National General Insurance, Ltd.

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

National General Insurance, Ltd.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of National General Insurance, Ltd.

Opinion

We have audited the consolidated financial statements of National General Insurance, Ltd. (the "Company") and subsidiaries, which comprise the consolidated statements of financial position, as of December 31, 2022 and 2021 and the related consolidated statements of income and comprehensive (loss) income, consolidated statements of shareholders' equity, and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred loss and paid claims development prior to the most recent year and average annual percentage payout of incurred claims disclosed in footnote 6 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 Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte and Touche LLP

April 28, 2023

NATIONAL GENERAL INSURANCE, LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Thousands, Except Shares and Per Share Data)

	December 31,	
	2022	**2021**
ASSETS		
Investments:		
Fixed income securities, at fair value (amortized cost of $293,320 and $232,472)	$ 273,377	$ 229,505
Equity securities, at fair value	—	1,812
Short-term, at fair value (amortized cost of $8,862 and $26,144)	8,862	26,144
Limited partnership interests	1,441	31,427
Total investments	283,680	288,888
Cash	1,579	1,991
Premiums receivables (related parties)	66,469	51,964
Deferred policy acquisition costs	13,306	10,187
Accrued investment income	1,794	1,016
Intangible assets	60	60
Deferred income taxes	—	623
Other assets, net (related parties $7,099 and $5,994)	7,109	6,288
Total assets	$ 373,997	$ 361,017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Reserve for property and casualty insurance claims and claims expense	$ 29,399	$ 17,084
Unearned premiums	40,942	31,345
Deferred income taxes	11	—
Commission payable (related parties)	21,602	16,888
Other liabilities and accrued expenses (related parties $12,765 and $18,444)	13,033	19,293
Total liabilities	$ 104,987	$ 84,610
Commitments and contingencies (Note 10)		
Shareholders' Equity:		
Common stock, $1 par value, 120,000 shares authorized, issued and outstanding (2022 and 2021)	$ 120	$ 120
Additional capital paid-in	241,787	241,850
Retained income	47,057	36,781
Accumulated other comprehensive income:		
Unrealized net capital gains and (losses)	(19,954)	(2,344)
Total accumulated other comprehensive income (loss) ("AOCI")	(19,954)	(2,344)
Total National General Insurance, Ltd. stockholders' equity	269,010	276,407
Total shareholders' equity	$ 269,010	$ 276,407
Total liabilities and shareholders' equity	$ 373,997	$ 361,017

See accompanying notes to consolidated financial statements

NATIONAL GENERAL INSURANCE, LTD.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE (LOSS) INCOME
(In Thousands)

	Year Ended December 31,	
	2022	**2021**
Revenues:		
Net earned premium	$ 90,823	$ 81,575
Net investment income	4,304	5,222
Net (loss) gain on investments	(18,098)	1,980
Service and fee income	24,906	24,283
Total revenues	101,935	113,060
Expenses:		
Loss and loss adjustment expense	60,920	51,368
Commission and other acquisition expenses	29,517	23,547
General and administrative expenses	1,285	1,416
Total expenses	91,722	76,331
Income before income taxes	10,213	36,729
Income tax expense	—	52
Net income	$ 10,213	$ 36,781
Other comprehensive (loss) income		
Unrealized loss on investments, net of tax (expense) benefit of ($0) and $789	(17,610)	(2,968)
Total other comprehensive (loss) income	(17,610)	(2,968)
Comprehensive (loss) income	$ (7,397)	$ 33,813

See accompanying notes to consolidated financial statements

NATIONAL GENERAL INSURANCE, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In Thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance January 1, 2021	$ 120	$ 184,068	$ 625	$ 80,588	$ 265,401
Impact of push down accounting	—	57,782	(791)	(80,588)	(23,597)
Net income	—	—	—	36,781	36,781
Net change in unrealized losses, net of tax benefit of $623	—	—	(2,178)	—	(2,178)
Balance December 31, 2021	$ 120	$ 241,850	$ (2,344)	$ 36,781	$ 276,407
Net income	—	—	—	10,213	10,213
Net change in unrealized losses, net of tax expense of -$0	—	—	(17,610)	—	(17,610)
Prior year reclass	—	(63)	—	63	—
Balance December 31, 2022	$ 120	$ 241,787	$ (19,954)	$ 47,057	$ 269,010

See accompanying notes to consolidated financial statements

NATIONAL GENERAL INSURANCE, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net income	$ 10,213	$ 36,781
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in net income of subsidiaries	2,370	(2,455)
Net (gain) loss on investments	18,098	(1,980)
Depreciation, amortization and other non-cash items	372	897
Accruals for interest earned but not received	—	(785)
Changes in assets and liabilities:		
Accrued investment income	(778)	1,763
Premiums receivables	(14,505)	21,865
Deferred policy acquisition costs	(3,119)	(2,407)
Other assets	(1,042)	125
Reserve for property and casualty insurance claims and claims expense	12,315	3,736
Unearned premiums	9,597	(2,050)
Income taxes	635	1,506
Commission payable	4,714	(7,106)
Other liabilities	(6,260)	5,893
Net cash provided by operating activities	32,610	55,783
Cash flows from investing activities:		
Purchases of:		
Fixed income securities	(154,884)	(279,940)
Limited partnership interests	—	(2,680)
Proceeds from sales:		
Fixed income securities	88,914	104,633
Equity securities	969	6,222
Limited partnership interests	14,626	31
Other investments	—	131,569
Investment collections		
Fixed income securities	24	709
Change in short-term and other investments, net	17,329	(25,939)
Net cash used in investing activities	$ (33,022)	$ (65,395)

See accompanying notes to consolidated financial statements

NATIONAL GENERAL INSURANCE, LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Thousands)

	Year Ended December 31,	
	2022	**2021**
Cash flows from financing activities:		
Net cash used in financing activities	—	—
Net decrease in cash	(412)	(9,612)
Cash at the beginning of year	1,991	11,603
Cash at the end of year	$ 1,579	$ 1,991
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ —	$ —

See accompanying notes to consolidated financial statements

(In Thousands, Except Shares and Per Share Data)

1. Organization and Acquisition

National General Insurance, Ltd. (the "Company") (formerly: National General Insurance Holdings, Ltd.) was incorporated under the laws of Bermuda on December 11, 2018, as a Bermuda exempt Company limited by shares. Effective May 18, 2020 the Company was registered as a Class 3A insurer under the Bermuda Assurance Act, 1978 and related regulations as amended.

The Company was already capitalized with a) $10 of paid up share capital, b) $198,090 of contributed surplus and c) $43,405 of retained earnings. The contributed surplus was made up of the transfer of the Luxembourg subsidiaries as well as a transfer of loan from National General Holdings Luxembourg S.a.r.l ("NGHL"). The retained earnings was made up of NGHL and National General Holdings Bermuda, Ltd.'s investment in subsidiary revaluation. The company increased the paid up share capital to $120 as required for a class 3A insurer pursuant to section 7(1)(a) of the Insurance Act.

The company's license authorizing it to write insurance business was issued by the Bermuda Monetary Authority on May 18, 2020. The Company is an indirect wholly-owned subsidiary of The Allstate Corporation ("Allstate"). The Company's direct holding company is National General Re Ltd. ("NGRE") a class 3A affiliated insurer. The Company has a 6% auto physical damage, no-fault, personal injury protection and liability quota share reinsurance contract of NGRE.

As of December 31, 2022 the Company had two subsidiaries:

Entity Name	Jurisdiction of Incorporation or Formation
American Capital Acquisition Investments S.A	Luxembourg
National General Insurance Management Ltd.	Bermuda

Effective January 4, 2021, National General Holdings Corp ("NGHC") became a wholly owned subsidiary of Allstate, pursuant to the Agreement and Plan of Merger ("Merger"). The Merger was accounted for under the acquisition method of accounting ("purchase accounting, or PGAAP").

Related to the acquisition by Allstate, the following adjustments were made to the beginning 2021 balance sheet to reflect the push down of purchase accounting adjustments:

Recording of investments at fair value	$	(20,017)
Elimination of deferred acquisition costs		(10,853)
Recording of Value of Business Acquired (VOBA)		7,781
Recording loss reserves at fair value		(568)
Licenses		60
Net impact to beginning equity	$	(23,597)

2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements includes the accounts of the Company and its wholly owned subsidiaries. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany accounts and transactions have been eliminated. Certain amounts have been reclassified to conform to current year presentation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

The Novel Coronovirus Pandemic or COVID-19 ("Coronavirus")

The Novel Coronavirus Pandemic or COVID-19 ("Coronavirus") has and may continue to effect economic activity through longer-term impacts such as supply chain disruptions, labor shortages and other macroeconomic factors that have increased inflation and affected our operations. These factors may continue to affect results of operations, financial condition and liquidity. The impact from the pandemic and the ongoing effects should be considered when comparing the current period to the prior period.

Certain growth and profitability comparisons to the prior year were impacted, in part, by the effects the Coronavirus had on prior year results. Throughout 2021 the Company experienced lower auto accident claim frequency and different claim patterns than historically experienced. Total auto claim frequency has since increased, but remains below pre-pandemic levels.

The Coronavirus has affected operations and may continue to significantly affect results of operations, financial condition and liquidity. The impact from the pandemic should be considered when comparing the current year to the prior year, including:

- Rate changes and average gross premiums
- Supply chain disruptions and labor shortages impacts on the cost of settling claims
- Premium for transportation network products
- Driving behavior and auto accident frequency
- Hospital and outpatient claim costs
- Investment valuations and returns
- Bad debt and credit allowance exposure

This list is not inclusive of all potential impacts and should not be treated as such

Summary of Significant Accounting Policies

Premiums Receivables

The Company recognizes earned premium on a pro rata basis over the terms of the policies, generally periods of six or twelve months. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of the policies.

Premiums receivables represent affiliated premiums written and not yet collected.

Premiums receivables are with entities under control and are exempt from allowance for credit loss evaluation.

Deferred Acquisition Costs

Costs that are related directly to the successful acquisition of new or renewal policies or contracts are deferred and recorded as deferred acquisition costs ("DAC"). These costs are principally agent and broker remuneration, premium taxes and certain underwriting expenses. All other acquisition costs are expensed as incurred and included in operating costs and expenses.

DAC is amortized into income as premiums are earned, typically over periods of six or twelve months for the policies and is included in amortization of deferred policy acquisition costs. DAC associated with property and casualty insurance is periodically reviewed for recoverability and adjusted if necessary. Future investment income is considered in determining the recoverability of DAC.

Assumptions used in the amortization of DAC and reserve calculations are established at the time the policy is issued and are generally not revised during the life of the policy. Any deviations from projected business in force resulting from actual policy terminations differing from expected levels and any estimated premium deficiencies may result in a change to the rate of amortization in the period such events occur. Generally, the amortization periods for these policies approximates the estimated lives of the policies. The Company periodically reviews the recoverability of DAC using actual experience and current assumptions. If actual experience and current assumptions are adverse compared to the original assumptions and a premium deficiency is determined to exist, any remaining unamortized DAC balance would be expensed to the extent not recoverable and the establishment of a premium deficiency reserve may be required for any remaining deficiency.

Value of Business Acquired (reported in DAC in the Consolidated Balance Sheets)

Recognized in connection with the acquisition of NGHC represents the value of future profits expected to be earned over the lives of the contracts acquired determined using a weighted-average cost of capital discount and other relevant assumptions. These costs are amortized over the policy term of the contracts in force at the acquisition date, generally over six or twelve months. The value of business acquired asset recognized in connection with the NGHC acquisition totaled $7,781, all of which was expensed in 2021.

Reserve for property and casualty insurance claims and claims expense

The reserve for property and casualty insurance claims and claims expense is the estimate of amounts necessary to settle all reported and unreported incurred claims for the ultimate cost of insured property and casualty losses, based upon the facts of each case and the Company's experience with similar cases. Estimated amounts of salvage and subrogation are deducted from the reserve for claims and claims expense. The establishment of appropriate reserves, including reserves for catastrophe losses, is an inherently uncertain and complex process. Reserve estimates are primarily derived using an actuarial estimation process in which historical loss patterns are applied to actual paid losses and reported losses (paid losses plus individual case reserves established by claim adjusters) for an accident or report year to create an estimate of how losses are likely to develop over time. Development factors are calculated quarterly and periodically throughout the year for data elements such as claims reported and settled, paid losses, and paid losses combined with case reserves. The historical development patterns for these data elements are used as the assumptions to calculate reserve estimates, including the reserves for reported and unreported claims. Reserve estimates are regularly reviewed and updated, using the most current information available. Any resulting reestimates are reflected in current results of operations.

Intangible Assets

Intangible assets consist of capitalized costs primarily related to licenses. Licenses are considered to have an indefinite life and are reviewed for impairment at least annually or more frequently if circumstances arise that indicate an impairment may have occurred. An impairment is recognized if the carrying amount of the asset exceeds its estimated fair value.

Investments

Fixed income securities include bonds. Fixed income securities, which may be sold prior to their contractual maturity, are designated as available-for-sale (“AFS”) and are carried at fair value. The difference between amortized cost, net of credit loss allowances (“amortized cost, net”) and fair value, net of deferred income taxes is reflected as a component of accumulated other comprehensive income ("AOCI'). The Company excludes accrued interest receivable from the amortized cost basis of its AFS fixed income securities. Cash received from calls and make-whole payments is reflected as a component of proceeds from sales and cash received from maturities and pay-downs is reflected as a component of investment collections within the Consolidated Statements of Cash Flows.

Equity securities primarily include common stocks, exchange traded and mutual funds, non-redeemable preferred stocks and real estate investment trust equity investments. Certain exchange traded and mutual funds have fixed income securities as their underlying investments. Equity securities are carried at fair value. Equity securities without readily determinable or estimable fair values are measured using the measurement alternative, which is cost less impairment, if any, and adjustments resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Investments in limited partnership interests are primarily accounted for in accordance with the equity method of accounting (“EMA”) and include interests in private equity funds. Investments in limited partnership interests purchased prior to January 1, 2018, where the Company’s interest is so minor that it exercises virtually no influence over operating and financial policies, are accounted for at fair value primarily utilizing the net asset value (“NAV”) as a practical expedient to determine fair value.

Short-term investments, including money market funds, commercial paper, U.S. Treasury bills and other short-term investments, are carried at fair value.

Investment income primarily consists of interest, dividends and income from limited partnership interests.

Interest is recognized on an accrual basis using the effective yield method and dividends are recorded at the ex-dividend date. For all others, the effective yield is generally recalculated on a prospective basis. Net investment income for AFS fixed income securities includes the impact of accreting the credit loss allowance for the time value of money. Accrual of income is suspended for fixed income securities when the timing and amount of cash flows expected to be received is not reasonably estimable. Accrual of income is suspended for mortgage loans and bank loans that are in default or when full and timely collection of principal and interest payments is not probable. Accrued income receivable is monitored for recoverability and when not expected to be collected is written off through net investment income. Cash receipts on investments on nonaccrual status are generally recorded as a reduction of amortized cost.

Income from limited partnership interests carried at fair value is recognized based upon the changes in fair value of the investee’s equity primarily determined using NAV. Income from EMA limited partnership interests is recognized based on the Company’s share of the partnerships’ earnings. Income from EMA limited partnership interests is generally recognized on a three month delay due to the availability of the related financial statements from investees.

Net gains and losses on investments and derivatives include gains and losses on investment sales, changes in the credit loss allowances related to fixed income securities, mortgage loans and bank loans, impairments, valuation changes of equity investments, including equity securities and certain limited partnerships where the underlying assets are predominately public equity securities, and periodic changes in fair value and settlements of certain derivatives, including hedge ineffectiveness. Net gains and losses on sales of investments and derivatives are determined on a specific identification basis and are net of credit losses already recognized through an allowance.

Income Taxes

The Company and Allstate file consolidated income tax returns. Income taxes are accounted for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities at the enacted tax rates. The principal assets and liabilities giving rise to such differences are DAC, unearned premiums, investments (including unrealized capital gains and losses), intangible assets and insurance reserves. A deferred tax asset valuation allowance is established when it is more likely than not such assets will not be realized. The Company recognizes interest expense related to income tax matters in income tax expense and penalties in other expense.

The Company recognizes tax benefits for tax positions that are more likely than not to be sustained upon examination by taxing authorities. The Company's policy is to prospectively classify accrued interest and penalties related to any unrecognized tax benefits in its income tax provision.

Service and Fee Income

Service and fee income primarily consists of management fee income. Refer to related party note 9.

Foreign Currency Remeasurement and Translation

The local currency of the Company's foreign subsidiaries is deemed to be the functional currency of the country in which these subsidiaries operate. The financial statement of the Company's foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of a reporting period for assets and liabilities and at average exchange rates during the period for results of operations.

The unrealized gains and losses from the translation of the net assets are recorded as unrealized foreign currency translation adjustments and included in AOCI. Changes in unrealized foreign currency translation adjustments are included in OCI. Gains and losses from foreign currency transactions are reported in operating costs and expenses and have not been material.

(In Thousands, Except Shares and Per Share Data)

3. Investments

	As of December 31,	
Portfolio composition	2022	2021
Fixed income securities, at fair value	$ 273,377	$ 229,505
Equity securities, at fair value	—	1,812
Limited partnership interests	1,441	31,427
Short-term investments, at fair value	8,862	26,144
Total	**$ 283,680**	**$ 288,888**

(a) Amortized cost, gross unrealized gains (losses) and fair value for fixed income securities

December 31, 2022	Amortized cost, net	Gross Unrealized Gains	Gross Unrealized Losses	Fair value
U.S. government and agencies	$ 142,594	$ 94	$ (6,531)	$ 136,157
Corporate	150,726	215	(13,721)	137,220
Total fixed income securities	**$ 293,320**	**$ 309**	**$ (20,252)**	**$ 273,377**

December 31, 2021	Amortized cost, net	Gross Unrealized Gains	Gross Unrealized Losses	Fair value
U.S. government and agencies	$ 94,954	$ —	$ (905)	$ 94,049
Municipal	3,513	—	(97)	3,416
Corporate	134,005	94	(2,059)	132,040
Total fixed income securities	**$ 232,472**	**$ 94**	**$ (3,061)**	**$ 229,505**

Scheduled maturities for fixed income securities

	As of December 31, 2022		
	Amortized cost, net	Unrealized G/L	Fair Value
Due in one year or less	$ 9,814	$ (262)	$ 9,552
Due after one year through five years	230,873	(14,126)	216,747
Due after five years through ten years	50,239	(5,289)	44,950
Due after ten years	2,394	(266)	2,128
Total	**$ 293,320**	**$ (19,943)**	**$ 273,377**

	As of December 31, 2021		
	Amortized cost, net	Unrealized G/L	Fair Value
Due in one year or less	$ —	$ —	$ —
Due after one year through five years	175,507	(2,368)	173,139
Due after five years through ten years	49,685	(533)	49,152
Due after ten years	7,280	(66)	7,214
Total	**$ 232,472**	**$ (2,967)**	**$ 229,505**

(In Thousands, Except Shares and Per Share Data)

Actual maturities may differ from those scheduled as a result of calls and make-whole payments by the issuers.

(b) Gross unrealized losses and fair value by type and length of time held in a continuous unrealized loss position

	Less Than 12 Months			12 Months or More			
December 31, 2022	Number of issues	Fair Value	Unrealized Losses	Number of issues	Fair Value	Unrealized Losses	Total unrealized losses
Fixed income securities							
U.S. government and agencies	$ 27	$ 56,740	$ (1,750)	$ 31	$ 62,456	$ (4,781)	$ (6,531)
Corporate	72	60,610	(4,615)	100	67,911	(9,106)	(13,721)
Total Fixed Income Securities	**99**	**117,350**	**(6,365)**	**131**	**130,367**	**(13,887)**	**(20,252)**
Investment grade fixed income securities	99	117,350	(6,365)	131	130,367	(13,887)	(20,252)
Total	**$ 99**	**$ 117,350**	**$ (6,365)**	**$ 131**	**$ 130,367**	**$ (13,887)**	**$ (20,252)**

	Less Than 12 Months			12 Months or More			
December 31, 2021	Number of issues	Fair Value	Unrealized Losses	Number of issues	Fair Value	Unrealized Losses	Total unrealized losses
Fixed income securities							
U.S. government and agencies	$ 33	$ 94,049	$ (905)	$ —	$ —	$ —	$ (905)
Municipal	6	3,370	(97)	—	—	—	(97)
Corporate	138	117,374	(2,059)	—	—	—	(2,059)
Total Fixed Income Securities	**177**	**214,793**	**(3,061)**	**—**	**—**	**—**	**(3,061)**
Investment grade fixed income securities	177	214,793	(3,061)	—	—	—	(3,061)
Total	**$ 177**	**$ 214,793**	**$ (3,061)**	**$ —**	**$ —**	**$ —**	**$ (3,061)**

Investment grade is defined as a security having a rating of Aaa, Aa, A or Baa from Moody's, a rating of AAA, AA, A or BBB from S&P Global Ratings ("S&P"), a comparable rating from another nationally recognized rating agency, or a comparable internal rating if an externally provided rating is not available. Market prices for certain securities may have credit spreads which imply higher or lower credit quality than the current third-party rating. Unrealized losses on investment grade securities are principally related to an increase in market yields which may include increased risk-free interest rates or wider credit spreads since the time of initial purchase. The unrealized losses are expected to reverse as the securities approach maturity.

Equity securities by sector

	December 31,					
	2022			2021		
	Cost	Over (under) cost	Fair value	Cost	Over (under) cost	Fair value
Financial Services	$ —	$ —	$ —	$ 8,391	$ (6,579)	$ 1,812
Energy	5	(5)	—	5	(5)	—
Total Equity Securities	**$ 5**	**$ (5)**	**$ —**	**$ 8,396**	**$ (6,584)**	**$ 1,812**

(In Thousands, Except Shares and Per Share Data)

(c) Net Investment Income

	For the Year Ended December 31,	
	2022	2021
Fixed income securities	$ 4,312	$ 1,763
Limited partnership interests	131	2,678
Short-term investments	183	9
Other investments	—	1,041
Investment income, before expense	4,626	5,491
Investment expense	(322)	(269)
Net investment income	$ 4,304	$ 5,222

(d) Net Gain (Loss) on Investments

	For the Year Ended December 31,	
	2022	2021
Fixed income securities	$ (4,265)	$ (399)
Equity securities	(843)	2,378
Limited partnership interests	(12,990)	—
Short-term investments	—	1
Net gain (loss) on investments	**$ (18,098)**	**$ 1,980**

(e) Gross realized gains (losses) on sales of fixed income securities

	For the Year Ended December 31,	
	2022	2021
Gross realized gains (losses) on sales of fixed income securities		
Gross realized gains	$ 135	$ 78
Gross realized losses	(4,400)	(477)

(f) Unrealized net capital gains (losses)

	For the Year Ended December 31,	
Unrealized net capital gains (losses)	2022	2021
Fixed income securities	$ (19,943)	$ (2,967)
Total	**(19,943)**	**(2,967)**
Deferred income taxes	(11)	623
Unrealized net capital gains and losses, after-tax	**$ (19,954)**	**$ (2,344)**

(g) Short-term investments

Short-term investments, including money market funds, commercial paper, U.S. Treasury bills and other short-term investments, are carried at fair value. As of December 31, 2022 and 2021, the fair value of short-term investments totaled $8,862 and $26,144, respectively.

(In Thousands, Except Shares and Per Share Data)

(h) Limited partnership interests

	December 31,			
	2022		2021	
	Equity method of accounting ("EMA")	Total	Equity method of accounting ("EMA")	Total
Private Equity	$ 1,441	$ 1,441	$ 31,427	$ 31,427
Balance at end of year	**$ 1,441**	**$ 1,441**	**$ 31,427**	**$ 31,427**

Equity method investments represent limited liability companies.

The Company held a variable interest in the following entities but is not the primary beneficiary of such VIE's. The Company accounts for these entities using the equity method of accounting. The Company believes its exposure to risk associated with these investments is generally limited to the investment carrying amounts.

LSC Entity

The Company had a 50% ownership interest in an entity (the "LSC Entity") initially formed to acquire life settlement contracts. The LSC Entity used the contributed capital to pay premiums and purchase policies. A life settlement contract is a contract between the owner of a life insurance policy and a third party who obtains the ownership and beneficiary rights of the underlying life insurance policy. The LSC Entity has a 30% non-controlling equity interest in the limited partnership managed by a third party.

The Company's equity interest in the LSC Entity as of December 31, 2022, and 2021, was $0 and $29,758, respectively. For the years ended December 31, 2022, and 2021, the Company recorded equity in earnings (losses) from the LSC Entity of $0 and $2,336, respectively, made contributions of $0 and $2,930, respectively, and received distributions of $2,142 and $370, respectively. During 2022, the Company sold its interest in the LSC Entity for $14,626 and incurred a loss on sale of $12,990.

(i) Credit Agreement

The Company was party to a credit agreement (the "ACP Re Credit Agreement") by and among AmTrust, as administrative agent, ACP Re Holdings, LLC, a Delaware limited liability company as borrower, and AmTrust and the Company, as lenders of $250,000 ($125,000 each lender). The amounts borrowed were secured by equity interests, cash and, other investments held by ACP Re Holdings, LLC in an amount equal to 115% of the value of the then outstanding loan balance. The maturity date of the loan was September 20, 2036. The interest rate on the outstanding principal balance was a fixed annual rate of 3.7%, provided that up to1.2% thereof were to be paid in kind.

Effective March 17, 2021, the ACP Re Credit Agreement was repaid in full in an amount of $132,610. As of December 31, 2022, and 2021, the Company had a receivable related to the ACP Re Credit Agreement of $0 and $0, respectively. For the years ended December 31, 2022 and 2021, the Company recorded interest income of $0 and $1,041, respectively, under the ACP Re Credit Agreement.

4. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Consolidated Statement of Financial Position at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

Level 1: Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2: Assets and liabilities whose values are based on the following:

(a) Quoted prices for similar assets or liabilities in active markets;

(b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or

(c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company’s estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised by the Company in determining fair value is typically greatest for instruments categorized in Level 3. In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance that assets and liabilities are appropriately valued through the execution of various processes and controls designed to ensure the overall reasonableness and consistent application of valuation methodologies, including inputs and assumptions, and compliance with accounting standards. For fair values received from third parties or internally estimated, the Company’s processes and controls are designed to ensure that the valuation methodologies are appropriate and consistently applied, the inputs and assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, on a continuing basis, the Company assesses the reasonableness of individual fair values that have stale security prices or that exceed certain thresholds as compared to previous fair values received from valuation service providers or brokers or derived from internal models. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers. In addition, the Company may validate the reasonableness of fair values by comparing information obtained from valuation service providers or brokers to other third-party valuation sources for selected securities. The Company performs ongoing price validation procedures such as back-testing of actual sales, which corroborate the various inputs used in internal models to market observable data. When fair value determinations are expected to be more variable, the Company validates them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

The Company has two types of situations where investments are classified as Level 3 in the fair value hierarchy:

(1) Specific inputs significant to the fair value estimation models are not market observable. This primarily occurs in the Company's use of broker quotes to value certain securities where the inputs have not been corroborated to be market observable, and the use of valuation models that use significant non-market observable inputs.

(2) Quotes continue to be received from independent third-party valuation service providers and all significant inputs are market observable; however, there has been a significant decrease in the volume and level of activity for the asset when compared to normal market activity such that the degree of market observability has declined to a point where categorization as a Level 3 measurement is considered appropriate. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources.

Certain assets are not carried at fair value on a recurring basis, including mortgage loans, bank loans and policy loans and are only included in the fair value hierarchy disclosure when the individual investment is reported at fair value.

In determining fair value, the Company principally uses the market approach which generally utilizes market transaction data for the same or similar instruments. To a lesser extent, the Company uses the income approach which involves determining fair values from discounted cash flow methodologies. For the majority of Level 2 and Level 3 valuations, a combination of the market and income approaches is used.

Summary of significant inputs and valuation techniques for Level 2 and Level 3 assets and liabilities measured at fair value on a recurring basis

Level 2 measurements

• Fixed income securities:

Municipal and corporate - public: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

Corporate - privately placed: Privately placed are valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

Level 3 measurements

• Fixed income securities:

Corporate - public: Primarily valued based on non-binding broker quotes where the inputs have not been corroborated to be market observable. Other inputs for corporate fixed income securities include an interest rate yield curve, as well as published credit spreads for similar assets that incorporate the credit quality and industry sector of the issuer.

(In Thousands, Except Shares and Per Share Data)

	December 31, 2022				
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Total
Assets					
Fixed income securities:					
U.S. government and agencies	$ 136,157	$ —	$ —	$ —	$ 136,157
Corporate - public	—	117,146	966	—	118,112
Corporate - privately placed	—	19,108	—	—	19,108
Total fixed income securities	136,157	136,254	966	—	273,377
Short-term investments	8,862	—	—	—	8,862
Total recurring basis assets	145,019	136,254	966	—	282,239
Non-recurring basis	—	—	—		—
Total assets at fair value	$ 145,019	$ 136,254	$ 966	$ —	$ 282,239
% of total assets at fair value	52 %	48 %	— %	— %	100 %

	December 31, 2021				
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Counterparty and cash collateral netting	Total
Assets					
Fixed income securities:					
U.S. government and agencies	$ 94,049	$ —	$ —	$ —	$ 94,049
Municipal	—	3,416	—	—	3,416
Corporate - public	—	103,775	—	—	103,775
Corporate - privately placed	—	28,265	—	—	28,265
Total fixed income securities	94,049	135,456	—	—	229,505
Equity securities	1,812	—	—	—	1,812
Short-term investments	26,144	—	—	—	26,144
Total recurring basis assets	122,005	135,456	—	—	257,461
Non-recurring basis	—	—	—		—
Total assets at fair value	$ 122,005	$ 135,456	$ —	$ —	$ 257,461
% of total assets at fair value	47 %	53 %	— %	— %	100 %

At December 31, 2022, and 2021, the carrying values of the Company's cash, premiums and other receivables, and accounts payable and accrued expenses approximate the fair value given their short-term nature and were classified as Level 1.

For the years ended December 31, 2022, and 2021, there were no transfers into Level 3.

(In Thousands, Except Shares and Per Share Data)

The following tables provide a reconciliation of recurring fair value measurements of the Level 3 financial assets:

	Corporate - Public	Equity Securities	Other investments	Total
Balance January 1, 2022	$ —	$ —	$ —	$ —
Transfers into Level 3	—	—	—	—
Total gains (losses) for the period:				
Included in net income	—	—	—	—
Included in other comprehensive income	(31)	—	—	(31)
Purchases	997	—	—	997
Settlements	—	—	—	—
Sales	—	—	—	—
Balance December 31, 2022	**$ 966**	**$ —**	**$ —**	**$ 966**
Change in unrealized gains (losses) for the period included in net income for assets held at the end of the reporting period	$ —	$ —	$ —	$ —
Change in unrealized gains (losses) for the period included in other comprehensive income for assets held at the end of the reporting period	$ (31)	$ —	$ —	$ (31)

5. Deferred Acquisition Costs

The following tables reflects the activity of policy acquisition costs deferred and amortized:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Balance, beginning of the year	$ 10,187	$ 10,853
DAC written off	—	(10,853)
Acquisition costs deferred	32,636	25,845
Amortization charged to income	(29,517)	(15,658)
Change in DAC	3,119	(666)
Balance, end of the year	**$ 13,306**	**$ 10,187**

	Year Ended December 31, 2022	Year Ended December 31, 2021
Balance, beginning of the year	$ —	$ —
VOBA additions	—	7,781
VOBA amortization	—	(7,781)
Change in VOBA	—	—
Balance, end of the year	**$ —**	**$ —**

6. Reserve for property and casualty insurance claims and claims expense

The unpaid losses and Loss Adjustment Expense (“LAE”) reserves are an estimate of the Company’s liability from incurred claims at the end of the reporting period. The unpaid losses and LAE reserves are the result of an ongoing analysis of recent loss development trends and emerging historical experience. Original estimates are increased or decreased as additional information becomes known regarding individual claims. In setting its reserves, the Company reviews its loss data to estimate expected loss development. Management believes that its use of standard actuarial methodology applied to its analyses of its historical experience provides a reasonable estimate of future losses. However, actual future losses may differ from the Company's estimate, and may be affected by future events beyond the control of management, including inflation, which may favorably or unfavorably impact the ultimate settlement of the Company's losses and LAE, as well as changes in the law and judicial interpretations.

(In Thousands of Dollars, Except Shares and Per Share Data)

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. In addition to inflation, the average severity of claims is affected by a number of factors that may vary by types and features of policies written. Future average severities are projected from historical trends, adjusted for implemented changes in underwriting standards and policy provisions, as well as general economic trends. These estimated trends are monitored and revised as necessary based on actual development.

The following tables present a reconciliation of beginning and ending balances for unpaid losses and LAE:

	Year Ended December 31,	
	2022	2021
Gross balance at beginning of the year*	$ 17,084	$ 13,916
Incurred losses and LAE related to:		
Current year	59,940	51,664
Prior year	980	(296)
Total incurred	60,920	51,368
Paid losses and LAE related to:		
Current year	(38,006)	(38,845)
Prior year	(10,599)	(9,355)
Total paid	(48,605)	(48,200)
Gross balance at end of the year	$ 29,399	$ 17,084

- The beginning reserves in 2021 include a $568 fair value adjustment related to the Purchase Accounting due to the acquisition of National General by Allstate.

Prior year loss development

2022. Loss and LAE for the year ended December 31, 2022, included $980 of unfavorable loss development on prior accident year loss and LAE reserves, driven by greater than expected emergence in unfavorable development in private passenger auto.

2021. Loss and LAE for the year ended December 31, 2021, included $296 of favorable loss development on prior accident year loss and LAE reserves, driven by greater than expected emergence in the small business auto segment, and offset by favorable development in private passenger auto.

Short-duration contracts

The following is information about incurred and paid claims development as of December 31, 2022, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities ("IBNR") plus expected development on reported claims included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended prior to December 31, 2022, is presented as unaudited supplementary information.

(In Thousands of Dollars, Except Shares and Per Share Data)

Property and Casualty

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				
	Year Ended December 31,			December 31, 2022	
Accident Year	2020	2021	2022	Total of IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(unaudited)				
2020	$ 24,405	$ 24,109	$ 21,911	$ —	$ —
2021		52,232	55,411	5,363	—
2022			59,940	11,359	—
Total (A)			$ 137,262		

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance		
	Year Ended December 31,		
Accident Year	2020	2021	2022
	(unaudited)		
2020	$ 11,058	$ 20,409	$ 21,911
2021		38,849	47,946
2022			38,006
Total (B)			$ 107,863
Unpaid loss and allocated loss adjustment expense reserves before 2011, net of reinsurance (C)			$ —
Unpaid loss and allocated loss adjustment expense reserves, net of reinsurance (A) - (B) + (C)			$ 29,399

Average Annual Percentage Payout of Accident Year Incurred Claims by Age, Net of Reinsurance*							
Years	1	2	3	4	5	6	7
	(unaudited)						
Property and Casualty	58.7 %	24.6 %	8.0 %	4.4 %	2.4 %	1.6 %	0.3 %

*Please note that due to lack of sufficient data and/or the effects of the accident years 2020 and prior commutation, we have elected to use the subject business from Integon as a proxy for the payout pattern.

Methodology for Estimating Incurred-But-Not-Reported Reserves

Loss and LAE reserves represent management's estimate of the ultimate liability for claims that have been reported and claims that have been incurred but not yet reported as of the balance sheet date. Because the establishment of loss and LAE reserves is a process involving estimates and judgment, currently estimated reserves may change. The Company reflects changes to the reserves in the results of operations for the period during which the estimates are changed.

Incurred-but-not-reported reserve estimates are generally calculated by first projecting the ultimate cost of all claims that have occurred and then subtracting reported losses and loss expenses. Reported losses include cumulative paid losses and loss expenses plus case reserves. Therefore, the IBNR also includes provision for expected development on reported claims.

The Company's internal actuarial analysis of the historical data provides the factors the Company uses in its actuarial analysis in estimating its loss and LAE reserves. These factors are implicit measures over time of claims reported, average case incurred amounts, case development, severity and payment patterns. However, these factors cannot be directly used as they do not take into consideration changes in business mix, claims management, regulatory issues, medical trends, and other subjective factors. In accordance with Actuarial Standards of Practice, the Company generally uses multiple traditional methods in determining our estimates of the ultimate unpaid claim liabilities. Each of these methods require actuarial judgment and assumptions. The techniques can include, but are not limited to:

- Paid Development Method - uses historical, cumulative paid losses by accident year and develops those actual losses to estimated ultimate losses based upon the assumption that each accident year will develop to estimated ultimate cost in a manner that is analogous to prior years.
- Paid Generalized Cape Cod Method - combines the Paid Development Method with the expected loss method, where the expected loss ratios are estimated from exposure and claims experience weighted across multiple accident periods. The selected expected loss ratio for a given accident year is derived by giving some weight to all of the accident years in the experience history rather than treating each accident year independently.
- Paid Bornhuetter-Ferguson Method - a combination of the Paid Development Method and the Expected Loss Method, the Paid Bornhuetter-Ferguson Method estimates ultimate losses by adding actual paid losses and projected future unpaid losses. The amounts produced are then added to cumulative paid losses to produce the final estimates of ultimate incurred losses.
- Incurred Development Method - uses historical, cumulative incurred losses by accident year and develops those actual losses to estimated ultimate losses based upon the assumption that each accident year will develop to estimated ultimate cost in a manner that is analogous to prior years.
- Incurred Generalized Cape Cod Method - combines the Incurred Development Method with the expected loss method, where the expected loss ratios are estimated from exposure and claims experience weighted across multiple accident periods. The selected expected loss ratio for a given accident year is derived by giving some weight to all of the accident years in the experience history rather than treating each accident year independently.
- Incurred Bornhuetter - Ferguson Method - a combination of the Incurred Development Method and the Expected Loss Method, the Incurred Bornhuetter-Ferguson Method estimates ultimate losses by adding actual incurred losses and projected future unreported losses. The amounts produced are then added to cumulative incurred losses to produce an estimate of ultimate incurred losses.
- Expected Loss Method - utilizes an expected ultimate loss ratio based on historical experience adjusted for trends multiplied by earned premium to project ultimate losses.

For each method, losses are projected to the ultimate amount to be paid. The Company then analyzes the results and may emphasize or deemphasize some or all of the outcomes to reflect actuarial judgment regarding their reasonableness in relation to supplementary information and operational and industry changes. These outcomes are then aggregated to produce a single selected point estimate that is the basis for the internal actuary's point estimate for loss reserves.

Methodology for Determining Cumulative Number of Reported Claims

When the Company is notified of an incident of potential liability that may lead to demand for payment(s), a claim file is created. Methods used to summarize claim counts have not changed significantly over the time periods reported in the tables above. The methodology of counting claims for each of the Company's segments may be summarized as follows:

The Company's P&C claims are counted by claim number assigned to each claimant per insured event. However, if an insured event occurs and demand for payment is made with respect to more than one coverage (e.g., an automobile claim arising from the same incident demanding separate payment for liability and physical damage), there would be one claim counted for each coverage for which a demand for payment was made. Claims closed without payment are included in the cumulative number of reported P&C claims.

(In Thousands of Dollars, Except Shares and Per Share Data)

7. Reinsurance

The following is the effect of reinsurance on premiums and loss and LAE:

	Year Ended December 31,			
	2022		2021	
Premium:	Written	Earned	Written	Earned
Assumed Gross Premium	$ 100,420	$ 90,823	$ 79,525	$ 81,575
Total Gross Premium	100,420	90,823	79,525	81,575
Ceded	—	—	—	—
Net Premium	$ 100,420	$ 90,823	$ 79,525	$ 81,575

	Year Ended December 31,			
	2022		2021	
	Assumed	Direct	Assumed	Direct
Loss and LAE*	$ 60,920	$ —	$ 51,368	$ —

- The Loss and LAE in 2021 include a $568 fair value adjustment related to the Purchase Accounting due to the acquisition of National General by Allstate.

8. Income Taxes

The Company provides for income tax expense or benefit based upon pre-tax income or loss reported in the consolidated financial statement and the provisions of currently enacted tax laws. The Company is incorporated under the laws of Bermuda and is subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company is not subject to any income or capital gains taxes in Bermuda. In the event that such taxes are imposed, the Company would be exempted from any such taxes until March 2035 under the Tax Assurance Certificates issued to such entities pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966 as amended.

9. Related Party Transactions

Reinsurance

Effective July 1, 2020, the Company assumes 6% of the net premiums of NGRE's auto physical damage, no-fault, personal injury protection and liability business, pursuant to a quota share reinsurance agreement.

(In Thousands of Dollars, Except Shares and Per Share Data)

Assumed activity and balances related to this reinsurance treaty are as follows:

	Year Ended December 31,	
	2022	2021
Premiums earned	$ 90,823	$ 81,575
Commission expenses	29,517	25,846
Losses and loss adjustment expense	60,920	51,368
Premium receivable	$ 66,469	$ 51,964
Reinsurance payable	13,471	19,384
Commission payable	$ 21,602	$ 16,888
Losses and loss expense reserves	29,399	17,084
Unearned premium	40,942	31,345

- The Loss and LAE in 2021 include a $568 fair value adjustment related to the Purchase Accounting due to the acquisition of National General by Allstate.

Management Agreement

Effective January 1, 2014, the Manager entered into a management agreement with NGRE, in which the Manager provides certain investment management, accounting and administrative services in connection with the operations of NGRE. Effective January 1, 2018 this agreement was amended. NGRE's fee is an amount equal to the Manager's actual costs incurred plus 5%. NGRE incurred charges of $961 and $941 related to these services for the years ended December 31, 2022, and 2021, respectively.

Reinsurance Brokerage Management Agreement

Effective November 15, 2018, a reinsurance brokerage agreement was entered between National General Insurance Management Limited ("NGIM") and NGRE, in which the NGRE appoints NGIM as its exclusive broker for the negotiation, procurement and/or placement of reinsurance by NGRE. The Original Agreement dated January 1, 2014 was entered between National General Reinsurance Broker, Ltd. On November 15, 2018 NGRB and NGIM merged with the surviving company being NGIM. NGRE's fee is an amount equal to 1.25% of Net Earned premium assumed by NGRE. NGRE incurred charges of $24,906 and $24,283 related to these services for the years ended December 31, 2022, and 2021, respectively.

10. Shareholders' Equity

Capital

For the years ended December 31, 2022, and 2021, the Company paid a dividend of $0 and $0, respectively.

(In Thousands of Dollars, Except Shares and Per Share Data)

Accumulated Other Comprehensive Income

Components of other comprehensive income (loss) on a pre-tax and after-tax basis

	Year Ended December 31,	
	2022	2021
Unrealized net capital gains and losses pre-tax	$ (19,943)	$ (2,967)
Tax	(11)	623
Unrealized net capital gains and losses after-tax	(19,954)	(2,344)
Accumulated other comprehensive loss	$ (19,954)	$ (2,344)

Reclassification of other comprehensive income to realized capital gains and losses

	Year Ended December 31	
	2022	2021
Realized gain (loss) fixed income	$ (4,265)	$ (399)
Realized gain (loss) short term	—	1
Less current period buy and sell in realized gain/loss: (1)		
Adjustment for comprehensive income - fixed income	(41)	20
Adjustment for comprehensive income short term	—	1
Total reclassification of OCI to realized gain/loss, pretax	$ (4,224)	$ (419)

(1) RCGL amount not impacting OCI for the period

11. Statutory Capital and Surplus

In 2015, the Bermuda Monetary Authority implemented the Economic Balance Sheet ("EBS") framework which will now be used as the basis to determine the Insurer's Enhanced Capital Requirement ("ECR"). The Authority also revised the basis in which Statutory Financial Statement ("SFS") for commercial insurers are prepared. Before the changes, commercial insurers were required to prepare SFS under Section 15 of the Act as prescribed under the Insurance Accounts Regulations 1980 (the "Accounts Regulations") as well as additional GAAP financial statement under Section 17 of the Act. Under the new changes financial statements prepared under Section 17A will act as the basis on which SFS will now be prepared subject to application of certain prudential filters. This financial statement will in turn, form the starting basis for the preparation of the EBS. The SFS will have a statement both on a consolidated and unconsolidated basis. The unconsolidated information will form the basis for assessing the Insurer's liquidity position, Minimum Solvency Margin ("MSM"), and class of registration while the consolidated information will form the starting point for the EBS. The EBS, will be the basis to calculate the Insurer's ECR.

Under the Act, the Company will be required to file a statutory income statement and statutory statement of capital and surplus on an unconsolidated basis ("unconsolidated SFS") reflecting the entity's unconsolidated financial position for the years ended December 31, 2022, and 2021. The information contained in the unconsolidated SFS will be used as one of the basis for computation of the MSM with the other consideration being 25% of ECR which is computed from the EBS.

The statutory capital and surplus of the Company for the years ended December 31, 2022, and 2021 was $268,949 and $276,346, respectively, and the amount required to be maintained under Bermuda law, the minimum solvency margin, was $15,363 and $12,229 at December 31, 2022, and 2021, respectively. The Company was also required to maintain a minimum liquidity ratio. All requirements were met by the Company throughout the period. In addition, the Company is subject to statutory and regulatory restrictions under the Act.

(In Thousands of Dollars, Except Shares and Per Share Data)

The Company is registered as a Class 3A insurer under the Act and, therefore, must maintain capital at a level equal to its enhanced capital requirement ("ECR"). The Company is currently completing the 2022 Bermuda Solvency Capital Requirement ("BSCR"), SFS and EBS and believes that it meets the target level of required capital as of December 31, 2022, and 2021.

The statutory basis financial statement differs from financial statements prepared in accordance with U.S. GAAP with the principal difference relating to non-admitted assets under the Insurance Account Rules 2016 ("Rules"). Non-admitted assets under the Rules are identified as prepaids, deferred expenses and intangibles. The following tables present and reconcile statutory net income of the Company as a standalone entity for the years ended December 31, 2022, and 2021, and the statutory capital and surplus as per statutory basis financial returns as of December 31, 2022, and 2021, to U.S. GAAP net income and equity:

	Year Ended December 31,	
	2022	2021
Statutory net income	$ 10,213	$ 36,781
Unrealized gain (loss) on subsidiaries	—	—
U.S. GAAP net income	$ 10,213	$ 36,781
Statutory surplus and capital	$ 268,949	$ 276,346
Non - admitted assets	61	61
U.S. GAAP shareholders' equity	$ 269,010	$ 276,407

12. Subsequent Events

The Company has evaluated subsequent events through April 28, 2023, the date on which the Consolidated Financial Statements were available to be issued. There were no subsequent events requiring adjustments to or disclosures in the Consolidated Financial Statements.