FINANCIAL STATEMENTS

Sequentis Reinsurance Company Limited
For the Years Ended
December 31, 2022 and 2021
With Report of Independent Auditors

Sequentis Reinsurance Company Limited

Financial Statements

For the Years Ended December 31, 2022 and 2021

Contents

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Report of Independent Auditors

Board of Directors
Sequentis Reinsurance Company Limited

Opinion

We have audited the financial statements of Sequentis Reinsurance Company Limited (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and comprehensive loss, changes in shareholder's equity and its cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at 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 of 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 available to be 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 of 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 and paid claims development for periods prior to the most recent period (not to exceed nine prior periods) and the average annual percentage payout of incurred claims disclosed on pages 23 and 24 be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a part of the consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Ernst + Young LLP

April 30, 2023

Sequentis Reinsurance Company Limited

Balance Sheets

	December 31, 2022	December 31, 2021
Assets		
Invested assets:		
Fixed maturity securities available-for-sale, at fair value (amortized cost: $60,414,923 at 2022; $59,670,472 at 2021)	$ 54,518,174	$ 59,423,148
Investment in Limited Partnership, at fair value (cost: $131,019,936 at 2022; $131,019,936 at 2021)	168,336,483	161,397,478
Total invested assets	222,854,657	220,820,626
Cash and cash equivalents	105,106,490	44,841,587
Investment income due and accrued	238,919	164,265
Deferred policy acquisition costs	18,231,943	14,295,202
Income tax receivable	6,038,356	3,493,499
Receivable from affiliate	674,400	25,392,017
Deferred income tax asset, net	1,060,113	845,067
Reinsurance recoverable	10,458,125	26,757,262
Other assets	136,682	134,208
Total assets	364,799,685	336,743,733
Liabilities and shareholder's equity		
Liabilities:		
Reserves for unpaid losses and loss adjustment expenses	141,245,648	105,051,703
Unearned premiums	79,670,262	75,281,557
Payable to reinsurers	-	3,493,333
Funds held under reinsurance treaties	8,954,509	27,292,408
Accrued expenses and other liabilities	806,569	410,965
Total liabilities	230,676,988	211,529,966
Shareholder's equity:		
Common shares – $1.00 par value; 120,000 shares issued and outstanding	120,000	120,000
Additional paid-in capital	160,492,416	141,492,416
Retained deficit	(21,831,288)	(16,203,264)
Accumulated other comprehensive loss	(4,658,431)	(195,385)
Total shareholder's equity	134,122,697	125,213,767
Total liabilities and shareholder's equity	$ 364,799,685	$ 336,743,733

See accompanying notes.

Sequentis Reinsurance Company Limited

Statements of Operations and Comprehensive Loss

	Year Ended December 31,	
	2022	**2021**
Revenues		
Assumed written premiums	$ 145,629,731	$ 131,376,590
Change in unearned premium	(4,388,705)	(13,519,145)
Net premiums earned	141,241,026	117,857,445
Net investment income	8,016,783	13,631,492
Total revenues	149,257,809	131,488,937
Expenses		
Losses and loss adjustment expenses	99,937,500	107,770,518
Underwriting, acquisition and insurance expenses	32,582,503	19,395,660
Professional fees	892,828	538,093
Management fees	20,641,236	17,902,692
Interest expense	2,294,874	2,244,620
Other expenses	110,416	67,104
Total expenses	156,459,357	147,918,687
Net loss before income taxes	(7,201,548)	(16,429,750)
Income tax benefit	(1,573,524)	(3,477,771)
Net loss	(5,628,024)	(12,951,979)
Other comprehensive loss:		
Unrealized losses, net of taxes	(4,463,046)	(532,137)
Total comprehensive loss	$ (10,091,070)	$ (13,484,116)

See accompanying notes.

Sequentis Reinsurance Company Limited

Statements of Changes in Shareholder's Equity

	Common Shares	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Equity
Balance at December 31, 2020	$ 120,000	$ 83,707,500	$ (3,251,285)	$ 336,752	$ 80,912,967
Contributions	-	62,784,916	-	-	62,784,916
Distributions	-	(5,000,000)	-	-	(5,000,000)
Net loss	-	-	(12,951,979)	-	(12,951,979)
Other comprehensive loss, net of taxes	-	-	-	(532,137)	(532,137)
Balance at December 31, 2021	120,000	141,492,416	(16,203,264)	(195,385)	125,213,767
Contributions	-	19,000,000	-	-	19,000,000
Distributions	-	-	-	-	-
Net loss	-	-	(5,628,024)	-	(5,628,024)
Other comprehensive loss, net of taxes	-	-	-	(4,463,046)	(4,463,046)
Balance at December 31, 2022	$ 120,000	$ 160,492,416	$ (21,831,288)	$ (4,658,431)	$ 134,122,697

See accompanying notes.

Sequentis Reinsurance Company Limited

Statements of Cash Flows

	Year Ended December 31, 2022	2021
Operating Activities		
Net loss	$ (5,628,024)	$ (12,951,979)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Net gains allocated from investment in Limited Partnership/ZP Master Utility Fund, Ltd.	(6,939,005)	(13,361,162)
Amortization of premium on fixed maturity securities	221,203	210,964
Deferred income taxes	971,333	(136,703)
Changes in operating assets and liabilities:		
Investment income due and accrued	(74,654)	(74,984)
Deferred policy acquisition costs	(3,936,741)	(7,599,362)
Income tax receivable	(2,544,857)	(3,297,071)
Receivable from affiliate	24,717,617	(2,769,091)
Reinsurance recoverable	16,299,137	(26,757,262)
Other assets	(2,474)	13,397
Reserves for unpaid losses and loss adjustment expenses	36,193,945	53,233,758
Unearned premiums	4,388,705	13,519,145
Payable to reinsurers	(3,493,333)	3,493,333
Funds held under reinsurance treaties	(18,337,899)	27,292,408
Accrued expenses and other liabilities	395,604	135,337
Net cash provided by operating activities	42,230,557	30,950,728
Investing Activities		
Purchase of ZP Master Utility Fund, Ltd.	-	(53,150,000)
Purchase of fixed maturity securities	(17,847,890)	(41,857,194)
Maturities and redemptions of fixed maturity securities	16,882,236	2,999,801
Net cash used in investing activities	(965,654)	(92,007,393)
Financing Activities		
Contributions	19,000,000	44,150,000
Distributions	-	(5,000,000)
Net cash provided by financing activities	19,000,000	39,150,000
Net change in cash and cash equivalents	60,264,903	(21,906,665)
Cash and cash equivalents, at beginning of year	44,841,587	66,748,252
Cash and cash equivalents, at end of year	$ 105,106,490	$ 44,841,587

See accompanying notes.

1. Organization

Sequentis Reinsurance Company Limited ("Sequentis Re" or the "Company") was incorporated under the laws of Bermuda on October 18, 2017 and commenced operations on April 1, 2018. The Company is a provider of specialty property and casualty reinsurance products and is a 100% owned subsidiary of Sequentis Specialty Holdings Limited, an intermediate holding company incorporated on October 10, 2017 and domiciled in Bermuda. Sequentis Specialty Holdings Limited is owned 100% by Ategrity Specialty Holdings LLC, a holding company incorporated on September 22, 2017 in Delaware. Ategrity Specialty Holdings LLC's sole purpose is to own and operate various insurance companies. Sequentis Re's sole customer is its related party, Ategrity Specialty Insurance Company, which is a 100% owned subsidiary of Ategrity Specialty Holdings LLC.

As of December 31, 2022 and 2021, Sequentis Re directly owned approximately 66% and 87% of ZP Utility Insurance Fund, L.P. (the "Limited Partnership"). The Limited Partnership was formed on March 19, 2018 under the laws of the State of Delaware and commenced operations on April 1, 2018. The Limited Partnership operates as a feeder fund in a "master-feeder" structure, in which the Limited Partnership invests substantially all of its assets in ZP Master Utility Fund, Ltd. (the "Master Fund"), an exempted company incorporated in the Cayman Islands. The Master Fund's investment objective is to employ an energy and infrastructure-focused long/short strategy which seeks to deliver absolute returns in all market conditions with minimal correlation to energy sector indices and broader market indices. The Master Fund invests primarily in the equities of electric and gas utilities, integrated utilities, water utilities, telecommunication companies, independent power producers and pipelines, exploration and production companies, oilfield service companies and more broadly in energy and infrastructure-related industries (such as chemicals, materials, transportation infrastructure and real estate equities). The Master Fund's portfolio is generally managed to be balanced.

Zimmer Partners, LP (the "Investment Manager"), a Delaware limited partnership, is the investment manager of the Master Fund and the Limited Partnership. The Investment Manager is registered with the United States Securities and Exchange Commission as a registered investment advisor under the Investment Advisors Act of 1940. ZP Utility Insurance GP, LLC (the "General Partner"), a Delaware limited liability company, is the general partner of the Limited Partnership and is responsible for the investment decisions of the Limited Partnership.

The Investment Manager manages and advises accounts for certain of its affiliates other than the Limited Partnership, some of which may pursue similar investment strategies as the Master Fund, and which, as a result, may hold similar or identical investments as those held by the Master Fund.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which vary in some respects from statutory accounting practices ("SAP") which are prescribed or permitted by the various state insurance departments in the U.S. The accompanying financial statements include the accounts and operations of the Company.

Estimates and Assumptions

The preparation of the Company's financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements, supplementary information and accompanying notes. Management makes estimates and assumptions that include, but are not limited to, the determination of the following significant items:

- Fair value of financial assets and liabilities, including, but not limited to, securities, loans and derivatives;
- Reserves for losses and loss adjustment expenses, estimated future claims and losses, potential litigation and other claims;
- Revenue recognition including, but not limited to, the timing and amount of insurance premiums, and service fees.
- Federal income taxes; and
- Other matters that affect the reported amounts and disclosure of contingencies in the financial statements.

Although these and other estimates and assumptions are based on the best available estimates, actual results could differ materially from management's estimates.

Reclassification

Certain amounts have been reclassified to conform to current year presentation. Such reclassifications have no effect on the results of operations or capital position.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of December 31, 2022 and 2021, there was $105,106,490 and $44,739,550, respectively, held in cash by one major financial institution with daily liquidity. The cash amount on deposit may exceed the insured limit of the institution and exposes the Company to credit risk. As of December 31, 2022 and 2021, the Company held $0 and $102,037 of cash equivalents, respectively.

2. Summary of Significant Accounting Policies (continued)

Fixed Maturity Securities and Limited Partnership

Fixed maturity securities classified as “available-for-sale” are carried at fair value with unrealized gains and losses on such securities, net of any deferred taxes, reported as a separate component of accumulated other comprehensive income. Fixed maturity securities purchased for short-term resale are classified as cash and cash equivalents and are carried at fair value with unrealized gains and losses included in earnings as a component of net investment income.

The Company does not have any securities classified as “held-to-maturity”.

Realized investment gains or losses are determined on a specific identification basis. Interest income is recognized as earned and dividend income is recognized on the ex-dividend date.

Fair value generally represents quoted market value prices for securities traded in the public marketplace or prices analytically determined using bid or closing prices for securities not traded in the public marketplace. The Company values its investment in the Limited Partnership at fair value, which is estimated based on the Company’s share of the net asset value of the Limited Partnership as provided by the Investment Manager of the underlying investment funds. Changes in investment value of the portion of the Company’s investment still held in the Limited Partnership are considered unrealized. These unrealized gains or losses are reflected in the statements of comprehensive loss as part of investment income. When any amount of the investment in the Limited Partnership is disposed of, realized gain/losses are recorded accordingly.

The Company evaluates its available-for-sale investments regularly to determine whether there are declines in value that are other-than-temporary. The Company’s outside investment managers assist the Company in this evaluation.

When the Company determines that a security has experienced an other-than-temporary impairment, the impairment loss is recognized as a realized investment loss. The factors that the Company considers in evaluating whether such an other-than-temporary impairment has occurred include the amount and percentage that fair value is below amortized cost or cost and the length of time that fair value has been below amortized cost or cost. For fixed maturity securities, the Company considers the credit quality rating of the security, with a special emphasis on securities downgraded below investment grade. Management does not intend to sell available-for-sale fixed maturity securities in an unrealized loss position, and it is not “more likely than not” that the Company will be required to sell these securities before a recovery in fair value to their amortized cost basis occurs. For the investment in Limited Partnership, management evaluates the near-term prospects of the investment in relation to the severity and duration of the impairment and the Company’s ability and intent to hold this investment until a recovery in fair value occurs. There are no other-than-temporary impairments on any of the Company’s investments.

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 825, *Financial Instruments*, approximates the carrying amounts presented in the financial statements.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Premium Deficiency Reserves

Premium deficiency reserves are established for the amount of the anticipated losses, loss adjustment expenses, commissions and other acquisition costs and maintenance costs that have not previously been expensed that are in excess of the recorded unearned premium reserve and future installment premiums on existing policies. The Company does not consider anticipated investment income when calculating premium deficiency reserves. No premium deficiency reserves were recorded by the Company as of December 31, 2022 and 2021.

Assumed Written Premiums

Assumed written premiums are earned on a pro rata basis over the terms of the policies, which are generally 12 months. The portion of premiums assumed applicable to the unexpired terms of the policies in force is recorded as unearned premiums. Policies are accounted for on an individual basis, with no aggregation by counterparty.

Reinsurance Recoverable

On December 30, 2021, Sequentis Re entered into a loss portfolio transfer of its brokerage property reserves with Carrick Re Limited, an affiliated company, with an effective date of September 30, 2021. As of December 31, 2022 and 2021, the reinsurance recoverable for ceded loss and loss adjustment expense reserves under the agreements was $8.8 million and $26.8 million, respectively.

Losses and loss adjustment expenses on reinsured business are accounted for on a basis consistent with that used in accounting for the original policies issued and terms of the reinsurance contract. Reinsurance recoverable is reported as an asset. Other amounts payable to or receivable from the reinsurer are netted where the right of offset exists. Funds withheld under the reinsurance agreement are reported as a liability.

Premiums Receivable, Net

Premiums receivable are carried at face value net of any allowance for doubtful accounts. The allowance for doubtful accounts represents an estimate of amounts considered uncollectible based on the Company's assessment of the collectability of receivables that are past due. As of December 31, 2022 and 2021, the Company had no allowance for doubtful accounts. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote.

2. Summary of Significant Accounting Policies (continued)

Deferred Policy Acquisition Costs

Costs which are incrementally or directly related to the successful acquisition of new or renewal insurance business are deferred. These deferred costs are primarily ceding commissions paid to Ategrity Specialty Insurance Company. Amortization of such policy acquisition costs is charged to expense in proportion to premium earned over the estimated policy life. To the extent that unearned premiums on existing policies are not adequate to cover projected related costs and expenses, deferred policy acquisition costs are charged to earnings.

Investment in ZP Master Utility Fund, Ltd.

The Company records its investment in the Limited Partnership/Master Fund at fair value, which is equal to the Company's proportionate share of the fair value of the underlying net assets of the Limited Partnership/Master Fund. Unrealized gains and losses on the investment are included in income. At December 31, 2022 and 2021, the Company's investment in the Limited Partnership was $168,336,483 and $161,397,478 which represents approximately 5.3% and 4.8% of the net assets of the Master Fund, respectively. The performance of the Company is directly affected by the performance of the Limited Partnership/Master Fund.

Upon written notice provided at least 45 days prior to the withdrawal date, the investment in the Master Fund may be withdrawn at the end of each calendar quarter to the extent required to pay insurance claims, to pay for reasonable operating expenses or in the event Sequentis Re receives a notification from A.M. Best, or Sequentis Re is required to diversify its assets pursuant to any law, order or regulation.

Income Taxes

Sequentis Re made an irrevocable election to be taxed as a U.S. domestic corporation under Section 953(d) of the Code effective January 1, 2019. As a result, Sequentis Re is subject to U.S. federal income taxes.

Deferred income tax assets and deferred income tax liabilities are provided for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective U.S. tax bases. Deferred income tax assets and liabilities are measured using enacted U.S. corporate tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets are reduced by a valuation allowance only when management believes it is more likely than not that some or all of the deferred tax assets will not be realized.

Reserve for Losses and Loss Adjustment Expenses

The reserve for losses and loss adjustment expenses represents the estimated ultimate cost of all reported and unreported losses and loss adjustment expenses incurred and unpaid at the balance sheet date. The Company does not discount this reserve. The process of estimating the reserve for losses and loss adjustment expenses requires a high degree of judgment and is subject to a number of variables. The estimates are based on actuarial methods that use a combination of management's initial expected loss ratios and reporting patterns for those losses based on industry data and the Company's actual reported losses and loss adjustment expenses. If actual loss emergence is better than initial expected ratio assumptions, the Company will experience favorable development; if it is worse than initial expected ratio assumptions, the Company will experience adverse development.

2. Summary of Significant Accounting Policies (continued)

Catastrophes of significant magnitude, including hurricanes and earthquakes, involve complex coverage issues. In estimating the reserve for losses and loss adjustment expenses for these catastrophes, management uses case reserve estimates based on information obtained from site inspections by the Company's adjustors and the terms of coverage provided in the policies. Management estimates reserves for incurred but not reported claims for these catastrophes using judgment based on an assessment of the Company's property insurance exposures where the catastrophes occur and the Company's progress in settling claims.

Although management believes that the reserve for losses and loss adjustment expenses is reasonable, it is possible that the Company's actual incurred losses and loss adjustment expenses will not develop in a manner consistent with the assumptions inherent in the determination of these reserves. Specifically, the Company's actual ultimate loss ratio could differ from management's initial expected loss ratio and/or the Company's actual reporting patterns for losses could differ from the expected reporting patterns. Accordingly, the ultimate settlement of losses and the related loss adjustment expenses may vary significantly from the estimates included in the Company's financial statements. These estimates are reviewed regularly by management and are adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Immaterial Corrections to Prior Year Financial Statements

The Company determined that there had been immaterial errors in its accounting for assumed premium and ceding commissions in its financial statements for the year ended December 31, 2021. The Company assessed the materiality of these errors in accordance with FASB ASC Topic 250, Accounting Changes and Error Corrections, and determined that, both quantitatively and qualitatively, the errors would have no bearing on the decision-making process of the users of its financial statements. Although the error was not material to any period, the Company elected to correct the accompanying historical consolidated financial statements for the year ended December 31, 2021.

The effects of the adjustments discussed above on the balance sheet at December 31, 2021 follow:

	Previously Reported	Increase (Decrease)	Adjusted
Assets			
Receivable from affiliate	$ 28,106,668	$ (2,714,651)	$ 25,392,017
Income tax receivable	2,933,673	559,826	3,493,499
Total Assets	338,898,558	(2,154,825)	336,743,733
Liabilities and shareholder's equity			
Liabilities:			
reserves for unpaid losses and loss adjustment expense	105,100,518	(48,815)	105,051,703
Total liabilities	211,578,781	(48,815)	211,529,966
Shareholder's equity:			
Retained deficit	(14,097,254)	(2,106,010)	(16,203,264)
Total shareholder's equity	127,319,777	(2,106,010)	125,213,767
Total liabilities and shareholder's equity	$338,898,558	$ (2,154,825)	$336,743,733

2. Summary of Significant Accounting Policies (continued)

The effects of the adjustments discussed above on the statement of operations and comprehensive loss for the year ended December 31, 2021 follow:

	Previously Reported	Increase (Decrease)	Adjusted
Revenues			
Assumed written premiums	$ 132,902,033	$ (1,525,443)	$ 131,376,590
Net premiums earned	119,382,888	(1,525,443)	117,857,445
Total revenues	133,014,380	(1,525,443)	131,488,937
Expenses			
Losses and loss adjustment expense	107,819,332	(48,814)	107,770,518
Underwriting, acquisition and insurance expenses	18,206,453	1,189,207	19,395,660
Total expenses	146,778,294	1,140,393	147,918,687
Net loss before income taxes	(13,763,914)	(2,665,836)	(16,429,750)
Income tax benefit	(2,917,945)	(559,826)	(3,477,771)
Net loss	(10,845,969)	(2,106,010)	(12,951,979)
Total comprehensive loss	$ (11,378,106)	$ (2,106,010)	$ (13,484,116)

The effects of the adjustments discussed above on the statement of cash flows for the year ended December 31, 2021 follow:

	Previously Reported	Increase (Decrease)	Adjusted
Operating Activities			
Net loss	$ (10,845,969)	$ (2,106,010)	$ (12,951,979)
Changes in operating assets and liabilities:			
Income tax receivable	(2,737,246)	(559,825)	(3,297,071)
Receivable from affiliates	(5,483,741)	2,714,650	(2,769,091)
reserves for unpaid losses and loss adjustment expens	53,282,573	(48,815)	53,233,758
Net cash provided by operating activities	$ 30,950,728	$ -	$ 30,950,728

3. Investments

The Company considers all fixed maturity securities to be available-for-sale and reports them at fair value with the net unrealized gains or losses reported (after-tax) as a component of other comprehensive income. The proceeds from sales of securities for the years ended December 31, 2022 and 2021 were $0 and $0, respectively. No gross gains or losses were realized on sales of available-for-sale securities during 2022 and 2021. Gains and losses on securities are determined on a specific identification basis.

Summarized information for the major categories of the investment portfolio follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
U.S. Treasury securities and obligations guaranteed by the U.S. government	$ 1,000,048	$ -	$ (23,278)	$ 976,770
Municipal taxable	6,750,520	-	(957,225)	5,793,295
Foreign government	1,249,961	-	(16,589)	1,233,372
Commercial mortgage and asset-backed	15,102,244	-	(2,182,719)	12,919,525
Corporates	36,312,150	-	(2,716,938)	33,595,212
Total fixed maturity securities	60,414,923	-	(5,896,749)	54,518,174
Limited Partnership	131,019,936	37,316,547	-	168,336,483
Total investments available-for-sale	$ 191,434,859	$ 37,316,547	$ (5,896,749)	$ 222,854,657

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2021				
U.S. Treasury securities and obligations guaranteed by the U.S. government	$ 12,204,485	$ -	$ (10,952)	$ 12,193,533
Municipal taxable	4,432,960	44,458	(40,486)	4,436,932
Foreign government	1,249,836	-	(4,788)	1,245,048
Commercial mortgage and asset-backed	18,912,454	31,083	(177,311)	18,766,226
Corporates	22,870,737	89,835	(179,163)	22,781,409
Total fixed maturity securities	59,670,472	165,376	(412,700)	59,423,148
Limited Partnership	131,019,936	30,377,542	-	161,397,478

3. Investments (continued)

The amortized cost and fair value of available-for-sale investments in fixed maturity securities are as follows:

	Amortized Cost	Fair Value
December 31, 2022		
One year or less	$ 5,199,510	$ 5,076,904
After one year through five years	33,648,203	31,102,881
After five years through ten years	5,379,248	4,620,732
After ten years	1,085,718	798,132
Residential mortgage-backed	11,809,711	9,972,111
Commercial mortgage and asset-backed	503,588	389,504
Other loan-backed	2,788,945	2,557,910
Total	$ 60,414,923	$ 54,518,174
December 31, 2021		
One year or less	$ 12,104,139	$ 12,099,629
After one year through five years	23,885,253	23,846,264
After five years through ten years	3,428,338	3,398,341
After ten years	1,340,288	1,312,689
Residential mortgage-backed	13,280,852	13,204,702
Commercial mortgage and asset-backed	504,216	481,625
Other loan-backed	5,127,386	5,079,898
Total	$ 59,670,472	$ 59,423,148

Actual maturities may differ for some securities because borrowers have the right to call or prepay obligations with or without penalties.

3. Investments (continued)

The following table shows the Company's gross unrealized losses and fair value for available-for-sale securities aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2022						
Fixed maturity securities:						
U.S. Treasury securities and obligations guaranteed by the U.S. government	$ -	$ -	$ 976,770	$ (23,278)	$ 976,770	$ (23,278)
Municipal taxable	3,961,879	(448,860)	1,831,415	(508,366)	5,793,294	(957,226)
Foreign government	-	-	1,233,373	(16,589)	1,233,373	(16,589)
Commercial mortgage and asset-backed	1,298,533	(158,599)	11,620,992	(2,024,119)	12,919,525	(2,182,718)
Corporates	18,148,113	(1,506,782)	15,447,099	(1,210,156)	33,595,212	(2,716,938)
Total fixed maturity securities	$ 23,408,525	$ (2,114,241)	$ 31,109,649	$ (3,782,508)	$ 54,518,174	$ (5,896,749)
December 31, 2021						
Fixed maturity securities:						
U.S. Treasury securities and obligations guaranteed by the U.S. government	$ 12,193,533	$ (10,952)	$ -	$ -	$ 12,193,533	$ (10,952)
Municipal taxable	2,546,899	(40,486)	-	-	2,546,899	(40,486)
Foreign government	1,245,048	(4,788)	-	-	1,245,048	(4,788)
Commercial mortgage and asset-backed	17,100,151	(177,311)	-	-	17,100,151	(177,311)
Corporates	18,253,116	(179,163)	-	-	18,253,116	(179,163)
Total fixed maturity securities	$ 51,338,747	$ (412,700)	$ -	$ -	$ 51,338,747	$ (412,700)

As of December 31, 2022 and 2021, the Company held securities of 162 and 87 issuers that were in an unrealized loss position with a total fair value of $54,518,174 and $51,388,747 and gross unrealized loss of $5,896,749 and $412,700, respectively. None of the fixed maturity securities with unrealized losses has ever missed, or been delinquent on, a scheduled principal or interest payment date.

The average rating of the Company's fixed maturity security portfolio was AA+ and AA+ at December 31, 2022 and 2021, respectively.

Management does not intend to sell available-for-sale securities in an unrealized loss position, and it is not "more likely than not" that the Company will be required to sell these securities before a recovery in their value to their amortized cost basis occurs. No impairments were recorded as of December 31, 2022 or 2021.

3. Investments (continued)

Major categories of the Company's net investment income are summarized as follows:

	Year Ended December 31, 2022	2021
Income:		
Interest	$ 1,513,792	578,012
Dividends	-	6,002
Amortization of premium / discount	(184,782)	(210,964)
Gross investment income	1,329,010	373,050
Investment expense	(251,232)	(102,720)
Net investment income from fixed maturity securities	1,077,778	270,330
Change in fair value of Limited Partnership	6,939,005	13,361,162
Total net investment income	$ 8,016,783	$ 13,631,492

The following table summarizes the change in the Company's unrealized gains or losses on available-for-sale fixed maturity securities:

	Year ended December 31, 2022	2021
Change in unrealized gains	$ (165,376)	$ (263,032)
Change in unrealized losses	(5,484,049)	(410,561)
Net change	$ (5,649,425)	$ (673,593)

3. Investments (continued)

Assets measured at fair value on a recurring basis as of December 31, 2022 and 2021 are summarized below:

	Fair Value Measurements Using			
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**
Available-for-sale securities				
Fixed maturity securities:				
U.S. Treasury securities and obligations guaranteed by the U.S. government	$ -	$ 976,770	$ -	$ 976,770
Municipal taxable	-	5,793,295	-	5,793,295
Foreign government	-	1,233,373	-	1,233,373
Commercial mortgage and asset-backed	-	12,919,525	-	12,919,525
Corporates	-	33,595,212	-	33,595,212
Total fixed maturity securities	-	54,518,174	-	54,518,174
Equity securities:				
Limited Partnership	-	168,336,483	-	168,336,483
Total equity securities	-	168,336,483	-	168,336,483
Total available-for-sale securities	$ -	$ 222,854,657	$ -	$ 222,854,657

3. Investments (continued)

	Fair Value Measurements Using			
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**
Available-for-sale securities				
Fixed maturity securities:				
U.S. Treasury securities and obligations guaranteed by the U.S. government	$ -	$ 12,193,533	$ -	$ 12,193,533
Municipal taxable	-	4,436,932	-	4,436,932
Foreign government	-	1,245,048	-	1,245,048
Commercial mortgage and asset-backed	-	18,766,226	-	18,766,226
Corporate	-	22,781,409	-	22,781,409
Money market fund[1]	102,037	-	-	102,037
Total fixed maturity securities	102,037	59,423,148	-	59,525,185
Equity securities:				
Limited Partnership	-	161,397,478	-	161,397,478
Total equity securities	-	161,397,478	-	161,397,478
Total available-for-sale securities	$ 102,037	$ 220,820,626	$ -	$ 220,922,663

[1] Represents short-term securities included in cash and cash equivalents on the balance sheet.

4. Deferred Policy Acquisition Costs

An analysis of deferred policy acquisition costs is as follows:

	Year Ended December 31,	
	2022	**2021**
Balance at beginning of year	$ 14,295,202	$ 6,695,840
Policy acquisition costs deferred	36,519,245	25,805,815
Amortization of policy acquisition costs	(32,582,504)	(18,206,453)
Net change	3,936,741	7,599,362
Balance at end of year	$ 18,231,943	$ 14,295,202

5. Reserves for Unpaid Losses and Loss Adjustment Expenses

The following table reconciles the beginning and ending reserve balances for unpaid losses and loss adjustment expenses to the gross amounts reported in the balance sheet:

	As of December 31,	
	2022	**2021**
Balance at Beginning of Period		
Reserves for unpaid losses and loss adjustment expenses	$ 105,051,703	$ 51,817,945
Reinsurance recoverable	(26,757,262)	-
Reserves for unpaid losses and loss adjustment expenses, net of reinsurance	78,294,441	51,817,945
Current Activity		
Incurred loss and loss adjustment expenses:		
Current year	101,307,773	103,003,514
Prior year	(1,370,273)	2,950,052
Total assumed losses and loss adjustment expenses	99,937,500	105,953,566
Loss and loss adjustment expenses payments:		
Current year	(27,367,540)	(23,204,539)
Prior year	(18,397,684)	(19,933,480)
Total assumed loss and loss adjustment payments	(45,765,224)	(43,138,019)
Reduction of net reserves due to Loss Portfolio Transfer	-	(36,339,051)
Balance at End of Period		
Reserves for unpaid losses and loss adjustment expenses, net of reinsurance	132,466,717	78,294,441
Reinsurance recoverable	8,778,931	26,757,262
Reserves for unpaid losses and loss adjustment expenses, gross of reinsurance	$ 141,245,648	$ 105,051,703

5. Reserves for Unpaid Losses and Loss Adjustment Expenses (continued)

During the year ended December 31, 2022, the Company's net incurred losses for prior accident years developed favorably by $1.4 million primarily due to lower-than-expected emergence in property lines driven by fourth quarter 2021 accidents. This favorable development in property was offset by adverse development in the 2020 accident year attributable to the contract casualty line of business. During the year ended December 31, 2021, the Company's net incurred losses for accident year 2020 developed unfavorably by $3.0 million primarily due to higher-than-expected emergence in property lines driven by fourth quarter 2020 accidents.

The following table presents assumed and paid losses and allocated loss adjustment expenses, as well as incurred-but-not-reported ("IBNR") liabilities, as of December 31, 2022 and 2021 for Excess and Surplus Lines property and Excess and Surplus Lines casualty. The information provided herein about assumed and paid accident year claims development is presented as unaudited supplementary information.

	Assumed Claims and Allocated Claim Adjustment Expenses				As of December 31, 2022	
	Year Ended December 31,				Total of IBNR Liabilities plus Expected Development on Reported Claims	Cumulative # of Reported Claims[1]
Accident Year	**2019**	**2020**	**2021**	**2022**		
Property						
2019	$ 6,866,834	$ 6,889,074	$7,198,696	$ 8,267,580	$ 109,872	180
2020		38,824,151	40,657,483	43,078,237	554,801	671
2021			55,587,507	45,806,905	1,543,768	724
2022				44,855,872	10,518,513	867
Total				$142,008,594		

[1]Claim count information is reported per claim.

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses Year Ended December 31,			
Accident Year	**2019**	**2020**	**2021**	**2022**
Property				
2019	$ 1,504,925	$ 6,628,165	$7,907,391	$ 7,909,543
2020		17,107,730	32,639,206	38,888,601
2021			26,835,036	40,651,137
2022				22,449,268
Total				109,898,549
Liabilities for unpaid loss and allocated loss adjustment expenses				$ 32,110,045

5. Reserves for Unapid Losses and Loss Adjustment Expenses (continued)

	Assumed Claims and Allocated Claim Adjustment Expenses				As of December 31, 2022	
	Year Ended December 31,				Total of IBNR Liabilities plus Expected Development on Reported Claims	Cumulative # of Reported Claims[1]
Accident Year	**2019**	**2020**	**2021**	**2022**		
Casualty						
2019	$ 5,374,523	$ 5,228,491	$4,512,713	$ 4,599,107	$ 1,303,448	59
2020		22,841,376	24,114,786	24,713,866	9,133,160	252
2021			41,775,801	43,015,841	26,913,804	652
2022				51,932,188	40,663,941	656
Total				$124,261,002		

[1] Claim count information is reported per claim

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses Year Ended December 31,			
Accident Year	**2019**	**2020**	**2021**	**2022**
Casualty				
2019	$ 7,769	$ 123,481	$ 933,249	$ 2,276,572
2020		251,888	4,220,551	9,128,128
2021			959,115	7,205,793
2022				3,612,285
Total				22,222,778
Liabilities for unpaid loss and allocated loss adjustment expenses				$102,038,224

The following is supplementary information about average historical claims duration as of December 31, 2022:

Average Annual Percentage[1] Payout of Incurred Claims by Age	Year 1	Year 2	Year 3	Year 4
Property	47.8%	35.5%	14.7%	0.0%
Casualty	3.9%	14.3%	19.5%	29.2%

[1] Calculated using weighted average.

5. Reserves for Unpaid Losses and Loss Adjustment Expenses (continued)

The following table is a reconciliation of the net incurred and paid claims development tables to the liability for unpaid losses and loss adjustment expenses in the balance sheets:

	As of December 31,	
	2022	2021
Net outstanding liabilities for unpaid loss and loss adjustment expenses		
Property	$ 32,110,045	$ 36,062,054
Casualty	102,038,224	64,289,758
Liabilities for unpaid loss and loss adjustment expenses	134,148,269	100,351,812
Reinsurance recoverable on unpaid loss and loss adjustment expenses		
Property	8,778,931	26,757,262
Casualty	-	-
Total reinsurance recoverable on unpaid loss and loss adjustment expenses	8,778,931	26,757,262
Impact of Loss Portfolio Transfer	(8,778,931)	(26,757,262)
Net unallocated loss adjustment expenses	7,097,379	4,699,891
Gross liability for unpaid loss and loss adjustment expenses	$ 141,245,648	$ 105,051,703

Sequentis Re has not assumed reinsurance coverage that could reasonably be expected to produce material levels of asbestos claims activity. In addition, management does not believe that Sequentis Re is exposed to environmental liability claims other than those which it has specifically underwritten and priced as an environmental exposure.

6. Reinsurance

On December 30, 2021, Sequentis Re entered into a loss portfolio transfer of its brokerage property reserves with Carrick Re Limited, an affiliated company, with an effective date of September 30, 2021. The Company remains liable if its reinsurer is unable to meet its contractual obligations under the reinsurance agreement.

6. Reinsurance (continued)

Premiums written, premiums earned and losses and loss adjustment expenses incurred are summarized as follows:

	Year Ended December 31,	
	2022	2021
Written premiums:		
Direct	$ -	$ -
Assumed	145,629,731	131,376,590
Ceded	-	-
Net written	145,629,731	131,376,590
Earned premiums:		
Direct	$ -	$ -
Assumed	141,241,026	117,857,445
Ceded	-	-
Net earned	141,241,026	117,857,445
Losses and loss adjustment expenses:		
Direct	$ -	$ -
Assumed	96,942,980	103,834,704
Ceded	2,994,520	3,935,814
Net losses and loss adjustment expenses	99,937,500	107,770,518

At December 31, 2022 and 2021, under the agreement the Company had reinsurance recoverables on unpaid losses of $8.8 million and $26.8 million and reinsurance recoverables on paid losses of $1.7 million and $0, respectively.

7. Shareholder's Equity

Sequentis Re's authorized common stock consists of 120,000 issued shares, $1.00 par value, all of which were outstanding as of December 31, 2022 and 2021.

8. Income Taxes

The provision for federal income taxes is different from what would be obtained by applying the statutory federal income tax rate to income before income taxes. Total income tax consists of the following:

	Year Ended December 31,	
	2022	2021
Federal income tax benefit at applicable statutory rates (current)	$ (2,544,857)	$ (3,341,067)
Federal income tax benefit at applicable statutory rates (deferred)	971,333	(136,704)
Total income tax benefit	$ (1,573,524)	$ (3,477,771)

The significant components of the net deferred tax asset at the corporate income tax rate of 21% are as follows:

	As of December 31,	
	2022	2021
Deferred tax assets:		
Unearned premiums	$ 3,346,151	$ 3,161,825
Net unrealized gains on investment	1,238,317	51,938
Reserves for unpaid losses and loss adjustment expenses	2,220,756	1,504,361
Total deferred tax assets	6,805,224	4,718,124
Deferred tax liabilities:		
Deferred policy acquisition costs	(3,828,708)	(3,001,992)
Pass-through entities	(1,903,306)	(863,177)
Accrued market discount	(13,097)	(7,888)
Total deferred tax liabilities	(5,745,111)	(3,873,057)
Net deferred tax assets	$ 1,060,113	$ 845,067

Sequentis Re is party to a tax allocation agreement with its ultimate parent Zimmer Financial Services Group LLC (formerly Sequentis Financial LLC) and its affiliated companies. The tax sharing agreement provides for an allocation of income tax expense or benefit to each entity that is party to the agreement based on the applicable income tax that would have been incurred as if the entity filed a separate, standalone tax return.

Sequentis Re files a consolidated federal income tax return with the following entities:

- Zimmer Financial Services Group LLC
- Ategrity Specialty Insurance Company
- Ategrity Specialty Holdings LLC

Sequentis Re classifies all interest and penalties related to uncertain tax positions as income tax expense. Sequentis Re did not incur any interest or penalties related to uncertain tax positions during the years ended December 31, 2022 and 2021.

8. Income Taxes (continued)

The Company had no reserve for future tax contingencies or liabilities (unrecognized tax benefits) and no valuation allowance at December 31, 2022 and 2021, as the consolidated tax return in which the entities are included has several other profitable entities which would allow the benefit of any future reversing deferred tax assets to be realized.

The Company's tax returns for the years 2019 and subsequent remain open and subject to examination by the IRS.

9. Other Comprehensive Loss

The following table summarizes the components of other comprehensive loss:

	Year Ended December 31,	
	2022	2021
Unrealized losses arising during the period, before U.S. income taxes	$ (5,649,425)	$ (673,592)
U.S. income tax benefit	1,186,379	141,455
Unrealized losses arising during the period, net of U.S. income taxes	(4,463,046)	(532,137)
Other comprehensive loss	$ (4,463,046)	$ (532,137)

10. Related Party Transactions

Sequentis Re and Ategrity Specialty Insurance Company are the limited partners of the Limited Partnership and have entered into an Amended and Restated Limited Partnership Agreement with ZP Utility Insurance GP, LLC, the General Partner of the Limited Partnership. The sole owner of the General Partner is also the controlling shareholder of Ategrity Specialty Holdings LLC, the parent (through an intermediate holding company) of Sequentis Re.

On January 1, 2019, Sequentis Re entered into a quota share reinsurance agreement with Ategrity Specialty Insurance Company. The agreement provides for 80% of Ategrity Specialty Insurance Company business after third party reinsurance to be ceded to Sequentis Re. The agreement also provides for a ceding commission which is reviewed for adequacy on an annual basis by the Board of Directors. The ceding commission was 21.4% and 17.9% in 2022 and 2021, respectively. Additionally, the agreement provides for a management fee to be paid by Sequentis Re to Ategrity Specialty Insurance Company. This fee represents Sequentis Re's proportional share of Ategrity Specialty Insurance Company's operating expenses related to the business covered by the agreement. All premium revenues recorded were assumed from Ategrity Specialty Insurance Company under this agreement. Management fee expense was $20,641,236 and $17,902,692 for the years ended December 31, 2022 and 2021, respectively.

On December 30, 2021, Sequentis Re entered into a loss portfolio transfer of its brokerage property reserves with Carrick Re Limited, an affiliated company, with an effective date of September 30, 2021. As of December 31, 2022 and 2021, the reinsurance recoverable for ceded loss and LAE reserves under the agreement was $8.8 million and $26.8 million, respectively.

10. Related Party Transactions (continued)

On December 21, 2020, JPMorgan Chase Bank issued a letter of credit agreement in the amount of $35,000,000 for the benefit of Ategrity Specialty Insurance Company on behalf of Sequentis Re. On December 25, 2020 and amended on December 21, 2021 and on December 23, 2022, Barclays Bank issued a letter of credit agreement in the amount of $35,000,000 for the benefit of Ategrity Specialty Insurance Company on behalf of Sequentis Re. There were no draws on these agreements as of December 31, 2022 or 2021. Interest paid on the agreements was $2.1 million and $2.2 million for the years ended December 31, 2022 and 2021, respectively.

In December 2021, Ategrity Specialty Holdings LLC made a net cash contribution to the Company of $39.2 million and a non-cash contribution of $18.6 million in the form of an investment in the Limited Partnership.

In December 2022, Ategrity Specialty Holdings LLC made a cash contribution to the Company of $19.0 million.

11. Commitments and Contingencies

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements cannot be estimated, as this would involve future claims that may be made against the Company that have not yet occurred. However, the Company expects the risk of loss to be remote.

12. Statutory Requirements

As a registered insurance company under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Act"), the Company is required to prepare Statutory Financial Statements and to file a Statutory Financial Return annually (or as otherwise agreed, in certain circumstances). The Act also requires the Company to meet certain defined measures of solvency and liquidity. The statutory capital and surplus amounted to $133,986,015 and $127,185,569 as of December 31, 2022 and 2021, respectively. The Company has met the minimum statutory capital and surplus requirements as of December 31, 2022 and 2021. The principal difference between the Company's statutory capital and surplus and shareholder's equity as reported in conformity with generally accepted accounting principles relate to prepaid expenses which are non-admitted assets under the Act.

The Company is prohibited from declaring or paying a dividend if its Class 3A statutory capital and surplus is less than its Enhanced Capital Requirement, if it is in breach of its solvency margin or minimum liquidity ratio, or if the declaration or payment of such dividend would cause such breach. Further, the Company must obtain the prior approval of the Bermuda Monetary Authority for a reduction by 15% or more of the total statutory capital or 25% of the total statutory capital and surplus, as set forth in its previous year's financial statements.

13. Subsequent Events

The Company has evaluated subsequent events through April 30, 2023, the date the financial statements were available to be issued.