Company has accounted for its investment in Canvas as an equity method investment pursuant to the guidance in ASC 323 - *Equity Method and Joint Ventures*, thereby recording its 50.0% share of the fair value of the net assets of the three subsidiaries that were acquired from SPX by Canvas, on its consolidated balance sheet. This resulted in the recognition of a gain from bargain purchase of $15.427 million on the transaction as summarized on the table below and which is included within income from equity method investment in the Company's consolidated statement of operations:

4. Significant new business, continued

(in thousands of U.S. dollars)				Canvas' Acquisition of the SPX Subsidiaries
Assets acquired				
Cash and cash equivalents	$	138,850		
Insurance receivable		23,574		
Insurance recoverable		362,439		
Total assets acquired			$	524,863
Liabilities assumed				
Provision for accrued expenses		(35,422)		
Environmental liabilities		(1,936)		
Asbestos liabilities	$	(456,652)		
Total liabilities assumed			$	(494,010)
Fair value of net identifiable assets acquired and liabilities assumed				30,853
Gain from bargain purchase - Premia's 50% share (Included within income from equity method investment)			$	15,427

LPT Reinsurance Agreement with Hiscox

On July 5, 2022, the Company through its Lloyd's Syndicate 1884 (managed by PMAL), as the Reinsurer, and Syndicate 33 (managed by Hiscox Syndicates Limited), as the Reinsured, entered into an LPT reinsurance agreement which had an effective date of January 1, 2022, through which Syndicate 1884 assumed 87.50% of Syndicate 33’s carried net loss reserves as of November 30, 2021 (the "Valuation Date"), rolled-forward to December 31, 2021. Pursuant to the LPT reinsurance agreement, Syndicate 1884 assumed net loss reserves of $191.210 million in exchange for a total reinsurance premium consideration of $190.75 million and recorded a deferred charge asset of $0.460 million, equal to the difference between the net loss reserves assumed and the reinsurance premium consideration due from Syndicate 33. $172.670 million of the total reinsurance premium payable to Syndicate 1884 was retained by Syndicate 33 in a Funds Withheld account with interest initially being credited on the balance at a fixed annual rate of 3.00%.

Cash flow Statement Treatment of the LPT Transactions with CoAction and Hiscox

Given the funds withheld nature of the LPT transactions between the Company and both CoAction and Hiscox as described in detail above, the impact of these transactions on the Company'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.

4. Significant new business, continued

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

Reinsurance-to-close Transactions at Lloyd's

On February 18, 2021, the Company completed two Reinsurance-to-Close ("RITC") transactions, under which it reinsured to close the 2018 underwriting Year of Account ("YoA") of both Syndicate 1861 and Syndicate 1955. Syndicate 1861 was reinsured to close into Syndicate 1884 as per the terms of a Replacement Quota Share Agreement ("Replacement QS Agreement"), entered into on December 31, 2019. The Replacement QS Agreement was commuted and 100% of the remaining outstanding economics under the existing agreements were transferred to Syndicate 1884. Syndicate 1955 was reinsured to close into Syndicate 1884 as per the terms of the Funds Withheld Quota Share Agreement (Funds Withheld "QS Agreement") and the Adverse Development Cover ("ADC") Agreement entered into on November 12, 2019. The Funds Withheld QS Agreement and the ADC Agreement were commuted and 100% of the remaining outstanding economics under the existing agreements were transferred to Syndicate 1884.

Sale and Exchange Agreement with Armour

On February 19, 2021, Premia Holdings entered into a Sale and Exchange Agreement ("SEA") with Armour Group Ltd. ("Armour") and for purposes of certain sections of the SEA, Aquiline Amour Co-Invest L.P. ("Aquiline"). As part of Phase 1 of the SEA, the Company took over certain service agreements of Armour in addition to Aquiline making a $40.0 million equity investment in the Company on March 2, 2021, in exchange for shares in the Company. As part of Phase 2 of the SEA which is yet to close, the Company shall acquire Armour Re Ltd. from Armour, in exchange for additional shares in the Company.

5. Investments

Investment Categories

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

(in thousands of U.S. dollars)	2022 Amortized cost	2022 Gross unrealized holding gains	2022 Gross unrealized holding losses	2022 Fair value
Fixed maturity and short-term investments, available-for-sale				
Corporate bonds	$ 706,516	$ 198	$ (60,997)	$ 645,717
Non-agency mortgage-backed securities	280,671	4,128	(22,891)	261,908
U.S. government and govt agency bonds	123,143	7	(8,788)	114,362
Non-U.S. governments	42,981	4	(2,366)	40,619
Municipals	54,271	2	(5,733)	48,540
Agency mortgage-backed securities	45,502	233	(6,849)	38,886
Asset backed securities	173,304	536	(13,561)	160,279
Term loans	205,099	1,108	(11,978)	194,229
Total fixed maturity and short-term investments, available-for-sale	1,631,487	6,216	(133,163)	1,504,540
Other investments	206,947	29,215	(5,760)	230,402
Equity investments	2,079	1,050	(321)	2,808
Total investments	$ 1,840,513	$ 36,481	$ (139,244)	$ 1,737,750

(in thousands of U.S. dollars)	2021 Amortized cost	2021 Gross unrealized holding gains	2021 Gross unrealized holding losses	2021 Fair value
Fixed maturity and short-term investments, available-for-sale				
Corporate bonds	$ 702,097	$ 18,693	$ (7,619)	$ 713,171
Non-agency mortgage-backed securities	269,106	12,129	(7,933)	273,302
U.S. government and govt agency bonds	123,731	562	(2,382)	121,911
Non-U.S. governments	67,706	317	(760)	67,263
Municipals	73,043	2,058	(1,249)	73,852
Agency mortgage-backed securities	55,823	307	(1,143)	54,987
Asset backed securities	164,773	1,509	(1,944)	164,338
Term loans	203,698	2,763	(3,045)	203,416
Total fixed maturity and short-term investments, available-for-sale	1,659,977	38,338	(26,075)	1,672,240
Other investments	190,959	29,440	(2,877)	217,522
Equity investments	2,080	182	(553)	1,709
Total investments	$ 1,853,016	$ 67,960	$ (29,505)	$ 1,891,471

5. 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 December 31, 2021:

	2022		
(in thousands of U.S. dollars)	Short-term investments, available-for-sale	Fixed maturities, available-for-sale	Total fixed maturity and short-term investments, available-for-sale
Corporate bonds	$ 14,831	$ 630,886	$ 645,717
Non-agency mortgage-backed securities	—	261,908	261,908
U.S. government and govt agency bonds	14,991	99,371	114,362
Non-U.S. governments	5,626	34,993	40,619
Municipals	—	48,540	48,540
Agency mortgage-backed securities	—	38,886	38,886
Asset backed securities	—	160,279	160,279
Term loans	13,763	180,466	194,229
Total	$ 49,211	$ 1,455,329	$ 1,504,540

	2021		
(in thousands of U.S. dollars)	Short-term investments, available-for-sale	Fixed maturities, available-for-sale	Total fixed maturity and short-term investments, available-for-sale
Corporate bonds	$ 40,842	$ 672,329	$ 713,171
Non-agency mortgage-backed securities	—	273,302	273,302
U.S. government and govt agency bonds	2,500	119,411	121,911
Non-U.S. governments	19,366	47,897	67,263
Municipals	1,472	72,380	73,852
Agency mortgage-backed securities	—	54,987	54,987
Asset backed securities	982	163,356	164,338
Term loans	23,504	179,912	203,416
Total	$ 88,666	$ 1,583,574	$ 1,672,240

5. 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 6 - *Fair Value Measurements*.

(in thousands of US dollars)	2022	2021
Private credit investment funds	$ 60,364	$ 99,620
Real assets and intellectual property funds	29,336	23,955
Residential real estate funds	20,531	17,186
Commercial real estate funds	31,897	18,568
Financial funds	18,575	17,466
Credit funds	40,211	20,571
Traditional private equity funds	29,488	20,156
Total other investments	$ 230,402	$ 217,522

Equity Investments

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

Equity Method Investments

The Company's equity method investment represents a 50.0% ownership in Canvas which had a carrying value of $19.506 million as at December 31, 2022. The Company's investment in Canvas is described in Note 4 - *Significant New Business*.

5. Investments, continued

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	$ 486,373	$ (38,441)	$ 143,895	$ (22,556)	$ 630,268	$ (60,997)
Non-agency mortgage-backed securities	173,014	(13,714)	52,476	(9,177)	225,490	(22,891)
U.S. government and govt agency bonds	39,713	(1,875)	57,506	(6,913)	97,219	(8,788)
Non-U.S. governments	16,813	(520)	17,894	(1,846)	34,707	(2,366)
Municipals	17,467	(2,129)	31,515	(3,604)	48,982	(5,733)
Agency mortgage-backed securities	12,427	(2,265)	25,315	(4,584)	37,742	(6,849)
Asset backed securities	117,392	(7,297)	32,827	(6,264)	150,219	(13,561)
Term loans	80,256	(7,787)	15,662	(4,191)	95,918	(11,978)
Total fixed maturity and short-term investments, available-for-sale	$ 943,455	$ (74,028)	$ 377,090	$ (59,135)	$ 1,320,545	$ (133,163)

(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	$ 265,391	$ (6,412)	$ 95,983	$ (1,206)	$ 361,374	$ (7,618)
Non-agency mortgage-backed securities	73,282	(3,063)	34,155	(4,871)	107,437	(7,934)
U.S. government and govt agency bonds	14,262	(992)	74,888	(1,391)	89,150	(2,383)
Non-U.S. governments	17,057	(349)	27,487	(410)	44,544	(759)
Municipals	5,573	(872)	39,881	(570)	45,454	(1,442)
Agency mortgage-backed securities	32,293	(832)	18,256	(119)	50,549	(951)
Asset backed securities	75,235	(622)	19,275	(1,322)	94,510	(1,944)
Term loans	16,141	(525)	17,005	(2,519)	33,146	(3,044)
Total fixed maturity and short-term investments, available-for-sale	$ 499,234	$ (13,667)	$ 326,930	$ (12,408)	$ 826,164	$ (26,075)

5. Investments, continued

At December 31, 2022 the Company was in an overall net unrealized holding loss position of $126.947 million compared to an overall net unrealized holding gain position of $12.263 million as 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 the fixed maturity and short-term investments were $133.163 million (2021: $26.075 million) and which were either partially or fully offset by gross unrealized gains of $6.216 million and $38.338 million as at December 31, 2022 and 2021, respectively. At December 31, 2022 there were 5,330 (2021: 1,978) securities in an unrealized loss position, of which 1,103 (2021: 770) 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	$	168,809	11.2 %	$	184,622	11.0 %
AA		182,706	12.1 %		245,200	14.7 %
A		506,007	33.6 %		509,062	30.4 %
BBB		259,246	17.2 %		302,016	18.1 %
BB		22,183	1.5 %		39,039	2.3 %
B		60,163	4.0 %		54,109	3.2 %
CCC or lower		154,269	10.3 %		190,880	11.4 %
Not rated		151,157	10.0 %		147,312	8.8 %
Total fixed maturity and short-term investments, available-for-sale	$	1,504,540	100 %	$	1,672,240	100 %

5. Investments, continued

Mortgage loans represent $96.669 million (2021: $96.237 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.

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	$ 995,549	66.2 %	$ 1,095,590	65.5 %
NAIC 2	274,810	18.3 %	322,717	19.3 %
NAIC 3	103,622	6.9 %	108,855	6.5 %
NAIC 4	55,223	3.7 %	55,580	3.3 %
NAIC 5	40,101	2.7 %	52,591	3.1 %
NAIC 6	35,235	2.3 %	36,907	2.2 %
Total fixed maturity and short-term investments, available-for-sale	$ 1,504,540	100 %	$ 1,672,240	100 %

5. Investments, continued

Contractual Maturities

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

(in thousands of US dollars)	2022		2021	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ 242,204	$ 234,532	$ 187,188	$ 182,711
Due after one year through five years	507,897	474,241	597,909	595,973
Due after five years through ten years	275,980	245,741	234,986	237,539
Due after 10 years	105,929	88,953	150,192	163,390
Agency mortgage-backed securities	45,502	38,886	55,823	54,987
Asset backed securities	173,304	160,279	164,773	164,338
Non-agency mortgage-backed securities	280,671	261,908	269,106	273,302
Total fixed maturity and short-term investments, available-for-sale	$ 1,631,487	$ 1,504,540	$ 1,659,977	$ 1,672,240

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 2.5 years (2021: 2.9 years).

Net Investment Income

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

(in thousands of US dollars)	2022	2021
Fixed maturity and short-term investments	$ 61,476	$ 50,974
Equities and Other investments	12,398	8,566
Funds held - fixed crediting rate	15,335	6,775
Gross investment income	89,209	66,315
Investment expenses	(22,652)	(22,178)
Net investment income	$ 66,557	$ 44,137

5. Investments, continued

Net Realized and Unrealized Gains (Losses)

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

(in thousands of US dollars)	2022	2021
Net realized gains (losses) on sales:		
Gross realized gains on fixed maturity and short-term investments, available-for-sale	$ 5,599	$ 18,047
Gross realized losses on fixed maturity and short-term investments, available-for-sale	(13,334)	(12,743)
Gross realized gains on funds held - fixed crediting rate	—	956
Gross realized gains on Equities and Other investments	10,776	3,186
Total net realized gains on sales	3,041	9,446
Net unrealized gains (losses) on investments measured at fair value		
Equities and Other investments	(2,007)	16,571
Total net unrealized (losses) gains	(2,007)	16,571
Net realized and unrealized gains	$ 1,034	$ 26,017

5. 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		
Cash and cash equivalents	$ 1,078	$ 43
Corporate bonds	2,275	10,522
Non-agency mortgage-backed securities	1,190	3,388
U.S. government and govt agency bonds	—	93
Non-U.S. governments	—	48
Municipals	429	1,313
Agency mortgage-backed securities	16	475
Asset backed securities	39	934
Term loans	572	1,231
Total realized gains	5,599	18,047
Realized losses on fixed maturity and short-term investments, available-for-sale		
Cash and cash equivalents	(1,380)	(1,196)
Corporate bonds	(3,051)	(2,351)
Non-agency mortgage-backed securities	(2,810)	(3,411)
U.S. government and govt agency bonds	(664)	(585)
Non-U.S. governments	(157)	(205)
Municipals	(111)	(131)
Agency mortgage-backed securities	(126)	(1,095)
Asset backed securities	(212)	(537)
Term loans	(1,047)	(569)
OTTI charge recognized in net income	(3,776)	(2,663)
Total realized losses	(13,334)	(12,743)
Realized gains on funds held - fixed crediting rate	—	956
Realized gains (losses) on Equities and Other investments measured at fair value		
Realized investment gains	12,263	3,275
Realized investment losses	(1,487)	(89)
Total net realized gains	10,776	3,186
Total net realized gains on all securities	$ 3,041	$ 9,446
Net unrealized (losses) gains on Equities and Other investments measured at fair value	$ (2,007)	$ 16,571

6. 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 fair value hierarchy is broken down into three levels as follows:

a. Level 1 – Valuations based on unadjusted 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 therefore not market based inputs.

6. Fair value measurements, continued

As of December 31, 2022 and 2021, the Company's investments have been measured at fair value and classified as either Level 1, 2, and 3 within the fair value hierarchy as summarized below. Other investments are measured at fair value using NAV as a practical expedient and have therefore not been classified within the fair value hierarchy summarized below. Equity investments represent privately held preferred shares.

(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	$ —	$ 645,717	$ —	$ —	$ 645,717
Non-agency mortgage-backed securities	—	261,908	—	—	261,908
U.S. government and govt agency bonds	110,392	3,970	—	—	114,362
Non-U.S. governments	—	40,619	—	—	40,619
Municipals	—	48,540	—	—	48,540
Agency mortgage-backed securities	—	38,886	—	—	38,886
Asset backed securities	—	160,279	—	—	160,279
Term loans	—	—	194,229	—	194,229
Total fixed maturity and short-term investments, available-for-sale	110,392	1,199,919	194,229	—	1,504,540
Other investments	—	—	—	230,402	230,402
Equity investments	—	—	2,808	—	2,808
Total investments	$ 110,392	$ 1,199,919	$ 197,037	$ 230,402	$ 1,737,750

6. Fair value measurements, continued

(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	$ —	$ 713,171	$ —	$ —	$ 713,171
Non-agency mortgage-backed securities	—	271,279	2,023	—	273,302
U.S. government and govt agency bonds	117,670	4,241	—	—	121,911
Non-U.S. governments	—	67,263	—	—	67,263
Municipals	—	73,852	—	—	73,852
Agency mortgage-backed securities	—	54,987	—	—	54,987
Asset backed securities	—	164,338	—	—	164,338
Term loans	—	—	203,416	—	203,416
Total fixed maturity and short-term investments, available-for-sale	117,670	1,349,131	205,439	—	1,672,240
Other investments	—	—	—	217,522	217,522
Equity investments	—	—	1,709	—	1,709
Total investments	$ 117,670	$ 1,349,131	$ 207,148	$ 217,522	$ 1,891,471

During the twelve months 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 $106.093 million of level 3 securities during the twelve months ended December 31, 2022 (2021: $163.867 million). All level 3 purchases during 2022 were term loans. During the twelve months 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.

(in thousands of US dollars)	Redemption period remaining until liquidation of underlying assets	2022 Fair value	2022 Unfunded capital commitments
Private credit investment funds	Quarterly	$ 60,364	$ —
Real assets and intellectual property funds	1 to 12 years	29,336	19,872
Residential real estate funds	3 to 8 years	20,531	2,546
Commercial real estate funds	1 to 9 years	31,897	23,926
Financial funds	4 to 8 years	18,575	1,541
Credit funds	4 to 9 years	40,211	15,421
Traditional private equity funds	1 to 10 years	29,488	3,601
Total other investments		$ 230,402	$ 66,907

6. Fair value measurements, continued

(in thousands of US dollars)	Redemption period remaining until liquidation of underlying assets	2021 Fair value	2021 Unfunded capital commitments
Private credit investment funds	Quarterly	$ 99,620	$ —
Real assets and intellectual property funds	6 to 8 years	23,955	26,204
Residential real estate funds	4 to 5 years	17,186	8,040
Commercial real estate funds	1 to 10 years	18,568	14,513
Financial funds	5 to 8 years	17,466	4,605
Credit funds	7 to 10 years	20,571	36,824
Traditional private equity funds	1 to 11 years	20,156	3,884
Total other investments		$ 217,522	$ 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).

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 provide 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.

7. 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 expense ("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 U.S. dollars)	2022	2021
OSLR	$ 950,181	$ 779,053
IBNR	761,818	540,593
ULAE	25,482	37,280
Fair value adjustments on acquired companies	(7,504)	(9,848)
Reserve for losses and loss adjustment expenses	$ 1,729,977	$ 1,347,078

7. 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 U.S. dollars)	2022	2021
Reserve for losses and loss adjustment expenses, beginning of year	$ 1,347,078	$ 1,055,750
(-) Reinsurance recoverable on unpaid losses, beginning of year	(565,739)	(213,148)
Net balance, beginning of year	781,339	842,602
Net incurred losses and loss adjustment expenses		
Current year	16,828	29,904
Prior years	(17,256)	(10,576)
Total net incurred losses and loss adjustment expenses	(428)	19,328
Net paid losses and loss adjustment expenses		
Current year	(5,045)	(7,514)
Prior years	(335,363)	(286,403)
Total net paid losses and loss adjustment expenses	(340,408)	(293,917)
Other changes		
Acquired on purchase of subsidiaries	—	66,729
Ceded business	—	(34,631)
Fair value adjustment on reserves	1,577	(982)
Commutations	—	(503,437)
Assumed business	588,960	684,524
Net foreign exchange (gain) loss	(13,254)	1,123
Net balance, end of year	1,017,786	781,339
(+) Reinsurance recoverable on unpaid losses, end of year	712,191	565,739
Reserve for losses and loss adjustment expenses, end of year	$ 1,729,977	$ 1,347,078

For the year ended December 31, 2022, the incurred losses and LAE included $17.256 million (2021: $10.576 million) of net favorable loss development on prior years' loss reserves, which was comprised of $33.215 million (2021: $21.560 million) in gross favorable development on prior years' loss reserves and $15.959 million (2021: $10.984 million) in ceded adverse development on prior years' reinsurance recoverables.

For the year ended December 31, 2022, the net favorable loss development of $17.256 million on prior years' loss reserves was primarily attributable to the Company's liability and property exposures which accounted for $5.658 million and $11.617 million of net favorable loss development respectively.

For the year ended December 31, 2022, net paid losses attributable to prior years include $151.610 million (2021: $249.604 million) related to retroactive reinsurance transactions that closed in the year.

7. Outstanding losses and loss adjustment expenses, continued

For the year ended December 31, 2022, the current year net incurred losses and LAE of $16.828 million (2021: $29.904 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 $801.133 million (December 31, 2021: $769.176 million).

DCA and DGL balances

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

Deferred charge asset

(in thousands of U.S. dollars)	2022	2021
Deferred charge asset, beginning of year	27,776	14,188
Deferred charge asset recognized during the year	21,351	49,331
Deferred charge asset de-recognized during the year	—	(22,747)
Amortization of deferred charge asset	(10,345)	(12,996)
	$ 38,782	$ 27,776

Deferred gain liability

(in thousands of U.S. dollars)	2022	2021
Deferred gain liability, beginning of year	177	6,281
Deferred gain liability recognized during the year	10,500	—
Deferred gain liability de-recognized during the year	—	(5,995)
Amortization of deferred gain liability	(65)	(109)
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

7. Outstanding losses and loss adjustment expenses, continued

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.

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.

Asbestos, pollution and health hazard claims ("APH") 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.

7. 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, 2020 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.

7. 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 and 2019 - Property loss development tables. The original business underlying these commuted contracts was then subsequently accepted into the 2021 YoA of Premia Group's s1884. As a result, the claims information for these exposures is now included within the 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.

7. 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)		2017	2018	2019	2020	2021	2022	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	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

7. Outstanding losses and loss adjustment expenses, continued

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

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

		2019	2020	2021	2022	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2013	$ 19,910	$ 19,699	$ 19,980	$ 17,958	$ 16,643	$ 8,060
2014	—	—	—	—	—	—
2015	—	—	—	—	—	—
2016	8,161	8,075	7,236	8,769	7,641	4,394
2017	2,321	2,296	1,653	2,011	1,126	1,029
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
2020			—	—	—	—
2021				—	—	—
2022					—	—
Total					$ 25,410	$ 13,483

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

Accident year	2019	2020	2021	2022
	(unaudited)	(unaudited)	(unaudited)	
2013	4,441	5,522	6,556	8,089
2014	—	—	—	—
2015	—	—	—	—
2016	1,491	1,788	2,246	2,870
2017	396	433	538	558
2018	—	—	—	—
2019	—	—	—	—
2020		—	—	—
2021			—	—
2022				—
Total				$ 11,517

Net reserves for losses and loss adjustment expenses from 2013 to 2022	13,893
Net reserves for losses and loss adjustment expenses prior to 2013	43,336
Net reserves for losses and loss adjustment expenses, end of year	$ 57,229

7. 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)

		2019	2020	2021	2022	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2013	$ 17,118	$ 17,209	$ 16,411	$ 17,006	$ 19,273	$ 305
2014	14,473	14,677	14,710	14,655	14,479	50
2015	22,704	23,050	23,044	23,223	23,476	37
2016	49,954	49,869	50,071	49,798	51,726	595
2017	116,109	129,312	130,062	129,929	131,236	1,371
2018	187,338	211,821	213,406	212,658	212,533	2,407
2019	85,592	98,833	102,756	102,776	102,747	10
2020			25,220	25,220	25,220	—
2021				—	—	—
2022					—	—
Total					$ 580,690	$ 4,775

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

Accident year	2019	2020	2021	2022
	(unaudited)	(unaudited)	(unaudited)	
2013	$ 3,259	$ 6,427	$ 15,869	17,328
2014	2,055	5,228	15,014	15,018
2015	3,170	8,322	23,194	24,135
2016	7,519	19,662	47,504	50,012
2017	22,219	50,981	120,687	122,827
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				$ 558,374

Net reserves for losses and loss adjustment expenses from 2013 to 2022	22,316
Net reserves for losses and loss adjustment expenses prior to 2013	5,297
Net reserves for losses and loss adjustment expenses, end of year	$ 27,613

7. Outstanding losses and loss adjustment expenses, continued

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

Losses and loss adjustment expenses incurred, net

(in thousands of U.S. dollars)		2019	2020	2021	2022	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2013	$ 594	$ 596	$ 664	$ 834	$ 1,067	$ 16
2014	965	984	841	861	844	12
2015	1,925	1,963	1,880	2,061	2,389	14
2016	6,366	6,478	3,449	3,645	3,636	21
2017	77,368	91,998	80,314	80,275	80,093	24
2018	137,321	162,128	163,296	163,308	163,289	13
2019	72,317	84,629	97,502	97,440	97,420	15
2020			29,290	28,590	28,590	—
2021				—	—	—
2022					—	—
Total					$ 377,328	$ 115

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

Accident year	2019	2020	2021	2022
	(unaudited)	(unaudited)	(unaudited)	
2013	$ 188	$ 359	$ 821	$ 905
2014	114	140	843	845
2015	291	513	1,924	2,113
2016	1,582	2,035	3,485	3,537
2017	37,571	58,097	80,194	80,194
2018	49,160	92,833	163,288	163,288
2019	23,252	51,458	97,419	97,419
2020	—	9,132	28,510	28,510
2021	—	—	—	—
2022				—
Total				$ 376,811

Net reserves for losses and loss adjustment expenses from 2013 to 2022	517
Net reserves for losses and loss adjustment expenses prior to 2013	198
Net reserves for losses and loss adjustment expenses, end of year	$ 715

7. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2020 - Liability ("2020 - Liability")

Losses and loss adjustment expenses incurred, net

(in thousands of U.S. dollars)		2020	2021	2022	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)	(unaudited)		
2013	$ —	$ —	$ —	$ —	$ —
2014	—	—	—	—	—
2015	98	353	26	26	—
2016	2,356	2,020	845	788	30
2017	1,938	3,436	2,234	1,809	359
2018	7,957	6,948	1,980	1,335	649
2019	4,711	3,794	768	454	332
2020	1,448	1,229	245	167	81
2021			83	54	30
2022				(18)	15
Total				$ 4,615	$ 1,496

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

Accident year	2020	2021	2022
	(unaudited)	(unaudited)	
2013	$ —	$ —	$ —
2014	—	—	—
2015	8	(200)	(199)
2016	(202)	(300)	(283)
2017	126	537	750
2018	886	1,159	1,296
2019	504	567	599
2020	168	188	198
2021	—	11	17
2022		—	2
Total			$ 2,380

Net reserves for losses and loss adjustment expenses from 2013 to 2022	2,235
Net reserves for losses and loss adjustment expenses prior to 2013	7,645
Net reserves for losses and loss adjustment expenses, end of year	$ 9,880

7. Outstanding losses and loss adjustment expenses, continued

Business acquired/incepted during the year ended December 31, 2020 - Property ("2020 - Property")

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

		2020	2021	2022	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)	(unaudited)		
2013	$ —	$ —	$ —	$ —	$ —
2014	—	—	—	—	—
2015	3,243	4,338	1,237	1,072	57
2016	8,534	8,757	5,923	5,087	183
2017	20,527	19,767	21,605	18,936	2,819
2018	30,905	28,682	30,164	26,369	(558)
2019	15,855	14,605	14,534	12,741	(1,173)
2020	5,364	4,956	3,996	3,545	(231)
2021			1,648	1,478	(35)
2022				(374)	(832)
Total				$ 68,854	$ 230

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

Accident year	2020	2021	2022
	(unaudited)	(unaudited)	
2013	$ —	$ —	$ —
2014	—	—	—
2015	325	271	350
2016	1,284	2,610	2,811
2017	4,629	10,610	11,216
2018	8,787	19,809	22,196
2019	4,653	10,444	11,884
2020	1,564	2,951	3,289
2021	—	868	980
2022			303
Total			$ 53,029
Net reserves for losses and loss adjustment expenses from 2013 to 2022			15,825
Net reserves for losses and loss adjustment expenses prior to 2013			—
Net reserves for losses and loss adjustment expenses, end of year			$ 15,825

7. 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)

		2021	2022	
Accident year	Acquired Reserves, net	L&LAE, net	L&LAE, net	IBNR, net
	(unaudited)	(unaudited)		
2013	$ 22,415	$ 22,031	$ 19,099	$ 1,153
2014	30,137	31,839	26,904	1,554
2015	42,027	45,268	38,720	2,729
2016	82,238	76,494	68,252	5,069
2017	113,649	110,029	96,239	8,054
2018	56,263	55,877	96,263	(2,005)
2019	22,589	22,398	48,855	(2,020)
2020	23,435	23,409	23,975	2,246
2021	6,884	6,782	8,737	556
2022			28,376	(86)
Total			$ 455,420	$ 17,250

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

Accident year	2021	2022
	(unaudited)	
2013	$ 5,067	$ 7,139
2014	7,928	12,379
2015	11,146	19,735
2016	27,212	38,984
2017	29,107	44,216
2018	12,584	35,814
2019	3,131	15,724
2020	842	4,322
2021	1,720	3,057
2022		3,055
Total		$ 184,425
Net reserves for losses and loss adjustment expenses from 2013 to 2022		270,995
Net reserves for losses and loss adjustment expenses prior to 2013		540
Net reserves for losses and loss adjustment expenses, end of year		$ 271,534

7. 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)

Accident year	Acquired Reserves, net	2021 L&LAE, net	2022 L&LAE, net	2022 IBNR, net
	(unaudited)	(unaudited)		
2013	$ 4,440	$ 5,569	$ 2,427	$ 8
2014	5,246	5,689	1,673	45
2015	8,022	9,632	5,634	54
2016	15,380	18,542	11,493	157
2017	30,924	46,383	42,396	2,026
2018	93,584	110,314	116,617	4,992
2019	67,577	74,552	80,512	2,803
2020	22,163	23,928	14,210	308
2021	7,869	9,101	5,080	716
2022			1,156	34
Total			$ 281,198	11,142

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

Accident year	2021	2022
	(unaudited)	
2013	$ 1,923	$ 1,948
2014	1,229	664
2015	1,448	1,615
2016	4,611	4,908
2017	11,990	12,795
2018	59,156	71,744
2019	36,506	61,206
2020	8,455	23,798
2021	4,915	10,493
2022		1,685
Total		$ 190,856

Net reserves for losses and loss adjustment expenses from 2013 to 2022	90,342
Net reserves for losses and loss adjustment expenses prior to 2013	1,195
Net reserves for losses and loss adjustment expenses, end of year	$ 91,537

7. 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	$ 10,646	$ 11,686	$ 2,530
2014	17,459	18,368	6,189
2015	29,084	27,900	6,452
2016	47,835	39,095	10,786
2017	68,469	58,760	17,558
2018	98,135	83,555	27,503
2019	64,599	63,033	36,762
2020	47,841	45,756	29,054
2021	23,649	22,435	14,724
2022	—	—	—
Total		$ 370,588	$ 151,558

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

Accident year	2022
2013	$ 3,702
2014	6,794
2015	4,487
2016	16,683
2017	14,810
2018	23,764
2019	24,885
2020	10,267
2021	4,054
2022	—
Total	$ 109,447
Net reserves for losses and loss adjustment expenses from 2013 to 2022	261,141
Net reserves for losses and loss adjustment expenses prior to 2013	93,247
Net reserves for losses and loss adjustment expenses, end of year	$ 354,388

7. 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)

Accident year	Acquired Reserves, net	2022 L&LAE, net	2022 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

7. 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

7. 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

7. 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 - Workers' Comp		57,229
2019 - Liability		27,613
2019 - Property		715
2020 - Liability		9,880
2020 - Property		15,825
2020 - APH (Not included within the loss development tables)		76,757
2021 - Liability		271,534
2021 - Property		91,537
2022 - Liability		354,388
2022 - Auto		54,242
2022 - Workers' Comp		10,580
2022 - Other lines		15,593
Outstanding losses and loss expenses, net of reinsurance		1,024,384
Reinsurance recoverable on unpaid losses		712,191
Fair value adjustments - acquired companies		(6,598)
Reserve for losses and loss adjustment expenses, end of year	$	1,729,977

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.

7. 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 - Workers' Comp	7.65%	6.17%	5.82%	26.01%	n/a	n/a
2019 - Liability	1.69%	58.59%	22.06%	15.23%	n/a	n/a
2019 - Property	0.08%	43.12%	27.09%	29.68%	n/a	n/a
2020 - Liability	4.91%	9.81%	17.72%	n/a	n/a	n/a
2020 - Property	7.94%	38.23%	30.85%	n/a	n/a	n/a
2021 - Liability	18.67%	23.17%	n/a	n/a	n/a	n/a
2021 - Property	21.33%	43.52%	n/a	n/a	n/a	n/a
2022 - Liability	29.49%	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 higher Year 2 payout percentages for the 2019 - Liability and 2019 - Property lines of business are 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.

8. Reinsurance

The Company's (re)insurance run-off subsidiaries and assumed portfolios prior to their acquisition used reinsurance and retrocessional reinsurance agreements to manage their net retention on individual risks and overall exposure to losses while providing them 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's (re)insurance run-off subsidiaries from their primary liability for the full amount due on the reinsured policies, and the Company's (re)insurance run-off subsidiaries 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

8. Reinsurance, continued

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.

The following table presents a breakdown of the reinsurance recoverable on paid and unpaid losses as of December 31, 2022 and 2021:

(in thousands of U.S. dollars)	2022	2021
Reinsurance recoverable on unpaid losses	$ 713,583	$ 567,715
Reinsurance recoverable on paid losses	113,490	112,228
Allowance for uncollectible reinsurance recoverable	(6,877)	(8,611)
Fair value adjustments on acquired companies	(906)	(1,976)
Reinsurance recoverable on paid and unpaid losses, end of year	$ 819,290	$ 669,356

The following tables present the reinsurance recoverable on paid and unpaid losses by counterparty credit ratings as of December 31, 2022 and 2021:

(in thousands of U.S. dollars)	December 31, 2022	
	Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses, net of payables and collateral
AA+	$ 19,361	$ 18,606
AA	10,938	10,776
AA-	113,136	107,810
A+	285,741	152,904
A	35,582	31,743
A-	120,697	115,444
BBB and below	234,741	21,302
	$ 820,196	$ 458,585

8. Reinsurance, continued

(in thousands of U.S. dollars)	December 31, 2021	
	Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses, net of payables and collateral
AA+	$ 14,932	$ 14,444
AA	8,476	8,363
AA-	152,121	144,558
A+	259,210	202,303
A	40,745	34,765
A-	146,990	141,256
BBB and below	48,858	15,279
	$ 671,332	$ 560,968

As of December 31, 2022, 71.4% (2021: 92.7%) of reinsurance recoverable on paid and unpaid losses were with reinsurers rated “A-” or above by A.M. Best Company, and the remaining 28.6% (2021: 7.3%) of reinsurance recoverables were with “BBB” or below, including “NR-not rated”, reinsurers. To further reduce credit exposure to reinsurance recoverable balances, the Company has received collateral, including letters of credit and trust accounts, from certain reinsurers. Collateral related to these reinsurance agreements is available, without restriction, when the Company pays losses covered by the reinsurance agreements.

8. Reinsurance, continued

The following tables present the reinsurance recoverable on paid and unpaid losses for the Company's top ten counterparties as of December 31, 2022 and 2021:

(in thousands of U.S. dollars)	December 31, 2022		
	Counterparty Credit Rating	Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses, net of payables and collateral
Elevation Re (SPC)	BBB- and Below	$ 208,301	$ 705
Arch Capital Group	A+	121,031	4,657
Lloyd's Of London	A+	63,545	61,538
Munich Re Group	AA-	59,122	59,080
Everest Re Group	A+	40,368	39,575
AmTrust Financial Services	A-	40,344	40,344
Hannover Re	AA-	23,058	20,866
Aviva Insurance Limited	AA-	17,858	17,858
Berkshire Hathaway	AA+	16,973	16,218
Apollo Global Management	A-	16,342	16,042
Other		213,254	181,702
Total		$ 820,196	$ 458,585

(in thousands of U.S. dollars)	December 31, 2021		
	Counterparty Credit Rating	Reinsurance recoverable on paid and unpaid losses	Reinsurance recoverable on paid and unpaid losses, net of payables and collateral
Lloyd's Of London	A+	$ 90,941	$ 85,959
Munich Re Group	AA-	61,216	$ 61,190
Everest Re Group	A+	55,264	$ 54,001
AmTrust Financial Services	A-	49,569	$ 48,588
Arch Capital Group	A+	44,400	$ 8,861
Hannover Re	AA-	32,966	$ 31,365
Aviva Insurance Limited	AA-	20,705	$ 20,705
Somers Re Ltd	A-	19,854	$ 19,419
Greenlight Capital	A-	18,962	$ 18,545
Swiss Re	AA-	16,717	$ 14,934
Other		260,738	197,401
Total		$ 671,332	$ 560,968

8. Reinsurance, continued

As of December 31, 2022, balances recoverable from the ten largest reinsurers represented 74.0% (2021: 58.7%) of the reinsurance recoverable on paid and unpaid losses, after considering allowances for uncollectible reinsurance recoverable balances and before payables and collateral. As of December 31, 2022, the largest reinsurance balance was due from Elevation Re (SPC) and represented 25.4% of the reinsurance recoverable on paid and unpaid losses, after considering allowances for uncollectible reinsurance recoverable balances and before payables and collateral. As of December 31, 2021, the largest reinsurance balance was due from Lloyd's of London and represented 13.5% of the reinsurance recoverable on paid and unpaid losses, after considering allowances for uncollectible reinsurance recoverable balances and before payables and collateral.

9. Goodwill and other intangible assets

Intangible assets subject to amortization consist of finite lived intangible assets including customized cloud computing software, customer relationships and a brand name, arising from the acquisition of Alan Gray, as well as a customized legal bill review invoice management system called the Simple Invoice Management System ("SIMS") and customer relationships acquired from Legal Cost Control ("LCC"), Inc. by Alan Gray on September 7, 2022, all of which are amortized on a straight-line basis over their estimated useful lives of 5 to 15 years. The Company did not recognize any impairment losses on these finite lived intangible assets for the years ended December 31, 2022 and 2021.

Indefinite-lived intangible assets and goodwill as at December 31, 2022 consist of the Lloyd's platform benefit valued at $15.863 million resulting from the acquisition of PMAL, US state insurance licenses valued at $6.125 million resulting from the acquisition of Public Service, and goodwill of $7.891 million resulting from the acquisition of Alan Gray.

9. Goodwill and other intangible assets, continued

The following tables present the components of the gross and net carrying values of goodwill and other intangible assets as of December 31, 2022 and 2021 respectively.

(in thousands of U.S. dollars)	December 31, 2022		
	Gross carrying value	Accumulated amortization	Net carrying value
Cloud computing software	$ 3,808	$ (1,295)	$ 2,513
Customer relationships	1,705	(378)	1,327
Brand	1,034	(299)	735
SIMS intellectual property	382	(8)	374
Value of business acquired	252	(78)	174
Total finite lived intangible assets	7,181	(2,058)	5,123
State insurance licenses	6,125	—	6,125
Lloyd's platform benefit	15,863	—	15,863
Total indefinite lived intangible assets	21,988	—	21,988
Goodwill	7,891	—	7,891
Goodwill and other intangible assets	$ 37,060	$ (2,058)	$ 35,002

(in thousands of U.S. dollars)	December 31, 2021		
	Gross carrying value	Accumulated amortization	Net carrying value
Cloud computing software	$ 4,236	$ (563)	$ 3,673
Customer relationships	1,277	(284)	993
Brand	1,034	(230)	804
Value of business acquired	268	—	268
Total finite lived intangible assets	6,815	(1,077)	5,738
State insurance licenses	6,500	—	6,500
State insurance licenses sold during the year	(375)	—	(375)
Lloyd's platform benefit	15,863	—	15,863
Total indefinite lived intangible assets	21,988	—	21,988
Goodwill	7,891	—	7,891
Goodwill and other intangible assets	$ 36,694	$ (1,077)	$ 35,617

10. Long term debt

The Company utilizes debt financing and credit facilities primarily to fund business acquisitions, significant new business transactions and investment activities. Below is a summary description of the Company's debt arrangements as of December 31, 2022 and 2021:

Revolving Credit Facility

On May 13, 2022, the Company entered into an amended and restated revolving credit facility ("amended and restated RCF") with the Bank of Montreal, which increased the lender's commitment to $155.0 million. Interest on borrowed principle is paid quarterly and determined using a variable Secured Overnight Financing Rate ("SOFR"). The original revolving credit agreement, dated October 5, 2020, provided a commitment of $45.0 million which was undrawn up to the date of the amended and restated RCF.

On May 13, 2022, the Company drew $110.0 million from the amended and restated RCF and used the proceeds to fully extinguish the outstanding principle on the $110.0 million 7.0% Notes that were due in January 2024.

Subordinated Notes

On February 1, 2021, the Company entered into an indenture agreement with The Bank of New York Mellon for a principal amount of $50.0 million. The Subordinated Fixed-Rate Reset Notes ("the Subordinated Fixed-Rate Reset Notes due February 2031") are repayable in full at the end of ten years, with a first par call date set after five years and a second par call date set after eight years. Annual interest of 6.50% is payable quarterly for the first five years.

After the first par call date the interest is floating at a per annum rate equal to the five-year treasury rate plus 6.15%. After the second par call date the interest is floating at a per annum rate equal to the blended 30-month treasury rate plus 6.15%.

On January 7, 2021, the Company entered into an indenture agreement with The Bank of New York Mellon for a principal amount of $50.0 million. The Subordinated Fixed-Rate Reset Notes ("the Subordinated Fixed-Rate Reset Notes due January 2031") are repayable in full at the end of ten years, with a first par call date set after five years and a second par call date set after eight years. Annual interest of 6.50% is payable quarterly for the first five years. After the first par call date the interest is floating at a per annum rate equal to the five-year treasury rate plus 6.15%. After the second par call date the interest is floating at a per annum rate equal to the blended 30-month treasury rate plus 6.15%.

10. Long term debt, continued

The Company's debt obligations as of December 31, 2022 and 2021 are summarized as follows:

(in thousands of U.S. dollars)

Facility	Issuance Date	Term	2022	2021
7.0% Notes due 2024	January 6, 2017	7 years	$ —	$ 109,626
6.90% Fixed-to-Floating Subordinated Notes due 2030	September 21, 2020	10 years	39,310	39,059
6.50% Fixed-Rate Reset Subordinated Notes due January 2031	January 7, 2021	10 years	49,402	49,310
6.50% Fixed-Rate Reset Subordinated Notes due February 2031	February 1, 2021	10 years	49,441	49,255
Fluctuating-Rate Revolving Credit Facility due 2026	May 13, 2022	4 years	108,930	—
Long term debt			$ 247,083	$ 247,250

Long term debt is presented net of debt issuance costs and discounts paid by the Company when the commitments are initially drawn down. The Notes due in 2024, which were repaid on May 13, 2022, included a 1% placement fee of $1.10 million, known as the Original Issuance Discount ("OID"). The unamortized OID remaining on the balance sheet as of the date that the Notes were repaid was written off to the consolidated statement of operations. The amended and restated RCF includes issuance costs of $1.272 million which are expensed through the consolidated statements of operations quarterly, over the life of the facility.

The 6.90% Fixed-to-Floating Subordinated Notes due 2030, the Subordinated Fixed-Rate Reset Notes due January 2031, and the Subordinated Fixed-Rate Reset Notes due February 2031 include comprehensive debt issuance costs of $2.459 million, which are expensed quarterly through the consolidated statements of operations, up until the par call date.

The following table presents the components of interest expense and other debt facility fees as well as the interest expense on the Company's deposit liability for the years ended December 31, 2022 and 2021 respectively:

(in thousands of U.S. dollars)	2022	2021
Interest on deposit liability	$ (31,957)	$ (30,077)
Interest on notes and subordinated notes	(12,995)	(17,454)
Interest and fees on letter of credit	(2,683)	(4,317)
Interest and fees on revolving credit facility	(4,383)	(607)
Interest expense	$ (52,018)	$ (52,455)

11. Share capital

The authorized share capital of the Company consists of 160 million common shares, of par value $0.01 per share. Issued and outstanding shares as at December 31, 2022 and 2021 consisted of 42,852,729 common shares. Formation expenses of $3.603 million have been capitalized as an off-set to additional paid-in capital included in Shareholders' Equity.

(b) Warrants

The Company issued 6,250,000 warrants on January 6, 2017 to founding investors, all of which were outstanding as December 31, 2022. The warrants expire on the earlier of January 6, 2027 or the consummation date of a transaction that allows for the warrants to be exercised.

The terms of the warrants contain standard anti-dilutive provisions which adjust the exercise price and the number of shares purchasable under the warrants, as applicable, on the occurrence of certain dilution events. The warrants were initially measured at fair value and recorded in additional paid-in capital.

(c) Options

The Company has issued 6,982,665 options to members of management, all of which remained outstanding as of December 31, 2022. No compensation cost was recognized during the year as the performance obligations attached to the options were not considered to be probable to occur as at December 31, 2022.

(d) Restricted stock units

The Company has issued 241,500 restricted stock units ("RSUs") to employees all of which were fully vested in 2021. No additional RSUs were issued in 2022. Compensation costs for the year ended December 31, 2022 of $0 (2021: $1.090 million) were recognized in relation to the RSUs.

12. Income taxes

Premia Holdings is incorporated under the laws of Bermuda and, under current Bermuda law, is 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 be no changes to the applicable laws, regulations or treaties, which might require the Company to become subject to additional taxation.

Premia Holdings has subsidiaries that operate in the United States, United Kingdom and Continental Europe and are therefore subject to federal, foreign, state and local taxes in those jurisdictions. Current and deferred taxes are assessed annually in the United Kingdom while assessments are performed quarterly in the United States.

12. Income taxes, continued

The components of income tax attributable to the Company's operations were as follows:

(in thousands of U.S. dollars)	2022	2021
Current benefit (expense)		
United States	$ (462)	$ (1,885)
UK and Continental Europe	516	236
	54	(1,649)
Deferred (expense) benefit		
United States	(128)	900
UK and Continental Europe	—	—
	(128)	900
Income tax expense	$ (74)	$ (749)

The Company's net income before income taxes was earned within the following jurisdictions:

(in thousands of U.S. dollars)	2022	2021
Income (loss) before income taxes:		
Bermuda	$ 11,903	$ 11,659
UK and Continental Europe	7,726	30,893
United States	770	(650)
Total	$ 20,399	$ 41,902

The expected tax provision computed on pre-tax income or loss at the weighted average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. The statutory tax rates by jurisdiction are as follows: Bermuda (0.0%), United States (21%), Luxembourg (15%), Germany (15%), Belgium (25%), and the United Kingdom (19%). The difference between the actual income tax expense and the expense computed by applying the statutory corporate income tax rate is attributable to the geographical distribution of the Company's pre-tax net income between jurisdictions and the change in valuation allowance.

Deferred income tax assets and liabilities reflect temporary differences based on enacted tax rates between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. As at December 31, 2022 the Company had gross deferred tax assets of $7.650 million (2021: $6.585 million) which were comprised primarily of a U.S. federal and state net operating loss carry forward of $2.113 million, $1.831 million from the discounting of loss reserves and $1.351 million related to deferred and other compensation.

As of December 31, 2022 the Company had gross deferred tax liabilities of $3.692 million (2021: $3.655 million) comprised primarily of $1.182 million of low tax basis assets due to the acquisition of Public Service and $1.998 million from the valuation of intangible assets.

12. Income taxes, continued

The Company provides a valuation allowance to reduce certain deferred tax assets by an amount which management expects will more likely than not be realized. As of December 31, 2022, the Company has taken a valuation allowance against its net deferred tax asset of $3.958 million, reducing it to an amount which management believes will more likely than not be realized from future taxable income. As of December 31, 2022 and December 31, 2021, the Company's consolidated balance sheets reflect a net deferred tax asset (liability) of nil after valuation allowance.

At December 31, 2022, the Company had $10.061 million (2021: $11.593 million) of federal net operating losses available to offset future taxable income in the United States. These net operating loss carry forwards in the U.S. of $10.061 million as of December 31, 2022, cannot be carried back while $4.552 million of the net operating losses relating to non-insurance companies can be carried forward indefinitely, however their use is limited to 80% of taxable income in any given year. The residual $5.509 million of net operating losses relates to insurance companies and can be carried forward for 20 years with their utilization against any taxable income generated by the insurance companies not limited in any given year.

Generally accepted accounting principles require management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Company recognizes interest and penalties related to uncertain tax positions in the provision for income taxes line of the consolidated statements of operations. The total amount of interest and penalties incurred was nil for the years ending December 31, 2022 and 2021.

The Company is subject to routine audits by taxing authorities in the United States. At this time there are currently no audits for any tax periods in progress. The Company’s U.S. federal and state income tax returns are open for all tax years since inception (2018).

13. Concentrations and contingencies

Concentration of credit risk

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 77.3% (2021: 79.3%) 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.

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.

13. Concentrations and contingencies, continued

The Company is also subject to credit risk in relation to funds held by its ceding companies. Under funds held arrangements, the ceding company retains funds that would otherwise have been remitted to the Company's (re)insurance subsidiaries. These funds are not typically placed into trust or subject to other security arrangements, however the Company's (re)insurance subsidiaries generally have the contractual ability to offset any shortfall in the payment of the funds held balances with amounts that they owe the ceding companies. As of December 31, 2022, funds held balances of $630.441 million (2021: $15.636 million) had been retained by the Company's cedents.

The Company utilizes trust funds which are set up for the benefit of its ceding companies. The fair value of the restricted assets included in these trust funds was $1.459 billion as at December 31, 2022 (2021: $1.622 billion), of which $1.372 billion (2021: $1.518 billion) relates to investments and $86.374 million relates to cash and cash equivalents, as at December 31, 2022 (2021: $104.151 million).

Unfunded investment commitments

The Company makes contributions to and receives distributions from its investment funds measured at fair value. During the year ended December 31, 2022, the Company received a net distribution of $1.733 million from its investment funds compared to the net contribution of $12.373 million that it made to its investment funds during the year ended December 31, 2021. The Company has committed to make additional contributions of $66.906 million (2021: $94.070 million) to its investment funds over time.

Legal proceedings

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.

Leases

The Company adopted the new leasing standard and the related amendments on January 1, 2022 using the modified retrospective transition method as required by the standard, and based on the detailed analysis of its leasing arrangements, a right-of-use asset and an offsetting lease liability were recognized on the Company's consolidated balance sheet, relating primarily to office space and facilities that have been leased to conduct its business operations. On an ongoing basis the Company determines whether an

13. Concentrations and contingencies, continued

arrangement is a lease or contains a lease at inception and also completes an assessment to determine the classification of each lease as either a finance lease or an operating lease. The Company's leases are all currently classified as operating leases.

The Company's leases have remaining lease terms of one year to 15 years, some of which include options to either extend the lease term by up to 2 years or terminate the lease within one year. The Company considers these options in determining the lease term used to establish its right-of-use assets and lease liabilities. Renewal options that the Company believes are likely to be exercised are considered when determining lease terms. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Since a majority of the leases do not provide an implicit discount rate, the Company has used its implied collateralized incremental borrowing rate in determining the present value of its lease payments.

The table below provides a summary of the operating leases recorded on the Company's consolidated balance sheet for the year ended December 31, 2022:

(in thousands of U.S. dollars)	Balance Sheet Classification		2022
Right-of-use assets	Other assets	$	7,761
Current lease liabilities	Other liabilities		(1,368)
Non-current lease liabilities	Other liabilities		(5,979)

The weighted-average discount rate used for the Company's operating leases for the year ended December 31, 2022 was 6.50%.

The following table provides a summary of the contractual maturities of the Company's operating lease liabilities:

(in thousands of U.S. dollars)		2022
2023	$	1,775
2024		1,256
2025		1,227
2026		802
2027		804
2028 and beyond		3,986
Total lease payments		9,850
Less: Imputed interest		(2,503)
Present value of lease liabilities	$	7,347

The lease expense for the year ended December 31, 2022 was $1.869 million, relating to office space and facilities that the Company has leased to conduct its business operations.

14. Related party transactions

Transactions between Premia Re and Arch Re

Arch Re, along with certain members of senior management, collectively own approximately 25% of the Company's total equity.

Premia Re has retrocession agreements with Arch Re through which it retrocedes between 12.5% and 25% of the business it writes to Arch Re on a pro rata basis.

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 U.S. 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. ("AUL") specifying that AUL 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 Alan Gray and Arch Re

For the year ended December 31, 2022 Alan Gray invoiced Arch Re and its affiliates $0.098 million (2021: $0.123 million) in relation to services performed.

14. Related party transactions, continued

Transactions between Western Select and Arch US

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. The financial statement impact of the 75% quota share cession from Western Select to Premia Re was eliminated on consolidation at the Premia Holdings level.

As the sale of Western Select by Public Service to a third party closed on September 1, 2021 the 25% quota share cession to Arch US ceased to be a related party transaction.

Transactions between Premia Re and Barbican

On December 31, 2019, Premia Re entered into a retroactive reinsurance transaction with Barbican Corporate Member Limited ("Barbican"), a wholly owned subsidiary of Arch Capital Group Ltd. ("Arch Capital"), 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 statement of operations included the following amounts ceded by Barbican to Premia Re:

(in thousands of U.S. 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 PCN3 and Arch Re

PCN3 entered into a retrocession agreement with Arch Re, effective January 1, 2021, through which PCN3 cedes to Arch Re a 12.5% quota share of the risks attaching to the 2018 YoA of Syndicate 1861, as reinsured into the 2021 YoA of Syndicate 1884, on a pro rata basis. As at December 31, 2022 and 2021 the consolidated balance sheets and statements of operations included the following amounts ceded by PCN3 to Arch Re:

14. Related party transactions, continued

(in thousands of U.S. dollars)		2022		2021
Balance sheets				
Reinsurance recoverable on paid and unpaid losses	$	11,869	$	19,059
Ceded unearned premium		829		2,666
Ceded funds held		(16,728)		28,397
Statements of operations				
Ceded written premiums	$	(793)	$	42,453
Change in ceded unearned premiums (included in Change in unearned premiums)		1,621		(2,704)
Ceded net investment income (included in Net investment income)		(570)		(150)
Ceded loss and loss adjustment expenses (included in Net loss and loss adjustment expense)		(1,771)		(37,341)
Ceded operating expenses (included in Operating expenses)		(603)		(1,020)

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, Public Service and Somers Group

On May 23, 2022, Premia Re and Public Service jointly invested a total of $6.0 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 $6.407 million (2021: nil). During the year ended December 31, 2022, total interest income on the 6.5% Fixed Rate Reset Note amounted to $0.250 million (2021: nil).

Transactions between Premia Group and Armour

As discussed in Note 4 - *Significant New Business*, as part of Phase 1 of the SEA between Premia Holdings and Armour, the Company through its subsidiaries took over certain service agreements of Armour as of the effective date of the SEA, at which point the services that were provided by the Company and its subsidiaries to both Armour and its affiliates became related party transactions, in view of Aquiline's equity investment in the Company. During the year ended December 31, 2022, the total fees earned by the Company and its affiliates from the services provided to Armour and its affiliates under these service agreements amounted to $6.819 million (2021: $7.343 million).

15. Segment information

Premia Holdings performed a review of its reportable segments and identified two that are managed and operated separately: (i) Run-off business; and (ii) Fee-for-service business. The Run-off segment comprises the operations and financial results of the (re)insurance companies and portfolios in run-off that have either been acquired or reinsured by the Company.

The Fee-for-service business is reportable as a separate segment because it is managed and operated in a separate and distinct manner. The nature of the day-to-day operations of the Fee-for-service business and the type of revenue that is earned is distinctly different to that of the run-off segment.

The following tables shows the Company's statements of operations by segment for the years ended December 31, 2022 and 2021.

	2022		
(in thousands of U.S. dollars)	Run-off Business	Fee-for-service Business	Total
Revenues			
Gross premiums written	$ 973,347	$ —	$ 973,347
Ceded premiums	(388,229)	—	(388,229)
Net premiums written	585,118	—	585,118
Change in unearned premiums	27,398	—	27,398
Net premiums earned	612,516	—	612,516
Net investment income	66,557	—	66,557
Realized gains on investments	3,041	—	3,041
Unrealized losses on other investments	(2,007)	—	(2,007)
Other income	20,528	28,769	49,297
Net foreign exchange gain	3,029	(4)	3,025
Total Revenues	703,664	28,765	732,429
Expenses			
Net loss and loss adjustment expenses	(582,636)	—	(582,636)
Acquisition expenses	(13,722)	—	(13,722)
Operating expenses	(38,552)	(25,102)	(63,654)
Interest expense	(52,018)	—	(52,018)
Total expenses	(686,928)	(25,102)	(712,030)
Net income before income taxes	16,736	3,663	20,399
Income tax benefit (expense)	766	(840)	(74)
Income from equity method investment	15,506	—	15,506
Net income	$ 33,008	$ 2,823	$ 35,831

15. Segment information, continued

(in thousands of U.S. dollars)	2021 Run-off business	2021 Fee-for-service business	2021 Total
Revenues			
Gross premiums written	$ (29,820)	—	$ (29,820)
Ceded premiums	(46,724)	—	(46,724)
Net premiums written	(76,544)	—	(76,544)
Change in unearned premiums	108,620	—	108,620
Net premiums earned	32,076	—	32,076
Net investment income	44,137	—	44,137
Realized gains on investments	9,446	—	9,446
Unrealized gains on other investments	16,571	—	16,571
Other income	33,224	25,217	58,441
Total revenues	135,454	25,217	160,671
Expenses			
Net loss and loss adjustment expenses	23,437	—	23,437
Acquisition expenses	(30,604)	—	(30,604)
Operating expenses	(40,327)	(20,096)	(60,423)
Interest expense and other debt facility fees	(52,455)	—	(52,455)
Net foreign exchange gain	1,276	—	1,276
Total expenses	(98,673)	(20,096)	(118,769)
Net income before income taxes	36,781	5,121	41,902
Income tax benefit (expense)	847	(1,596)	(749)
Net income	$ 37,628	3,525	$ 41,153

16. Statutory financial information and dividend restrictions

The Company's insurance and reinsurance subsidiaries are subject to insurance and/or reinsurance laws and regulations in the jurisdictions in which they operate. These regulations include certain restrictions on the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

Group Supervision

The Bermuda Monetary Authority ("BMA") is the group supervisor of the Company. Under the Insurance Act 1978, as amended, and related regulations of Bermuda (the "Insurance Act"), the Company is required to meet its minimum solvency margin ("MSM"), defined as the prescribed minimum amount by which the value of the assets of the Company must exceed the value of its liabilities.

16. Statutory financial information and dividend restrictions, continued

In addition, the Company is required to maintain statutory economic capital and surplus at a level at least equal to its enhanced capital requirement ("ECR"). The ECR is equal to the greater of the MSM and the required capital calculated by reference to the Bermuda Solvency Capital Requirement ("BSCR") model.

The Company is currently completing its 2022 group BSCR, which must be filed with the BMA on or before 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 and required statutory capital and surplus for the Company's principal operating subsidiaries at December 31, 2022 and 2021 was as follows:

(in thousands of U.S. dollars)	2022	2021
Actual capital and surplus:		
Bermuda	$ 715,574	$ 823,718
United States	45,286	42,419
United Kingdom	270,190	294,633
Europe	35,262	39,308
Total actual capital and surplus	$ 1,066,312	$ 1,200,078
Required capital and surplus:		
Bermuda	$ 232,352	$ 171,067
United States	11,255	13,339
United Kingdom	232,566	285,240
Europe	17,397	29,457
Total required capital and surplus	$ 493,570	$ 499,103

The Company's insurance and reinsurance subsidiaries prepare their statutory financial statements in accordance with statutory accounting practices prescribed or permitted by local regulators, which differ from U.S. GAAP, primarily in the treatment of investments, acquisition costs, goodwill and certain intangible assets and deferred income taxes, amongst other items, which may not be reflected in the statutory financial statements.

Bermuda

Under 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 ECR, which is the greater of its 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.

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.

16. Statutory financial information and dividend restrictions, continued

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.

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.

United States

The Company's U.S. insurance subsidiary Public Service is domiciled in the state of Illinois and files financial statements in accordance with statutory accounting practices prescribed or permitted by its local insurance regulators.

Public Service was not permitted to declare any dividends during 2022 without approval from the Illinois Department of Insurance. The payment of shareholder dividends without regulatory approval is limited to formula amounts based on net income and capital and surplus, determined in conformity with statutory accounting practices, as well as the timing and amount of dividends paid in the preceding twelve months. No dividends were paid for the years ended December 31, 2022 or 2021.

Public Service is required to maintain paid up capital of not less than the minimum capital requirement applicable to the types of insurance it is authorized to write. Insurance companies are also subject to risk-based capital ("RBC") requirements adopted by state insurance regulators. A company's authorized control level RBC is calculated using various factors applied to certain financial balances and activity. The statutory capital and surplus of Public Service met regulatory requirements for 2022 and 2021.

United Kingdom

The Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") regulate insurance and reinsurance companies and the FCA regulates firms carrying on insurance activities operating in the U.K, under both the Financial Services and Markets Act 2000. The Company's European insurance operations are conducted through Syndicate 1884, which is managed by PMAL, Dominion, and Trent. Syndicate 1884 is supported by PCN3, a corporate member. All U.K. companies are also subject to a range of statutory provisions, including the laws and regulations of the Companies Acts 2006 (as amended) (the "U.K. Companies Acts").

Syndicate 1884, via PCN3, Dominion and Trent must maintain a margin of solvency at all times under the Solvency II Directive from the European Insurance and Occupational Pensions Authority ("EIOPA"). The regulations stipulate that insurers are required to maintain the minimum capital requirements and solvency capital requirements at all times. The capital requirements for Syndicate 1884 are calculated using PMAL's internal model, and for Dominion and Trent by reference to a standard formula defined in Solvency II.

As at December 31, 2022, Syndicate 1884, via PCN3, Dominion and Trent are in compliance with their solvency requirements.

16. Statutory financial information and dividend restrictions, continued

PMAL, Syndicate 1884, and PCN3 are subject to the oversight of the Council of Lloyd's and are therefore required to meet Lloyd's capital and solvency requirements. The capital required to support a Syndicate's underwriting capacity, or funds at Lloyd's, is assessed quarterly and is determined by Lloyd's in accordance with the capital adequacy rules established by the PRA. The Company has provided capital to support the underwriting of Lloyd's Syndicate 1884.

The amount which the Company provides as funds at Lloyd's ("FAL") is not available for distribution to the Company for the payment of dividends. Lloyd's is supervised by the PRA under the Lloyd's Act of 1982 regarding the operation of the Lloyd's market. With respect to managing agents and corporate members, Lloyd's prescribes certain minimum standards relating to management and control, solvency and other requirements and monitors managing agent's compliance with such standards.

Under U.K. law, all U.K. companies are restricted from declaring a dividend to their shareholders unless they have "profits available for distribution". The calculation as to whether a company has sufficient profits is based on its accumulated realized profits minus its accumulated realized losses.

The U.K. insurance regulatory laws do not prohibit the payment of dividends, but the PRA or FCA, as applicable, requires that insurance companies and insurance intermediaries maintain certain solvency margins and may restrict the payment of a dividend by the Company's subsidiaries.

Europe

The Company's Belgian insurance subsidiary, Premia Insurance Europe NV ("Premia Europe"), files statutory financial statements and returns with the National Bank of Belgium ("NBB"). For the year ended December 31, 2022, Premia Europe was in compliance with its solvency and capital requirements under Solvency II and filed its financial statements and returns on April 8, 2023. The amount of dividends that Premia Europe is permitted to distribute is restricted to its after tax profits. No dividends were distributed by Premia Europe during the years ended December 31, 2022 and 2021.

The Company's Luxembourg reinsurance subsidiary, Canal Re Sarl ("Canal Re"), files statutory financial statements and returns with the Commissariat aux Assurances ("CAA"). For the year ended December 31, 2022, Canal Re was in compliance with its solvency and capital requirements under Solvency II and filed its financial statements and returns on April 8, 2023. The amount of dividends that Canal Re is permitted to distribute is restricted to its after tax profits. No dividends were distributed by Canal Re during the years ended December 31, 2022 and 2021.

17. Contractual obligations and commitments

On October 5, 2020, the Company entered into a $45.0 million two-year unsecured revolving credit facility (the "Revolving Credit Facility") with a syndication of lenders. On May 13, 2022, the Revolving Credit Facility was amended and restated to $155.0 million and provides commitments up to, but not exceeding, an aggregate of $75.0 million. As at December 31, 2022, the Company had drawn down $110.0 million against the Revolving Credit Facility. The Revolving Credit Facility requires that the Company maintains certain financial covenants, all of which were met at December 31, 2022.

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.

18. 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, the Company through its wholly-owned subsidiary 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 Syndicate 33’s 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.