MIC Ltd.
Swan Building, 1st Floor
26 Victoria Street
Hamilton, HM 12

Attention: Janet Carew

April 26, 2023

Reference: DC/OP 01879308001

Subject: MIC Ltd.

Dear Janet,

We enclose one signed copy of the financial statements of MIC Ltd., for the year ended December 31, 2022.

Very truly yours,

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

MIC Ltd.

Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in thousands of U.S. dollars)

April 26, 2023

Report of Independent Auditors

To the Board of Directors and Shareholder of MIC Ltd.

Opinion

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

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

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Auditors’ responsibilities for the audit of the financial statements

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

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

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

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

Required supplemental information

Accounting principles generally accepted in the United States of America require that the required supplemental information pertaining to *Short-Duration Contracts* disclosures labelled as "Unaudited" within Schedules 1 and 2 on pages 21 to 22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

MIC Ltd.

Balance Sheets

As at December 31, 2022 and 2021

(expressed in thousands of U.S. dollars)

	2022 $	2021 $
Assets		
Cash and cash equivalents (note 10)	17,456	11,995
Investments available-for-sale (note 3)	97,701	111,577
Premiums receivable	3,623	4,405
Reinsurance receivable (notes 4 and 5)	274	56
Losses recoverable from reinsurers (notes 4, 5 and 7)	34,770	49,302
Unearned reinsurance ceded (note 4)	13,062	14,128
Accrued interest	580	578
Capital assets	993	1,338
Deferred acquisition costs	1,556	1,078
Other assets	231	153
	170,246	194,610
Liabilities		
Losses and loss expense reserves (notes 5 and 7)	71,262	86,698
Unearned premiums	19,732	17,633
Reinsurance balances payable (note 4)	8,466	10,557
Accounts payable and accrued liabilities	2,191	2,284
Claims payable	119	61
Deferred commission income	335	271
	102,105	117,504
Shareholder's equity (Note 8)		
Share capital	120	-
Incorporation Act reserve		300
Contributed surplus	63,042	-
Retained earnings	14,627	74,854
Accumulated other comprehensive (loss) income	(9,648)	1,951
	68,141	77,105
	170,246	194,610

Approved by the Board of Directors

Director

Director

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

MIC Ltd.

Statements of Income and Comprehensive Income

For the years ended December 31, 2022 and 2021

(expressed in thousands of U.S. dollars)

	2022 $	2021 $
Underwriting income		
Gross premiums written	35,149	30,823
Reinsurance premiums ceded	(13,663)	(15,834)
Net premiums written	21,486	14,989
Net change in unearned premiums	(3,149)	(1,381)
Net premiums earned	18,337	13,608
Commission income	537	413
Underwriting expenses		
Losses and loss expenses	6,734	7,273
Commissions and brokerage expense	2,593	1,898
	9,327	9,171
Net underwriting income	9,547	4,850
Investment (loss) income (note 3)	(626)	5,717
General and administrative expenses	(6,286)	(6,200)
Net income	2,635	4,367
Other comprehensive income		
Change in net unrealized holding loss on investments	(11,589)	(3,059)
Reclassification adjustment for net loss included in net income	(10)	(260)
Other comprehensive loss	(11,599)	(3,319)
Comprehensive (loss) income	(8,964)	1,048

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

MIC Ltd.

Statements of Changes in Shareholder’s Equity

For the years ended December 31, 2022 and 2021

(expressed in thousands of U.S. dollars)

	Incorporation Act reserve/Share Capital $	Contributed Surplus $	Retained earnings $	Accumulated other comprehensive income $	Total $
Balance, December 31, 2020 (restated)	300	-	70,487	5,270	76,057
Net income	-	-	4,367	-	4,367
Other comprehensive loss	-	-	-	(3,319)	(3,319)
Balance, December 31, 2021	300	-	74,854	1,951	77,105
Capital transactions arising from reorganization and merger (Note 8)	(180)	63,042	(62,862)		-
Net income	-	-	2,635	-	2,635
Other comprehensive loss	-	-	-	(11,599)	(11,599)
Balance, December 31, 2022	120	63,042	14,627	(9,648)	68,141

MIC Ltd.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(expressed in thousands of U.S. dollars)

	2022 $	2021 $
Cash flow from operating activities		
Net income	2,635	4,367
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of capital assets	377	316
Amortization	113	223
Net loss (gain) on investments (note 3)	2,980	(3,526)
Net changes in non-cash balances relating to operations:		
Premiums receivable	782	(1,790)
Reinsurance receivable	(218)	126
Losses recoverable from reinsurers	14,532	(1,645)
Unearned reinsurance ceded	1,066	(3,323)
Deferred acquisition costs	(478)	(633)
Accrued interest	2	22
Other assets	(78)	(58)
Deferred commission income	64	104
Losses and loss expense reserves	(15,436)	5,290
Unearned premiums	2,099	4,714
Reinsurance balances payable	(2,091)	3,731
Accounts payable and accrued liabilities	(93)	(2)
Claims payable	58	61
Net cash provided by operating activities	6,314	7,977
Cash flow from investing activities		
Proceeds on sale of investments	13,373	27,327
Purchase of investments	(14,194)	(28,977)
Purchase of fixed assets	(32)	(388)
Net cash used by investing activities	(853)	(2,038)
Net increase in cash and cash equivalents	5,461	5,939
Cash and cash equivalents - Beginning of period	11,995	6,056
Cash and cash equivalents - End of period	17,456	11,995

1. *Operations*

MIC Ltd. ("MICL", "the Company") is a specialist media liability insurer dedicated to meeting the media industry's need for professional liability cover. Originally created 'by the publishers for the publishers', MICL has a 62-year history and counts some of the largest media companies among its longest standing policyholders. MICL's predecessor, Mutual Insurance Company ("Mutual"), was incorporated in Bermuda on 5 April 1961 as a mutual company with limited liability and subsequently licensed under the Insurance Act to write all classes of property and casualty business as a Class 2 insurer.

During 2022, the directors of Mutual formed MIC Ltd. on October 12, 2022, and was registered as a Class 3A insurer on December 1, 2022. MICL and Mutual merged on December 1, 2022. Additional information regarding the reorganization and merger is disclosed in Note 8.

The Company operates the following insurance programs:

A Media Liability program available to publishers of newspapers, magazines and books, radio and TV stations, digital information services; and Entertainment production errors and omissions. An Information Security and Privacy Extension (Cyber) endorsement is available for policyholders.

The insurance program is protected by various per occurrence and aggregate excess of loss reinsurance policies. Risks retained are generally limited to $500 thousand per occurrence prior to July 1, 2017 and $1,250 - $2,000 thereafter.

2. *Significant accounting policies*

The Company follows accounting principles generally accepted in the United States of America. Significant accounting policies are as follows:

(a) **Premiums**
Premiums written and reinsurance premiums ceded are recorded on the accrual basis and are included as earned on a pro-rata basis over the terms of the related policies. Unearned premiums and unearned premiums ceded represent the portion of premiums written and ceded which are applicable to the un-expired terms of the policies in force at year-end.

Acquisition costs are incurred when a contract or policy is issued and only the costs directly related to the successful acquisition of new and renewal contract or policies are deferred and amortized over the same period in which the related premiums are earned. Deferred policy acquisition costs are limited to their estimated realizable value based on the related unearned premiums.

(b) **Commission income and brokerage expense**
Commission income represents commission paid to the Company by certain insurers on premium for insurance policies issued by such insurers to certain policyholders for coverage with limits in excess of the Company's insurance program, and ceding commissions on cyber coverages per a pro-rata reinsurance treaty. The amount of deferred commission income is shown on the Balance Sheet. Brokerage expense in connection with the Company's media liability reinsurance treaties is a fixed fee and is expensed in a manner consistent with the terms of the brokerage agreement.

(c) **Losses and loss expenses**
The reserve for losses and loss expenses includes estimates for both claims (case reserves) and unreported amounts (incurred but not reported) as well as for unallocated loss adjustment expenses (ULAE). The reserve for losses and loss expenses is based upon management's best estimate and, in the opinion of management, such provision is adequate. The Company employs claims counsel to assist in evaluating reported loss estimates and a Bermuda Monetary Authority (BMA) approved Loss Reserve Specialist to recommend reserves for losses incurred but not reported. There is no discounting on the estimation of the liability for loss and loss expenses.

Adjustments to the amounts recorded, resulting from the continual review process as well as differences between estimates and ultimate payments, will be reflected in earnings in future years when such adjustments become known.

(d) **Reinsurance**

In the normal course of business, the Company seeks to reduce its net losses by reinsuring certain levels of risk in various areas of exposure. Amounts recoverable from reinsurers are estimated in a manner consistent with reserving for losses and loss expenses associated with the reinsured policies.

Losses recoverable from reinsurers, which represents reinsurance recoverable on both claims (case reserves) and unreported amounts (incurred but not reported), are recorded as an asset. Losses recoverable on paid losses are also recorded as an asset and are included in reinsurance balances receivable.

(e) **Investments**

Available-for-sale securities are carried at fair value, based on fair value measurements described in Note 3.

Unrealized gains or losses on equity securities are included in earnings. Unrealized gains or losses on fixed maturity securities are excluded from earnings and credited or charged directly to a separate component of equity. If any unrealized losses on available for sale securities are determined to be other-than-temporary, such unrealized losses are recognized as realized losses. Unrealized losses on fixed maturity securities are considered other-than-temporary if factors exist that cause us to believe that the value will not increase to a level sufficient to recover our cost basis.

The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The cost of securities sold is based on the specific identification method.

(f) **Capital assets**

Furniture and equipment is carried at cost less accumulated depreciation.

Development costs that are directly attributable to the project design and testing of identifiable software products are recognised as deferred software development costs and are not depreciated until the asset is in use.

The Company provides for depreciation of its capital assets that are operational on a straight-line basis at rates to amortize the cost of the assets over their estimated useful lives:

Office furniture	10% per annum
Office equipment	20% per annum
Electronic hardware and equipment	20-33% per annum
Deferred software development	20% per annum

(g) **Cash and cash equivalents**

Cash and cash equivalents represent deposits with original maturities of three months or less and short-term highly liquid investments in a money market fund.

(h) **Investment income**

Investment income comprises interest income accrued to the balance sheet date, dividend income less withholding taxes, realized gains or losses on fixed income securities, unrealized gains or losses on equity securities, amortization of premiums and discounts on debt securities, and is net of investment management and custody fees.

(i) **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

(expressed in thousands of U.S. dollars)

(j) **Fair value of financial instruments**
Fair value disclosures with respect to certain financial instruments are included separately herein where appropriate. The carrying values of all other financial instruments approximate their fair value due to the short-term nature of the balances.

(k) **Recent Accounting Pronouncements**

Recently issued accounting standard updates not yet adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases and subsequently issued several improvements to that update (collectively "ASU 2016-02"). The new accounting guidance requires that the lessee recognize an asset and a liability for leases with a lease term greater than 12 months regardless of whether the lease is classified as operating or financing. Under the previous accounting standard, operating leases were not reflected in the balance sheet. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Company has assessed the impact of the implementation of this standard on its financial statements and disclosures and has determined that the future value of leases greater than 12 months is immaterial. Therefore, there are no changes to the pre-existing disclosure (note 11).

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) ("ASU 2016-13"). The new accounting guidance introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses rather than incurred credit losses. ASU 2016-13 will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is assessing the impact the implementation of this standard will have on its financial statements and disclosures.

3. *Investments*

The amortized cost and estimated fair values of investments in debt and marketable equity securities are as follows:

December 31, 2022	Cost or amortized cost $	Gross unrealized gains $	Gross unrealized losses $	Estimated fair value $
Treasury	9,101	-	(483)	8,618
Government	6,469	-	(789)	5,680
Corporate debt	52,653	-	(4,723)	47,930
Residential mortgage-backed	14,025	7	(1,959)	12,073
Commercial mortgage-backed & Asset-backed	12,743	5	(1,704)	11,044
Total debt securities	94,991	12	(9,658)	85,345
S&P depository equity receipt	3,368	8,988	-	12,356
Total equities	3,368	8,988	-	12,356
	98,359	9,000	(9,658)	97,701

(expressed in thousands of U.S. dollars)

December 31, 2021	Cost or amortized cost $	Gross unrealized gains $	Gross unrealized losses $	Estimated fair value $
Treasury	4,834	92	(7)	4,919
Government	5,324	139	(14)	5,449
Corporate debt	53,760	1,833	(285)	55,308
Residential mortgage-backed	16,833	362	(186)	17,009
Commercial mortgage-backed & Asset-backed	13,528	133	(115)	13,546
Total debt securities	94,279	2,559	(607)	96,231
S&P depository equity receipt	3,368	11,978	-	15,346
Total equities	3,368	11,978	-	15,346
	97,647	14,537	(607)	111,577

The Company had no unrealized loss related to the S&P depository equity receipt at December 31, 2022 or December 31, 2021.

The following is an analysis of how long each of the available for sale debt securities held at December 31, 2022 has been in a continued unrealized loss position:

	Less than 12 Months			Equal to or Greater than 12 Months		
	Amortized Cost $	Market Value $	Gross unrealized losses $	Amortized Cost $	Market value $	Gross Unrealized losses $
December 31, 2022						
Treasury	6,662	6,496	(166)	2,439	2,121	(318)
Government	3,422	3,102	(320)	2,797	2,328	(469)
Corporate debt	35,512	33,693	(1,819)	17,141	14,237	(2,904)
Residential mortgage-backed	6,143	5,618	(525)	7,613	6,179	(1,434)
Commercial mortgage-backed & Asset-backed	3,867	3,740	(127)	8,395	6,819	(1,576)
Total securities	55,606	52,649	(2,957)	38,385	31,684	(6,701)

(expressed in thousands of U.S. dollars)

The following is an analysis of how long each of the available for sale debt and equity securities held at December 31, 2021 has been in a continued unrealized loss position:

	Less than 12 Months			Equal to or Greater than 12 Months		
	Amortized Cost $	Market Value $	Gross unrealized losses $	Amortized Cost $	Market value $	Gross Unrealized losses $
<u>December 31, 2021</u>						
Treasury	1,482	1,475	(7)	-	-	-
Government	1,300	1,286	(14)	-	-	-
Corporate debt	12,861	12,681	(180)	2,441	2,335	(106)
Residential mortgage-backed	4,700	4,640	(60)	3,281	3,156	(125)
Commercial mortgage-backed & Asset-backed	7,429	7,314	(115)	-	-	-
Total securities	27,772	27,396	(376)	5,722	5,491	(231)

The gross unrealized losses related to debt securities were due to changes in the general level of interest rates and changes in interest rate spreads due to recent credit market events. The Company's management has determined that the gross unrealized losses on its investment securities at December 31, 2022 are temporary in nature. The Company reviews its investments to identify and evaluate investments that have indications of possible impairment. Factors considered in determining whether a loss is temporary include whether the Company intends to sell the security or will be required to sell the security before recovering its amortized cost and whether the Company expects that it will not recover the security’s entire amortized cost basis. Factors considered in making this latter assessment include the length of time and extent to which fair value has been less than the cost basis, investment grades and the financial condition and near-term prospects of the investee.

At December 31, 2022, gross unrealized losses on debt and equity securities amounted to $9,658 (2021 - $607). Based on an assessment of the financial condition, investment grades and near-term prospects of these investments, the Company remains confident that it will collect all amounts due within the contractual terms of the individual securities. At December 31, 2022 all debt securities in an unrealized loss position are investment grade.

The amortized cost and estimated fair value of debt securities as at December 31, 2022 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties. The mortgage and asset-backed securities are not categorized by contractual maturity because of the potential for pre-payments.

(expressed in thousands of U.S. dollars)

December 31, 2022	Amortized cost $	Estimated fair value $
Due within one year	7,783	7,732
Due after one year through five years	32,141	30,216
Due after five years	28,299	24,280
Residential mortgage-backed (Agency)	14,025	12,073
Commercial mortgage-backed & Asset-backed (non-Agency)	12,743	11,044
	94,991	85,345

December 31, 2021	Amortized cost $	Estimated fair value $
Due within one year	6,151	6,216
Due after one year through five years	23,849	24,800
Due after five years	33,918	34,660
Residential mortgage-backed (Agency)	16,833	17,009
Commercial mortgage-backed & Asset-backed (non-Agency)	13,528	13,546
	94,279	96,231

Concentration of credit risk

The Company aims to maintain a diversified investment portfolio including issuer, sector and geographic stratification, where applicable, and has established certain exposure limits, diversification standards and review procedures to mitigate credit risk. The Company's largest exposures to credit concentration risk of single issuers as a percentage of invested assets and the Company's equity are as follows:

Concentration of Credit Risk	Fair Value $	% of Total Invested Assets	% of Members Equity
S&P Depository Equity Receipt	12,356	12.65%	18.13%
HSBC Bank Bermuda Limited	11,857	12.14%	17.40%
US Treasury Bills and Notes	8,618	8.82%	12.65%
Federal National Mortgage Association	7,835	8.02%	11.50%
Federal Home Loan Mortgage Association	4,263	4.36%	6.26%
Goldman Sachs	4,021	4.12%	5.90%
Bank of NT Butterfield	3,169	3.24%	4.65%
JP Morgan	2,023	2.07%	2.97%
Butterfield Asset Management Money Market Fund	1,941	1.99%	2.85%
Baker Hughes Holdings LLC	1,192	1.22%	1.75%

(expressed in thousands of U.S. dollars)

The following table provides a breakdown of debt securities by Standard and Poor's credit rating, weighted by fair value at December 31, 2022:

Credit rating	
A- and above	80.04%
BBB	19.96%
Total	100.00%

Proceeds from sales and maturities of investments in debt and equity securities during the year ended December 31, 2022, were $13,374 (2021 - $27,327).

	2022 $	2021 $
Interest and dividend income	2,354	2,191
Net (loss) gain on investments	(2,980)	3,526
	(626)	5,717

Fair value measurements

The valuation methodologies used to determine the fair values of assets and liabilities under the "exit price" notion reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. Where market observable prices for the same or similar securities are not available the Company also determines fair value based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, liquidity and, where appropriate, risk margins on unobservable parameters.

The following financial instruments are carried at fair value in the Company's financial statements: debt securities and equity securities.

Fair value disclosures

The following section applies the fair value hierarchy and disclosure requirements to the Company's financial instruments that are carried at fair value. This establishes a fair value hierarchy that prioritizes the inputs in the valuation techniques used to measure fair value into three broad levels (Level 1, 2, and 3).

- Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

- Level 2 inputs are observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities. Most debt securities and some preferred stocks are model priced by vendors using observable inputs and are classified within Level 2.

- Level 3 valuations are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk). Level 3 securities include less liquid securities such as highly structured and/or lower quality asset-backed securities ("ABS"), commercial mortgage-backed securities ("CMBS") and private placement debt and equity securities. Because Level 3 fair values, by their nature, contain unobservable market inputs as there is no observable market for these assets and liabilities, considerable judgment is used to determine the Level 3 fair values. Level 3 fair values represent the Company's best estimate of an amount that could be realized in a current market exchange absent actual market exchanges.

(expressed in thousands of U.S. dollars)

The following table presents the Company's assets and liabilities that are carried at fair value by hierarchy levels, as of December 31, 2022.

December 31. 2022

Assets accounted for at fair value on a recurring basis	Total $	Quoted Prices in Active Markets for Identical Assets (Level 1) $	Significant Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Treasury	8,618	-	8,618	-
Government debt	5,680	-	5,680	-
Corporate debt	47,930	-	47,930	-
Residential mortgage-backed	12,073	-	12,073	-
Commercial mortgage-backed & Asset-backed	11,044	-	11,044	-
S&P Depository Equity receipt	12,356	12,356	-	-
Total assets at fair value on a recurring basis	97,701	12,356	85,345	-

December 31. 2021

Assets accounted for at fair value on a recurring basis	Total $	Quoted Prices in Active Markets for Identical Assets (Level 1) $	Significant Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Treasury	4,919	-	4,919	-
Government debt	5,449	-	5,449	-
Corporate debt	55,308	-	55,308	-
Residential mortgage-backed	17,009	-	17,009	-
Commercial mortgage-backed & Asset-backed	13,546	-	13,546	-
S&P Depository Equity receipt	15,346	15,346	-	-
Total assets at fair value on a recurring basis	111,577	15,346	96,231	-

In many situations, inputs used to measure the fair value of an asset or liability position may fall into different levels of the fair value hierarchy. In these situations, the Company will determine the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value.

There were no significant transfers between level 1 and level 2 during the year ended December 31, 2022.

There were no significant transfers between level 1 and level 2 during the year ended December 31, 2021.

(expressed in thousands of U.S. dollars)

Debt Securities, available-for sale ("AFS")

The fair value of AFS debt securities is determined by management after considering one of three primary sources of information: third party pricing services, independent broker quotations, or pricing matrices. Security pricing is applied using a "waterfall" approach whereby publicly available prices are first sought from third party pricing services, the remaining un-priced securities are submitted to independent brokers for prices, or lastly, securities are priced using a pricing matrix or model. Typical inputs used by these three pricing methods include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, and/or estimated cash flows and prepayment speeds. Based on the typical trading volumes and the lack of quoted market prices for fixed maturities, third party pricing services normally derive the security prices through recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information outlined above. If there are no recent reported trades, the third party pricing services and brokers may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Included in the pricing of ABS, CMBS, and MBS are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and prepayment speeds previously experienced at the interest rate levels projected for the underlying collateral. Actual prepayment experience may vary from these estimates.

Prices from third party pricing services are often unavailable for securities that are rarely traded or are traded only in privately negotiated transactions. As a result, certain securities are priced via independent broker quotations which utilize inputs that may be difficult to corroborate with observable market based data. Additionally, the majority of these independent broker quotations are non-binding. A pricing matrix is used to price securities for which the Company is unable to obtain either a price from a third party pricing service or an independent broker quotation.

The Company performs an analysis on the prices received from third parties to ensure that the prices represent a reasonable estimate of the fair value. This process involves quantitative and qualitative analysis. Examples of procedures include, but are not limited to, initial and on-going review of third party pricing services' valuation methodologies.

The Company has analyzed the third party pricing services' valuation methodologies and related inputs, and has also evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and ability to observe market inputs. Based on this evaluation and investment class analysis, each price was classified into Level 1, 2 or 3. The majority of securities with prices provided by third party pricing services are classified into Level 2 because the inputs used in pricing the securities are market observable.

Due to a general lack of transparency in the process that the brokers use to develop prices, most valuations that are based on brokers' prices are classified as Level 3. Some valuations may be classified as Level 2 if the price can be corroborated with market data.

4. Reinsurance

The effect of reinsurance on premiums written and earned for the year ended December 31, 2022 and 2021 is as follows:

	December 31, 2022		December 31, 2021	
	Written $	Earned $	Written $	Earned $
Direct	35,149	33,050	30,823	26,107
Ceded	(13,663)	(14,713)	(15,834)	(12,499)
	21,486	18,337	14,989	13,608

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. Consequently, allowances are established for amounts deemed uncollectible. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.

At December 31, 2022, reinsurance balances receivable are presented net of a reserve of $1 (2021 -$1) for amounts deemed uncollectible. Losses recoverable from reinsurers are presented net of a reserve of $58 (2021 - $58) for amounts deemed uncollectible.

At December 31, 2022, losses recoverable from reinsurers of $34,770 (2021 - $49,302), reinsurance balances receivable of $274 (2021 - $56), and unearned premiums ceded of $13,062 (2021 - $14,128) are associated with 18 reinsurers, and reinsurance balances payable of $8,466 (2021 - $10,557) are associated with policy years 2022 premium and premium adjustments.

The reserve estimates for uncollectible amounts are based upon management's assessment of the collectability of recoverable amounts for each affected reinsurance policy year.

5. *Uncertainty*

The Company's basis for establishing reserves for losses and loss expenses are described in Notes 2(c) and 2(d) of the financial statements. Due to the nature of the risks insured, significant delays may be experienced in the settlement or other disposition of libel claims. Accordingly, a substantial degree of judgment is required in assessing the ultimate cost of claims incurred to date and expected recoveries.

Management and its independent actuary believe the liability reflected in the accompanying balance sheets to be adequate to cover the ultimate cost of losses incurred to date and the corresponding asset to be a reasonable estimate of expected recoveries; however, because the circumstances regarding reported incidents and claims are subject to change, no representation can be made that the amount ultimately settled will not be materially greater or less than such liability or that the final amounts received in respect of these recoveries may be materially greater or less than the amounts recorded.

In spite of the variability inherent in these types of insurance reserve estimates, management believes, on the basis of an independent actuarial determination, that the losses and loss expenses reserves and the estimate of the amounts receivable and recoverable from reinsurers are adequate and reasonable.

6. *Taxes*

At the present time, no income, profit or capital gains taxes are levied in Bermuda and accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all taxes until March 31, 2035.

The Company is domiciled in Bermuda and conducts substantially all of its operations in Bermuda in a manner such that it is more likely than not that the Company would not be viewed as being engaged in a trade or business in the United States. During 2022, the Company filed protective US tax returns for the year 2021 (2021 – year 2020). On this basis the Company does not expect to be subject to US taxation on its income or capital gains.

7. *Losses and loss expense reserves*

The Company provides for specific losses based on reported claims (case reserves) in the process of settlement. In addition, provision is made for losses incurred but not reported (IBNR), which represents an estimate of the ultimate costs of settling losses incurred prior to the balance sheet date but not yet reported to the Company at that date and for development of reported losses. The reserve has been estimated by management after taking into consideration the status of claims as reported by the Company's claims counsel.

The period of time from reporting a loss to the Company, and the settlement of the Company's liability may be several years. During this period, additional facts and trends will be revealed. As these factors become apparent case reserves will be adjusted, sometimes requiring an increase in the overall reserves of the Company. These estimates are reviewed regularly, and such adjustments, if any, are reflected in results of operations in the period in which they become known and are accounted for as changes in estimates.

(expressed in thousands of U.S. dollars)

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

	2022 $	2021 $ (Restated*)
Gross balance at beginning of period	86,698	81,408
Less: Reinsurance recoverable	49,302	47,657
Net reserve at beginning of period	37,396	33,751
Incurred related to:		
Current period	10,246	11,260
Prior periods	(3,512)	(3,987)
Total incurred (net of reinsurance recoveries)	6,734	7,273
Paid related to:		
Current period	(13)	(26)
Prior periods	(7,625)	(3,601)
Total paid (net of reinsurance recoveries)	(7,638)	(3,627)
Net reserve for loss and loss adjustment expenses at end of period	36,492	37,396
Add: Reinsurance recoverable	34,770	49,302
Balance at end of period, gross of reinsurance recoverable	71,262	86,698

Incurred losses resulting from claims related to insured events of prior periods have changed due to favourable changes in estimates of the ultimate settlement costs of claims, and new claims reported.

* Prior year has been restated for conformity with 2022 presentation of incurred and paid allocations.

The reconciliation of the reserves for losses and loss adjustment expenses from the tables of incurred losses and loss adjustment expenses by policy year included within Schedule 1 to the total reserves for losses and loss adjustment expenses at December 31, 2022 is shown below:

	December 31, 2022 $
Media Liability Contracts	
Reserves for loss and loss adjustment expenses, net of reinsurance recoverable	34,069
Reinsurance recoverable	34,770
Reserves for loss and loss adjustment expenses, gross of reinsurance recoverable	68,839
Other reconciling items:	
Unallocated loss adjustment expense reserve	2,423
Total reserves for loss and loss adjustment expenses	71,262

Reserving Methodology:

The Company uses a combination of methods to project ultimate losses for all lines of business, which include:

Reported Development Method: The reported development method is based upon the assumption that the relative changes in a given year's reported loss estimates from one evaluation point to the next is similar to the relative change in prior years' reported loss estimates at similar evaluation points. In using this method, actual annual historical reported loss data is evaluated. Successive years can be arranged to form a triangle of data. This method's implicit assumption is that the relative adequacy of case reserves has been consistent over time, and that there have been no material changes in the rate at which claims have been reported.

Paid Development Method: The paid development method is similar to the reported development method, however, case reserves are excluded from the analysis. While this method has the disadvantage of not recognizing the information provided by current case reserves, it has the advantage of avoiding potential distortions in the data due to changes in case reserving methodology. This method's implicit assumption is that the rate of payment of claims has been relatively consistent over time.

Expected Loss Method: In the expected loss method, ultimate loss projections are based upon some measure of the anticipated losses, usually relative to some measure of exposure, such as premiums. An expected loss ratio (or loss cost/pure premium) is applied to the measure of exposure to determine estimated ultimate losses for each year. This method is based on the assumption that the pure premium per unit of exposure is a good indication of ultimate losses. It is entirely dependent on pricing assumptions.

Reported Bornhuetter-Ferguson Method: The reported Bornhuetter-Ferguson (B-F) method is essentially a blend of two other methods. The first method is the loss development method whereby actual reported losses are multiplied by an expected loss development factor. The second method is the expected loss method whereby the IBNR estimate equals the difference between a predetermined estimate of expected losses and actual reported losses. This method is often used for long-tail lines and in situations where the reported loss experience is relatively immature or lacks sufficient credibility for the application of other methods.

Paid Bornhuetter-Ferguson Method: The paid B-F method is similar to the reported B-F method using paid losses and development patterns in place of reported losses and patterns.

Average Cost per Claim Method: The average cost per claim method calculates ultimate losses by separately projecting ultimate claim frequency (based on the development of closed and reported claim counts) and ultimate claim severity (cost per claim) for each experience period. The method may provide insight into the drivers of the loss experience. In updating the Company's loss reserve estimates, inputs are considered and evaluated from many sources, including actual claims data, the performance of prior reserve estimates, observed industry trends, internal review processes, including as well the views of the Company's engaged third party actuary. These inputs are used to improve evaluation techniques, and to analyze and assess the change in estimated ultimate losses for each accident year by line of business. These analyses produce a range of indications from various methods, from which management's best estimate is selected.
In determining management's best estimate of the reserves for losses and loss adjustment expenses as at December 31, 2022, consideration was given both to the input of the Company's engaged third party actuary estimate and a number of other internal and external factors, including:

- Competitive changes within the industry;
- Availability, enforceability, quality and cost and terms of reinsurance;
- Legislative and judicial changes in the jurisdiction in which the Company writes insurance business;
- Industry experience.

There have been no significant changes in methodologies during the year ended December 31, 2022.

(expressed in thousands of U.S. dollars)

8. *Reorganization and Merger*

On October 12, 2022, the directors of Mutual Insurance Company Limited incorporated MIC Ltd. and MIC Holdings Ltd., both exempted companies registered in Bermuda. MIC Ltd. is 100% owned by MIC Holdings Ltd. On December 1, 2022, the Bermuda Monetary Authority approved MIC Ltd. as a Class 3A insurer, and approved the merger transaction described below.

On December 1, 2022, Mutual Insurance Company Limited (the Former Company) merged with and into MIC Ltd. (the Surviving Company), pursuant to the provisions of Section 105 of the Companies Act 1981 of Bermuda, as amended (Companies Act) and continues as a Bermuda exempted company.

The Company had the following objectives for its restructuring plan:

- Remove antiquated Bye-Laws;
- Update Memorandum of Association (MOA) to new standard MOA;
- Convert MIC from mutual to exempted company;
- Create modern corporate structure

On December 1, 2022 by virtue of the Merger:

- there were no changes in accounting policies
- no shares or securities were issued by Mutual Insurance Company Limited or MIC Ltd. in connection with the Merger;
- no additional share capital was issued by MIC Ltd. after the merger;
- the Members' interests of Mutual Insurance Company Limited were automatically cancelled without any repayment capital and were not converted into the authorised share capital of MIC Ltd.;
- the authorised share capital of MIC Ltd. was not combined with the authorised share capital of Mutual Insurance Company Limited;
- the authorised share capital of MIC Ltd. after the Merger was US$120,000, being the same as the authorised share capital of MIC Ltd., that is US$120,000 of par value US$1.00 each; and
- the issued share capital of the MIC Ltd. after the Merger is US$120,000 (comprising 120,000 shares at par value US$1.00 each), being the same as the issued share capital of MIC Ltd.

At December 1, 2022 the retained earnings (net of the change in accumulated other comprehensive income) of Mutual Insurance Company Limited was combined into MIC Ltd. as contributed surplus, in the amount of $63,042.

Actual capital and surplus is $77,789 (December 31, 2021 - $75,154) calculated as follows:

Capital and Surplus	December 31, 2022 $	December 31, 2021 $
Incorporation act reserve	-	300
Share Capital (120,000 @ $1)	120	-
Contributed Surplus	63,042	-
Retained Earnings	14,627	74,854
	77,789	75,154

(expressed in thousands of U.S. dollars)

9. *Statutory Requirements*

The Company must at all times maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act, 1978 of Bermuda.

Each year the Company is required to file with the Bermuda Monetary Authority (BMA) a capital and solvency return within four months of its relevant financial year end (unless specifically extended).

The prescribed form of capital and solvency return comprises the Company's Bermuda Solvency Capital Requirement ("BSCR").

As a Class 3A insurer, the Company is required to maintain available statutory capital and surplus in an amount that is equal to or exceeds the target capital levels based on enhanced capital requirements ("ECR") calculated using the BSCR model. The BSCR model is a risk-based capital model introduced by the BMA that measures risk and determines ECR and a target capital level (defined as 120% of the ECR) based on the Company's statutory financial statements. In circumstances where the BMA concludes that the Company's risk profile deviates significantly from the assumptions underlying the ECR or the Company's assessment of its management policies and practices, it may issue an order requiring that the Company adjust its ECR.

During the year ended December 31, 2022, MIC Ltd. met the target capital level required under the BSCR (unaudited).

The Insurance Act mandates certain actions and filings with the Authority if the Company fails to meet and maintain its ECR or solvency margin.

The Company is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses (net of reinsurance recoverable) or a given fraction of net written premiums. At December 31, 2022, the Company is required to maintain a minimum statutory capital and surplus of $1,000. Actual statutory capital and surplus is $66,934 (December 31, 2021 - $75,613) calculated as follows:

Statutory Capital & Surplus	December 31, 2022 $
Members' Equity	68,141
Non-admitted assets	(1,207)
Statutory Capital & Surplus	66,934

The Company is also required 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. Relevant assets include cash and cash equivalents, investments, accounts receivable and accrued interest, and insurance and reinsurance balances receivable. Certain categories of assets do not qualify as relevant assets under the statute. The relevant liabilities are total general business insurance reserves (net of reinsurance recoverable) and total other liabilities.

At December 31, 2022, the Company was required to maintain relevant assets of at least $40,705. At that date, relevant assets were $119,633 and the minimum liquidity ratio was therefore met.

In addition to the provisions of the Insurance Act 1978 above, MIC Ltd. is also required to comply with the following conditions unless obtaining the prior approval of the BMA:

- Contracts of reinsurance may only be written with insurers rated A- or better by A.M. Best or equivalent rating agency.
- May not declare and/or pay any dividends and/or make any capital distributions to the parent company, shareholder and/or affiliates.

(expressed in thousands of U.S. dollars)

10. *Collateral Agreements*

During 2020, the Company entered into an agreement with a third party to provide a Letter of Credit in favour of a ceding insurer. At December 31, 2022 cash of $11,637 (2021 $3,684), was restricted under the pledge agreement supporting the Letter of Credit.

11. *Leases*

At December 31, 2022 the future minimum rental commitments, exclusive of escalation clauses and maintenance costs and net of rental income, for the Company's operating lease is as follows:

	$
2023	77
2024	77
2025	13
Total	167

A lease for the rental of office space, with expiration terms of five (5) years commencing March 1, 2017 expired March 31, 2022. Rental expense under this lease was $44 (2021 - $176).

A new lease for the rental of office space, with expiration terms of three (3) years commencing March 1, 2022 and expiring March 1, 2025 was signed in early 2022. Rental expense under this new lease was $64.

12. *Subsequent events*

In preparing the financial statements, management evaluated subsequent events through April 26, 2023, which is the date that these financial statements are available to be issued.

MIC Ltd.

Schedule 1 – Insurance Contracts

(expressed in thousands of U.S. dollars)

1. Schedule of incurred and paid losses and loss adjustment expenses by accident year

Media Liability Contracts:

Incurred losses and loss adjustment expenses by accident year, undiscounted and net of reinsurance recoveries are presented below. The following factors are relevant:

- **Table organization**: The tables are organized by accident year which run from July 1 – June 30, and include policies written on a claims made and claims occurring basis.
- **Claim counts:** We consider a reported claim to be one claim for each loss occurrence. Claim counts are presented only on a reported (not an ultimate) basis.
- **Data excluded from tables:** Information with respect to accident years older than ten years is excluded from the development tables, as are lines of business considered by management to be immaterial to the financial statements and additional information taken as a whole.

Incurred losses and loss adjustment expenses by accident year, net of reinsurance recoveries:

	Year ended June 30,												
							6 months ended December 31,	For the year ended December 31,	For the year ended December 31,	For the year ended December 31,	For the year ended December 31,	Reserves for losses and loss adjustment expenses incurred but not reported	Cumulative number of reported claims
Accident Year	2013 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2022	2022	(Unaudited)
2013	-	49	934	1,200	1,814	3,895	2,732	2,600	2,048	1,856	**1,838**	**85**	**154**
2014		-	385	1,618	2,165	4,277	4,556	4,468	4,150	3,868	**3,837**	**193**	**121**
2015			-	290	1,533	4,573	4,399	3,616	3,850	3,184	**3,067**	**284**	**139**
2016				-	735	6,991	6,860	5,156	5,123	4,922	**4,510**	**401**	**149**
2017					-	2,356	5,905	8,926	9,395	7,723	**7,657**	**1,147**	**154**
2018						-	1,298	6,992	6,942	5,511	**4,194**	**1,089**	**148**
2019							-	850	7,613	11,591	**9,446**	**3,207**	**120**
2020								-	1,094	8,296	**10,590**	**7,121**	**92**
2021										2,011	**10,918**	**10,248**	**34**
2022											**1,288**	**1,288**	**10**
											57,345	**25,063**	
Cumulative paid losses and loss adjustment expenses from the table below											**(24,184)**		
Reserves for losses and loss adjustment expenses before the 2013 policy year											**908**	**174**	
Reserves for losses and loss adjustment expenses, undiscounted and net of reinsurance											**34,069**	**25,237**	

Paid losses and loss adjustment expenses by accident year, net of reinsurance recoveries:

	Year ended June 30,										
							6 months ended Dec 31,	December 31,	December 31,	December 31,	**December 31,**
Accident Year	**2013** (Unaudited)	**2014** (Unaudited)	**2015** (Unaudited)	**2016** (Unaudited)	**2017** (Unaudited)	**2018** (Unaudited)	**2018** (Unaudited)	**2019** (Unaudited)	**2020** (Unaudited)	**2021** (Unaudited)	**2022**
2013	-	-	179	929	1,284	1,591	1,624	1,659	1,671	1,671	1,737
2014		-	32	334	1,128	2,030	2,371	2,536	3,237	3,241	3,242
2015			-	-	455	893	1,141	1,378	1,459	1,484	1,603
2016				-	-	675	1,699	1,918	1,990	3,243	4,001
2017					-	65	1,735	3,074	3,677	5,228	5,405
2018						-	-	1,096	1,068	1,605	2,338
2019								-	170	655	3,637
2020									-	11	2,220
2021										-	1
2022											-
									Total		**$ 24,184**

(expressed in thousands of U.S. dollars)

2. Average annual percentage payout of incurred claims (unaudited)

The following table presents the historical average annual percentage claims payout on an accident year basis at the same level of disaggregation as presented in the claims development tables.

Accident / Year	1	2	3	4	5	6	7	8	9	10
Media Liability	1.2%	12.0%	31.7%	53.5%	69.8%	78.8%	84.9%	88.3%	91.8%	94.9%