

**MULTI-STRAT RE LTD.**

CONSOLIDATED FINANCIAL STATEMENTS

(AND INDEPENDENT AUDITORS' REPORT THEREON)

FOR THE YEARS ENDED

DECEMBER 31, 2022 AND 2021

**MULTI-STRAT RE LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Multi-Strat Re Ltd.

### Qualified Opinion

We have audited the consolidated financial statements of Multi-Strat Re Ltd. (the "Company") and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of loss and comprehensive loss, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the omission of the information described in the *Basis for Qualified Opinion* paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Multi-Strat Re Ltd. 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 Qualified Opinion

As disclosed in Note 7 of the consolidated financial statements, management has omitted disclosures that are required by the accounting principles generally accepted in the United States of America to be disclosed in the Company's consolidated financial statements in accordance with Accounting Standards Update 2015-09, *Financial Services – Insurance (Topic 944): Disclosures About Short Duration Contracts*.

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

### Responsibilities of Management for the Consolidated Financial Statements

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

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

## INDEPENDENT AUDITORS' REPORT *(continued)*

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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



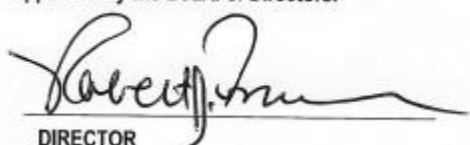
Chartered Professional Accountants  
Hamilton, Bermuda  
April 28, 2023

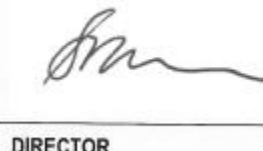
**MULTI-STRAT RE LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT DECEMBER 31, 2022 AND 2021**  
*(Expressed in United States Dollars)*

		December 31 2022	December 31 2021
	Note(s)	\$	\$
<b>ASSETS:</b>			
Cash and cash equivalents	3,4	577,155	598,685
Segregated account assets	12	72,188,777	24,017,596
Reinsurance balances receivable		101,995	3,603
Losses and loss adjustment expenses recoverable	6,7	7,661,491	11,598,931
Losses recoverable		2,537,608	1,345,536
Commissions and fees receivable		5,486,815	624,760
Advances due from affiliates	5	1,255,134	730,788
Funds withheld		24,594	25,529
Deferred commission expenses		-	61,595
Other assets		6,288	15,021
<b>Total Assets</b>		<b>89,839,857</b>	<b>39,022,044</b>
<b>LIABILITIES:</b>			
Reinsurance balances payable		153,872	57,822
Losses and loss adjustment expenses reserves	7	7,744,010	11,696,265
Losses payable		2,537,608	1,345,536
Segregated account liabilities	12	72,188,777	24,017,596
Commissions and fees payable		15,511	185,454
Accounts payable and accrued expenses		273,423	205,009
Deferred commission income		5,320,589	498,315
Advances due to affiliates	5	1,028,105	311,692
<b>Total Liabilities</b>		<b>89,261,895</b>	<b>38,317,689</b>
<b>SHAREHOLDER'S EQUITY:</b>			
Share capital	9	120,000	120,000
Additional paid-in capital	10	359,999	359,999
Retained earnings		97,963	224,356
<b>Total Shareholder's Equity</b>	11	<b>577,962</b>	<b>704,355</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>89,839,857</b>	<b>39,022,044</b>

*The accompanying notes should be read in conjunction with these consolidated financial statements*

Approved by the Board of Directors:

  
DIRECTOR

  
DIRECTOR

**MULTI-STRAT RE LTD.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in United States Dollars)

		December 31 2022	December 31 2021
	Note(s)	\$	\$
<b>UNDERWRITING INCOME</b>			
Gross premiums written		121,313	(506)
Gross premiums ceded		(121,313)	506
<b>Net Premiums Written and Earned</b>		-	-
<b>UNDERWRITING EXPENSES</b>			
Gross losses and loss adjustment expenses incurred	6,7	(49,853)	(737,508)
Ceded losses and loss adjustment expenses incurred	6,7	49,853	756,780
Gross acquisition costs incurred		3,531	(8,401)
Ceded acquisition costs incurred		(16,972)	901
Ceding commission assumed		(25,815)	-
Ceding commission ceded		25,815	-
<b>Total Underwriting (Expenses) Income</b>		(13,441)	11,772
<b>Net Underwriting (Loss) Gain</b>		(13,441)	11,772
<b>OTHER INCOME (EXPENSE)</b>			
Fee income, ceding commissions		140,246	(84)
Fee income, underwriting performance fees		109,769	-
Fee income, account management fees		87,229	223,804
Fee income, advisory		231,767	152,135
Fee income, other		1,569,548	1,244,539
Net investment income		11,490	5,603
<b>Total Other Income</b>		2,150,049	1,625,997
General and administrative expenses		(2,263,001)	(2,726,723)
Taxation	8	-	-
<b>Net Loss and Comprehensive Loss</b>		(126,393)	(1,088,954)

*The accompanying notes should be read in conjunction with these consolidated financial statements*

**MULTI-STRAT RE LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

*(Expressed in United States Dollars)*

	Share Capital \$	Additional Paid-in Capital \$	Retained Earnings \$	Totals \$
<b>Shareholder's equity - December 31, 2020</b>	120,000	359,999	1,313,310	1,793,309
Comprehensive loss for the year	-	-	(1,088,954)	(1,088,954)
<b>Shareholder's equity - December 31, 2021</b>	120,000	359,999	224,356	704,355
Comprehensive loss for the year	-	-	(126,393)	(126,393)
<b>Shareholder's equity - December 31, 2022</b>	120,000	359,999	97,963	577,962

*The accompanying notes should be read in conjunction with these consolidated financial statements*

**MULTI-STRAT RE LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
*(Expressed in United States Dollars)*

	December 31 2022 \$	December 31 2021 \$
<b>OPERATING ACTIVITIES</b>		
Net loss from operations	(126,393)	(1,088,954)
<b>Net Changes in Non-Cash Balances Relating to Operations:</b>		
Reinsurance balances receivable	(98,392)	77,230
Losses and loss adjustment expenses recoverable	3,937,440	3,070,461
Losses recoverable	(1,192,072)	883,711
Commissions and fees receivable	(4,862,055)	444,248
Advances due from affiliates	(524,346)	668,869
Funds withheld	935	6,129
Deferred commission expenses	61,595	87,991
Other assets	8,733	11,362
Reinsurance balances payable	96,050	(85,713)
Losses and loss adjustment expenses reserves	(3,952,255)	(3,109,180)
Losses payable	1,192,072	(885,414)
Commissions and fees payable	(169,943)	(93,557)
Accounts payable and accrued expenses	68,414	45,192
Deferred commission income	4,822,274	(423,266)
Advances due to affiliates	716,413	311,692
<b>Cash and Cash Equivalents Applied to Operating Activities</b>	<b>(21,530)</b>	<b>(79,199)</b>
Net change in cash and cash equivalents for the year	(21,530)	(79,199)
<b>Cash and Cash Equivalents, beginning of year</b>	<b>598,685</b>	<b>677,884</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>577,155</b>	<b>598,685</b>

*The accompanying notes should be read in conjunction with these consolidated financial statements*



**MULTI-STRAT RE LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

*(Expressed in United States Dollars)*

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**1. General**

Multi-Strat Re Ltd. (the “Company”), was incorporated in Bermuda on August 20, 2012, and is a 100% owned subsidiary of Multi-Strat Holdings Ltd., a company incorporated in Bermuda. The Company’s ultimate parent is Canopus Group Limited, a company incorporated in Jersey.

The Company was licensed as a Special Purpose Insurer under The Insurance Act (1978), amendments thereto, and related regulations (the “Act”) on August 28, 2013. The Company was relicensed as a Class 3A Insurer on October 21, 2014. The Company was also registered under the Segregated Accounts Company Act 2000 (“SAC Act”) effective October 16, 2017.

The Company provides reinsurance for captives, insurance and reinsurance companies, managing general agencies, risk retention groups, run-off companies, and other insurance-related companies requiring surplus relief, risk capacity, and risk protection. This is achieved through the assumption of low loss volatility loss portfolio transfers, capped quota share business, and similar contracts from multiple sources. On a number of contracts, the Company retrocedes all of its risks to Bermudian Class 3A or similar non-Bermudian reinsurers. On its remaining contracts, the Company assumes risks through segregated accounts backed by the sponsor capital providers of the segregated accounts. The reinsurers and sponsored segregated accounts are collectively referred to as “Participating Reinsurers”. All insurance contracts retroceded by the Company are fully funded through letters of credit or reinsurance trust agreements.

The Company and each of the Participating Reinsurers have entered into: (i) a Services Agreement whereby the Company provides certain underwriting and administrative services to the Participating Reinsurers, and (ii) a Reinsurance Agreement whereby the Participating Reinsurers agree to assume a share of or the entire exposure of the business written by the Company. In addition, Participating Reinsurers have supplementary agreements with the Company specifying certain applicable terms.

During December 2015, the Company acquired 100% of the issued share capital of Garden Insurance Company of Vermont (“Garden”). Prior to June 30, 2015, Garden provided workers’ compensation, auto liability, general liability (including products liability), auto physical damage and Terrorism Risk Insurance Act coverage to Elixir Industries, the prior parent company of Garden. Elixir Industries was a major supplier for manufactured housing and recreational vehicles in the United States. Garden ceased underwriting business on June 30, 2015. Effective March 27, 2017 Garden converted from a pure captive to a sponsored cell captive insurance company. On August 15, 2019, Garden established an incorporated cell, GPC-IC-19-101 LLC, to provide a general liability excess of loss program for a third-party Member.

As noted above, the Company is also registered under the SAC Act. For each segregated account, the Company has an account ownership governing instrument. These agreements describe the terms and conditions of establishing the segregated account including an obligation by the sponsor capital provider to fund any deficiency of segregated account liabilities over segregated account assets. Creditors of segregated accounts established to date have no claim upon the assets of other segregated accounts or upon the Company’s general account assets.

During the year ended December 31, 2017, two segregated accounts were established. Effective July 1, 2017, MSRe-SA-2017-01 provides quota share retrocessional coverage for private passenger business. Effective December 1, 2017, MSRe-SA-2017-02 entered into a loss portfolio transfer agreement with one of the Company’s Participating Reinsurers which had decided to voluntarily wind up its operations.

**MULTI-STRAT RE LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

*(Expressed in United States Dollars)*

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**1. General** *(continued)*

During July 2022, the Company established two new Segregated Accounts, MSRE VGL SA 22-101 and Rocky Mountain Re SA. MSRE VGL SA 22-101 was established to reinsure 100% of a single contractor general liability program. Rocky Mountain Re SA was established to reinsure prospective and retrospective casualty transactions, and has written three transactions to date, covering lines of business including Commercial Auto Liability, Management Professional Liability, and Contractor and Artisan Craftsman Liability.

**2. Significant Accounting Policies**

***Basis of Preparation***

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are denominated in U.S. dollars, which is the Company's functional currency. These consolidated financial statements include the results of the Company and its 100% wholly owned subsidiary, Garden, which has been aggregated on a line-by-line basis. Intercompany accounts, transactions and shareholdings have been eliminated on consolidation.

The following are the significant accounting policies adopted by the Company:

***Use of Estimates***

To prepare the consolidated financial statements, management has to make estimates and assumptions that affect the book value of assets and liabilities, income and expenses, and data disclosed in the notes to the consolidated financial statements.

All estimates are subjective in nature and could materially influence the consolidated financial statements. Accordingly, management makes these estimates and assessments on an ongoing basis according to past experience and various factors that are deemed reasonable and which constitute the basis for these assessments. The amounts shown in the Company's future consolidated financial statements are likely to differ from these estimates in accordance with changes in assumptions or different conditions.

The principal significant estimates made by the Company's management primarily affect the losses and loss adjustment expenses reserves.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. The carrying value approximates fair value because of the short-term nature and high liquidity of these assets.

***Premium Recognition and Acquisition Costs***

Insurance premiums assumed and ceded for prospective reinsurance contracts are earned over the loss exposure or coverage period of the underlying policies. Premiums assumed and ceded for retroactive reinsurance policies are earned at the inception of the contracts, as all of the underlying loss events covered by the underlying policies have occurred. Any underwriting gain or loss at inception related to retroactive exposures in a reinsurance contract is recognized immediately.

**2. Significant Accounting Policies** *(continued)*

***Premium Recognition and Acquisition Costs*** *(continued)*

Premium adjustments are recorded in the periods in which they become known. Commissions and other costs incurred on the acquisition of new and renewal business are deferred and amortized over the terms of the policies or contracts of reinsurance to which they relate.

The method followed in determining the deferred acquisition costs limits the amount of deferral to its realizable value by giving consideration to losses and expenses expected to be incurred as premiums are earned and also considers anticipated investment income.

***Fee Income***

The Company receives ceding commission, protected cell fees ("PCF"), segregated account fees ("SAC"), account maintenance fees ("AMF"), revenue sharing fees ("RSF"), and underwriting performance incentives fees ("UPI").

Ceding commissions are earned on contract inception. PCF and SAC fees are earned on a quarterly basis in advance for all cells and accounts that continue operations.

AMF, RSF and UPI fees are estimated based on the life of the underlying contracts and calculated on the basis of one or more factors including reserve balances, payout patterns and contract performance over a five year period. An accrual is recorded on contract inception and earned over the projected five year period.

***Interest Income and General and Administrative Expenses***

Interest income and general and administrative expenses are recognized on the accrual basis of accounting.

***Variable Interest Entities and Non-controlling Interests***

The legal and regulatory construct of segregated account companies ("SACs") allows for the effective segregation of the various pools of activities. While segregated accounts within SACs are not separate legal entities, due to their unique characteristics and legal structure of the Company as a whole, SACs may be considered a Variable Interest Entity ("VIE") under U.S. GAAP. A VIE refers to an entity that has characteristics such as (i) insufficient equity at risk to allow the entity to finance its activities without additional financial support or (ii) instances where the equity investors, as a group, do not have characteristics of a controlling financial interest.

The primary beneficiary of a VIE is defined as the variable interest holder that is determined to have the controlling financial interest as a result of having both (i) the power to direct the activities of a VIE that most significantly impact the economic performance of the VIE and (ii) the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. If a company is determined to be the primary beneficiary, it is required to consolidate the VIE in its financial statements.

At inception of the VIE as well as on an ongoing basis, the Company determines whether it is the primary beneficiary based on an analysis of the Company's level of involvement in the VIE, the contractual terms, and the overall structure of the VIE. The Company reviews the facts and circumstances of each of the segregated accounts in operation within the Company, including corporate governance, underwriting activity and the receipt of fees.

The Company has concluded that the Company itself is not the primary beneficiary of any segregated accounts, but as the legal entity of the segregated cells has elected to report the segregated cells assets and liabilities on a deposit accounting basis in these consolidated financial statements.

**2. Significant Accounting Policies** *(continued)*

***Variable Interest Entities and Non-controlling Interests*** *(continued)*

For GPC-IC-19-101 LLC, a limited liability company and an incorporated cell of Garden, the cell is 100% owned by the Member who participates in the profits and losses. The governance of the cell is managed by an independent board of directors which is made up by a majority appointed by the Member. As such, the Company has concluded that there is no risk transfer to Garden and therefore no recognition of the financial assets, liabilities or results of the cell in these consolidated financial statements.

***Assets Held and Liabilities Related to Segregated Accounts***

The Company has adopted the method of “deposit accounting” relating to the insurance transactions of its segregated accounts MSRe-SA-2017-01 and MSRe-SA-2017-02, MSRE VGL SA 22-101 and Rocky Mountain Re SA since all of the contracts facilitated are maintained in segregated accounts, each of which insure certain risks of the participant(s) of that segregated account. Losses incurred by each segregated account are limited to the assets available within that segregated account. The result of operations of the segregated accounts are not included within these consolidated financial statements as the Company’s shareholders do not have an interest in the net income, assets or liabilities of the segregated accounts. The significant accounting policies adopted by the segregated accounts follow those of the Company described herein.

Assets held within the segregated accounts have been recorded within these consolidated financial statements as segregated account assets and the corresponding liabilities are recorded as segregated account liabilities.

***Losses and Loss Adjustment Expenses***

The liability for loss and loss expense provisions includes an amount determined from loss reports and individual cases and an amount, based on the recommendations of an independent actuary using past loss experience and industry loss development factors, for losses incurred but not reported (“IBNR”). There were no significant changes in the methodology for determining the liability for losses and loss adjustment expenses in the current year. These estimates are periodically reviewed and are necessarily subject to the impact of future changes in such factors as claims severity and frequency. While management believes that the amount is adequate, the ultimate liability is subject to inherent uncertainty given the nature of the reinsurance coverage in place and may be materially in excess of, or less than, the amounts provided and any adjustments will be reflected in the periods in which they become known.

***Taxation***

Under current Bermuda Law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of such taxes being imposed, the Company will be exempted from taxation until the year 2035.

Garden is subject to the tax laws of the United States of America and accounts for income taxes, deferred tax assets and deferred tax liabilities in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740 “Income Taxes”. Consistent with this guidance, the Company records deferred income taxes which reflect the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. A valuation allowance is recorded against gross deferred tax assets if it is more likely than not that all or some portion of the benefits related to the deferred tax assets will not be realized.

The Company recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained upon audit by tax authorities. The Company would recognize accruals for any interest and penalties related to uncertain tax positions in income tax expenses.

**MULTI-STRAT RE LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
*(Expressed in United States Dollars)*

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**2. Significant Accounting Policies** *(continued)*

***New Accounting Standards Adopted During the Year***

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance.

In October 2020, the FASB issued ASU 2020-10, Codification Improvements. The amendments in this update contain improvements that vary in nature and enhance the consistency of the Codification.

The adoption of this amendment did not have a material effect on the consolidated financial statements of the Company.

***New Accounting Standards to be Adopted***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2022 and have not been applied in the preparation of these consolidated financial statements. Those which may be relevant to the consolidated financial statements of the Company are as follows:

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this update significantly change the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. The update also provides for recording credit losses on available-for-sale debt securities through an allowance account. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2022.

Management is currently assessing the impact of the adoption of the above standards and amendments on the consolidated financial statements of the Company.

The Company has determined that all other recently issued pronouncements do not apply to its operations.

**3. Concentration of Credit Risk**

As of December 31, 2022, and 2021, the Company's cash and cash equivalents are held with two international financial institutions. Garden maintains its cash balance with one bank which is insured by the Federal Deposits Insurance Corporation ("FDIC") up to \$250,000. Garden monitors the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, balances may exceed the FDIC insurance limit.

#### **4. Fair Value of Financial Instruments**

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

***Cash and Cash Equivalents:***

The carrying amounts reported in the consolidated balance sheets for these instruments approximate their fair values.

***Other Assets and Liabilities:***

The fair value of reinsurance balances receivable, losses recoverable, commissions and fees receivable, reinsurance balances payable, losses payable, commissions and fees payable, and accounts payable and accrued expenses, approximates their carrying value due to their relative short-term nature.

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realize in a current market exchange. However, any differences would not be expected to be material. Certain instruments such as other assets, and losses and loss adjustment expenses reserves are not required to be fair valued. Therefore the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

#### **5. Related Party Transactions**

Advances due to affiliates as of December 31, 2022 includes amounts advanced of \$1,028,105 (2021: 311,692) from the Company's parent, MultiStrat Holdings Ltd. ("MSHL").

Effective May 1, 2017, Garden entered into a promissory note agreement with Multi-Strat Advisors Ltd. ("MSAL"), an affiliate, in the amount of \$282,100. The note is unsecured and payable on demand with interest on the unpaid principal outstanding calculated by reference to the London Interbank Offered Rate ("LIBOR") as measured on the issuance date, plus 2.5%, compounding quarterly. The balance of this promissory note, including interest accrued, totaled \$167,438 at December 31, 2022 (2021: \$161,962) and is included within advances due from affiliates.

Advances due from affiliates as of December 31, 2022 includes net amounts receivable of \$360,542 (2021: payable of \$6,327) to/from MSAL and \$697,154 receivable (2021: \$575,153) from MultiStrat Advisors Inc. ("MSAI").

All advances to affiliates are non-interest bearing and repayable on demand.

**MULTI-STRAT RE LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
*(Expressed in United States Dollars)*

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**6. Losses and Loss Adjustment Expenses Recoverable**

Losses and loss adjustment expenses recoverable represents amounts recoverable from two Participating Reinsurers and two Segregated Accounts under Quota Share Retrocession and other Agreements that are required to be collateralized by letters of credit and/or reinsurance trust agreements. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible.

The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

During the years ended December 31, 2022 and 2021, there were no allowances made for such amounts.

**7. Losses and Loss Adjustment Expenses Reserves**

Gross losses and loss adjustment expenses reserves comprise:

	December 31, 2022 \$	December 31, 2021 \$
Outstanding losses	3,870,945	6,125,446
Losses incurred but not reported	3,873,065	5,570,819
Net loss and loss expense provisions at end of year	7,744,010	11,696,265

**MULTI-STRAT RE LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in United States Dollars)

**7. Losses and Loss Adjustment Expenses Reserves** *(continued)*

The following table represents the activity in the losses and loss adjustment expenses reserves:

	December 31, 2022 \$	December 31, 2021 \$
Gross loss and loss expense provisions at beginning of year	11,696,265	14,805,445
Less: Reinsurance recoverable at beginning of year	11,598,931	14,669,392
Net loss and loss expense provisions at beginning of year	97,334	136,053
Net losses and loss expenses incurred related to:		
Current year	-	-
Prior years	-	(19,272)
Total net incurred losses and loss expenses	-	(19,272)
Net losses and loss expenses paid or payable related to:		
Current year	-	-
Prior years	(14,815)	(19,447)
Total loss and loss expenses paid or payable	(14,815)	(19,447)
Net loss and loss expense provisions at end of year	82,519	97,334
Add: Reinsurance recoverable at end of year	7,661,491	11,598,931
Gross loss and loss expenses provisions at end of year	7,744,010	11,696,265

Management believes that the assumptions used establishing its provision for loss and loss adjustment expenses represent a realistic and appropriate basis for estimating those reserves as of December 31, 2022 and 2021. However, these assumptions are subject to change and the Company continually reviews and adjusts its reserve estimates taking into account all currently known information and updated assumptions related to unknown information.

While management believes it has made a reasonable estimate of loss expenses occurring up to the consolidated balance sheet date, the ultimate costs of claims incurred could exceed the Company's reserves.

In 2022, as a result of changes in estimates of insured events in prior years, incurred loss and loss expenses decreased by \$nil (2021: \$19,272). This was due to loss development on the Garden book of business.

Management has omitted certain disclosures required by U.S. GAAP Accounting Standards Update 2015-09 "Financial Services – Insurance (Topic 944): Disclosures about Short-Duration Contracts". Management has omitted the required disclosures as they are not considered meaningful given the disclosures would relate only to the Garden book of business which is in run-off and not material to the consolidated financial statements.



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**8. Taxation**

As at December 31, 2022 and 2021, Garden recorded a 100% valuation allowance of \$1,423,169 and \$1,418,256 respectively against a deferred tax asset of the same amount as management believes it is more likely than not that all of the deferred tax asset will not be realized. The change in valuation allowance during the year ended December 31, 2022 is \$4,913 (2021: \$17,072).

The income tax expense was \$Nil for the years ended December 31, 2022 and 2021. Garden has a net operating loss carry forward as of December 31, 2022 of \$6,914,118, which will begin to expire in 2024 (2021 - \$6,890,721).

**9. Share Capital**

The Company has authorized share capital of 1,200,000 common shares with a par value of \$1.00 each. At December 31, 2022 and 2021, there was issued and fully paid share capital of \$120,000.

**10. Additional Paid-In Capital**

During the years ended December 31, 2022 and 2021, there were no movements in additional paid in capital.

**11. Statutory Requirements**

As a registered insurance company under the Bermuda 'Insurance Act 1978 amendments thereto and related regulations' (the "Act") the Company is required to prepare Statutory Financial Statements and to file a Statutory Financial Return annually (or as otherwise agreed, in certain circumstances). The Act also requires the Company to meet certain defined measures of solvency and liquidity.

The statutory capital and surplus amounted to \$32,298,051 and \$6,129,330 as of December 31, 2022 and 2021, respectively. A reconciliation of the statutory capital and surplus to GAAP equity is below:

	December 31, 2022	December 31, 2021
	\$	\$
<b>Shareholder's equity in accordance with U.S. GAAP</b>	577,962	704,355
Less: Non-admitted assets		
Prepaid expenses	(4,077)	(14,928)
Non-controlling SACs consolidated under statutory basis of accounting	31,724,166	5,439,903
<b>Statutory capital and surplus</b>	<b>32,298,051</b>	<b>6,129,330</b>

The minimum statutory capital and surplus required by the Act for the Company's current operations amounted to \$1,500,000 at December 31, 2022 (2021 - \$1,500,000).

Pursuant to insurance laws of the State of Vermont, Garden is required to maintain capital and surplus of \$100,000. Garden's equity (capital and surplus) amounted to \$379,521 and \$416,360 as of December 31, 2022 and 2021, respectively.

At December 31, 2022, Garden has cash and cash equivalents held in trusts of \$451,918 (2021: \$447,729) as security for reinsurance agreements.

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**12. Segregated Accounts**

As at December 31, 2022 and 2021, segregated accounts assets and liabilities are shown separately in the consolidated balance sheets as segregated account assets and segregated account liabilities.

A summary of these balances, and the aggregate operations of the segregated accounts, is as follows:

	December 31 2022 \$	December 31 2021 \$
<b>Balance Sheet</b>		
Cash and cash equivalents	20,875,993	20,602,889
Investments	28,909,200	6,011
Deferred acquisition cost	9,024,366	-
Reinsurance balances receivable	12,355,824	2,778,601
Funds withheld	417,302	630,095
Other Assets	606,092	-
<b>Total Assets</b>	<b>72,188,777</b>	<b>24,017,596</b>
Losses and loss adjustment expenses reserves	7,249,273	7,253,770
Losses payable	3,430,690	11,192,559
Other liabilities	1,780,262	126,465
Unearned premium reserves	27,994,416	-
Net equity due to preferred shareholders	31,734,136	5,444,802
<b>Total Liabilities</b>	<b>72,188,777</b>	<b>24,017,596</b>
<b>Non-Controlling Interests</b>	<b>-</b>	<b>-</b>
	2022 \$	2021 \$
<b>Statement of Operations</b>		
Net premiums written	35,553,749	(670)
Change in unearned premium	(27,994,416)	-
<b>Net premiums earned</b>	<b>7,559,333</b>	<b>(670)</b>
Acquisition costs	(2,941,562)	(863,021)
Losses and loss adjustment expenses incurred	(1,966,632)	6,707,814
Profit commission loss	-	(14,440)
General and administrative expenses	(448,664)	(99,351)
Net investment income (loss)	315,514	(57,857)
Other income	432,365	-
<b>Net income and comprehensive income</b>	<b>2,950,354</b>	<b>5,672,475</b>

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**13. Subsequent Events**

The Company has evaluated known recognized and non-recognized subsequent events through April 28, 2023.

There have been no significant subsequent events identified up to the date of approval of these consolidated financial statements.