National General Re Ltd.

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

National General Re Ltd.

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Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606
USA

Tel: 1 312 486 1000
Fax: 1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of National General Re Ltd.

Opinion

We have audited the consolidated financial statements of National General Re 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 7 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 RE 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, net $1,337,473 and $888,396)	$ 1,225,255	$ 876,262
Equity securities, at fair value	39,411	14,857
Short-term, at fair value (amortized cost $38,128 and $90,313)	38,124	90,313
Limited partnership interests (related parties $0 and $40,211)	12,406	66,573
Other investments	2,981	1,937
Total investments	1,318,177	1,049,942
Cash	3,732	3,183
Premiums receivables (related parties)	1,193,090	1,135,659
Deferred policy acquisition costs	324,307	233,522
Accrued investment income	10,522	5,623
Property and equipment, net	11,044	11,228
Intangible assets	90	120
Deferred income taxes	33,015	27,961
Other assets, net (related parties $2,184 and $3,110)	3,858	4,576
Total assets	$ 2,897,835	$ 2,471,814
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Reserve for property and casualty insurance claims and claims expense	652,768	358,001
Unearned premiums	997,867	718,530
Accrued current income taxes	27,373	26,628
Commissions payable (related parties)	387,754	388,275
Other liabilities and accrued expenses - (related parties $86,550 and $172,316)	87,343	173,889
Total liabilities	$ 2,153,105	$ 1,665,323
Commitments and contingencies (Note 11)		
Shareholders' Equity:		
Common stock, $1 par value, 120,000 shares authorized, issued and outstanding (2022 and 2021)	$ 120	$ 120
Additional capital paid-in	713,053	713,150
Retained income	124,150	102,648
Accumulated other comprehensive income:		
Unrealized net capital gains and (losses)	(92,855)	(9,586)
Unrealized foreign currency translation adjustments	68	(35)
Total accumulated other comprehensive income (loss) ("AOCI")	(92,787)	(9,621)
Total National General Re Ltd. stockholders' equity	$ 744,536	$ 806,297
Noncontrolling interest	$ 194	$ 194
Total shareholders' equity	$ 744,730	$ 806,491
Total liabilities and shareholders' equity	$ 2,897,835	$ 2,471,814

See accompanying notes to consolidated financial statements

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

	Year Ended December 31,	
	2022	**2021**
Revenues:		
Property and casualty insurance premiums	$ 1,992,512	$ 1,942,679
Net investment income	29,123	24,833
Net loss on investments	(42,508)	(26,988)
Other revenue	1,596	1,573
Total revenues	1,980,723	1,942,097
Expenses:		
Loss and loss adjustment expense	1,274,457	1,154,983
Commission and other acquisition expenses	645,126	561,700
General and administrative expenses	3,246	3,061
Total expenses	1,922,829	1,719,744
Income before income taxes	57,894	222,353
Income tax expense	(40,895)	(27,045)
Net income	$ 16,999	$ 195,308
Other comprehensive (loss) income		
Foreign currency translation adjustment, net of tax benefit of $29 and $77	103	290
Unrealized loss on investments, net of tax benefit of $16,819 and $12,062	(83,270)	(45,378)
Total other comprehensive (loss) income	(83,167)	(45,088)
Comprehensive (loss) income	$ (66,168)	$ 150,220

See accompanying notes to consolidated financial statements

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

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interest	Total
Balance January 1, 2021	$ 120	$ 390,690	$ 35,467	$ 370,099	$ 194	$ 796,570
Impact of push down accounting	—	322,460	(35,431)	(370,019)	—	(82,990)
Net income	—	—	—	195,308	—	195,308
Foreign currency translation, net of tax expense of $(10)	—	—	(35)	—	—	(35)
Net change in unrealized losses, net of tax benefit of $2,558	—	—	(9,622)	—	—	(9,622)
Deemed dividend	—	—	—	(3,940)	—	(3,940)
Dividends to parent company	—	—	—	(88,800)	—	(88,800)
Balance December 31, 2021	$ 120	$ 713,150	$ (9,621)	$ 102,648	$ 194	$ 806,491
Prior year reclass	—	(97)	1	96	—	—
Net income	—	—	—	16,999	—	16,999
Foreign currency translation, net of tax expense of $(27)	—	—	103	—	—	103
Net change in unrealized losses, net of tax benefit $16,819	—	—	(83,270)	—	—	(83,270)
Gain on reinsurance with an affiliate	—	—	—	4,407	—	4,407
Balance December 31, 2022	$ 120	$ 713,053	$ (92,787)	$ 124,150	$ 194	$ 744,730

See accompanying notes to consolidated financial statements

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

	Year Ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net income	$ 16,999	$ 195,308
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of other investments	6,072	2,349
(Increase) Decrease from Income	(1,551)	—
Net (gain) loss on investments	42,508	26,988
Depreciation, amortization and other non-cash items	28,754	11,771
Fair value adjustment on loss reserves	—	(17,050)
Accruals for interest earned but not received	—	(785)
Changes in assets and liabilities:		
Accrued investment income	(4,899)	6,398
Premium receivables	(176,486)	558,982
Commission payable	(520)	(36,254)
Other assets	735	765
Reserve for property and casualty insurance claims and claims expense	294,766	(362,923)
Unearned premiums	279,337	(111,494)
Income taxes	(4,311)	(18,950)
Deferred acquisition costs	(90,785)	(32,355)
Other liabilities	(86,784)	(72,829)
Net cash provided by operating activities	303,835	149,921
Cash flows from investing activities:		
Investment purchases		
Fixed income securities	(867,430)	(1,304,444)
Equity securities	(67,016)	(46,172)
Property and equipment	—	(132)
Limited partnership interests	(522)	(2,680)
Proceeds from sales		
Fixed income securities	495,922	1,051,829
Equity securities	40,195	46,538
Limited partnership interests	31,648	5,157
Other investments	508	132,242
Investment collections		
Fixed income securities	10,939	25,991
Sale of premises and equipment	—	8,800
Change in short-term and other investments, net	52,471	(36,004)
Net cash used in investing activities	$ (303,285)	$ (118,875)

See accompanying notes to consolidated financial statements

NATIONAL GENERAL RE LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Year Ended December 31,	
	2022	**2021**
Cash flows from financing activities:		
Dividends paid to parent company	$ —	$ (50,000)
Net cash used in financing activities	—	(50,000)
Effect of exchange rate changes on cash	(1)	364
Net decrease in cash	549	(18,590)
Cash at the beginning of year	3,183	21,773
Cash at the end of year	$ 3,732	$ 3,183
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 29,042	$ 52
Supplemental disclosures of non-cash investing activities		
Settlement of receivables with securities	$ (119,054)	$ 391,210

See accompanying notes to consolidated financial statements

(In Thousands, Except Shares and Per Share Data)

1. Organization and Acquisition

National General Re Ltd. (the "Company") was incorporated under the laws of Bermuda on November 14, 2011, is registered as a Class 3A insurer under the Bermuda Assurance Act, 1978 and related regulations as amended and commenced operations in 2012. The Company is a wholly-owned subsidiary of The Allstate Corporation ("Allstate"). The Company was founded as a Bermuda reinsurance company organized to provide reinsurance business solutions to its parent and affiliated companies. The Company provides reinsurance coverage to Allstate's subsidiaries.

As of December 31, 2022 we had five subsidiaries.

Entity Name	Jurisdiction of Incorporation or Formation
American Capital Acquisition Investments S.A	Luxembourg
Integon Properties S.A. de C.V	Mexico
National General Insurance, Ltd.	Bermuda
National General Insurance Management Ltd.	Bermuda
NG Holdings, LLC	Delaware

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	$	(24,167)
Elimination of deferred acquisition costs		(269,758)
Recording of value of business acquired (VOBA)		201,168
Recording loss reserves at fair value		(17,050)
Other		145
Tax Impacts of adjustments		26,672
Net impact to beginning equity	$	(82,990)

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 affiliated entities under common 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 Sheet)

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 $201,168, 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 and asset-backed securities ("ABS"). 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 Statement 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, real estate funds and other 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. Other investments primarily consist of bank loans, policy loans, real estate and derivatives. Bank loans are primarily senior secured corporate loans. Policy loans are carried at unpaid principal balances. Real estate is carried at cost less accumulated depreciation. Derivatives are carried at fair value.

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

Interest is recognized on an accrual basis using the effective yield method and dividends are recorded at the ex-dividend date. Interest income for ABS is determined considering estimated pay-downs, including prepayments, obtained from third-party data sources and internal estimates. Actual prepayment experience is periodically reviewed, and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received and currently anticipated. For ABS of high credit quality with fixed interest rates, the effective yield is recalculated on a retrospective basis. 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.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Included in property and equipment are capitalized costs related to computer software developed for internal use. Property and equipment depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	30 years
Leasehold improvements	Remaining lease term
Hardware & Software	3 to 5 years
Other equipment	3 to 20 years

Depreciation expense is reported in operating costs and expenses. The Company reviews its property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Variable Interest Entities

A variable interest entity ("VIE") is a legal entity that does not have sufficient equity at risk to finance its activities without additional financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not participate in the gains and losses of the entity. The Company consolidates VIEs in which the Company is deemed the primary beneficiary. The primary beneficiary is the entity that has both (1) the power to direct the activities of the VIE that most significantly affect that entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE.

Noncontrolling Interest

Non-redeemable noncontrolling interest is the portion of equity (net assets) not attributable, directly or indirectly, to a parent.

Other Revenue

Other revenue primarily consists of rental income from real estate with 85% of the rental income with an affiliated entity. Rental income is reported on a straight line basis.

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.

Accounting Standards

Recent Accounting Standards, Adopted

Standard	Description	Effective Date	Effect on the Company
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	This standard simplifies the accounting for income taxes by eliminating some exceptions to the general approach in Accounting Standards Codification ("ASC") 740, Income Taxes. It also clarifies certain aspects of the existing guidance to promote more consistent application, among other things.	January 1, 2021	The adoption had no impact on the Company's operations and financial position.

(In Thousands, Except Shares and Per Share Data)

3. Investments

Portfolio composition

	As of December 31, 2022	As of December 31, 2021
Fixed income securities, at fair value	$ 1,225,255	$ 876,262
Equity securities, at fair value	39,411	14,857
Short-term investments, at fair value	38,124	90,313
Limited partnership interests	12,406	66,573
Other investments	2,981	1,937
Total	**$ 1,318,177**	**$ 1,049,942**

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

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies	$ 269,423	$ 293	$ (8,957)	$ 260,759
Municipal	126,973	281	(12,153)	115,101
Corporate	929,680	901	(92,272)	838,309
ABS	11,397	—	(311)	11,086
Total fixed income securities	**$ 1,337,473**	**$ 1,475**	**$ (113,693)**	**$ 1,225,255**

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies	$ 147,741	$ 1	$ (1,070)	$ 146,672
Municipal	92,030	50	(1,804)	90,276
Corporate	637,234	1,157	(10,484)	627,907
ABS	11,391	18	(2)	11,407
Total fixed income securities	**$ 888,396**	**$ 1,226**	**$ (13,360)**	**$ 876,262**

Scheduled maturities for fixed income securities

Maturity class [1,2]	As of December 31 2022 Amortized Cost	Unrealized Gain / (Loss)	Fair Value
Due in one year or less	$ 36,791	$ (824)	$ 35,967
Due after one year through five years	875,341	(59,240)	816,101
Due after five years through ten years	357,766	(46,930)	310,836
Due after ten years	56,178	(4,913)	51,265
	1,326,076	**(111,907)**	**1,214,169**
ABS	11,397	(311)	11,086
Total	**$ 1,337,473**	**$ (112,218)**	**$ 1,225,255**

(In Thousands, Except Shares and Per Share Data)

	As of December 31		
	2021		
Maturity class [1,2]	Amortized Cost	Unrealized Gain / (Loss)	Fair Value
Due in one year or less	$ 7,458	$ (19)	$ 7,439
Due after one year through five years	510,413	(7,127)	503,286
Due after five years through ten years	321,088	(4,688)	316,400
Due after ten years	38,046	(316)	37,730
	877,005	**(12,150)**	**864,855**
ABS	11,391	16	11,407
Total	**$ 888,396**	**$ (12,134)**	**$ 876,262**

1. Actual maturities may differ from those scheduled as a result of calls and make-whole payments by the issuers.
2. ABS is shown separately because of potential prepayment of principal prior to contractual maturity dates.

(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
U.S. government and agencies	52	174,909	$ (4,176)	31	$ 62,456	$ (4,781)	$ (8,957)
Municipal	36	44,571	(2,148)	36	59,796	(10,005)	(12,153)
Corporate	412	451,522	(42,680)	340	358,984	(49,592)	(92,272)
ABS	5	8,192	(204)	1	2,893	(107)	(311)
Total Fixed Income Securities	**505**	**679,194**	**(49,208)**	**408**	**484,129**	**(64,485)**	**(113,693)**
Investment grade fixed income securities	375	616,745	(40,768)	373	466,276	(60,663)	(101,431)
Below investment grade fixed income securities	130	62,449	(8,440)	35	17,853	(3,822)	(12,262)
Total Fixed Income Securities	**$ 505**	**$ 679,194**	**$ (49,208)**	**408**	**$ 484,129**	**$ (64,485)**	**$ (113,693)**

(In Thousands, Except Shares and Per Share Data)

	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
U.S. government and agencies	35	$ 143,679	$ (1,070)	—	$ —	$ —	$ (1,070)
Municipal	50	79,109	(1,804)	—	—	—	(1,804)
Corporate	426	529,384	(10,484)	—	—	—	(10,484)
ABS	2	4,201	(2)	—	—	—	(2)
Total Fixed Income Securities	**513**	**756,373**	**(13,360)**	**—**	**—**	**—**	**(13,360)**
Investment grade fixed income securities	451	717,865	(12,666)	—	—	—	(12,666)
Below investment grade fixed income securities	62	38,508	(694)	—	—	—	(694)
Total Fixed Income Securities	**$ 513**	**$ 756,373**	**$ (13,360)**	**$ —**	**$ —**	**$ —**	**$ (13,360)**

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	$ 1,500	$ —	$ 1,500	$ 9,891	$ (6,579)	$ 3,312
Funds / ETFs	37,266	(559)	36,707	9,959	(71)	9,888
Technology	1,368	(164)	1,204	1,367	(12)	1,355
Energy	5	(5)	—	5	(5)	—
Basic Industry	—	—	—	20	282	302
Total Equity Securities	**$ 40,139**	**$ (728)**	**$ 39,411**	**$ 21,242**	**$ (6,385)**	**$ 14,857**

(In Thousands, Except Shares and Per Share Data)

(c) Net Investment Income

	For the Year Ended December 31,	
	2022	2021
Fixed income securities	$ 26,274	$ 20,809
Equity securities	556	311
Short-term investments	810	26
Limited partnership interests	1,533	5,339
Other investments	1,551	627
Investment income, before expenses	**30,724**	**27,112**
Investment expense	(1,601)	(2,279)
Net investment income	**$ 29,123**	**$ 24,833**

(d) Net loss on investments

	For the Year Ended December 31,	
	2022	2021
Fixed income securities	(23,272)	(10,174)
Short-term investments	(1)	1
Equity securities	(2,267)	6,680
Limited partnership interests	(16,968)	(23,495)
Net loss on investments	**$ (42,508)**	**$ (26,988)**

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

	For the Year Ended December 31,	
	2022	2021
Gross realized gains	$ 1,035	$ 1,603
Gross realized losses	(24,307)	(11,777)

(f) Unrealized net capital gains (losses)

	For the Year Ended December 31,	
	2022	2021
Fixed income securities	$ (112,218)	$ (12,134)
Short-term investments	(4)	—
Total	**(112,222)**	**(12,134)**
Deferred income taxes	19,367	2,548
Unrealized net capital gains and (losses), after-tax	**$ (92,855)**	**$ (9,586)**

(In Thousands, Except Shares and Per Share Data)

(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 $38,124 and $90,313, respectively.

(h) Limited partnership and other Investments

	As of December 31,					
	2022			2021		
	Equity method of accounting ("EMA")	Fair Value	Total	Equity method of accounting ("EMA")	Fair Value	Total
Private Equity	$ 1,441	$ —	$ 1,441	$ 31,427	$ —	$ 31,427
Real Estate	10,965	—	10,965	24,693	10,453	35,146
Other investments	—	2,981	2,981	—	1,937	1,937
Total	**$ 12,406**	**$ 2,981**	**$ 15,387**	**$ 56,120**	**$ 12,390**	**$ 68,510**

Other investments at fair value include the Company's right to receive the excess servicing spread related to servicing rights, for which the Company has elected the fair value option with changes in fair value recorded in net investment income. The Company believes its exposure to risks associated with these investments is generally limited to the investment carrying amounts.

Limited Liability Companies and Limited Partnerships

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

On April 29, 2022, the Company entered into a transaction to sell its interest in limited partnerships holding, LSC Entity, North Dearborn, LBJ Freeway, LLC and Illinois Center. The Company received $19,092 but recorded a loss of $16,967 on the transaction date. Refer below for individual 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.

North Dearborn Building Company, L.P.

The Company held an investment in North Dearborn Building Company, L.P. ("North Dearborn"), a limited partnership that owned an office building in Chicago, Illinois. AmTrust was a limited partner in North Dearborn, and the general partner is NA Advisors GP LLC ("NA Advisors"), which was managed by an unrelated third party. The Company and AmTrust each held a 45% limited partnership interest in North Dearborn, while NA Advisors held a 10% general partnership interest and a 10% profit interest, which NA Advisors pays to the unrelated third-party manager. North Dearborn appointed NA Advisors as the general manager to oversee the day-to-day operations of the office building.

The Company's equity interest in North Dearborn as of December 31, 2022, and 2021, was $0 and $4,352, respectively. For the years ended December 31, 2022, and 2021, the Company recorded equity in earnings (losses) from North Dearborn of $0 and $(2,982), respectively, and received distributions of $0 and $180, respectively. For the years ended December 31, 2022, and 2021, there was an other than temporary impairment of $0 and $(3,687), respectively. Sales proceeds of $2,305 and loss on sale of $2,047.

4455 LBJ Freeway, LLC

The Company held an investment in 4455 LBJ Freeway, LLC, a limited liability company that owned an office building in Dallas, Texas, with AmTrust. AmTrust had been appointed managing member of 4455 LBJ Freeway, LLC. The Company and AmTrust each had a 50% ownership interest in 4455 LBJ Freeway, LLC.

The Company's equity interest in 4455 LBJ Freeway, LLC as of December 31, 2022, and 2021, was $0 and $6,101, respectively. For the year ended December 31, 2022, and 2021, the Company recorded equity in losses from 4455 LBJ Freeway, LLC of $0 and $(266), made contributions of $11 and $8020 and received distributions of $2,021 and $0 respectively. For the years ended December 31, 2022, and 2021, there was an other than temporary impairment of $0 and $(1,653), respectively. Sales proceeds of $2,161 and loss on sale of $1,930.

Illinois Center Building, L.P.

The Company held an investment in Illinois Center Building, L.P. ("Illinois Center"), a limited partnership that owned an office building in Chicago, Illinois. AmTrust and ACP Re were also limited partners in Illinois Center and the general partner is NA Advisors. The Company and AmTrust each held a 37.5% limited partnership interest in Illinois Center, while ACP Re held a 15.0% limited partnership interest. NA Advisors held a 10.0% general partnership interest and a 10.0% profit interest, which NA Advisors pays to the unrelated third-party manager. Illinois Center appointed NA Advisors as the general manager to oversee the day-to-day operations of the office building.

The Company's equity interest in Illinois Center as of December 31, 2022, and 2021, was $0 and $0, respectively. For the year ended December 31, 2022, and 2021, the Company recorded equity in losses from Illinois Center of $0 and $(5,210), respectively, made contributions of $0 and $23,364, respectively, and received distributions of $0 and $0, respectively. For the years ended December 31, 2022, and 2021, there was an other than temporary impairment of $0 and $(18,154), respectively. On April 29, 2022 the Company sold the building for $1. Gain on sale $1.

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 to 1.2% 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.

Corporate - privately placed also includes redeemable preferred stock that are valued using quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, underlying stock prices and credit spreads.

(In Thousands, Except Shares and Per Share Data)

ABS: 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, collateral performance, and credit spreads. Certain ABS are valued based on non-binding broker quotes whose inputs have been corroborated to be market observable. Residential MBS, included in ABS, uses prepayment speeds as a primary input for valuation.

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.

• Equity securities: The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that are less active relative to those markets supporting Level 2 fair value measurements.

• Other investments: The Company values its right to receive the excess servicing spread related to servicing rights using the present value of expected cash flows provided by a third-party where the primary inputs are not market observable.

Investments excluded from the fair value hierarchy

Limited partnerships carried at fair value, which do not have readily determinable fair values, use NAV provided by the investees and are excluded from the fair value hierarchy. These investments are generally not redeemable by the investees and generally cannot be sold without approval of the general partner. The Company receives distributions of income and proceeds from the liquidation of the underlying assets of the investees.

Assets measured at fair value	December 31, 2022			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:				
U.S. government and agencies	$ 260,759	$ —	$ —	$ 260,759
Municipal	—	115,101	—	115,101
Corporate - public	—	637,706	6,382	644,088
Corporate - privately placed	—	194,221	—	194,221
ABS	—	11,086	—	11,086
Total fixed income securities	**$ 260,759**	**$ 958,114**	**$ 6,382**	**$ 1,225,255**
Equity securities	36,708	—	2,703	39,411
Short-term investments	35,986	2,138	—	38,124
Other investments	—	—	2,981	2,981
Total recurring basis assets	**$ 333,453**	**$ 960,252**	**$ 12,066**	**$ 1,305,771**
Total assets at fair value	**$ 333,453**	**$ 960,252**	**$ 12,066**	**$ 1,305,771**
% of total assets at fair value	25.6 %	73.5 %	0.9 %	100 %
Investments reported at NAV				—
Total				**$ 1,305,771**

(In Thousands, Except Shares and Per Share Data)

Assets measured at fair value	December 31, 2021			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Fixed income securities:				
U.S. government and agencies	$ 146,672	$ —	$ —	$ 146,672
Municipal	—	90,276	—	90,276
Corporate - public	—	445,741	1,395	447,136
Corporate - privately placed	—	180,771	—	180,771
ABS	—	11,407	—	11,407
Total fixed income securities	**$ 146,672**	**$ 728,195**	**$ 1,395**	**$ 876,262**
Equity securities	11,700	—	3,157	14,857
Short-term investments	90,313	—	—	90,313
Other investments	—	—	1,937	1,937
Total recurring basis assets	**$ 248,685**	**$ 728,195**	**$ 6,489**	**$ 983,369**
Total assets at fair value	**$ 248,685**	**$ 728,195**	**$ 6,489**	**$ 983,369**
% of total assets at fair value	25.3 %	74.0 %	0.7 %	100 %
Investments reported at NAV				10,453
Total				**$ 993,822**

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

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	$ 1,395	$ 3,157	$ 1,937	$ 6,489
Transfers into Level 3	—	—	—	—
Total gains (losses) for the period:				
Included in net income	(6)	(148)	1,551	1,397
Included in other comprehensive income	(245)	—	—	(245)
Purchases	6,654	—	—	6,654
Settlements	(1,416)	—	—	(1,416)
Sales	—	(306)	(507)	(813)
Balance December 31, 2022	**$ 6,382**	**$ 2,703**	**$ 2,981**	**$ 12,066**
Change in unrealized gains (losses) for the period included in net income for assets held at the end of the reporting period	$ (13)	$ (152)	$ 1,551	$ 1,386
Change in unrealized gains (losses) for the period included in other comprehensive income for assets held at the end of the reporting period	$ (259)	$ —	$ —	$ (259)

(In Thousands, Except Shares and Per Share Data)

	Corporate - Public	Equity Securities	Other investments	Total
Balance January 1, 2021	$ 2,324	$ —	$ 3,026	$ 5,350
Transfers into Level 3	—	2,887	—	2,887
Total gains (losses) for the period:				
Included in net income	24	270	(414)	(120)
Included in other comprehensive income	(14)	—	—	(14)
Sales	(939)	—	(675)	(1,614)
Balance December 31, 2021	**$ 1,395**	**$ 3,157**	**$ 1,937**	**$ 6,489**
Change in unrealized gains (losses) for the period included in net income for assets held at the end of the reporting period	$ 24	$ 270	$ (414)	$ (120)
Change in unrealized gains (losses) for the period included in other comprehensive income for assets held at the end of the reporting period	$ (14)	$ —	$ —	$ (14)

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

5. Deferred Acquisition Costs and Value of Business Acquired (VOBA)

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

	Year Ended December 31,	
	2022	2021
Balance, beginning of the year	$ 233,522	$ 269,758
DAC written off	—	(269,758)
Additions	735,910	594,055
Amortization	(645,125)	(360,533)
Change in DAC	90,785	(36,236)
Balance, end of the year	$ 324,307	$ 233,522

	Year Ended December 31,	
	2022	2021
Balance, beginning of the year	$ —	$ —
VOBA additions	—	201,168
VOBA amortization	—	(201,168)
Change in VOBA	—	—
Balance, end of the year	$ —	$ —

(In Thousands, Except Shares and Per Share Data)

6. Property and Equipment

The composition of property and equipment consisted of the following:

	December 31,					
	2022			2021		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
Land	$ 2,693	$ —	$ 2,693	$ 2,690	$ —	$ 2,690
Building	8,929	(611)	8,318	8,778	(291)	8,487
Furniture and equipment	73	(40)	33	71	(20)	51
Total	$ 11,695	$ (651)	$ 11,044	$ 11,539	$ (311)	$ 11,228

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2022, and 2021, was $318 and $384, respectively, included under general and administration expenses. Effective March 19, 2021 the aircraft was sold. Refer Note 10. Related party transactions.

7. 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.

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.

(In Thousands, Except Shares and Per Share Data)

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

	Year Ended December 31,	
	2022	2021
	Property and Casualty	Property and Casualty
Gross balance at beginning of the year *	$ 358,001	$ 737,973
Incurred losses and LAE related to:		
Current year	1,273,435	1,160,317
Prior year	1,022	(5,334)
Total incurred	1,274,457	1,154,983
Paid losses and LAE related to:		
Current year	(796,748)	(819,360)
Prior year	(182,942)	(715,595)
Total paid	(979,690)	(1,534,955)
Gross balance at end of the year	**$ 652,768**	**$ 358,001**

- The beginning reserves in 2021 include a $17,050 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, included $1,022 of unfavorable loss development on prior accident year loss and LAE reserves, driven by greater than expected emergence in unfavorable development in passenger auto, and offset by favorable development in the homeowners segment.

2021. Loss and LAE for the year ended December 31, included $5,334 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 by reserving subgroups about incurred and paid claims development as of December 31, 2022, and 2021, 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, and 2021, is presented as unaudited supplementary information.

(In Thousands, Except Shares and Per Share Data)

Property and Casualty

Accident Year	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — Year Ended December 31, 2015	2016	2017	2018	2019	2020	2021	2022	December 31, 2022 — Total of IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(unaudited)									
2015	$ 76,945	$ 77,548	$ 78,169	$ 75,972	$ 77,742	$ 78,660	$ 79,491	$ 79,491	$ —	$ —
2016		635,380	633,828	638,109	650,123	653,614	656,643	656,643	—	—
2017			997,510	960,377	959,753	971,949	974,976	974,967	—	—
2018				954,654	937,630	945,915	950,127	950,127	—	—
2019					1,009,598	998,588	1,005,981	1,005,981	—	—
2020						1,011,258	987,440	987,440	—	—
2021							1,177,365	1,178,387	134,727	—
2022								1,273,435	265,227	—
Total (A)								$ 7,106,471		

Accident Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance — Year Ended December 31, 2015	2016	2017	2018	2019	2020	2021	2022
	(unaudited)							
2015	$ 41,681	$ 58,639	$ 62,411	$ 63,944	$ 69,187	$ 74,505	$ 79,491	$ 79,491
2016		366,342	526,173	566,975	601,623	635,580	656,643	656,643
2017			630,786	851,299	880,883	914,133	974,967	974,967
2018				543,681	813,871	864,231	950,127	950,127
2019					633,976	876,560	1,005,981	1,005,981
2020						547,049	987,440	987,439
2021							819,364	1,002,307
2022								796,748
Total (B)								$ 6,453,703
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)								$ 652,768

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 the 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, Except Shares and Per Share Data)

8. Reinsurance

The Company's insurance subsidiaries utilize quota share reinsurance programs to limit its exposure. Reinsurance agreements transfer portions of the underlying risk of the business the Company writes. Reinsurance does not discharge or diminish the Company's obligation to pay claims covered by the insurance policies it issues; however, it does permit the Company to recover certain incurred losses from its reinsurers.

Effective January 1, 2021, Amendment No.2 (the "Amendment") modifies and amends the Amended and Restated National General Reinsurance Intercompany Quota Share. The Quota Share participation of losses incurred has decreased from 50% to 40%.

Effective January 4, 2021 a reinsurance novation endorsement was entered into by Integon National Insurance Company (the "Replaced Company"), NG Re and AIC (the "New Company") whereas the New Company assumed all liabilities of Replaced Company.

Effective October 1, 2021 NG Re commuted the 50% quota share participation of Losses Incurred. The total assets were transferred to AIC ("Cedant") at their fair market value as detailed in Schedule 1 of the commutation endorsement.

Effective June 1, 2021 an aggregate excess catastrophe reinsurance contract was entered into by Castle Key Insurance Company and Castle Key Indemnity Company (hereinafter referred to collectively as "Castle Key") and NG Re ("Reinsurer") affiliated companies. The reinsurer agrees to reinsure the excess liability of the Personal Lines Property business. The annual deposit premium as at December 31, 2022 and 2021 is $8,800 and $5,700 respectively for the term of this contract. The premium as at December 31, 2022, and 2021, is $7,508 and $3,325, respectively.

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

	Year Ended December 31,			
	2022		2021	
Premium:	Written	Earned	Written	Earned
Assumed Gross Premium	$ 2,271,849	$ 1,992,512	$ 1,831,185	$ 1,942,679

	Year Ended December 31,			
	2022		2021	
	Assumed	Direct	Assumed	Direct
Loss and loss adjustment expense*	$ 1,274,457	$ —	$ 1,154,983	$ —
Net loss and loss adjustment expense	$ 1,274,457	$ —	$ 1,154,983	$ —

- The loss and loss adjustment expense in 2021 include a $17,050 fair value adjustment related to the Purchase Accounting due to the acquisition of National General by Allstate.

9. 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

(In Thousands, Except Shares and Per Share Data)

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. The Company made an election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to be taxed as a U.S. entity. As a result, the Company's operations will be subject to U.S. federal incomes taxes generally at a rate of 21%.

The components of the income tax benefit are as follows:

	Year Ended December 31,	
	2022	2021
Current - U.S.	$ 30,169	$ 26,648
Current - foreign	161	35
Deferred - U.S.	10,565	362
Income tax expense	$ 40,895	$ 27,045

The Tax Cuts and Jobs Act ("TCJA") included provisions for Global Intangible Low-Taxed Income ("GILTI"), which imposes a minimum tax on global intangible low-tax income, defined as the excess income of foreign subsidiaries over a 10% rate of routine return on tangible business assets, and for Base Erosion and Anti-Abuse tax ("BEAT") which imposes tax on certain base eroding payments to affiliated foreign companies. Consistent with accounting guidance, the Company will treat both GITLI and BEAT as an in period tax charge when incurred in future periods for which no deferred taxes need be provided. The Company analyzed the impact of both GILTI and BEAT on its operations for the period and determined that for the years ended December 31, 2022, and 2021, the Company was subject to GILTI but was not subject to the BEAT.

Deferred income taxes are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The tax effects of temporary differences that give rise to the net deferred tax asset or liability are presented below based upon the 2022 and 2021, enacted rate of 21%.

	December 31.	
	2022	2021
Deferred tax assets:		
Suspended Subpart F losses	$ 28,446	$ 34,252
Loss reserve discount	7,866	2,183
Investments	19,961	9,151
Partnerships	2,741	501
Unearned premium	40,191	28,862
Other	207	41
Gross deferred tax assets	99,412	74,990
Total deferred tax assets	99,412	74,990
Deferred tax liabilities:		
Deferred acquisition cost	(65,310)	(46,900)
Investments	(1,087)	(129)
Gross deferred tax liabilities	(66,397)	(47,029)
Net deferred tax assets	$ 33,015	$ 27,961

(In Thousands, Except Shares and Per Share Data)

The Company's income tax expense differs from the statutory U.S. federal amount computed by applying the federal income tax rate of 21% for the years ended December 31, 2022, and 2021. The reasons for such differences are as follows:

	Year Ended December 31,			
	2022		2021	
	Amount	Tax Rate	Amount	Tax Rate
Income before taxes	$ 57,894		$ 222,353	
Tax rate	21.0 %		21.0 %	
Computed "expected" tax expense	12,158	21.0 %	46,694	21.0 %
Tax effects resulting from:				
Tax-exempt interest	(120)	(0.2)%	(91)	— %
Effect of foreign operations	381	0.7 %	(3,635)	(1.6)%
Change in valuation allowance	—	— %	(72,212)	(32.5)%
Benefits of operating loss carry forwards	—	— %	58,554	26.3 %
Foreign tax expense	—	— %	35	— %
Foreign tax credits	—	— %	(2,305)	(1.0)%
Prior year return-to-provision	1,666	2.9 %	—	— %
Unrecognized tax benefits	16,928	29.2 %	—	— %
GRA - Trigger - Gain - Capital	9,891	17.1 %	—	— %
Other	(9)	— %	5	— %
Total income tax expense reported	$ 40,895	70.7 %	$ 27,045	12.2 %

Unrecognized tax benefits

The Company recognizes tax positions in the consolidated financial statements only when it is more likely than not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statement.

The following table presents a reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits:

	Year Ended December 31,	
	2022	2021
Gross unrecognized tax benefits, beginning of year	$ 560	$ 560
Increases in tax positions for prior years	15,000	—
Decreases in tax positions for prior years	—	—
Increases in tax positions for current year	—	—
Settlements	—	—
Gross unrecognized tax benefits, end of year	$ 15,560	$ 560

At December 31, 2022, and 2021, our unrecognized tax benefits, excluding interest and penalties were $15,560 and $560, respectively. Interest and penalties related to unrecognized tax benefits are recorded in the income tax expense. At December 31, 2022, and 2021, the Company accrued an expense of $1,928 and $83 (net of federal benefit) and $0, respectively for payment of interest and penalties.

The Company joins the Allstate Corporation and its 129 domestic subsidiaries in the filing of a consolidated federal income tax return. The consolidated group has elected under IRC Section 155(a)(2) to allocate the consolidated federal income tax liability based on each member's federal income tax liability computed on a separate return basis, except all tax benefits resulting from operating losses and tax credits are allocated to the Company to the extent they can be utilized in the consolidated return. As of December 31, 2022 the Company maintains an intercompany tax receivable balance of $27,373.

(In Thousands, Except Shares and Per Share Data)

All tax liabilities are payable to the Internal Revenue Service ("IRS"). Currently the Company is under IRS exam for the 2016 through 2019 tax years.

10. Related Party Transactions

Reinsurance

Effective October 1, 2015, the Company assumes 50% (which decreased to 40%) of the net premiums of the AIC personal lines business, pursuant to a quota share reinsurance agreement. Refer section 8 Reinsurance.

Effective June 1, 2021 an aggregate excess catastrophe reinsurance contract was entered into by Castle Key Insurance Company and Castle Key Indemnity Company (hereinafter referred to collectively as "Castle Key") and NG Re ("Reinsurer") affiliated companies. The reinsurer agrees to reinsure the excess liability of the Personal Lines Property business. The annual deposit premium as at December 31, 2022 and 2021 is $8,800 and $5,700 respectively for the term of this contract. The premium as at December 31, 2022, and 2021, is $7,508 and $3,325, respectively. Refer section 8 Reinsurance.

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

	Year Ended December 31,			
	2022		2021	
	Castle Key	AIC QS	Castle Key	AIC QS
Premiums earned	$ 7,508	$ 1,985,003	$ 3,325	$ 1,939,534
Commission expenses	—	645,126	—	561,700
Losses and Loss adjustment expense*	—	1,274,458	—	1,154,983
Premium receivable	$ —	$ 1,193,090	$ —	$ 1,135,659
Commission payable		(387,754)		(388,275)
Losses payable	—	(86,550)	—	(172,316)
Losses and loss expense reserves	—	(652,768)	—	(358,001)

- The loss and loss adjustment expense in 2021 include a $17,050 fair value adjustment related to the Purchase Accounting due to the acquisition of National General by Allstate.

Surplus Notes

New Jersey Skylands Insurance Association (“NJSIA”) is a New Jersey reciprocal managed by an affiliate of NG Re.

Effective December 31, 2021 the $31,250 Note, $12,000 Note and $6,000 Note collectively identified as ("Surplus Notes") were assigned from NG Re to National General Holdings Corp., a Delaware corporation and insurance holding company. NG Re declared a dividend (return of capital) in the amount of $38,800.

The Company recorded accrued interest of $0 and $2,321 for the years ended December 31, 2022, and 2021, respectively, related to the three notes.

(In Thousands, Except Shares and Per Share Data)

Company Aircraft

Effective March 19, 2021, an Aircraft Purchase Agreement ("Aircraft agreement") was entered into for the sale of the Aircraft to the purchaser subject to terms and conditions identified in the Aircraft agreement. The purchase price paid by the purchaser was $8,900.

11. Shareholders' Equity

Capital

For the years ended December 31, 2022, and 2021, the Company paid a dividends of $0 and $88,800, respectively, and paid a distribution of capital of $0 and $0, respectively.

Accumulated Other Comprehensive Income

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

	Year Ended December 31,	
	2022	2021
Foreign currency translation adjustment	$ (86)	$ 45
Tax	18	(10)
Foreign currency translation, net of tax	(68)	35
Unrealised net capital gains and losses pre-tax	112,222	12,134
Tax	(19,367)	(2,548)
Unrealized net capital gains and losses after-tax	92,855	9,586
Accumulated other comprehensive Income (loss)	$ 92,787	$ 9,621

Reclassification of other comprehensive income to realized capital gains and losses

	Year Ended December 31,	
	2022	2021
Realized gain (loss) fixed income	$ (23,272)	$ (10,174)
Realized gain (loss) short term	(1)	1
Less current period buy and sell in realized gain/loss: (1)		
Adjustment for comprehensive income - fixed income	(491)	78
Adjustment for comprehensive income short term	(1)	1
Total reclassification of OCI to realized gain/loss, pretax	$ (22,781)	$ (10,252)

(1) RCGL amount not impacting OCI for the period

12. 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.

(In Thousands, Except Shares and Per Share Data)

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 year ended December 31, 2022, and 2021, was $744,623 and $806,323, respectively, and the amount required to be maintained under Bermuda law, the minimum solvency margin, was $326,015 and $263,049 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.

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 the 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	$ 16,999	$ 195,308
Unrealized gain (loss) on subsidiaries	—	—
U.S. GAAP net income	$ 16,999	$ 195,308
Statutory surplus and capital	$ 744,623	$ 806,323
Non - admitted assets	107	168
U.S. GAAP shareholders' equity	$ 744,730	$ 806,491

13. 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.

In March 2023, the Company received a draft NOPA from the IRS questioning the transfer pricing agreement which has led to a liability being recorded. Refer Note 9. Income Taxes.

There were no other subsequent events requiring adjustments to or disclosures in the Consolidated Financial Statements.