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**CATALINA GENERAL INSURANCE LTD.**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

**CATALINA GENERAL INSURANCE LTD.**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of  
Catalina General Insurance Ltd.

### Opinion

We have audited the consolidated financial statements of Catalina General Insurance Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statement of income (loss) and comprehensive income (loss), consolidated statements of changes in shareholders' equity, and consolidated 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Note 3 to the financial statements, effective April 29, 2022 and November 11, 2022; Catalina Holdings UK Limited ("CHUK") previously direct subsidiary of CatAlpha, had its shareholding transferred to CatGen and Asia Capital Reinsurance Group Pte. Ltd. ("ACR") previously direct subsidiary of CHBL, was acquired by CatGen. This resulted to a change in the Company's reporting entity. The Company consolidated CHUK and ACR groups, following a restructuring of entities under common ownership – Catalina Holdings Bermuda Ltd. This is consistent with the entity's disclosures using the full retrospective approach as required by the accounting standards. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Consolidated 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 a period of one year after the date that the financial statements are issued.

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## Auditor's Responsibilities for the Audit of the Consolidated 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 disclosure of short-duration contracts included on page 46 to 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 Ltd.*

April 17, 2023

**CATALINA GENERAL INSURANCE LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2022 and 2021**

(Expressed in thousands of U.S. dollars, except share and per share amounts)

|   | Notes | 2022                | 2021                |
|---|-------|---------------------|---------------------|
| <b>Assets</b>   |       |                     |                     |
| Investments   |       |                     |                     |
| Fixed maturities, trading, at fair value  | 6,7   | \$ 113,647          | \$ 278,544          |
| Fixed maturities, available-for-sale, at fair value (amortized cost 2022: \$2,145,820; 2021: \$2,177,124)   | 6,7   | 1,739,166           | 2,162,938           |
| Funds held - directly managed   | 6     | 300,470             | —                   |
| Equity securities, at fair value  | 6,7   | 2,543               | 4,830               |
| Other investments   | 6,7   | 1,137,684           | 1,126,599           |
| Mortgage loans  | 6     | 71,677              | 150,094             |
| <b>Total investments</b>  |       | <b>3,365,187</b>    | <b>3,723,005</b>    |
| Cash and cash equivalents   |       | 133,175             | 229,672             |
| Restricted cash and cash equivalents  | 13    | 182,710             | 266,339             |
| Accrued investment income   |       | 22,389              | 24,711              |
| Investment in affiliates  |       | 6,191               | 8,164               |
| Investment in real estate   | 9     | 276,839             | 250,654             |
| Reinsurance recoverable on paid and unpaid losses   | 11    | 1,058,016           | 1,292,611           |
| Funds held by cedants and claims administrators   |       | 50,549              | 56,701              |
| Insurance and reinsurance balances receivable   |       | 137,770             | 274,466             |
| Other assets  |       | 234,044             | 66,993              |
| Due from affiliates   |       | 1,095               | 1,059               |
| Assets held-for-sale  | 5     | —                   | 211,278             |
| <b>Total assets</b>   |       | <b>\$ 5,467,965</b> | <b>\$ 6,405,653</b> |
| <b>Liabilities</b>  |       |                     |                     |
| Outstanding losses and loss expenses  | 10    | \$ 3,666,536        | \$ 4,041,861        |
| Unearned premiums   |       | 7,659               | 16,156              |
| Insurance and reinsurance balances payable  |       | 73,729              | 95,700              |
| Accounts payable, accrued expenses and other liabilities  |       | 134,935             | 30,114              |
| Long term subordinated debt   | 12    | 95,957              | 98,058              |
| Loans payable   | 12    | 91,439              | 84,100              |
| Liabilities held-for-sale   | 5     | —                   | 122,679             |
| <b>Total liabilities</b>  |       | <b>4,070,255</b>    | <b>4,488,668</b>    |
| <b>Shareholder's equity</b>   |       |                     |                     |
| Ordinary shares - \$60 par value; 8,333,333 shares authorized; 6,362,600 shares issued and outstanding (2021: 50,000 shares authorized; 50,000 shares issued and outstanding) | 16    | 381,756             | 3,000               |
| Additional paid-in capital  |       | 1,240,562           | 1,669,297           |
| Retained earnings   |       | 263,754             | 253,679             |
| Accumulated other comprehensive loss  |       | (494,892)           | (14,936)            |
| <b>Total Catalina General Insurance Ltd. shareholder's equity</b>   |       | <b>1,391,180</b>    | <b>1,911,040</b>    |
| Non-controlling interest  |       | 6,530               | 5,945               |
| <b>Total shareholder's equity</b>   |       | <b>1,397,710</b>    | <b>1,916,985</b>    |
| <b>Total liabilities and shareholder's equity</b>   |       | <b>\$ 5,467,965</b> | <b>\$ 6,405,653</b> |

*The accompanying notes are an integral part of these consolidated financial statements*

**CATALINA GENERAL INSURANCE LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**  
**For the years ended December 31, 2022 and 2021**  
(Expressed in thousands of U.S. dollars)

|   | Notes | 2022                | 2021              |
|---|-------|---------------------|-------------------|
| <b>Revenues</b>   |       |                     |                   |
| Net premiums earned   |       | \$ 11,523           | \$ 59,653         |
| Net losses and loss expenses                                      | 10    | (42,550)            | (31,773)          |
| Commissions   |       | (7,704)             | (18,659)          |
| <b>Net run-off (loss) income</b>                                  |       | <b>(38,731)</b>     | <b>9,221</b>      |
| <b>Expenses</b>   |       |                     |                   |
| Net investment income   | 6     | 111,687             | 99,364            |
| Net (losses) gains on investments                                 | 6     | (41,338)            | 72,277            |
| Total other-than-temporary impairment losses                      | 6     | (1,945)             | —                 |
| Rental income   |       | 16,133              | 9,632             |
| Gain on sale of real estate                                       |       | —                   | 6,387             |
| <b>Total revenues</b>   |       | <b>45,806</b>       | <b>196,881</b>    |
| <b>Expenses</b>   |       |                     |                   |
| General and administrative expenses                               |       | (59,154)            | (66,268)          |
| Net foreign exchange gains  |       | 105,164             | 83,145            |
| Interest expense  | 12    | (11,629)            | (7,343)           |
| <b>Total expenses</b>   |       | <b>34,381</b>       | <b>9,534</b>      |
| <b>Income from continuing operations before income taxes</b>      |       | <b>80,187</b>       | <b>206,415</b>    |
| Income tax expense  | 15    | (9,321)             | (3,759)           |
| <b>Net income from continuing operations</b>                      |       | <b>70,866</b>       | <b>202,656</b>    |
| Net (loss) income from discontinued operations, net of tax        | 5     | (13,311)            | 6,338             |
| <b>Net income</b>   |       | <b>57,555</b>       | <b>208,994</b>    |
| Net (income) loss attributable to non-controlling interest        |       | (585)               | 379               |
| <b>Net income attributable to Catalina General Insurance Ltd.</b> |       | <b>\$ 56,970</b>    | <b>\$ 209,373</b> |
| <b>Other comprehensive income (loss)</b>                          |       |                     |                   |
| Foreign currency translation adjustments                          |       | (4,799)             | (32,150)          |
| Unrealized losses on available-for-sale securities, net of tax    |       | (336,926)           | (77,096)          |
| Foreign exchange losses on available-for-sale securities          |       | (138,231)           | (77,357)          |
| Net foreign exchange gains on hedging                             | 8     | —                   | 7,873             |
| <b>Other comprehensive loss, net of tax</b>                       |       | <b>(479,956)</b>    | <b>(178,730)</b>  |
| <b>Comprehensive loss</b>   |       | <b>\$ (422,986)</b> | <b>\$ 30,643</b>  |

*The accompanying notes are an integral part of these consolidated financial statements*

**CATALINA GENERAL INSURANCE LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**  
**For the years ended December 31, 2022 and 2021**  
(Expressed in thousands of U.S. dollars)

|   | <b>2022</b>                | <b>2021</b>                |
|---|----------------------------|----------------------------|
| <b>Share capital - Ordinary shares of par value \$60 each</b>                     |                            |                            |
| Balance at beginning and end of year  | \$ 3,000                   | \$ 3,000                   |
| Issued during the year  | 378,756                    | —                          |
| Balance at end of year  | <u>\$ 381,756</u>          | <u>\$ 3,000</u>            |
| <b>Additional paid-in capital</b>   |                            |                            |
| Balance at beginning of year  | \$ 1,669,297               | \$ 1,839,248               |
| Contributions during the year   | —                          | 130,049                    |
| Distributions during the year   | (50,000)                   | (300,000)                  |
| Impact of contribution of entity under common control                             | (378,756)                  | —                          |
| Other   | 21                         | —                          |
| Balance at end of year  | <u>\$ 1,240,562</u>        | <u>\$ 1,669,297</u>        |
| <b>Retained earnings</b>  |                            |                            |
| Balance at beginning of year  | \$ 253,679                 | \$ 154,306                 |
| Dividends paid  | (50,000)                   | (110,000)                  |
| Net income attributable to Catalina General Insurance Ltd.                        | 56,970                     | 209,373                    |
| Impact of deconsolidation of subsidiaries   | 3,105                      | —                          |
| Balance at end of year  | <u>\$ 263,754</u>          | <u>\$ 253,679</u>          |
| <b>Accumulated other comprehensive income</b>                                     |                            |                            |
| Balance at beginning of year  | \$ (14,936)                | \$ 163,794                 |
| Change in foreign currency translation adjustments                                | (4,799)                    | (32,150)                   |
| Change in net unrealized losses on available-for-sale securities                  | (336,926)                  | (77,096)                   |
| Change in net unrealized foreign exchange losses on available-for-sale securities | (138,231)                  | (77,357)                   |
| Impact of dedesignation of hedging activities                                     | —                          | 7,873                      |
| Balance at end of year  | <u>\$ (494,892)</u>        | <u>\$ (14,936)</u>         |
| <b>Non-controlling interest</b>   |                            |                            |
| Balance at beginning of year  | \$ 5,945                   | \$ 6,324                   |
| Net income (loss) attributable to non-controlling interest                        | 585                        | (379)                      |
| Balance at end of year  | <u>\$ 6,530</u>            | <u>\$ 5,945</u>            |
| <b>Total shareholder's equity</b>   | <u><u>\$ 1,397,710</u></u> | <u><u>\$ 1,916,985</u></u> |

*The accompanying notes are an integral part of these consolidated financial statements*

**CATALINA GENERAL INSURANCE LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2022 and 2021**  
(Expressed in thousands of U.S. dollars)

|  | Notes | 2022              | 2021              |
|--|-------|-------------------|-------------------|
| <b>Cash flows from operating activities</b>  |       |                   |                   |
| Net income   |       | \$ 57,555         | \$ 208,994        |
| Less: Net loss (income) from discontinued operations   |       | 13,311            | (6,338)           |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:                             |       |                   |                   |
| Net gains on sale of real estate   |       | —                 | (6,387)           |
| Depreciation of property and equipment   |       | 4,045             | 2,425             |
| Amortization of net premiums (discounts) on investments  |       | 9,599             | 13,777            |
| Net losses (gains) on investments  | 6     | 41,338            | (72,277)          |
| Total other-than-temporary impairment losses   | 6     | 1,945             | —                 |
| Other non-cash items   |       | (17)              | 67                |
| Changes in assets and liabilities:   |       |                   |                   |
| Accrued investment income  |       | 2,323             | (2,361)           |
| Outstanding losses and loss expenses recoverable   | 11    | 234,594           | 110,349           |
| Funds held by cedants and claims administrators  |       | 6,152             | 17,588            |
| Insurance and reinsurance balances receivable  |       | 136,697           | (24,353)          |
| Deferred reinsurance premiums  |       | 4,225             | 5,279             |
| Other assets   |       | (110,427)         | (10,062)          |
| Outstanding losses and loss expenses   | 10    | (498,928)         | (150,932)         |
| Unearned premiums  |       | (8,496)           | (39,185)          |
| Insurance and reinsurance balances payable   |       | (21,971)          | 63,845            |
| Accounts payable, accrued expenses and other liabilities   |       | 104,820           | (22,163)          |
| Net cash (used in) provided by operating activities for continuing operations  |       | (23,235)          | 88,266            |
| Net cash used in operating activities for discontinued operations  |       | (74,031)          | (4,722)           |
| <b>Net cash (used in) provided by operating activities</b>   |       | <b>(97,266)</b>   | <b>83,544</b>     |
| <b>Cash flows from investing activities</b>  |       |                   |                   |
| Purchases of investments   |       | (1,404,686)       | (3,395,607)       |
| Proceeds from sale or maturity of investments  |       | 1,245,786         | 3,425,934         |
| Net proceeds from sale of discontinued operations  | 5     | 47,363            | —                 |
| Investment in real estate  |       | (42,557)          | (166,377)         |
| Proceeds from sale of real estate  |       | —                 | 287,698           |
| Net cash (used in) provided by investing activities for continuing operations  |       | (154,094)         | 151,648           |
| Net cash provided by investing activities for discontinued operations  |       | 122,524           | 42,402            |
| <b>Net cash (used in) provided by investing activities</b>   |       | <b>(31,570)</b>   | <b>194,050</b>    |
| <b>Cash flows from financing activities</b>  |       |                   |                   |
| Distributions to parent  |       | (100,000)         | (410,000)         |
| Capital contribution from parent   |       | —                 | 130,049           |
| Proceeds from loans and other borrowings   |       | 5,239             | 66,855            |
| Repayment of loans and other borrowings  |       | —                 | (41,393)          |
| Net cash used in financing activities for continuing operations  |       | (94,761)          | (254,489)         |
| Net cash used in financing activities for discontinued operations  |       | (102,439)         | —                 |
| <b>Net cash used in financing activities</b>   |       | <b>(197,200)</b>  | <b>(254,489)</b>  |
| Effect of exchange rate changes  |       | 91,966            | (17,497)          |
| Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents                                       |       | (234,070)         | 5,608             |
| Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of year                                  |       | 549,955           | 544,347           |
| <b>Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of year</b>                                 |       | <b>315,885</b>    | <b>549,955</b>    |
| <b>Less: cash, cash equivalents, restricted cash, and restricted cash equivalents of discontinued operation at end of year</b> |       | <b>—</b>          | <b>(53,944)</b>   |
| <b>Cash, cash equivalents, restricted cash, and restricted cash equivalents of continuing operations at end of year</b>        |       | <b>\$ 315,885</b> | <b>\$ 496,011</b> |
| <b>Supplemental information:</b>   |       |                   |                   |
| Interest paid  |       | \$ 10,877         | \$ 8,091          |
| Income taxes paid  | 15    | 2,605             | 1,833             |
| <b>Supplemental information of non-cash investing activities:</b>  |       |                   |                   |
| Securities received through quota share agreement  |       | \$ 123,603        | \$ 291,990        |
| Securities transferred to securitization vehicle   | 6     | 56,687            | —                 |
| <b>Reconciliation to consolidated balance sheet:</b>   |       |                   |                   |
| Cash and cash equivalents  |       | \$ 133,175        | \$ 229,672        |
| Restricted cash and cash equivalents   | 13    | 182,710           | 266,339           |
| Cash, cash equivalents, restricted cash, and restricted cash equivalents   |       | <b>\$ 315,885</b> | <b>\$ 496,011</b> |

*The accompanying notes are an integral part of these consolidated financial statements*



**CATALINA GENERAL INSURANCE LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**1. Description of business**

Catalina General Insurance Ltd. and its subsidiaries (collectively “CatGen” or the “Company”) is a wholly owned Bermuda subsidiary of Catalina Alpha Ltd. (“Catalina Alpha” or “CatAlpha”), licensed as a Class 3B general business insurer and Class E long-term insurer. The Company’s ultimate parent is Catalina Holdings (Bermuda) Ltd. (“CHBL”), a company incorporated in Bermuda.

CatGen reinsures related parties and third parties through quota share, facultative and excess of loss reinsurance agreements and loss portfolio transfer agreements covering property, casualty, motor, aviation, marine and other risks. The Company also has reinsurance arrangements that limit its exposure to certain contracts on a per occurrence and aggregate basis. The Company (via Alea (Bermuda) Ltd. (“Alea”)) also wrote life insurance policies in Europe and structured settlement contracts in Canada. The Company’s current license issued by the Bermuda Monetary Authority (“BMA”) precludes it from underwriting live insurance business without permission from the BMA.

The reinsurance and insurance business included in these consolidated financial statements includes both transactions entered into through acquisitions and reinsurance portfolio transfers. The following transactions were the result of acquisitions by CHBL or the Company that now form a part of CatGen:

|   |               |
|---|---------------|
| • Quanta Capital Holdings Ltd. (“Quanta”)                       | October 2008  |
| • Alea Holdings UK Limited                                      | October 2009  |
| • Western General Insurance Ltd. (“WestGen”)                    | July 2010     |
| • Glacier Reinsurance AG (“Glacier Re”)                         | April 2011    |
| • Residential Loss Control Holdings, LLC (“RLCH”)               | October 2011  |
| • HSBC Reinsurance Limited and HSBC Insurance (Ireland) Limited | October 2012  |
| • KX Reinsurance Company Ltd.                                   | April 2013    |
| • American Safety Reinsurance Ltd. (“Catalina Safety”)          | October 2013  |
| • Alea Group Holdings (Bermuda) Ltd. (“AGHBL”)                  | March 2014    |
| • Papiro AG   | October 2015  |
| • Allianz Suisse Ruckversicherungs-Gessellschaft AG             | December 2015 |
| • AGF Insurance Limited (“AGF”)                                 | October 2016  |
| • Hartford Financial Products International Limited (“HFPI”)    | May 2017      |
| • Downlands Liability Management Limited (“DLM”)                | May 2017      |
| • Globale Reinsurance Company Ltd. (“Globale Re”)               | May 2017      |
| • Asia Capital Reinsurance Group Pte Ltd. (“ACR”)               | March 2020    |

The following transactions are from reinsurance portfolio transfers, both assumed and ceded, that now form a part of CatGen:

|   |                |
|---|----------------|
| • Marine insurance liabilities  | June 2014      |
| • Residential construction liabilities from NationsBuilders Insurance Company | February 2015  |
| • UK and EU insurance liabilities   | June 2015      |
| • Hartford Financial Products International Limited (“CWIL”)                  | May 2017       |
| • German medical malpractice liabilities                                      | March 2018     |
| • U.S. construction defect and general liabilities                            | April 2018     |
| • Construction insurance liabilities  | September 2018 |
| • UK employers liability liabilities  | June 2019      |
| • Credit and surety liabilities on UK builders insurance                      | March 2021     |
| • U.S. casualty reinsurance liabilities                                       | April 2021     |
| • Habitational and excess casualty liabilities                                | June 2022      |

CHBL continues to restructure its subsidiaries to create capital and administrative efficiencies across the group, which resulted in changes to the reporting entity during 2022 and 2021.

**CATALINA GENERAL INSURANCE LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**1. Description of business (continued)**

Effective August 1, 2021, Catalina Echo Limited ("Echo") and Catalina Foxtrot Holdings Limited ("Foxtrot"), previously direct subsidiaries of CHBL, had their shareholdings transferred to CatAlpha, who immediately thereafter transferred its shareholding to CatGen. The Company now includes these entities within its results.

Effective April 29, 2022, Catalina Holdings UK Limited ("CHUK"), previously direct subsidiary of CatAlpha, had its shareholding transferred to CatGen. Effective November 11, 2022, Asia Capital Reinsurance Group Pte. Ltd. ("ACR"), previously a direct subsidiary of CHBL, had been acquired by CatGen through raising share capital and issuing common shares to CatAlpha. CHUK and ACR are consolidated into CatGen as result of these transactions. See "Note 3. Restatement of previously issued consolidated financial statements" for additional information related to these transactions.

**2. Significant accounting policies**

**Basis of presentation**

The accompanying consolidated financial statements have been prepared on a going concern basis in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The Company's consolidated financial statements include the financial statements of the Company and all of its subsidiaries in which it owns, directly or indirectly through subsidiaries, over fifty percent of the voting rights or is in a position to govern the financial and operating policies of the entity. All significant balances and transactions among related companies have been eliminated on consolidation.

**Use of estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities reported at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. While management believes the amounts included in the consolidated financial statements reflect management's best estimates and assumptions, the actual results could ultimately be materially different from the amounts currently provided for in the consolidated financial statements. The Company's principal estimates relate to the development or determination of the following:

- valuation of outstanding losses and loss expenses;
- valuation of investments and at fair value;
- provisions for litigation and other contingent liabilities;
- provisions for reinsurance balances recoverable;
- recoverability of insurance and reinsurance balances receivable;
- valuation of derivative contracts not actively traded; and
- impairment charges on investment securities classified as available-for-sale ("AFS"), impairments on net deferred gains and assessment of recoverability of commercial mortgage loans.

**Business combinations**

The Company accounts for business combinations in accordance with FASB ASC 805 Topic, Business Combinations. In accordance with FASB ASC 805 Topic, Business Combinations, transactions between entities under common control are to be initially recognized at U.S. GAAP book value by the receiving entity at the transfer date and the financial statements of the receiving entity shall report the results of operations for the period in which the transfer occurs as though the transfer of net assets had occurred at the beginning of the earliest period presented. Financial statements and financial information presented for prior years shall be retrospectively adjusted to furnish comparative information. However, the comparative information shall only be adjusted for periods during which the entities were under common control. Since CHUK and ACR were under common control since their initial acquisition in 2009 and 2020, respectively, the financial statements of the Company have been retrospectively restated. See "Note 3. Restatement of previously issued consolidated financial statements" for additional information related to these transactions.

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**2. Significant accounting policies (continued)**

**Premiums**

The Company wrote insurance policies and reinsurance contracts prior to entering into run-off. With the exception of retroactive reinsurance agreements, the Company no longer writes new policies or contracts but premiums continue to be earned over the terms of the associated insurance policies and reinsurance contracts in proportion to the amount of insurance protection provided. The term of the insurance or reinsurance coverage provided may be cancelled by the insured or ceding company resulting in a return of written premium.

Profit commission accruals are recorded as commission expenses and are adjusted at the end of each year based on the experience of the underlying contract.

Ceded reinsurance or retrocessional coverage is used to limit the Company's individual and aggregate exposures to risks of losses arising from contracts of insurance or reinsurance. Reinsurance premiums ceded to reinsurers are recorded and earned in a manner consistent with that of the original contracts or policies written and the terms of the reinsurance agreements.

Premiums written and ceded relating to the unexpired periods of coverage or policy terms are recorded on the consolidated balance sheet as unearned premiums and deferred reinsurance premiums, respectively. Unearned premiums and deferred reinsurance premiums are recorded at fair value at the date that they were acquired. The fair value of the unearned premium reserve is based on the estimated timing of loss reserve settlements discounted at a risk-free rate.

Assumed premiums on life insurance contracts are recognized as revenue when payable by the policyholder on underlying reinsurance policies. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premium revenue.

**Retroactive reinsurance**

Retroactive reinsurance policies provide indemnification for outstanding losses and loss expenses with respect to past loss events. We use the balance sheet accounting approach for assumed loss portfolio transfers, whereby at the inception of the contract there are no premiums or losses recorded in earnings.

Consideration received in excess of estimated liabilities assumed with respect to retroactive reinsurance contracts is recognized as a deferred gain at inception of such contracts. Net deferred gains are subsequently amortized over the expected claims settlement period. Changes to the estimated timing or amount of loss payments produce changes in periodic amortization. Changes in such estimates are applied retrospectively and are included within net income in the year in which such changes are made. Deferred gains are reported within outstanding losses and loss expenses in the consolidated balance sheets and deferred gain amortization is recognized within net losses and loss expenses in the consolidated statements of income and comprehensive income (loss).

A deferred charge is recognized at the inception of such contracts where the estimated liabilities assumed exceed the consideration received. Deferred charges are subsequently amortized over the expected claims settlement period. Changes to the estimated timing or amount of the loss payments produce changes in periodic amortization. Changes in such estimates are applied retrospectively and are included within net earnings in the year in which such changes are made. Deferred charges are reported within outstanding losses and loss expenses in the consolidated balance sheets and deferred charge amortization is recognized within net losses and loss expenses in the consolidated statements of income and comprehensive income (loss).

Deferred charges are assessed at each year end for impairment. If the asset is impaired, it is written down in the year in which the determination is made.

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**2. Significant accounting policies (continued)**

**Outstanding losses and loss expenses**

The Company establishes reserves for outstanding losses and loss expenses for estimates of future amounts to be paid in settlement of its ultimate liabilities for claims arising under its contracts of insurance and reinsurance that have occurred at or before the consolidated balance sheet date. The estimation of ultimate loss and loss expense liabilities is a significant judgment made by management and is inherently subject to significant uncertainties.

The Company's loss reserves fall into two categories; case reserves for reported losses and loss expenses ("case reserves") and reserves for losses and loss expenses incurred but not reported ("IBNR reserves"). Case reserves are based initially on claim reports received from insureds, brokers or ceding companies, and may be supplemented by the Company's claims professionals with estimates of additional ultimate settlement costs. IBNR reserves are estimated by management using generally accepted statistical and actuarial techniques and are reviewed by independent actuaries. In applying these techniques, management uses estimates as to ultimate loss emergence, severity, frequency, settlement periods and settlement costs. In making these estimates, the Company relies on the most recent information available, including industry information, and on its own historical loss and loss expense experience.

Management believes the Company's reserving techniques represent a reasonable basis for estimating ultimate claim costs and that the outstanding losses and loss expenses are sufficient to cover claims from losses occurring up to the consolidated balance sheet date; however, ultimate losses and loss expenses may be subject to significant volatility as a result of significant uncertainties. These uncertainties are driven by many variables that are difficult to quantify. These uncertainties include for example, the period of time between the occurrence of an insured loss and actual settlement, fluctuations in inflation, prevailing economic, social and judicial trends, legislative changes, medical cost trends, internal and third party claims handling procedures and the lack of complete historical data on which to base loss expectations. Accordingly, ultimate liabilities may differ materially from the amounts recorded in the consolidated financial statements.

The Company regularly reviews and adjusts its reserve estimates and reserving methodologies taking into account current information. Outstanding losses and loss expenses are adjusted as claim experience develops and new information becomes available. Any adjustments to previously established reserves may significantly impact net income and will be recorded in the period in which they are determined.

**Reinsurance balances recoverable on paid and unpaid losses**

The Company estimates reinsurance balances recoverable using methodologies and assumptions consistent with those used in estimating reserves for losses and loss expenses. The estimation of outstanding loss and loss expenses recoverable is a significant judgment made by management and is inherently subject to significant uncertainties. The Company establishes allowances for amounts recoverable that are considered potentially uncollectible from its reinsurers. The valuation of this allowance for uncollectible reinsurance recoverable includes a review of the credit ratings of the reinsurance recoverables by reinsurer, an analysis of default probabilities as well as identifying whether or not coverage issues exist. These factors require management judgment and the impact of any adjustments to those factors is reflected in net income in the year that the adjustment is determined. The Company is subject to credit risk with respect to the reinsurance ceded because the ceding of risk does not relieve the Company from its original obligations to its insureds.

*Allowance for Uncollectible Reinsurance Recoverable*

The Company evaluates and monitors the credit risk related to its reinsurers. Historically, there was no allowance for doubtful accounts for its reinsurance recoverable. This is primarily due to three factors: (1) placing ceded reinsurance with high credit quality reinsurers and the related process for evaluating the creditworthiness of reinsurers; (2) obtaining collateral, usually letters of credit ("LOCs") and trusts, from reinsurers and (3) historically the Company had an immaterial amount of write-offs. Where the specific facts and circumstances for an individual

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**2. Significant accounting policies (continued)**

recoverable indicate that there is a potential recoverability issue, and the amount is material, management will establish an allowance for the doubtful amount as needed.

**Insurance and reinsurance balances receivable**

Receivable balances from assumed reinsurance contracts represent amounts due from brokers for premiums written, net of applicable brokerage fees and commissions, as the right to offset exists. Losses from uncollectible receivables shall be accrued when non-collection is probable and reasonably estimated. Where the specific facts and circumstances for an individual reinsurance receivable indicate that there is a potential recoverability issue, and the amount is material, management will establish an allowance for the doubtful amount as needed.

**Funds Held**

Under funds held arrangements, the cedant has retained funds that the Company could otherwise use or invest. These funds are recorded as Funds Held and are reported net of any related liabilities in the consolidated balance sheet. Funds held are shown under two categories on the consolidated balance sheet, namely, funds held where the Company receives the underlying portfolio economics are shown as "Funds held - directly managed", and funds held where the Company receives interest are shown as "Funds held by cedants and claims administrators". Funds held by reinsured companies are carried at cost. The investment income is recognized in net investment income and net realized and unrealized gains (losses). Funds held - directly managed, are carried at fair value as at December 31, 2022 and are comprised of available-for-sale fixed maturities securities and cash and cash equivalents. The investment income is recognized in net investment income and the realized and unrealized gains and losses, are recognized according to the securities classification as available-for-sale. Refer to the "Investments" section below.

**Commutations**

As the Company actively runs off, it seeks to mitigate its exposures through early settlement of its obligations to policyholders or ceding companies by entering into commutations or other arrangements.

These negotiated commutation agreements eliminate the risk of adverse claim experience as they provide for full and final settlement of all current and future policy obligations with respect to the transaction to which they relate. Gains and losses on commutations are recorded as either a decrease or an increase in incurred claims in the consolidated statements of income and comprehensive income (loss).

The Company also enters into commutations with its reinsurers, assuming the reinsurers share of the obligations, when the economic benefits are in excess of the additional exposures assumed. Any changes in ultimate losses are recognized upon the execution of a commutation.

**Life contracts**

Life contracts comprise of traditional life savings business assumed through coinsurance and modified coinsurance reinsurance contracts. They have all been in run-off for several years although many have recurring premiums. Liabilities for life reinsurance contracts are booked at the amounts reported by the ceding companies. The Company estimates the policy benefits for the life and annuity contracts using standard actuarial techniques and cash flow models. Policy benefits are reviewed annually and the Company performs a liability adequacy test based on cash flow projections. Since estimating the policy benefits depends on cash flow projection, the Company makes assumptions based on experience and industry mortality tables, longevity, morbidity rates, lapse rates, expenses and investment experience, including provision for adverse deviation. The assumptions used are locked in throughout the life of the contract unless a premium deficiency develops. A premium deficiency occurs if the sum of anticipated losses and loss expenses exceed unearned premiums, deferred acquisition costs and anticipated investment income. The assumptions are reviewed annually and unlocked if it results in material adverse development. The estimates are established based on information provided by the ceding companies, contract specific historical experience and industry experience.

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**2. Significant accounting policies (continued)**

The policy benefits are maintained at a level that, when taken together with future premium payments and investment income, are expected to be sufficient to cover policyholder obligations as they fall due. Provision is made where current best estimates of future contractual cash flows arising from the contracts are expected to exceed the policy obligations, net of premiums receivable. Investment income from the assets supporting the liabilities is taken into account when calculating such provision. The assessment of whether an additional provision needs to be booked is based on information available after offsetting the surpluses and deficits arising on contracts within the life portfolio. Any deficiency is charged to the statements of income and comprehensive income (loss) by establishing a provision for losses arising from the liability adequacy test for the unexpired risk portion. The amount of the provision depends on the risk adjusted returns available on assets designated to support life contract liabilities.

**Structured settlements**

Included within outstanding losses and loss expenses and reinsurance balances recoverable on paid and unpaid losses in the consolidated balance sheets are amounts related to structured settlements. The Company, through its Canadian branch, has assumed ownership of certain structured settlements and has purchased annuities from life insurance companies to provide fixed and recurring payments to the claimants. The Company remains responsible to the claimants in the case of non-performance by the life insurance companies. The assets and liabilities related to the structured settlement contracts are booked at the amounts reported by the life insurance companies as management believes this to be the best available estimate of the obligations under these contracts.

**Cash and cash equivalents**

Cash equivalents include highly liquid instruments such as liquidity funds, money market funds and other time deposits with commercial banks and financial institutions which have original maturities of three months or less. See “Note 13. Concentrations, commitments and contingencies” for additional information related to concentrations of credit risk. Restricted cash and cash equivalents are separately reported in the consolidated balance sheets at December 31, 2022 and 2021.

Certain of the Company and its subsidiaries participate in a notional cash pooling arrangement to manage liquidity. The participants of the pool, combine their cash balances in pooling accounts at the same financial institution with the ability to offset bank overdrafts of one participant against positive cash balances held by another. The financial institution has the right and ability to offset a positive balance in one account against an overdrawn amount in another. The accounts are unrestricted with respect to use. From time to time, the Company may have a net cash balance which is negative related to pooling and is considered overdraft. Overdraft balances of \$71.0 million (2021: nil) are classified within accounts payable, accrued expenses and other liabilities on the consolidated balance sheets at December 31, 2022 and 2021.

**Pension plans**

The Company’s other subsidiaries sponsor defined contribution pension plans. Contributions to this plan are expensed as incurred. For further information, please refer to “Note 20. Pension plans”.

**Investments**

The Company’s investment portfolio consists of fixed maturity securities, equity securities and other investments which are recorded at fair value. Also included within its investments are directly held mortgage loans which are recorded at amortized cost.

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**2. Significant accounting policies (continued)**

*Fixed maturity investments*

The Company holds fixed maturity securities classified as trading, and are carried at fair value.

The Company also holds fixed maturity securities classified as available-for-sale (“AFS”). These securities are recorded at fair value, adjusted for any impairment in fixed maturities, deemed “other-than-temporary”. Effective January 1, 2020, the Company designated that all future fixed maturity securities purchased will be AFS.

Subsequent changes to the fair value of trading securities are recorded within net gains (losses) on investments in the consolidated statements of income and comprehensive income (loss). Subsequent changes in the fair value of fixed maturity securities held as available-for-sale are included as a component of accumulated other comprehensive income.

Purchases and sales of investments are recorded on a trade date basis. Realized and unrealized gains and losses on sales of investments are determined on a first-in, first-out basis and are shown within net gains (losses) on investments in the consolidated statements of income and comprehensive income (loss). Net investment income is recognized when earned, includes interest and dividend income, together with amortization of market premiums and discounts using the effective yield method, and is presented net of investment management fees.

*Other-Than-Temporary Impairments (“OTTI”)*

Fixed maturity investments classified as AFS are reviewed regularly to determine if they have sustained an impairment of value that is, based on management’s judgment, considered to be other-than-temporary. In order to establish indicators for review, information specific to each security is analyzed from market sources with input from management and specialists. The process performed using the securities data includes, but is not limited to, distressed market prices near or actual default, bankruptcy filings, ratings changes and agency outlooks for the security issuer. Results are summarized on a watchlist and reviewed each month. The results of the review are agreed on, and any actions or mitigation strategies to be undertaken, which can include, but is not limited to, increased monitoring, selling of the asset or remeasuring the asset to fair value, which becomes its new basis.

The process includes reviewing each fixed maturity investment whose fair value is below amortized cost and: (1) determining if the Company has the intent to sell the fixed maturity investment; (2) determining if it is more likely than not that the Company would be required to sell the fixed maturity investment before its anticipated recovery; and (3) assessing whether a credit loss existed, that is, whether the Company anticipated if the present value of the cash flows expected to be collected from the fixed maturity investment would be less than the amortized cost basis of the investment.

In assessing whether it was more likely than not that we would be required to sell a fixed maturity investment before its anticipated recovery, management considered various factors including our future cash flow requirements, legal and regulatory requirements, the level of our cash, cash equivalents, short-term investments and fixed maturity investments available-for-sale in an unrealized gain position, and other relevant factors. If management concluded that an investment was other-than-temporarily impaired, then the difference between the fair value and the amortized cost of the investment is presented as an OTTI charge in the consolidated statements of income and comprehensive income (loss) within net gains (losses) on investments.

Upon adoption of the current expected credit losses methodology in future periods, only the credit component of impairment will be recognized in earnings, while the non-credit aspect will be included within other comprehensive income.

*Equity securities*

Equity securities include common stocks, preferred stocks, exchange traded funds and mutual funds. Exchange traded debt and equity funds and common stocks are classified within Level 1 as the fair values are based on quoted market prices in active markets. Preferred stocks and certain convertible bond and multi-asset funds with daily liquidity and redemption values based on the net asset value of the fund are classified within Level 2.

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**2. Significant accounting policies (continued)**

*Other investments*

Other investments consist of non-traditional, not readily marketable investments, some of which may be structured as limited partnerships, hedge funds, private equity, private equity funds, fixed income funds, private debt, corporate debt, debt funds, real estate funds, common trust funds, and venture capital funds. These other investments are stated at fair value, which ordinarily will be the most recently reported net asset value as advised by the fund manager or administrator. The change in fair value is included in net gains (losses) on investments and recognized in net earnings.

Investments pending settlement include receivables and payables from unsettled trades due to/from counterparties. Receivables and payables from unsettled trades are carried at fair value based on quoted prices in active markets for identical assets or derived based on inputs that are observable. Receivables from unsettled trades are included in other assets, and payables from unsettled trades are included in accounts payable, accrued expenses and other liabilities, in the consolidated balance sheets.

*Mortgage loans*

The Company participates in lending arrangements, directly investing in commercial mortgage loans (“CMLs”), which are primarily mezzanine loans and bridge loans as of December 31, 2022 and 2021. These CMLs are classified within investments on the consolidated balance sheets and carried at amortized cost. The loans are subject to impairment testing. If it is determined impairment is necessary, the amount between carrying value and fair value is recorded within net gains (losses) on investments in the consolidated statement of income and comprehensive income (loss).

The Company also invests in commercial mortgage loans through purchasing securitized notes issued via a securitization vehicle (“SV”). These notes include an underlying pool of commercial lending for each investor. The SV has been created with the express purpose of securitizing assets in the form of loans, either acquired from third parties or originated by the SV. These mortgage loans are classified within other investments on the consolidated balance sheet as real estate funds, and presented at fair value, which ordinarily will be the most recently reported net asset value as advised by the SV's manager or administrator. The change in fair value is included in net gains (losses) on investments and recognized in net earnings.

*Derivatives*

The Company's derivative instruments are recorded at fair value within other assets (or accounts payable, accrued expenses and other liabilities, if negative) in the consolidated balance sheets. Changes in the fair value of derivatives are recognized in net earnings, apart from changes in the effective portion of derivatives designated as cash flow hedging instruments, which are reflected in other comprehensive income.

Derivative financial instruments derive their value from the underlying instrument and are subject to the same risks as that underlying instrument, including liquidity, credit, and market risk. Derivative financial instrument transactions which are not designated as hedging instruments are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in net income during the year. Derivative financial instrument transactions which are designated as hedging instruments are recorded on the trade date and are reported at fair value with the resulting unrealized gains and losses reflected in other comprehensive income during the year. Open futures contracts are valued using the settlement value on the relevant exchange and open foreign exchange contracts are valued using exchange rates quoted by a third-party pricing service.

Derivative financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets only to the extent there is a legally enforceable right-of-offset and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Derivative financial assets and liabilities are derecognized when the Company has transferred substantially all of the risks and rewards of ownership or the liability is discharged, cancelled, expired or elected to discontinue a specific hedging strategy. Dedesignated foreign currency hedging transactions are subsequently reversed through other comprehensive income (“OCI”) and recognized in earnings within net foreign exchange gains (losses).



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**2. Significant accounting policies (continued)**

Investment contracts written on a funds withheld basis backing funding agreement notes (“FABN”) are classified as a financial derivative. The Company has determined that the right to receive or obligation to pay the total return on the assets supporting the funds withheld at interest or funds withheld liability, respectively, represents a total return swap with a fixed and floating rate leg on note obligations. The fair value of the derivative is included within other assets (or other liabilities depending on the position) on the consolidated balance sheets for assumed agreements. The fair value of the financial derivative was \$165.8 million and nil as at December 31, 2022 and 2021, respectively. The change in the fair value of the financial derivative is recorded in net gains (losses) on investments on the consolidated statements of income and comprehensive income (loss). Changes in the fair value of this derivative is reported in operating activities on the consolidated statements of cash flows.

**Fair value measurements**

Fair value is defined as the price to sell an asset or transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. An asset or a liability’s categorization within the fair value hierarchy is based on the lowest level of input that is significant to its valuation. The hierarchy is broken down into three levels as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.
- Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company-generated inputs and are not market-based inputs.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. The Company uses prices and inputs that are current at the measurement date. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified between levels.

**Investment in affiliates**

The Company considers the percentage of voting rights as well as factors such as Board representation and participation in the decision making process in determining the method of accounting for an investment in another entity. As a general rule, if the Company holds 20% or greater but less than 50% of the shares, unless there is evidence to the contrary, it is assumed to have significant influence over the operating activities of that entity. These companies are accounted for under the equity method of accounting and presented under the “Investment in affiliates” caption on the consolidated balance sheets. As a general rule, if the Company holds 50% or more of the shares of another entity, it is deemed to have control over the operating activities of that entity, and is therefore consolidated.

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**2. Significant accounting policies (continued)**

**Investments in real estate**

The Company invests in commercial real estate to generate returns via rental income and capital appreciation through its wholly-owned subsidiaries. The relevant subsidiaries are Catalina Oxenwood Investments Ltd. (“COIL”), Catalina Oxenwood European Investments Ltd. (“COEIL”), Catalina Oxenwood Real Estate II Ltd. (“CORE II”), Propco (Swansea) Limited (“Swansea”), Propco (Newport) Limited (“Newport”), Propco (Telford) Limited (“Telford”), Propco (Greenock) Limited (“Greenock”), Propco (Yeovil) Limited (“Yeovil”). These subsidiaries are consolidated by the Company. In addition, the Company used to invest in certain properties via Catalina ORE Ltd. (“CORE”).

The Company recognizes the non-controlling interest of 1.5% in Oxenwood III and Oxenwood UK as a proportionate share of the net assets of those entities in its consolidated balance sheets. The proportionate share of income attributable to the non-controlling interest is reflected in the Company’s consolidated statements of income (loss) and comprehensive income (loss).

The Company, via subsidiaries or via trustees, owns 100.0% of the shares of Swansea, Newport, Telford, Greenock and Yeovil. These companies each own a building which generates returns through rental income and capital appreciation. The income from operating leases is recognized as rental income as per the terms of the leases. Refer to the “Leases” section below for further details.

The real estate acquired is recorded at cost less accumulated depreciation for the depreciable assets. The cost includes all acquisition costs directly identifiable with the purchase of the real estate. The Company splits the acquisition cost of each real estate asset between land and buildings based on management’s judgement. The real estate invested in through Oxenwood companies are comprised primarily of warehouses used to store goods. The real estate invested in through Propco companies are comprised primarily of commercial office space. The buildings are depreciated over an estimated useful life of 40 years on a straight-line basis.

The Company will assess its real estate for impairment when circumstances indicate the carrying value of the property may not be recoverable. The review will be based on the estimate of future undiscounted cash flows, excluding interest charges expected to result from their use and eventual disposal.

**Other assets and liabilities**

The fair value of investment purchases and sales pending settlement, funds held by cedants and claim administrators, insurance and reinsurance balances receivable, insurance and reinsurance balances payable, accounts payable, accrued expenses and other liabilities and loans payable approximate their carrying value due to the immediate or relative duration of these financial instruments.

**Leases**

All of the Company’s leases are currently classified as operating leases. As a lessee, the Company records the leases on the consolidated balance sheet as right-of-use assets and a lease liability within “Other assets” and “Accounts payable, accrued expenses and other liabilities”, respectively. For operating leases with a lease term of more than twelve months, the Company recognizes a right-of-use asset and an offsetting lease liability on the consolidated balance sheet at the present value of the remaining lease payments until the lease contracts’ expiration. As the lease contracts generally do not provide an implicit discount rate, the Company uses a weighted-average discount rate in calculating the present value of the lease liabilities.

The Company has made an accounting policy election not to include renewal, termination or purchase options that are not certain of exercise when determining the effective term of the borrowing. Also, as permitted by the lease standard, the Company has adopted and is applying the following practical expedients:

- Lease contracts with a lease term of 12 months or less from the commencement date are excluded from the recognition on the balance sheet.

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**2. Significant accounting policies (continued)**

- The lease components and non-lease components of lease contracts are combined and considered as a single component in determining the lease payments. As a result, there is no longer the need to allocate the contract consideration between components.

The Company recognizes the related lease expense on a straight-line basis over the lease term in the consolidated statements of income (loss) and comprehensive income (loss).

As a lessor, the Company recognizes all its operating leases on the consolidated balance sheet as fixed assets that are depreciated over the assets' useful life. The rental income generated is recorded on a straight-line basis over the lease term and included in "Rental income" in the consolidated statements of income (loss) and comprehensive income (loss).

**Long term subordinated debt**

Long term subordinated debt instruments issued by the Company are carried at both fair value and amortized cost. Debt issuance costs are presented as a direct deduction from the related liability in the consolidated balance sheets. Amortization of debt issuance costs is included in interest expense in the consolidated statements of income and comprehensive income (loss). Changes in the fair value of debt instruments held at fair value are recognized in earnings. See "Note 12. Debt obligations" for additional information related to long term subordinated debt instruments issued by the Company.

**Non-controlling interest**

Non-controlling interest ("NCI") relates to ownership of subsidiaries consolidated in these financial statements. A reconciliation of the beginning and ending carrying amount of the equity attributable to NCI is included in the consolidated statements of changes in shareholder's equity.

**Foreign currency translation**

The U.S. dollar is the functional currency of the Company and most of its subsidiaries. All foreign currency asset and liability amounts are translated into U.S. dollars at end-of-year exchange rates. Foreign currency income and expenses are translated at average exchange rates in effect during the year. Exchange gains and losses arising from the translation of foreign currency-denominated monetary assets and liabilities are included in the consolidated statements of income (loss) and comprehensive income (loss). Available-for-sale securities are recorded at fair value with resulting gains and losses, including the portion attributable to movements in exchange rates, included in the foreign exchange gains (losses) on available-for-sale investments within other comprehensive income. The effects of the currency translation adjustments for entities whose functional currency is not the U.S. dollar are reported in the consolidated balance sheets and consolidated statements of changes in shareholders' equity as a foreign currency translation adjustment, a separate component of accumulated other comprehensive income.

**Legal expenses**

In the event of a dispute in the ordinary course of business, the Company expenses legal costs on an accrual basis. In the event of a specific litigation, when it is reasonably probable that the legal costs are going to be incurred, the Company accrues legal costs in line with the estimated incurred expenses.

**Income taxes**

The Company operates in jurisdictions where it is subject to income taxation. Deferred tax assets and liabilities result from net operating loss carryforwards and temporary differences between the carrying amounts of existing assets and liabilities recorded in the consolidated financial statements and their respective tax bases. A valuation allowance for a portion or all of deferred tax assets is recorded as a reduction to deferred tax assets if it is more likely than not that such portion or all of such deferred tax assets will not be realized.

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**2. Significant accounting policies (continued)**

**New accounting standards adopted**

*Simplifying the Accounting for Income Taxes - ASU 2019-12*

In December 2019, the FASB issued ASU 2019-12, which amends the scope of ASC Topic 740 via simplification to the accounting for income taxes. The standard is effective for annual periods beginning after December 15, 2021. The adoption of the ASU did not have a material impact on our consolidated financial statements and related disclosures.

*ASU 2016-02, ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20, and ASU 2019-01, ASU 2020-05, ASU 2021-09 Leases*

ASC Topic 842 “Leases” requires lessees to recognize operating leases on the balance sheet through a lease asset and a related financial liability. In February 2016, the FASB issued ASU 2016-02, in January 2018 the FASB issued ASU 2018-01, in December 2018 the FASB issued ASU 2018-20, and in July 2018 the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, ASU 2018-11, Leases, and in March 2019 the FASB issued ASU 2019-01, subsequently amended by ASU 2020-05, issued in June 2020 which defers the effective date for annual periods beginning after December 15, 2022. Further, in November 2021 FASB issued ASU 2021-09.

The Company has adopted ASU 2016-02 and the related amendments on January 1, 2022 using the modified retrospective transition method as required by the standard and recognized a right-of-use asset and an associated lease liability of \$4.7 million on the consolidated balance sheet, related primarily to office spaces that the Company is using to conduct its business from its various locations worldwide. Refer to “Note 14. Leases” for further details.

*Reference Rate Reform (ASC Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting: Scope - ASU 2020-04 and ASU 2021-01*

The amendments in ASU 2020-04 provide optional guidance for a limited period to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform if certain criteria are met.

The effective date of these ASUs is as of March 12, 2020 through December 31, 2022, at which time transition is expected to be complete. The adoption of these ASUs did not have a material impact on our consolidated financial statements and the related disclosures.

**Recently issued accounting standards not yet adopted**

*Financial Services - Insurance - ASU 2018-12 and ASU 2019-09*

In August 2018, the FASB issued ASU 2018-12, which amends the scope of ASC Topic 944 via improvements to the accounting for long-duration contracts. The standard update is effective for annual periods beginning after December 15, 2023. The Company does not expect the ASU to have a material impact on the consolidated financial statements and related disclosures.

*Measurement of Credit Losses on Financial Instruments - ASU 2016-13, ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10 and ASU 2019-11*

In June 2016, the FASB issued ASU 2016-13, which introduced guidance which makes changes to the recognition of the credit component of measuring impairment. Available-for-sale debt securities will record credit losses through an allowance for credit losses, which will be limited to the amount by which fair value is below amortized cost. The standard update is effective for annual periods beginning after December 15, 2022. The Company does not expect the ASU to have a material impact on the consolidated financial statements and related disclosures.

**CATALINA GENERAL INSURANCE LTD.**  
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**2. Significant accounting policies (continued)**

*ASU 2022-03 Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*

In June 2022, FASB issued Accounting Standards Update ASU 2022-03 - Fair Value Measurement (Topic 820). ASU 2022-03 clarifies the guidance in Topic 820 to indicate that a contractual sale restriction should not be considered in the fair value of an equity security subject to such a restriction, and requires entities with investments in equity securities subject to contractual sale restrictions to disclose certain qualitative and quantitative information about such securities. ASU 2022-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023, and allows for early adoption. ASU 2022-03 will only be applicable to an equity security in which the contractual arrangement that restricts its sale is executed or modified on or after the adoption date. Management is currently evaluating the impact of applying this update.

**3. Restatement of previously issued consolidated financial statements**

During 2021, CHBL underwent a restructure of certain companies within the group. As a result, effective August 1, 2021, Echo and Foxtrot, previously direct subsidiaries of CHBL, had their shareholdings transferred to CatAlpha, who immediately thereafter transferred its shareholding to CatGen. As of this date, Echo and Foxtrot, as subsidiaries of CatGen, are required to have their results included in the consolidated financial statements of the Company.

Effective April 29, 2022, Catalina Holdings UK Limited (“CHUK”) previously direct subsidiary of CatAlpha, had its shareholding transferred to CatGen. Effective November 11, 2022, Asia Capital Reinsurance Group Pte. Ltd. (“ACR”), previously direct subsidiary of CHBL, had been acquired by CatGen through raising share capital and issuing common shares to CatAlpha. CHUK and ACR are consolidated into CatGen as a result of these transactions. CHBL remains the ultimate parent and, as the entities are all still considered to be under common control, the restatement of the Company's consolidated financial statements have been retrospectively applied to all previously reported periods.

The following presents a reconciliation of the financial statement line items as previously issued to the restated amounts as of December 31, 2021 and for the year then ended. The previously reported amounts reflect those included in the original issued financial statements as of and for the year ended December 31, 2021. These amounts are labeled “As Previously Reported” in the tables below. The amounts labeled “Restatement Adjustments” represent the effects of the change to the ownership structure. The amounts labeled “As Restated” reflect the restated amounts included in the restated consolidated financial statements.

**CATALINA GENERAL INSURANCE LTD.**  
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(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**3. Restatement of previously issued consolidated financial statements (continued)**

|   | <b>2021</b>                   |                                | <b>2021</b>         |
|---|-------------------------------|--------------------------------|---------------------|
|   | <b>As Previously Reported</b> | <b>Restatement Adjustments</b> | <b>As Restated</b>  |
| <b>Assets</b>   |                               |                                |                     |
| Investments   |                               |                                |                     |
| Fixed maturities, trading, at fair value  | \$ 219,963                    | \$ 58,581                      | \$ 278,544          |
| Fixed maturities, available-for-sale, at fair value   | 1,724,992                     | 437,946                        | 2,162,938           |
| Equity securities, at fair value  | 2,638                         | 2,192                          | 4,830               |
| Other investments   | 633,533                       | 493,066                        | 1,126,599           |
| Mortgage loans  | 109,031                       | 41,063                         | 150,094             |
| Total investments   | 2,690,157                     | 1,032,848                      | 3,723,005           |
| Cash and cash equivalents   | 96,180                        | 133,492                        | 229,672             |
| Restricted cash and cash equivalents  | 210,012                       | 56,327                         | 266,339             |
| Accrued investment income   | 18,098                        | 6,613                          | 24,711              |
| Investment in affiliates  | 11,233                        | (3,069)                        | 8,164               |
| Investment in real estate   | 225,382                       | 25,272                         | 250,654             |
| Reinsurance balances recoverable on paid and unpaid losses  | 1,156,612                     | 135,999                        | 1,292,611           |
| Funds held by cedants and claims administrators   | 99,568                        | (42,867)                       | 56,701              |
| Insurance and reinsurance balances receivable   | 94,154                        | 180,312                        | 274,466             |
| Other assets  | 30,487                        | 36,506                         | 66,993              |
| Due from affiliates   | —                             | 1,059                          | 1,059               |
| Assets held-for-sale  | —                             | 211,278                        | 211,278             |
| <b>Total assets</b>   | <b>\$ 4,631,883</b>           | <b>\$ 1,773,770</b>            | <b>\$ 6,405,653</b> |
| <b>Liabilities</b>  |                               |                                |                     |
| Outstanding losses and loss expenses  | \$ 3,268,441                  | \$ 773,420                     | \$ 4,041,861        |
| Unearned premiums   | 970                           | 15,186                         | 16,156              |
| Insurance and reinsurance balances payable  | 62,833                        | 32,867                         | 95,700              |
| Accounts payable, accrued expenses and other liabilities  | 30,055                        | 59                             | 30,114              |
| Long term subordinated debt   | 110,361                       | (12,303)                       | 98,058              |
| Loans payable   | 84,502                        | (402)                          | 84,100              |
| Due to affiliates   | 113                           | (113)                          | —                   |
| Liabilities held-for-sale   | —                             | 122,679                        | 122,679             |
| <b>Total liabilities</b>  | <b>3,557,275</b>              | <b>931,393</b>                 | <b>4,488,668</b>    |
| <b>Shareholder's equity</b>   |                               |                                |                     |
| Ordinary shares - \$60 par value; 50,000 shares authorized;<br>50,000 shares issued and outstanding | 3,000                         | —                              | 3,000               |
| Additional paid-in capital  | 723,993                       | 945,304                        | 1,669,297           |
| Retained earnings   | 371,062                       | (117,383)                      | 253,679             |
| Accumulated other comprehensive income  | (44,115)                      | 29,179                         | (14,936)            |
| Total Catalina General Insurance Ltd. shareholder's equity  | 1,053,940                     | 857,100                        | 1,911,040           |
| Non-controlling interest  | 20,668                        | (14,723)                       | 5,945               |
| <b>Total shareholder's equity</b>   | <b>1,074,608</b>              | <b>842,377</b>                 | <b>1,916,985</b>    |
| <b>Total liabilities and shareholder's equity</b>   | <b>\$ 4,631,883</b>           | <b>\$ 1,773,770</b>            | <b>\$ 6,405,653</b> |

**CATALINA GENERAL INSURANCE LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**3. Restatement of previously issued consolidated financial statements (continued)**

|  | <u>2021</u>                   |                                | <u>2021</u>        |
|--|-------------------------------|--------------------------------|--------------------|
|  | <u>As Previously Reported</u> | <u>Restatement Adjustments</u> | <u>As Restated</u> |
| <b>Revenues</b>  |                               |                                |                    |
| Net premiums earned  | \$ (615)                      | \$ 60,268                      | \$ 59,653          |
| Net losses and loss expenses   | (2,329)                       | (29,444)                       | (31,773)           |
| Commissions  | 1,099                         | (19,758)                       | (18,659)           |
| <b>Net run-off (loss) income</b>   | <b>(1,845)</b>                | <b>11,066</b>                  | <b>9,221</b>       |
| Net investment income  | 60,344                        | 39,020                         | 99,364             |
| Net losses on investments  | 11,643                        | 60,634                         | 72,277             |
| Rental income  | 9,686                         | (54)                           | 9,632              |
| Gain on sale of real estate  | 6,240                         | 147                            | 6,387              |
| <b>Total revenues</b>  | <b>86,068</b>                 | <b>110,813</b>                 | <b>196,881</b>     |
| <b>Expenses</b>  |                               |                                |                    |
| General and administrative expenses  | (30,279)                      | (35,989)                       | (66,268)           |
| Net foreign exchange gains   | 73,447                        | 9,698                          | 83,145             |
| Change in subordinated debt fair value   | (371)                         | 371                            | —                  |
| Interest expense   | (7,770)                       | 427                            | (7,343)            |
| <b>Total expenses</b>  | <b>35,027</b>                 | <b>(25,493)</b>                | <b>9,534</b>       |
| <b>Income from continuing operations, before income taxes</b>                      | <b>121,095</b>                | <b>85,320</b>                  | <b>206,415</b>     |
| Income tax credit (expense)  | 2,107                         | (5,866)                        | (3,759)            |
| <b>Net income from continuing operations</b>                                       | <b>123,202</b>                | <b>79,454</b>                  | <b>202,656</b>     |
| <b>Net income from discontinued operations, net of income taxes</b>                | <b>—</b>                      | <b>6,338</b>                   | <b>6,338</b>       |
| <b>Net income</b>  | <b>123,202</b>                | <b>85,792</b>                  | <b>208,994</b>     |
| Net (income) loss attributable to non-controlling interest                         | (3,360)                       | 3,739                          | 379                |
| <b>Net income attributable to Catalina General Insurance Ltd.</b>                  | <b>\$ 119,842</b>             | <b>\$ 89,531</b>               | <b>\$ 209,373</b>  |
| <b>Other comprehensive income (loss)</b>   |                               |                                |                    |
| Foreign currency translation adjustments   | (24,296)                      | (7,854)                        | (32,150)           |
| Unrealized losses on available for sale securities                                 | (56,654)                      | (20,442)                       | (77,096)           |
| Unrealized foreign exchange losses on available for sale securities                | (74,028)                      | (3,329)                        | (77,357)           |
| Net foreign exchange gains on hedging  | 7,873                         | —                              | 7,873              |
| <b>Other comprehensive loss</b>  | <b>(147,105)</b>              | <b>(31,625)</b>                | <b>(178,730)</b>   |
| <b>Comprehensive (loss) income attributable to Catalina General Insurance Ltd.</b> | <b>\$ (27,263)</b>            | <b>\$ 57,906</b>               | <b>\$ 30,643</b>   |

**CATALINA GENERAL INSURANCE LTD.**  
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(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**3. Restatement of previously issued consolidated financial statements (continued)**

|   | <b>2021</b>                       |                                    | <b>2021</b>         |
|---|-----------------------------------|------------------------------------|---------------------|
|   | <b>As Previously<br/>Reported</b> | <b>Restatement<br/>Adjustments</b> | <b>As Restated</b>  |
| <b>Share capital - Ordinary shares of par value \$60 each</b>                     |                                   |                                    |                     |
| Balance at beginning and end of year  | \$ 3,000                          | \$ —                               | \$ 3,000            |
| <b>Additional paid-in capital</b>   |                                   |                                    |                     |
| Balance at beginning of year  | \$ 607,993                        | \$ 1,231,255                       | \$ 1,839,248        |
| Contributions during the year   | 116,000                           | 14,049                             | 130,049             |
| Distributions during the year   | —                                 | (300,000)                          | (300,000)           |
| Balance at end of year  | \$ 723,993                        | \$ 945,304                         | \$ 1,669,297        |
| <b>Retained earnings</b>  |                                   |                                    |                     |
| Balance at beginning of year  | \$ 361,220                        | \$ (206,914)                       | \$ 154,306          |
| Dividends paid  | (110,000)                         | —                                  | (110,000)           |
| Net income attributable to Catalina General Insurance Ltd.                        | 119,842                           | 89,531                             | 209,373             |
| Balance at end of year  | \$ 371,062                        | \$ (117,383)                       | \$ 253,679          |
| <b>Accumulated other comprehensive income</b>                                     |                                   |                                    |                     |
| Balance at beginning of year  | \$ 102,990                        | \$ 60,804                          | \$ 163,794          |
| Change in foreign currency translation adjustments                                | (24,296)                          | (7,854)                            | (32,150)            |
| Change in net unrealized losses on available-for-sale securities                  | (56,654)                          | (20,442)                           | (77,096)            |
| Change in net unrealized foreign exchange losses on available-for-sale securities | (74,028)                          | (3,329)                            | (77,357)            |
| Change in net foreign exchange gains on hedging                                   | 7,873                             | —                                  | 7,873               |
| Balance at end of year  | \$ (44,115)                       | \$ 29,179                          | \$ (14,936)         |
| <b>Non-controlling interest</b>   |                                   |                                    |                     |
| Balance at beginning of year  | \$ 52,832                         | \$ (46,508)                        | \$ 6,324            |
| Change in non-controlling interest in subsidiaries                                | (35,524)                          | 35,524                             | —                   |
| Net income (loss) attributable to non-controlling interest                        | 3,360                             | (3,739)                            | (379)               |
| Balance at end of year  | \$ 20,668                         | \$ (14,723)                        | \$ 5,945            |
| <b>Total shareholder's equity</b>   | <b>\$ 1,074,608</b>               | <b>\$ 842,377</b>                  | <b>\$ 1,916,985</b> |



**CATALINA GENERAL INSURANCE LTD.**  
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(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**3. Restatement of previously issued consolidated financial statements (continued)**

|   | <b>2021</b>                   |                                | <b>2021</b>        |
|---|-------------------------------|--------------------------------|--------------------|
|   | <b>As Previously Reported</b> | <b>Restatement Adjustments</b> | <b>As Restated</b> |
| <b>Cash flows from operating activities</b>   |                               |                                |                    |
| Net income  | \$ 123,202                    | \$ 85,792                      | \$ 208,994         |
| Less: Net income from discontinued operations   | —                             | (6,338)                        | (6,338)            |
| Adjustments to reconcile net loss to net cash used in operating activities:   |                               |                                |                    |
| Net gains on sale of real estate  | (6,240)                       | (147)                          | (6,387)            |
| Depreciation of property and equipment  | 1,960                         | 465                            | 2,425              |
| Amortization of net discounts on investments  | 11,128                        | 2,649                          | 13,777             |
| Net gains on investments  | (11,643)                      | (60,634)                       | (72,277)           |
| Premiums received through loss portfolio transfer   | 227                           | (227)                          | —                  |
| Change in subordinated debt fair value  | 371                           | (371)                          | —                  |
| Other non-cash items  | —                             | 67                             | 67                 |
| Changes in assets and liabilities:  |                               |                                |                    |
| Accrued investment income   | (3,870)                       | 1,509                          | (2,361)            |
| Reinsurance balances recoverable on paid and unpaid losses  | 127,918                       | (17,569)                       | 110,349            |
| Funds held by cedants and claims administrators   | 41,401                        | (23,813)                       | 17,588             |
| Insurance and reinsurance balances receivable   | 2,518                         | (26,871)                       | (24,353)           |
| Deferred reinsurance premiums   | —                             | 5,279                          | 5,279              |
| Other assets  | 1,557                         | (11,619)                       | (10,062)           |
| Outstanding losses and loss expenses  | 198,031                       | (348,963)                      | (150,932)          |
| Unearned premiums   | 671                           | (39,856)                       | (39,185)           |
| Insurance and reinsurance balances payable  | (15,462)                      | 79,307                         | 63,845             |
| Accounts payable, accrued expenses and other liabilities  | (7,696)                       | (14,467)                       | (22,163)           |
| Net cash provided by operating activities for continuing operations   | 464,073                       | (375,807)                      | 88,266             |
| Net cash used in operating activities for discontinued operations   | —                             | (4,722)                        | (4,722)            |
| <b>Net cash provided by operating activities</b>  | <b>464,073</b>                | <b>(380,529)</b>               | <b>83,544</b>      |
| <b>Cash flows from investing activities</b>   |                               |                                |                    |
| Purchases of investments  | (2,924,868)                   | (470,739)                      | (3,395,607)        |
| Proceeds from sale or maturity of investments   | 2,640,892                     | 785,042                        | 3,425,934          |
| Securities transferred through quota share agreement  | (291,990)                     | 291,990                        | —                  |
| Investment in affiliates  | (27,922)                      | 27,922                         | —                  |
| Proceeds from sale of real estate   | 286,396                       | 1,302                          | 287,698            |
| Investment in real estate   | (149,202)                     | (17,175)                       | (166,377)          |
| Net cash (used in) provided by investing activities for continuing operations   | (466,694)                     | 618,342                        | 151,648            |
| Net cash provided by investing activities for discontinued operations   | —                             | 42,402                         | 42,402             |
| <b>Net cash (used in) provided by investing activities</b>  | <b>(466,694)</b>              | <b>660,744</b>                 | <b>194,050</b>     |
| <b>Cash flows from financing activities</b>   |                               |                                |                    |
| Distributions to parent   | (110,000)                     | (300,000)                      | (410,000)          |
| Capital contribution from parent  | 116,000                       | 14,049                         | 130,049            |
| Proceeds from loans and other borrowings  | 65,898                        | 957                            | 66,855             |
| Repayment of loans and other borrowings   | (27,440)                      | (13,953)                       | (41,393)           |
| <b>Net cash provided by (used in) financing activities</b>  | <b>44,458</b>                 | <b>(298,947)</b>               | <b>(254,489)</b>   |
| Effect of exchange rate changes   | 21,172                        | (38,669)                       | (17,497)           |
| Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents                     | 63,009                        | (57,401)                       | 5,608              |
| Cash, cash equivalents, restricted cash, and restricted cash equivalents - beginning of year                            | 243,183                       | 301,164                        | 544,347            |
| Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of year                                 | 306,192                       | 243,763                        | 549,955            |
| Less: cash, cash equivalents, restricted cash, and restricted cash equivalents of discontinued operation at end of year | —                             | (53,944)                       | (53,944)           |
| <b>Cash, cash equivalents, restricted cash, and restricted cash equivalents of continuing operations at end of year</b> | <b>\$ 306,192</b>             | <b>\$ 189,819</b>              | <b>\$ 496,011</b>  |
| <b>Supplemental information:</b>  |                               |                                |                    |
| Securities received through quota share agreement   | \$ —                          | \$ 291,990                     | \$ 291,990         |
| Interest paid   | 8,569                         | (478)                          | 8,091              |
| Income taxes paid   | 1,249                         | 584                            | 1,833              |
| <b>Reconciliation to consolidated balance sheet:</b>  |                               |                                |                    |
| Cash and cash equivalents   | \$ 96,180                     | \$ 133,492                     | \$ 229,672         |
| Restricted cash and cash equivalents  | 210,012                       | 56,327                         | 266,339            |
| <b>Cash, cash equivalents, restricted cash, and restricted cash equivalents</b>   | <b>\$ 306,192</b>             | <b>\$ 189,819</b>              | <b>\$ 496,011</b>  |

**CATALINA GENERAL INSURANCE LTD.**  
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#### **4. Significant new reinsurance business**

##### **UK Home Warranty Loss Portfolio Transfer**

On March 31, 2021, the Company entered into a 75% quota share reinsurance agreement, under which UK builders' warranty insurance underwritten between 2016 and 2019 underwriting years was reinsured by the Company. Completion of the transaction was conditional upon CatGen receiving approval from the BMA and the counterparty receiving a non-objection from the Prudential Regulation Authority ("PRA"). The BMA approval was received on May 3, 2021 and the non-objection from the PRA was received on May 20, 2021.

The transaction completed on May 27, 2021, at which point CatGen assumed net loss reserves of £217.0 million (\$299.0 million) for a total consideration of £231.0 million (\$318.3 million). Therefore, a deferred gain of £8.8 million (\$12.1 million) was recognized upon completion.

##### **U.S. Casualty Adverse Development Cover**

On April 22, 2021, the Company entered into an adverse development cover ("ADC") reinsurance agreement, covering a North American casualty reinsurance portfolio for underwriting years 2013 to 2018. The required BMA approval was received on June 15, 2021.

The transaction completed on June 23, 2021, at which point CatGen assumed net loss reserves of \$320.0 million for a total consideration of \$336.2 million in the form of cash transferred. A deferred gain of \$10.2 million was recognized upon completion.

##### **Primary and Excess General Liabilities Loss Portfolio Transfer**

During May 2022, the Company through its wholly owned subsidiary CatGen entered into a loss portfolio transfer retrocession agreement which covers primary and excess general liability policies underwritten by the cedant's various subsidiaries. The approval from the BMA to enter into this transaction agreement was received on June 23, 2022.

Effective January 1, 2022 (the risk transfer date), CatGen assumed net loss reserves of \$334.0 million for a total consideration of \$390.0 million.

#### **5. Discontinued Operations**

On August 26, 2022, the Company entered into a share purchase agreement to sell Glacier Re. The sale transaction closed on September 30, 2022. The final cash consideration received was \$47.4 million. The sale of Glacier Re qualified as discontinued operation, the disposal of the business leading to the Company's exit from a major geographical area with significant effects on the Company's operations and financial results.

Glacier Re comprised a substantial portion of the Company's reinsurance business. Following the decision to sell Glacier Re during 2022, the assets and liabilities of Glacier Re as of December 31, 2021 were reclassified to held-for-sale on the consolidated balance sheet in addition to the comparatives being restated.

The following table summarizes the components of Glacier Re's assets and liabilities held-for-sale on the consolidated balance sheet as of December 31, 2021:

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**5. Discontinued Operations (continued)**

| <b>Assets</b>                                     | <b>2021</b>       |
|---|-------------------|
| Investments, at fair value                        | \$ 125,419        |
| Cash and cash equivalents                         | 53,945            |
| Accrued investment income                         | 302               |
| Reinsurance recoverable on paid and unpaid losses | 6,523             |
| Funds held by cedants and claims administrators   | 15,460            |
| Insurance and reinsurance balances receivable     | 9,529             |
| Other assets                                      | 100               |
| <b>Total assets held-for-sale</b>                 | <b>\$ 211,278</b> |
| <b>Liabilities</b>                                |                   |
| Outstanding losses and loss expenses              | \$ 71,305         |
| Unearned premiums                                 | 801               |
| Insurance and reinsurance balances payable        | 20,762            |
| Accounts payable and other liabilities            | 16,799            |
| Long term subordinated debt                       | 13,012            |
| <b>Total liabilities held-for-sale</b>            | <b>\$ 122,679</b> |
| <b>Net assets held-for-sale</b>                   | <b>\$ 88,599</b>  |

The following table summarizes the components of net (loss) income from discontinued operations, net of taxes, on the consolidated statement of income (loss) for the years ended December 31, 2022 and 2021:

|   | <b>2022</b>        | <b>2021</b>     |
|---|--------------------|-----------------|
| <b>Revenues</b>   |                    |                 |
| Net premiums earned   | \$ (1,454)         | \$ (423)        |
| Net losses and loss expenses  | 11,150             | 6,668           |
| Commissions   | (1,225)            | 1,431           |
| <b>Net run-off income</b>   | <b>8,471</b>       | <b>7,676</b>    |
| Net investment income   | 1,166              | 3,286           |
| Net (losses) gains on investments   | (2,842)            | 1,631           |
| <b>Total revenues</b>   | <b>6,795</b>       | <b>12,593</b>   |
| <b>Expenses</b>   |                    |                 |
| General and administrative expenses   | (3,946)            | (5,146)         |
| Net foreign exchange (losses) gains   | (1,306)            | 987             |
| Change in subordinated debt fair value                                      | (988)              | (371)           |
| Interest expense  | (304)              | (551)           |
| <b>Total expenses</b>   | <b>(6,544)</b>     | <b>(5,081)</b>  |
| <b>Income from discontinuing operations before income taxes</b>             | <b>251</b>         | <b>7,512</b>    |
| Income tax expense  | (413)              | (1,174)         |
| <b>Net (loss) income from discontinuing operations, before loss on sale</b> | <b>(162)</b>       | <b>6,338</b>    |
| Loss on sale of subsidiary  | (13,149)           | —               |
| <b>Net (loss) income from discontinuing operations</b>                      | <b>\$ (13,311)</b> | <b>\$ 6,338</b> |

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**6. Investments**

**a. Trading securities**

The fair value of fixed maturities, by asset type, as of December 31, 2022 and 2021 are as follows:

|                                 | <b>2022</b>       | <b>2021</b>       |
|---------------------------------|-------------------|-------------------|
| Fixed maturities:               |                   |                   |
| Corporate                       | \$ 73,009         | \$ 175,489        |
| Asset-backed securities         | 31,340            | 70,421            |
| Mortgage-backed securities      | 4,125             | 11,724            |
| U.S. government and agency      | —                 | 1,716             |
| Non-U.S. government             | 4,762             | 18,930            |
| Municipals                      | 411               | 264               |
| Total fixed maturities, trading | <u>\$ 113,647</u> | <u>\$ 278,544</u> |

Contractual maturities of the Company's fixed maturities, trading, at fair value as of December 31, 2022 are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

|  | <b>2022</b>       |
|--|-------------------|
| Fixed maturities:                      |                   |
| Due in one year or less                | \$ 27,486         |
| Due after one year through five years  | 39,074            |
| Due after five years through ten years | 8,536             |
| Due after ten years                    | 3,086             |
| Total                                  | 78,182            |
| Mortgage and asset backed securities   | 35,465            |
| Total fixed maturities, trading        | <u>\$ 113,647</u> |

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**6. Investments (continued)**

**b. Available-for-sale securities**

The amortized cost, gross unrealized gains and losses, and the estimated fair value of fixed maturities, classified as available-for-sale, by asset type, as of December 31, 2022 and 2021 are as follows:

| <b>At December 31, 2022</b>           | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Fair Value</b>   |
|---------------------------------------|---------------------------|---------------------------------------|--|---------------------|
| Fixed maturities:                     |                           |                                       |  |                     |
| Corporate                             | \$ 1,437,662              | \$ 1,412                              | \$ (292,705)                           | \$ 1,146,369        |
| Asset-backed securities               | 211,956                   | 465                                   | (20,826)                               | 191,595             |
| Mortgage-backed securities            | 87,990                    | 145                                   | (20,932)                               | 67,203              |
| U.S. government and agency            | 122,290                   | 1                                     | (15,542)                               | 106,749             |
| Non-U.S. government                   | 275,698                   | 741                                   | (56,930)                               | 219,509             |
| Municipals                            | 10,224                    | —                                     | (2,483)                                | 7,741               |
| Total fixed maturities                | 2,145,820                 | 2,764                                 | (409,418)                              | 1,739,166           |
| Total investments, available-for-sale | <u>\$ 2,145,820</u>       | <u>\$ 2,764</u>                       | <u>\$ (409,418)</u>                    | <u>\$ 1,739,166</u> |

| <b>At December 31, 2021</b>           | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Fair Value</b>   |
|---------------------------------------|---------------------------|---------------------------------------|--|---------------------|
| Fixed maturities:                     |                           |                                       |  |                     |
| Corporate                             | \$ 1,528,893              | \$ 21,936                             | (36,004)                               | \$ 1,514,825        |
| Asset-backed securities               | 238,357                   | 3,319                                 | (1,023)                                | 240,653             |
| Mortgage-backed securities            | 97,596                    | 940                                   | (2,409)                                | 96,127              |
| U.S. government and agency            | 55,900                    | 289                                   | (1,698)                                | 54,491              |
| Non-U.S. government                   | 246,097                   | 8,513                                 | (7,772)                                | 246,838             |
| Municipals                            | 10,281                    | 30                                    | (307)                                  | 10,004              |
| Total fixed maturities                | 2,177,124                 | 35,027                                | (49,213)                               | 2,162,938           |
| Total investments, available-for-sale | <u>\$ 2,177,124</u>       | <u>\$ 35,027</u>                      | <u>\$ (49,213)</u>                     | <u>\$ 2,162,938</u> |

Proceeds from the sale of available-for-sale securities during the year ended December 31, 2022 were \$410.0 million (2021: \$1,889.7 million).

A summary of the Company's available-for-sale securities as of December 31, 2022, by contractual maturity, is shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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**6. Investments (continued)**

|  | <b>Amortized<br/>Cost</b> | <b>Fair Value</b>   |
|--|---------------------------|---------------------|
| Fixed maturities:                      |                           |                     |
| Due in one year or less                | \$ 78,305                 | \$ 70,960           |
| Due after one year through five years  | 416,275                   | 376,100             |
| Due after five years through ten years | 552,318                   | 448,602             |
| Due after ten years                    | 798,976                   | 584,706             |
| Total                                  | <u>1,845,874</u>          | <u>1,480,368</u>    |
| Mortgage and asset backed securities   | 299,946                   | 258,798             |
| Total investments, available-for-sale  | <u>\$ 2,145,820</u>       | <u>\$ 1,739,166</u> |

There were \$1.9 million in OTTI charges related to the Company's fixed maturity securities for the year ended December 31, 2022 (2021: nil). The table below summarizes the aggregate unrealized losses of the Company's available-for-sale securities by length of time the security has continuously been in an unrealized loss position as of December 31, 2022 and 2021:

|                                       | <b>Less than 12 Months</b> |                              | <b>Greater than 12 Months</b> |                              | <b>Total</b>        |                              |
|---------------------------------------|----------------------------|------------------------------|-------------------------------|------------------------------|---------------------|------------------------------|
|                                       | <b>Fair Value</b>          | <b>Unrealized<br/>Losses</b> | <b>Fair Value</b>             | <b>Unrealized<br/>Losses</b> | <b>Fair Value</b>   | <b>Unrealized<br/>Losses</b> |
| <b>At December 31, 2022</b>           |                            |                              |                               |                              |                     |                              |
| Fixed maturities:                     |                            |                              |                               |                              |                     |                              |
| Corporate                             | \$ 287,776                 | \$ (21,768)                  | \$ 812,108                    | \$ (270,937)                 | \$ 1,099,884        | \$ (292,705)                 |
| Asset-backed securities               | 34,785                     | (3,848)                      | 154,550                       | (16,978)                     | 189,335             | (20,826)                     |
| Mortgage-backed securities            | 3,869                      | (503)                        | 60,058                        | (20,429)                     | 63,927              | (20,932)                     |
| U.S. government and agency            | 76,557                     | (3,727)                      | 23,588                        | (11,815)                     | 100,145             | (15,542)                     |
| Non-U.S. government                   | 141,814                    | (18,077)                     | 61,765                        | (38,852)                     | 203,580             | (56,930)                     |
| Municipals                            | —                          | —                            | 7,741                         | (2,484)                      | 7,741               | (2,484)                      |
| Total fixed maturities                | <u>544,801</u>             | <u>(47,923)</u>              | <u>1,119,811</u>              | <u>(361,495)</u>             | <u>1,664,611</u>    | <u>(409,418)</u>             |
| Total investments, available-for-sale | <u>\$ 544,801</u>          | <u>\$ (47,923)</u>           | <u>\$ 1,119,811</u>           | <u>\$ (361,495)</u>          | <u>\$ 1,664,611</u> | <u>\$ (409,418)</u>          |

|                                       | <b>Less than 12 Months</b> |                              | <b>Greater than 12 Months</b> |                              | <b>Total</b>        |                              |
|---------------------------------------|----------------------------|------------------------------|-------------------------------|------------------------------|---------------------|------------------------------|
|                                       | <b>Fair Value</b>          | <b>Unrealized<br/>Losses</b> | <b>Fair Value</b>             | <b>Unrealized<br/>Losses</b> | <b>Fair Value</b>   | <b>Unrealized<br/>Losses</b> |
| <b>At December 31, 2021</b>           |                            |                              |                               |                              |                     |                              |
| Fixed maturities:                     |                            |                              |                               |                              |                     |                              |
| Corporate                             | \$ 1,042,168               | \$ (34,810)                  | \$ 42,522                     | \$ (1,194)                   | \$ 1,084,690        | \$ (36,004)                  |
| Asset-backed securities               | 77,435                     | (543)                        | 11,250                        | (480)                        | 88,685              | (1,023)                      |
| Mortgage-backed securities            | 73,667                     | (1,284)                      | 7,825                         | (1,125)                      | 81,492              | (2,409)                      |
| U.S. government and agency            | 29,295                     | (166)                        | 24,941                        | (1,532)                      | 54,236              | (1,698)                      |
| Non-U.S. government                   | 70,591                     | (3,938)                      | 34,896                        | (3,834)                      | 105,487             | (7,772)                      |
| Municipals                            | 9,848                      | (307)                        | —                             | —                            | 9,848               | (307)                        |
| Total fixed maturities                | <u>1,303,004</u>           | <u>(41,048)</u>              | <u>121,434</u>                | <u>(8,165)</u>               | <u>1,424,438</u>    | <u>(49,213)</u>              |
| Total investments, available-for-sale | <u>\$ 1,303,004</u>        | <u>\$ (41,048)</u>           | <u>\$ 121,434</u>             | <u>\$ (8,165)</u>            | <u>\$ 1,424,438</u> | <u>\$ (49,213)</u>           |

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**6. Investments (continued)**

There were 1,449 securities as at December 31, 2022 (2021: 915) that account for the gross unrealized loss, three of which are deemed by the Company to be OTTI. As at December 31, 2022, the Company has determined that the unrealized losses on fixed maturity securities, other than the OTTI, were primarily due to market interest rate movements since their date of purchase and no impairments were deemed necessary.

**c. Funds held - directly managed**

Funds held - directly managed, are carried at fair value as at December 31, 2022 and are comprised of available-for-sale fixed maturity securities and cash and cash equivalents. The investment income is recognized in net investment income and the realized and unrealized gains and losses are recognized according to available-for-sale securities classifications.

The following table summarizes the components of the funds held - directly managed as of December 31, 2022:

|  | <b>2022</b>       | <b>2021</b> |
|--|-------------------|-------------|
| Fixed maturities, available-for-sale:      |                   |             |
| Corporate                                  | \$ 236,927        | \$ —        |
| Asset-backed securities                    | 46,698            | —           |
| U.S. government and agency                 | 11,227            | —           |
| Total fixed maturities, available-for-sale | 294,852           | —           |
| Cash and cash equivalents                  | 5,618             | —           |
| Total Funds held - directly managed        | <u>\$ 300,470</u> | <u>\$ —</u> |

**d. Other investments**

The fair value of equity and other investments, by asset type, as of December 31, 2022 and 2021 are as follows:

|                                      | <b>2022</b>         | <b>2021</b>         |
|--------------------------------------|---------------------|---------------------|
| Equities:                            |                     |                     |
| Preferred and common stocks          | \$ 2,543            | \$ 4,830            |
| Total equities                       | 2,543               | 4,830               |
| Other investments:                   |                     |                     |
| Hedge funds                          | 17,675              | 31,354              |
| Private equity                       | 353,507             | 403,565             |
| Fixed income funds                   | 247,750             | 207,835             |
| Debt funds                           | 360,526             | 408,526             |
| Real estate funds                    | 158,226             | 75,319              |
| Total other investments              | 1,137,684           | 1,126,599           |
| Total equities and other investments | <u>\$ 1,140,227</u> | <u>\$ 1,131,429</u> |

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**6. Investments (continued)**

**e. Net investment income**

The components of net investment income for the years ended December 31, 2022 and 2021 are summarized as follows:

|  | <b>2022</b>       | <b>2021</b>      |
|--|-------------------|------------------|
| Fixed maturities, including mortgage and asset-backed securities | \$ 79,347         | \$ 69,023        |
| Equities   | 324               | 95               |
| Other investments  | 36,806            | 36,013           |
| Cash and cash equivalents  | 1,176             | 697              |
| Gross investment income  | 117,653           | 105,828          |
| Investment expenses  | (5,966)           | (6,464)          |
| Net investment income  | <u>\$ 111,687</u> | <u>\$ 99,364</u> |

**f. Net gains (losses) on investments**

Net gains (losses) on investments within the consolidated statements of income and comprehensive income (loss) for the years ended December 31, 2022 and 2021 consisted of the following:

|   | <b>2022</b>        | <b>2021</b>      |
|---|--------------------|------------------|
| Net realized gains (losses) on sales of investments     | \$ 7,662           | \$ 40,249        |
| Net change in fair market value of investments, trading | (49,000)           | 32,028           |
| Net gains (losses) on investments                       | <u>\$ (41,338)</u> | <u>\$ 72,277</u> |

**g. Mortgage loans**

Mortgage loans are held at amortized cost. The carrying value of the Company's mortgage loans at December 31, 2022 was \$71.7 million (2021: \$150.1 million).

The table below provides a reconciliation of the beginning and ending balances of the mortgage loans:

|  | <b>2022</b>      | <b>2021</b>       |
|--|------------------|-------------------|
| Balance at beginning of the year         | \$ 150,094       | \$ 100,045        |
| Purchases during the year                | 43,021           | 91,028            |
| Sales and maturities during the year (*) | (102,832)        | (40,096)          |
| Foreign exchange losses                  | (18,606)         | (883)             |
| Balance at end of the year               | <u>\$ 71,677</u> | <u>\$ 150,094</u> |

(\*) Out of \$102.8 million sales and maturities, \$56.7 million were transferred into the securitization vehicle in exchange for debt notes during 2022 (2021: nil). The cost of the commercial mortgage loans transferred approximates the fair value on the date of the transfer.

Included in net investment income is \$0.2 million of expenses (2021: \$0.3 million ) related to these mortgage loans.

As discussed in "Note 2. Significant accounting policies", during 2022 notes were purchased via a securitization vehicle. These mortgage loans are classified within other investments on the consolidated balance sheet and presented as real estate funds, at fair value. The fair value of these notes as at December 31, 2022 is \$81.1 million.



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**7. Fair value measurements**

The Company used the following valuation techniques and assumptions in estimating the fair value of financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

Fixed maturities

At each valuation date, the Company uses a market approach technique to estimate the fair value of the fixed maturities portfolios, where possible. This market approach includes, but is not limited to, prices obtained from third party pricing services and broker-dealers for identical or comparable securities. When quoted market prices are unavailable, the pricing service prepares estimates of fair value measurements with its proprietary pricing applications, using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and expected cash flows, including prepayment speeds.

The following describes the significant inputs generally used to determine the fair value of fixed maturities by asset class:

Corporate securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2. Private debt securities are classified in Level 3 as the inputs used to determine their fair values are not considered to be observable. Where inputs are not observable, the Company uses an internal model and inputs include quotations from third party investment specialists and public comparisons.

Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. The significant inputs used to determine the fair values of these securities includes the spread above the risk-free yield curve, reported trades, benchmark yields, broker-dealer quotes, expected cash flows including prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2. Some asset-backed securities have been classified in Level 3 as the inputs used to determine the fair values of these securities are not considered to be observable. Where inputs are not observable, the Company uses an internal model and inputs include quotations from third party investment specialists and public comparisons.

Mortgage-backed securities include both agency and non-agency originated securities. The significant inputs used to determine the fair values of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, broker-dealer quotes, expected cash flows including prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2. Certain mortgage-backed securities have been classified in Level 3 as the inputs used to determine the fair values of these securities are not considered to be observable. Where inputs are not observable, the Company uses an internal model and inputs include quotations from third party investment specialists and public comparisons.

U.S. government and agency securities consist of securities issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. The significant inputs include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

Non-U.S. government securities consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

Municipal securities consist primarily of bonds issued by U.S.-domiciled state and municipal entities. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

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**7. Fair value measurements (continued)**

Equity securities

Equity securities include common stocks, preferred stocks, exchange traded funds and mutual funds. Common stocks, exchange traded debt and equity funds are classified within Level 1 as the fair values are based on quoted market prices in active markets. The fair value estimates of our investments in publicly traded preferred stocks are based on observable market data and, as a result, have been categorized as Level 2. The policy for all equity securities classified within Level 3 has been described under other investments below.

Other investments

Other investments carried at fair value are subject to stringent due diligence processes. These processes are designed to assist us in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether additional reviews are necessary. Certain funds do not provide full transparency of their underlying holdings; however, the Company obtains the audited financial statements for funds annually and review the audited results relative to the net asset values provided by the managers, and regularly review and discuss the fund performance with the fund managers to corroborate the reasonableness of the reported net asset values ("NAV").

The use of NAV as an estimate of the fair value for investments in certain entities that calculate NAV is a permitted practical expedient. Due to the time lag in the NAV reported by certain fund managers, the Company adjusts the valuation for capital calls and distributions. Other investments for which the Company do not use NAV as a practical expedient have been valued using prices from independent pricing services, investment managers and broker-dealers.

The fair values of hedge funds, private equity, debt funds and certain real estate funds have been estimated using the NAV of the funds reported by the entities responsible for administering the funds, where possible. In the absence of such information the assets are valued based on management's review and judgement of such assets. As a result of the inherent uncertainty of valuation, the estimated fair value may differ materially from the value that would have been used had a ready market existed for these investments. The actual value at which these securities could be sold or settled with a willing buyer or seller may differ from the Company's estimated fair values depending on a number of factors including, but not limited to, current and future economic conditions, the quantity sold or settled, the presence of an active market and the availability of a willing buyer or seller.

The following describes the techniques generally used to determine the fair value of our other investments:

For investments in hedge funds, the Company measures fair value by obtaining the most recently available NAV as advised by the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

For investments in private equities, the Company measures fair value by obtaining the most recently available NAV from the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy. In all other instances, funds are categorized as Level 3, as inputs used to determine fair value are not considered to be observable. In such cases, the Company uses an internal model and inputs include quotes from third party investment specialists, market multipliers and price-to-book ratios.

Investments in fixed income funds are valued based on prices provided by external fund managers. These funds have publicly available prices. Consequently, the Company have classified the investments as Level 2.

For investments in debt funds, the Company measure fair value by obtaining the most recently available NAV as advised by the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

Investments in real estate funds are valued based on the most recently available NAV from the external fund manager or third-party administrator. The fair value of these investments is measured using the NAV as a practical expedient and therefore has not been categorized within the fair value hierarchy.

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**7. Fair value measurements (continued)**

For investment contracts held at fair value, on a funds withheld basis, the Company measures the fair value by using an internal discounted net cash flow model that is sensitive to interest rate movements. This model includes both observable market inputs and unobservable inputs that not all market participants will have access to and, as a result, is classified as Level 3. The unobservable inputs used in the valuation include a crediting spread, estimated book yield on the asset portfolio, an asset portfolio on a funds withheld basis, valuation of swap contracts put in place to hedge currency and interest rates on variable funding notes, and a portfolio of future liability payments. The asset portfolio supporting these future liability payments consist, on average, of BBB credit quality. The fair value of the assets in the funds withheld account as of December 31, 2022 and 2021 was \$4,980.2 million and nil respectively. The notional value of the liabilities supported by the asset portfolio were \$4,867.5 million and nil as of December 31, 2022 and 2021, respectively.

At December 31, 2022 and 2021, the Company's financial instruments measured at fair value are categorized between Levels 1, 2 and 3, with the exception of alternative investments that use NAV as a practical expedient, shown as "NAV" in the table below.

| At December 31, 2022               | Level 1 | Level 2      | Level 3    | NAV        | Total Fair Value |
|------------------------------------|---------|--------------|------------|------------|------------------|
| <b>Assets</b>                      |         |              |            |            |                  |
| Fixed maturities:                  |         |              |            |            |                  |
| Corporate                          | \$ —    | \$ 1,219,378 | \$ —       | \$ —       | \$ 1,219,378     |
| Asset-backed securities            | —       | 207,481      | 15,454     | —          | 222,935          |
| Mortgage-backed securities         | —       | 33,622       | 37,706     | —          | 71,328           |
| U.S. government and agency         | —       | 106,749      | —          | —          | 106,749          |
| Non-U.S. government                | —       | 224,271      | —          | —          | 224,271          |
| Municipals                         | —       | 8,152        | —          | —          | 8,152            |
| Total fixed maturities             | —       | 1,799,653    | 53,160     | —          | 1,852,813        |
| Equity securities:                 |         |              |            |            |                  |
| Preferred and common stocks        | —       | 2,543        | —          | —          | 2,543            |
| Total equity securities            | —       | 2,543        | —          | —          | 2,543            |
| Other investments:                 |         |              |            |            |                  |
| Hedge funds                        | —       | 9            | —          | 17,666     | 17,675           |
| Private equity                     | —       | —            | —          | 353,507    | 353,507          |
| Fixed income funds                 | —       | 247,750      | —          | —          | 247,750          |
| Debt funds                         | —       | —            | —          | 360,526    | 360,526          |
| Real estate funds                  | —       | —            | —          | 158,226    | 158,226          |
| Total other investments            | —       | 247,759      | —          | 889,925    | 1,137,684        |
| Other assets - investment contract |         |              |            |            |                  |
|                                    | —       | —            | 165,768    | —          | 165,768          |
| Total assets                       | \$ —    | \$ 2,049,955 | \$ 218,928 | \$ 889,925 | \$ 3,158,808     |

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**7. Fair value measurements (continued)**

| <b>At December 31, 2021</b>        | <b>Level 1</b> | <b>Level 2</b>      | <b>Level 3</b>   | <b>NAV</b>        | <b>Total Fair Value</b> |
|------------------------------------|----------------|---------------------|------------------|-------------------|-------------------------|
| <b>Assets</b>                      |                |                     |                  |                   |                         |
| Fixed maturities:                  |                |                     |                  |                   |                         |
| Corporate                          | \$ —           | \$ 1,690,314        | \$ —             | \$ —              | \$ 1,690,314            |
| Asset-backed securities            | —              | 289,541             | 21,533           | —                 | 311,074                 |
| Mortgage-backed securities         | —              | 53,989              | 53,862           | —                 | 107,851                 |
| U.S. government and agency         | —              | 56,207              | —                | —                 | 56,207                  |
| Non-U.S. government                | —              | 265,768             | —                | —                 | 265,768                 |
| Municipals                         | —              | 10,268              | —                | —                 | 10,268                  |
| Total fixed maturities             | —              | 2,366,087           | 75,395           | —                 | 2,441,482               |
| Equity securities:                 |                |                     |                  |                   |                         |
| Preferred and common stocks        | —              | 4,830               | —                | —                 | 4,830                   |
| Total equity securities            | —              | 4,830               | —                | —                 | 4,830                   |
| Other investments:                 |                |                     |                  |                   |                         |
| Hedge funds                        | —              | —                   | —                | 31,354            | 31,354                  |
| Private equity                     | —              | —                   | 4,368            | 399,197           | 403,565                 |
| Fixed income funds                 | —              | 207,835             | —                | —                 | 207,835                 |
| Debt funds                         | —              | 2,364               | —                | 406,162           | 408,526                 |
| Real estate funds                  | —              | —                   | —                | 75,319            | 75,319                  |
| Total other investments            | —              | 210,199             | 4,368            | 912,032           | 1,126,599               |
| Other assets - investment contract |                |                     |                  |                   |                         |
|                                    | —              | —                   | —                | —                 | —                       |
| <b>Total assets</b>                | <b>\$ —</b>    | <b>\$ 2,581,116</b> | <b>\$ 79,763</b> | <b>\$ 912,032</b> | <b>\$ 3,572,911</b>     |

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**7. Fair value measurements (continued)**

The following table presents a reconciliation of the beginning and ending balances for all financial instruments measured at fair value on a recurring basis using Level 3 inputs for the year ended December 31, 2022 and 2021.

|   | <b>Level 3<br/>Investments</b> |
|---|--------------------------------|
| Balance at beginning of year, January 1, 2021   | \$ 11,508                      |
| Purchases   | 54,885                         |
| Sales and maturities  | (2,616)                        |
| Transfers   | 17,606                         |
| Net gains   | 1,626                          |
| Foreign exchange losses   | (3,246)                        |
| Balance at end of year, December 31, 2021   | \$ 79,763                      |
| Purchases   | 6,051                          |
| Sales and maturities  | (23,425)                       |
| Transfers   | —                              |
| Net losses*   | (5,922)                        |
| Foreign exchange losses   | (3,307)                        |
| Other assets - investment contract  | 165,768                        |
| Balance at end of year, December 31, 2022   | \$ 218,928                     |
| *Level 3 losses included in earnings attributable to the change in unrealized gains and losses relating to financial instruments held at the reporting date | \$ (5,922)                     |

Transfers into and out of level 3 are recorded as of the end of the year consistent with the date of determination of fair value. For assets and liabilities that were transferred into Level 3 during the year, gains (losses) are presented as if the assets or liabilities had been transferred into Level 3 at the beginning of the year, similarly, for assets and liabilities that were transferred out of Level 3 during the year, gains (losses) are presented as if the assets or liabilities had been transferred out of Level 3 at the beginning of the year.

The following table presents additional information with respect to investments that are measured at fair value using NAV as a practical expedient as of December 31, 2022.

|                    | <b>Fair Value</b> | <b>Unfunded<br/>Commitments</b> | <b>Redemption<br/>Frequency</b> | <b>Redemption<br/>Notice Period</b> |
|--------------------|-------------------|---------------------------------|---------------------------------|-------------------------------------|
| Hedge funds        | \$ 17,667         | \$ —                            | See below                       | See below                           |
| Private equity (*) | 353,479           | 53,408                          | See below                       | See below                           |
| Debt funds         | 360,526           | 16,361                          | See below                       | See below                           |
| Real estate funds  | 158,226           | 34,000                          | See below                       | See below                           |
|                    | <u>\$ 889,898</u> | <u>\$ 103,769</u>               |                                 |                                     |

(\*) On the basis of its analysis of the nature, characteristics, and risks of the investments, the Company has determined that presenting them as a single class is appropriate.

**Hedge funds**

This relates largely to two investments. One is an open-ended fund incorporated in Ireland. The fund strategy is to establish synthetic credit exposure through sales of liquid, standardized exchange traded index contracts with daily

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**7. Fair value measurements (continued)**

observable prices via an internationally regulated clearing house. The other is a fund whose strategy is to hold derivatives as hedge positions in order to protect the Catalina investment portfolio from negative market shocks in either equities or credit markets. The funds' NAVs are calculated daily and both funds can be redeemed on a daily basis with a redemption notice period of one day.

**Private equity**

The Company's investments in private equity include investments in private equities and private equity funds. Private equity fund investments include a fund whose primary business is managing and investing in U.S. and European collateralized loan obligations ("CLO") equity, while another is involved financial and operational restructurings in Europe. Also included within private equity investments is a fund involved in buyout strategies in the U.S., Canada, and Europe, and a fund that focuses on small capital and growth opportunities in high-yield products in the global food supply chain. These funds provide net asset values on a quarterly basis. Investments in private equities include equity interest in entities involved in the acquisition, development and production of unconventional oil and gas reserves located in the Permian basin in west Texas, US. The Company generally has no right to redeem its interest in these private equities in advance of dissolution. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the respective private equities. It is estimated that the majority of the underlying assets of the private equities would liquidate over four to twelve years from inception. Quarterly valuations are provided by the sponsor.

**Debt funds**

This includes a fund that principally invests in a diversified portfolio of leveraged loans, collateralized debt obligations, high-yield bonds, commercial mortgage-backed securities, consumer and commercial asset-backed securities, credit default swaps, bank debt, options and synthetic securities and indices. This also includes an Alternative Investment Fund Manages Directive compliant Irish Collective Asset-management Vehicle that acquires individual loans and securities. The majority of these funds can be redeemed on a quarterly basis with a 65-day notice period prior to redemption. Other debt funds have a lock-up period of eight to ten years. Quarterly valuations are provided by the sponsor.

**Real estate funds**

This includes funds that originate mezzanine debt secured on commercial real estate to earn interest income and fees. Also included within this category is a fund involved in the development of residential real estate in the U.K. and Ireland. These funds record their real estate debt at fair value. Prices are determined using observable prevailing market conditions, performance and other similar transactions in the marketplace. It also includes a fund that provides mezzanine financing in Ireland for single-asset and portfolio acquisitions, as well as for restructuring existing loan portfolios. This fund provides net asset valuations on a quarterly basis. It is estimated that the majority of the underlying assets in this funds would liquidate over eight years from inception of the applicable fund.

**8. Derivative instruments**

On November 1, 2022, the Company entered into an agreement which includes funding agreement backed notes ("FABN") classified as a derivative. Refer to "Note 2. Significant accounting policies" and "Note 7. Fair value measurements" for further information. The instrument is classified as a Level 3 asset and included in Other assets on the consolidated balance sheets.

As at December 31, 2022, gains of \$60.8 million related to the derivative instruments are included within net gains (losses) on investments in the consolidated statement of income (loss) and comprehensive income (loss) (2021: nil).

During 2021, the Company entered into a rolling forward exchange contract to hedge the British pound against the U.S. dollar. These transactions have historically been designated as hedging instruments for financial purposes. The forward exchange contracts' fair value was included within accounts payable, accrued expenses, and other liabilities

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**8. Derivative instruments (continued)**

in the consolidated balance sheet. The realized and unrealized foreign exchange losses on the hedging instruments were then included within other comprehensive income in the consolidated statement of income and comprehensive income.

In 2021, the Company re-assessed its hedging strategy in an effort to align the Company's overall approach to managing foreign currency exposures. The Company elected to discontinue or derecognize the hedge accounting for these hedges and as a result, the unrealized gains and losses were recorded in net income, in lieu of as a component of other comprehensive income. Realized gains and losses on hedge accounting designated instruments are recognized in net income, prospectively.

The fair value of this forward exchange contract as at December 31, 2021 was nil. The realized and unrealized foreign exchange losses on the hedging instrument of \$7.9 million for the year ended December 31, 2021 were included within net income.

The Company entered into foreign exchange forward contracts to mitigate the foreign exchange rate risk of fluctuation in the U.S. Dollar against certain foreign currencies. The fair value of the derivative instruments as at December 31, 2022 was a liability of \$9.3 million and is included in accounts payable, accrued expenses and other liabilities (2021: \$9.1 million included in other assets). The income on derivative instruments of \$39.1 million for the year ended December 31, 2022 (2021: loss of \$5.8 million) is included in net foreign exchange gains (losses) in the statements of income (loss) and comprehensive income (loss).

| Foreign Exchange Forward<br>Contracts |     | Contract<br>Amount |     | Settlement<br>Amount | Fair Value as at<br>December 31, 2022 |
|---------------------------------------|-----|--------------------|-----|----------------------|---------------------------------------|
| Euro                                  | EUR | 83,400             | USD | 92,404               | \$ 2,668                              |
| Euro                                  | EUR | (6,971)            | GBP | 6,113                | (66)                                  |
| Euro                                  | EUR | 79,499             | USD | 80,760               | (4,544)                               |
| Euro                                  | EUR | 101,932            | GBP | 89,232               | (1,301)                               |
| Euro                                  | EUR | 16,136             | USD | 16,000               | 1,372                                 |
| Euro                                  | EUR | 5,882              | GBP | 5,203                | 36                                    |
| British Pound                         | GBP | 7,400              | USD | 8,943                | (17)                                  |
| British Pound                         | GBP | 222,442            | USD | 261,375              | (7,996)                               |
| British Pound                         | GBP | 19,373             | EUR | 22,271               | 485                                   |
| U.S Dollar                            | USD | 9,004              | AUD | 13,000               | (128)                                 |
| U.S Dollar                            | USD | 20,090             | JPY | 2,700,000            | 851                                   |
| U.S Dollar                            | USD | 19,664             | KRW | 25,028,000           | 446                                   |
| U.S Dollar                            | USD | 5,233              | PHP | 304,000              | 192                                   |
| U.S Dollar                            | USD | 12,487             | SGD | 17,589               | 683                                   |
| U.S Dollar                            | USD | 4,199              | THB | 150,000              | 177                                   |
| U.S Dollar                            | USD | 6,334              | TWD | 200,000              | 255                                   |
| U.S Dollar                            | USD | (60,166)           | GBP | 49,324               | (498)                                 |
| U.S Dollar                            | USD | 106,005            | GBP | 87,774               | 296                                   |
| U.S Dollar                            | USD | 85,559             | EUR | 79,949               | 228                                   |
| Canadian Dollar                       | CAD | 9,200              | USD | 6,736                | (60)                                  |
| Malaysian Ringgit                     | MYR | 138,000            | USD | 29,310               | (2,099)                               |
| Australian Dollar                     | AUD | (3,760)            | GBP | 2,063                | (67)                                  |
| Australian Dollar                     | AUD | 13,870             | GBP | 7,624                | (242)                                 |
|                                       |     |                    |     | <u>\$</u>            | <u>(9,329)</u>                        |

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**8. Derivative instruments (continued)**

| <b>Foreign Exchange Forward Contracts</b> |     | <b>Contract<br/>Amount</b> |     | <b>Settlement<br/>Amount</b> | <b>Fair Value as<br/>at December<br/>31, 2021</b> |
|---|-----|----------------------------|-----|------------------------------|---|
| Euro                                      | EUR | 76,400                     | USD | 92,301                       | \$ 5,209  |
| Euro                                      | EUR | 9,170                      | GBP | 7,752                        | 63  |
| Euro                                      | EUR | 3,140                      | USD | 2,283                        | (51)  |
| Euro                                      | EUR | 43,555                     | USD | 49,751                       | 137   |
| Euro                                      | EUR | 92,056                     | GBP | 78,167                       | 988   |
| Euro                                      | EUR | 6,467                      | USD | 7,500                        | 132   |
| Euro                                      | EUR | 1,051                      | GBP | 903                          | 24  |
| Euro                                      | EUR | 10,520                     | GBP | 9,000                        | 201   |
| U.S Dollar                                | USD | 2,378                      | AU  | 3,000                        | (197)   |
| U.S Dollar                                | USD | 31,731                     | JPY | 3,600,000                    | (402)   |
| U.S Dollar                                | USD | 5,869                      | PHP | 304,000                      | 9   |
| U.S Dollar                                | USD | 13,000                     | SGD | 17,594                       | 48  |
| U.S Dollar                                | USD | 4,592                      | THB | 150,000                      | (68)  |
| U.S Dollar                                | USD | 12,877                     | TWD | 350,000                      | (237)   |
| U.S Dollar                                | USD | 102,961                    | GBP | 76,707                       | 778   |
| Canadian Dollar                           | CAD | 9,000                      | USD | 7,016                        | (97)  |
| British Pound                             | GBP | 12,800                     | USD | 17,715                       | 401   |
| British Pound                             | GBP | 194,626                    | USD | 265,300                      | 2,059   |
| British Pound                             | GBP | 1,500                      | EUR | 1,771                        | (13)  |
| Malaysian Ringgit                         | MYR | 171,000                    | USD | 40,877                       | (91)  |
| S. Korean Won                             | KRW | 18,400,000                 | USD | 15,546                       | 53  |
| Chinese Yuan                              | CNH | 6,000                      | USD | 929                          | (5)   |
| Taiwan Dollar                             | TWD | 150,000                    | USD | 5,549                        | 132   |
|   |     |                            |     |                              | <u>\$ 9,073</u>                                   |

**9. Investment in real estate**

The Company acquires properties through its subsidiaries, Swansea, Newport, Telford, Yeovil, Greenock, Oxenwood UK and Oxenwood III, and their subsidiaries. These are all Guernsey incorporated companies. They generate returns via rental income and capital appreciation.

COIL was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via Oxenwood UK. COIL owns 98.5% (2021: 98.5%) of the shares of Oxenwood UK and Oxenwood UK is therefore consolidated by the Company.

COEIL was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via Oxenwood III. COEIL owns 98.5% (2021: 98.5%) of Oxenwood III and is therefore consolidated by the Company.

CORE was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via Oxenwood Capital LP, Oxenwood Real Estate LLP and Oxenwood Real Estate Capital LP. CORE owned 30.7% of each of these three entities. In 2019, CORE sold its investment in Oxenwood Real Estate LLP to CORE II. On November 29, 2021, CORE was liquidated.



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**9. Investment in real estate (continued)**

CORE II was set up as an intermediate holding company for the Company and its subsidiaries to invest in commercial real estate via OXW Capital LP, Oxenwood Real Estate LLP (purchased from CORE) and OXW Partners LP. CORE II owns 67.0% (2021: 67.0%) of each of these three entities.

During 2022, the Company acquired the following properties:

| Property Name | Date Acquired     | Location           | Acquiring Company | Cost     | Acquisition Expenses |
|---------------|-------------------|--------------------|-------------------|----------|----------------------|
| Washington    | June 30, 2022     | Washington, UK     | Oxenwood UK       | \$ 6,424 | \$ 476               |
| Ivybridge     | July 1, 2022      | Ivybridge, UK      | Oxenwood UK       | 2,528    | 195                  |
| Langenfeld    | February 10, 2022 | Lagenfeld, Germany | Oxenwood III      | 13,346   | 1,436                |
| Willich       | February 10, 2022 | Willich, Germany   | Oxenwood III      | 17,054   | 1,731                |

During 2021, the Company acquired the following properties:

| Property Name    | Date Acquired     | Location                  | Acquiring Company | Cost      | Acquisition Expenses |
|------------------|-------------------|---------------------------|-------------------|-----------|----------------------|
| Leicester        | March 31, 2021    | Leicester, UK             | Oxenwood UK       | \$ 16,628 | \$ 1,054             |
| Kettering        | June 21, 2021     | Kettering, UK             | Oxenwood UK       | 12,437    | 775                  |
| Coventry         | June 1, 2021      | Coventry, UK              | Oxenwood UK       | 24,598    | 1,428                |
| Wolverhampton    | December 2, 2021  | Wolverhampton, UK         | Oxenwood UK       | 16,765    | 1,230                |
| Schweitenkirchen | August 3, 2021    | Schweitenkirchen, Germany | Oxenwood III      | 22,414    | 1,383                |
| Hilden           | December 28, 2021 | Hilden, Germany           | Oxenwood III      | 12,386    | 1,406                |
| Neuss            | June 14, 2021     | Neuss, Germany            | Oxenwood III      | 11,070    | 377                  |
| BAE Systems      | April 8, 2021     | Yeovil, UK                | Yeovil            | 10,610    | 664                  |
| EE building      | May 7, 2021       | Greenock, UK              | Greenock          | 12,610    | 820                  |

No properties were disposed of during 2022. During 2021, the Company sold an office space located in Malaysia for \$1.4 million. The carrying value at the date of the sale was \$1.3 million and the gain on sale was \$0.1 million.

As discussed in “Note 12. Debt obligations” the acquisitions of the properties were partially funded by term loans. The loans are secured by a first ranking legal charge over the properties.

The cost of each property is split between land and buildings. The cost of the buildings is depreciated over a period of 40 years on a straight-line basis. Income from these real estate investments is recognized as per the terms of the lease agreements.

|  | 2022              | 2021              |
|--|-------------------|-------------------|
| Land, at cost                              | \$ 114,996        | \$ 96,945         |
| Buildings, at cost                         | 169,951           | 157,410           |
| Accumulated depreciation, buildings        | (8,108)           | (3,701)           |
| Buildings, net of accumulated depreciation | 161,843           | 153,709           |
| Total                                      | <u>\$ 276,839</u> | <u>\$ 250,654</u> |

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**9. Investment in real estate (continued)**

The total estimated market value of the real estate properties as at December 31, 2022 is \$275.5 million (2021: \$249.9 million).

**10. Outstanding losses and loss expenses**

Outstanding losses and loss expenses as of December 31, 2022 and 2021 are as follows:

|                           | <b>2022</b>         | <b>2021</b>         |
|---------------------------|---------------------|---------------------|
| Case reserves             | \$ 1,252,208        | \$ 1,349,645        |
| Incurred but not reported | 2,194,366           | 2,399,585           |
| Structured settlements    | 210,596             | 266,716             |
| Life reserves             | 4,312               | 5,774               |
| Net deferred gain         | 5,054               | 20,141              |
|                           | <u>\$ 3,666,536</u> | <u>\$ 4,041,861</u> |

The \$5.1 million deferred gain in 2022 relates primarily to deferred gains on the Employers Liability LPT and the UK home warranty transaction, offset by the German medical malpractice business assumed by Catalina Insurance Ireland dac (“CII”) and the U.S. Casualty ADC transaction.

The \$20.1 million deferred gain in 2021 relates primarily to the Employers Liability LPT and the UK home warranty transaction. This was offset by the deferred charge on a U.S Casualty portfolio, the 65% Quota-Share Reinsurance Agreement of German medical malpractice business assumed by Catalina Insurance Ireland dac (“CII”) and the U.S. Casualty ADC transaction.

The following table represents the activity in outstanding losses and loss expenses for the years ended December 31, 2022 and 2021:

|   | <b>2022</b>         | <b>2021</b>         |
|---|---------------------|---------------------|
| Gross outstanding losses and loss expenses, beginning of year | \$ 4,041,861        | \$ 3,896,294        |
| Less reinsurance recoverable, beginning of year               | (1,292,611)         | (1,402,656)         |
| Net losses and loss expenses, beginning of year               | 2,749,250           | 2,493,638           |
| Net losses and loss expenses assumed during the year          | 331,045             | 663,482             |
| Net incurred losses related to:                               |                     |                     |
| Current year  | —                   | (45)                |
| Prior years   | 42,550              | 31,818              |
|   | <u>42,550</u>       | <u>31,773</u>       |
| Net paid losses related to:                                   |                     |                     |
| Current year  | —                   | (115)               |
| Prior years   | (344,329)           | (379,323)           |
|   | <u>(344,329)</u>    | <u>(379,438)</u>    |
| Foreign exchange losses                                       | (169,996)           | (60,205)            |
| Net losses and loss expenses, end of year                     | 2,608,520           | 2,749,250           |
| Reinsurance recoverable, end of year                          | 1,058,016           | 1,292,611           |
| Gross outstanding losses and loss expenses, end of year       | <u>\$ 3,666,536</u> | <u>\$ 4,041,861</u> |

During the year ended December 31, 2022, the Company experienced \$42.6 million net unfavorable loss and loss adjustment expense development, primarily driven by adverse development in U.S. Casualty and German medical malpractice lines. This was offset by favorable development in UK construction defect and UK liability lines.

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**10. Outstanding losses and loss expenses (continued)**

During the year ended December 31, 2021, the Company experienced \$31.8 million unfavorable loss and loss adjustment expense development, primarily driven by development in U.S. Casualty, including Asbestos and Pollution in CWIL.

**Actuarial Methodology and Methods for Establishing Reserves**

The Company uses both historical experience and industry-wide loss development factors to provide a reasonable basis for estimating future losses. In the future, certain events may be beyond the control of management, such as changes in law, judicial interpretations of law and inflation which may favorably or unfavorably impact the ultimate settlement of the Company's loss and loss adjustment reserves.

The process of establishing reserves can be complex and is subject to considerable variability, as it requires the use of judgement to make informed estimates. These estimates are based on numerous factors and may be revised, as additional experience and other data becomes available, and reviewed, as new improved methodologies are developed or as current laws change.

The Company utilizes a variety of standard actuarial methods in its analysis of loss reserves. The selections from these various methods are based on the loss development characteristics of the specific line of business and significant actuarial judgement. The main actuarial methods the Company utilizes are:

**Reported development method** is based upon the assumption that the relative change in a given year's reported loss estimates from one evaluation point to the next is similar to the relative change in prior years' reported loss estimates at similar evaluation points. In utilizing this method, actual annual historical reported loss data is evaluated. Successive years can be arranged to form a triangle of data. Age to Age ("ATA") development factors are calculated to measure the change in cumulative reported costs from one evaluation point to the next. These historical ATA factors and comparable benchmark factors form the basis for selecting ATA factors used in projecting the current valuation of losses to an ultimate basis. In addition, a tail factor is based on trends shown in the data and consideration of external benchmarks. This method's implicit assumption is that the relative adequacy of case reserves has been consistent over time, and that there have been no material changes in the rate at which claims have been reported.

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

**The expected loss ratio method** calculates the ultimate loss projections based upon some prior measure of the anticipated losses, usually relative to some measure of exposure, such as premiums, revenues, or payroll. An expected loss ratio (or loss cost/pure premium) is applied to the measure of exposure to determine estimated ultimate losses for each year. Actual losses are not considered in this calculation. This method has the advantage of stability over time because the ultimate loss estimates do not change unless the exposures of pure premiums change. However, this advantage of stability is offset by a lack of responsiveness since this method does not consider actual loss experience as it emerges. This method is based on the assumption that the expected loss ratio per unit of exposure is a good indication of ultimate losses and it is often dependent on pricing assumptions.

**Reported Bornhuetter-Ferguson ("BF-IBNR") method** is essentially a blend of two other methods. The first method is the loss development method whereby actual reported losses are multiplied by an expected loss development factor. For slow reporting coverages, the loss development method can lead to erratic and unreliable projections because a relatively small swing in early reporting can result in a large swing in ultimate projections. The second method is the expected loss method whereby the estimate for the incurred but not reported losses ("IBNR") equals the difference between a predetermined estimate of expected losses and actual reported losses. This has the advantage of stability, but it does not respond to actual results as they emerge. The reported BF-IBNR

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**10. Outstanding losses and loss expenses (continued)**

method contains these two methods by setting ultimate losses equal to actual reported losses plus expected unreported losses. As an experience year matures and expected unreported losses become smaller, the initial expected loss assumption becomes gradually less important.

***Paid Bornhuetter-Ferguson method*** is analogous to the reported BF-IBNR method using paid losses and development patterns in place of reported losses and patterns.

***The frequency / severity method*** calculates ultimate losses by separately projecting ultimate claim frequency (claims per exposure) and ultimate claim severity (cost per claim) for each experience period. Typically, loss development methods are used to project ultimate frequency and severity based on historical data. Ultimate losses are calculated as the product of the two items. This method is intended to avoid distortions that may exist with the other methods for the most recent years as the result of changes in case reserve levels, settlement rates, etc. In addition, it may provide insight into the drivers of the loss experience.

***The Workers' Compensation ("WC") tabular method*** is designed to evaluate the value associated with a block of workers compensation claims. It is tailored for modelling claims with mortality exposure such as permanent total, permanent partial and death claims. The approach in the model is designed for evaluating existing claims, not IBNR claims. The model projects future estimate of medical and indemnity costs taking into consideration, life expectancy (including impairment and sex – male/female), medical inflation, as well as indemnity inflation. The annual medical inflation rate is assumed to be 2%. Indemnity benefits are only inflated if the specific state calls for future indemnity benefits to be indexed.

***The Period Payment Order ("PPO") or annuity method*** is designed to evaluate the value associated with a block of PPOs and/or annuity claims and it is tailored for modelling lifetime claims. The assumed annual inflation trend for UK PPO's is based on the historical UK Consumer Price Index ("CPI"). The assumed annual inflation trend for German Medical Malpractice annuity claims is based off the historical German CPI. The life expectancy is based on UK and German Life Tables. The normal life expectancy is adjusted due to an impairment of a claimant that is expected to shorten his/her life below a normal life expectancy for his/her age based on medical evaluation of each claimant by medical experts.

On PPOs and annuities, due to the long delay from when a claim is settled and when the final payment will be made, the outstanding claims are discounted to take account of investment income expected to be earned to the final payment date. For 2022, the Company discounts its PPO claims at a real discount rate of 0.0% (2021: 0.0%) and annuities at a real discount rate of 0.3% (2021: 0.3%). For known PPO claims and annuities, cash flows were projected in accordance with the claimants' life expectancy adjusted for specific information on any impairments that the claimant may have that may impact their life expectancy. These cash flows are then discounted to the valuation date at an assumed discount rate. The Company has discounted the cash flows as management is of the opinion that estimating undiscounted reserves for PPO claims and annuities is neither reliable nor representative of the underlying value of the losses. The unreliability stems from the significant uncertainty involved in estimating an absolute level of indexation. Management believes that discounting cash flows using a real yield assumption based on the relationship of investment returns relative to inflation indices is more reliable in the long term.

***U.S. Asbestos Projection method*** is based on ground up exposure evaluation based on a model ("Asbestos Model") consisting of insureds' ultimate liabilities applied to their respective coverage charts. The Asbestos Model makes use of future claim filing patterns extending beyond 2050 developed by researchers using data from the Manville Trust and based on epidemiological studies of asbestos-related diseases. Projection of future claims (filing) and cost per claim (severity) is based on the most recent experience of each underlying insured's trends. These estimated costs are then spread over applicable years of coverage after allowing for impact of policy language, state and federal court decisions and legislation. The costs are then applied to the insured's policy limits and attachment points that CWIL participated on. Catalina's internal Asbestos Model was only used to estimate CWIL's U.S. Asbestos losses for the Direct and Assumed Reinsurance books. On all other portfolios, the Company relied on benchmarking methods to estimate the U.S. asbestos losses.

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(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**10. Outstanding losses and loss expenses (continued)**

*U.S. Pollution Projection method* is a ground-up exposure evaluation of individual assessments of the ultimate liabilities from the most significantly exposed insureds to U.S. Pollution. The individual assessments involve the analysis of the costs of investigation and clean-up costs based upon attorney, cedent and consultant estimates. These costs are then spread over applicable years of coverage after allowing for the impact of policy language, state and federal court decisions and legislation. The costs are then applied to the insured's policy limits and deductibles that Catalina participated on. Catalina's internal U.S. Pollution model was only used to estimate HFPI (CWIL) U.S. Pollution losses for the Direct and Assumed Reinsurance books.

For the Company's exposure to U.S. A&E from other acquired portfolios, the methodologies are based on industry benchmarks (*Survival Ratio and IBNR to Case Ratio methods*). For UK EL Asbestos, the Company's reserve estimate relies on a Frequency / Severity methodology. The Company's pattern of future reported asbestos claim counts (particularly mesothelioma) are modelled using the publicly available "2020 AWP model", which was developed by the Institute and Faculty of Actuaries ("IFoA") UK Asbestos Working Party ("AWP"). Furthermore, the Company has adopted the model updates released in 2019, including additional allowance for claimants over age 90 and claims beyond 2050.

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

**Short Duration Contracts Disclosure**

The Company has disaggregated its claims information presented in the tables below by the business acquisition year. The development is presented by accident year, net of reinsurance, from the last nine calendar years. Only nine years of information has been presented as it was impractical to obtain sufficiently detailed additional information on earlier years.

The following tables set forth information about incurred and paid claims developments as of December 31, 2022, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts, related to the Company's 2013 through 2022 acquisition years. The Company being a run-off reinsurer, the claim counts were available on a very limited basis and therefore they have not been provided in the tables below as it was impractical to do so.

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(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**10. Outstanding losses and loss expenses (continued)**

The following tables show the incurred and paid claims development for business acquired and contracts incepting during the years ended December 31, 2013 to December 31, 2022.

*Business acquired and contracts incepting in the year ended December 31, 2013:*

**Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance**

| Accident Year  | Total net reserves acquired | For the years ended December 31, |            |            |            |            |            |            |            |            |                   | December 31, 2022                      |                        |
|----------------|-----------------------------|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|--|------------------------|
|                |                             | 2013                             | 2014       | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       | 2022              | Total IBNR Reserve, Net of Reinsurance | Cumulative Claim Count |
|                |                             | Unaudited                        | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited         |  |                        |
| 2012 and prior | \$ 218,753                  | \$ —                             | \$ 209,882 | \$ 202,672 | \$ 198,696 | \$ 203,588 | \$ 203,458 | \$ 204,120 | \$ 207,403 | \$ 208,557 | \$ 208,235        | \$ 4,898                               | n/a                    |
| 2013           | 14,673                      | —                                | 13,959     | 13,664     | 13,502     | 13,938     | 13,913     | 13,944     | 14,058     | 14,058     | 14,077            | 46                                     | n/a                    |
| 2014           | 14,673                      | —                                | 13,959     | 13,664     | 13,502     | 13,938     | 13,913     | 40         | 14,058     | 14,058     | 14,077            | 46                                     | n/a                    |
| 2015           | —                           | —                                | —          | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2016           | —                           | —                                | —          | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2017           | —                           | —                                | —          | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2018           | —                           | —                                | —          | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2019           | —                           | —                                | —          | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2020           | —                           | —                                | —          | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2021           | —                           | —                                | —          | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2022           | —                           | —                                | —          | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| <b>Total</b>   | <u>\$ 248,099</u>           |                                  |            |            |            |            |            |            |            |            | <u>\$ 236,389</u> | <u>\$ 4,990</u>                        | <u>n/a</u>             |

**Cumulative Paid Losses and Loss Expenses, Net of Reinsurance**

| Accident Year   | For the years ended December 31, |           |           |            |            |            |            |            |            |                   |
|---|----------------------------------|-----------|-----------|------------|------------|------------|------------|------------|------------|-------------------|
|   | 2013                             | 2014      | 2015      | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       | 2022              |
|   | Unaudited                        | Unaudited | Unaudited | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited         |
| 2012 and prior  | \$ —                             | \$ 70,742 | \$ 97,940 | \$ 122,957 | \$ 150,255 | \$ 152,637 | \$ 156,970 | \$ 166,697 | \$ 175,501 | \$ 173,958        |
| 2013  | —                                | 5,525     | 7,286     | 9,190      | 10,368     | 11,239     | 11,967     | 12,471     | 12,769     | 13,140            |
| 2014  | —                                | 5,525     | 7,286     | 9,190      | 10,368     | 11,239     | 11,967     | 12,471     | 12,769     | 13,140            |
| 2015  | —                                | —         | —         | —          | —          | —          | —          | —          | —          | —                 |
| 2016  | —                                | —         | —         | —          | —          | —          | —          | —          | —          | —                 |
| 2017  | —                                | —         | —         | —          | —          | —          | —          | —          | —          | —                 |
| 2018  | —                                | —         | —         | —          | —          | —          | —          | —          | —          | —                 |
| 2019  | —                                | —         | —         | —          | —          | —          | —          | —          | —          | —                 |
| 2020  | —                                | —         | —         | —          | —          | —          | —          | —          | —          | —                 |
| 2021  | —                                | —         | —         | —          | —          | —          | —          | —          | —          | —                 |
| 2022  | —                                | —         | —         | —          | —          | —          | —          | —          | —          | —                 |
| <b>Total</b>  |                                  |           |           |            |            |            |            |            |            | <u>\$ 200,238</u> |
| <b>Total outstanding liabilities for losses and loss expenses, net of reinsurance</b> |                                  |           |           |            |            |            |            |            |            | <u>\$ 36,151</u>  |

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**10. Outstanding losses and loss expenses (continued)**

*Business acquired and contracts incepting in the year ended December 31, 2014:*

**Incurring Losses and Loss Expenses, and IBNR, Net of Reinsurance**

| Accident Year  | Total net reserves acquired | For the years ended December 31, |                  |                  |                  |                  |                  |                  |                  |                  |                  | December 31, 2022                      |                        |            |
|----------------|-----------------------------|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|------------------------|------------|
|                |                             | 2013                             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022             | Total IBNR Reserve, Net of Reinsurance | Cumulative Claim Count |            |
|                |                             | <i>Unaudited</i>                 | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> |  |                        |            |
| 2012 and prior | \$ 246,300                  | \$ —                             | \$ —             | \$ 224,500       | \$ 215,300       | \$ 212,345       | \$ 207,442       | \$ 197,616       | \$ 195,505       | \$ 194,688       | \$ 195,749       | \$ 14,810                              | n/a                    |            |
| 2013           | —                           | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                | —                                      | n/a                    |            |
| 2014           | —                           | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                | —                                      | n/a                    |            |
| 2015           | —                           | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                | —                                      | n/a                    |            |
| 2016           | —                           | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                | —                                      | n/a                    |            |
| 2017           | —                           | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                | —                                      | n/a                    |            |
| 2018           | —                           | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                | —                                      | n/a                    |            |
| 2019           | —                           | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                | —                                      | n/a                    |            |
| 2020           | —                           | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                | —                                      | n/a                    |            |
| 2021           | —                           | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                | —                                      | n/a                    |            |
| 2022           | —                           | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                | —                                      | n/a                    |            |
| <b>Total</b>   | <u>\$ 246,300</u>           |                                  |                  |                  |                  |                  |                  |                  |                  |                  |                  | <u>\$ 195,749</u>                      | <u>\$ 14,810</u>       | <u>n/a</u> |

**Cumulative Paid Losses and Loss Expenses, Net of Reinsurance**

| Accident Year   | For the years ended December 31, |                  |                  |                  |                  |                  |                  |                  |                  |                   |
|---|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
|   | 2013                             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             | 2022              |
|   | <i>Unaudited</i>                 | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i>  |
| 2012 and prior  | \$ —                             | \$ —             | \$ 83,291        | \$ 109,812       | \$ 113,767       | \$ 125,233       | \$ 125,186       | \$ 127,891       | \$ 132,616       | \$ 139,811        |
| 2013  | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                 |
| 2014  | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                 |
| 2015  | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                 |
| 2016  | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                 |
| 2017  | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                 |
| 2018  | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                 |
| 2019  | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                 |
| 2020  | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                 |
| 2021  | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                 |
| 2022  | —                                | —                | —                | —                | —                | —                | —                | —                | —                | —                 |
| <b>Total</b>  |                                  |                  |                  |                  |                  |                  |                  |                  |                  | <u>\$ 139,811</u> |
| <b>Total outstanding liabilities for losses and loss expenses, net of reinsurance</b> |                                  |                  |                  |                  |                  |                  |                  |                  |                  | <u>\$ 55,938</u>  |

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**10. Outstanding losses and loss expenses (continued)**

*Business acquired and contracts incepting in the year ended December 31, 2015:*

**Incurred Losses and Loss Expenses, and IBNR, Net of Reinsurance**

| Accident Year  | Total net reserves acquired | For the years ended December 31, |           |            |            |            |            |            |            |            |                   | December 31, 2022                      |                        |
|----------------|-----------------------------|----------------------------------|-----------|------------|------------|------------|------------|------------|------------|------------|-------------------|--|------------------------|
|                |                             | 2013                             | 2014      | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       | 2022              | Total IBNR Reserve, Net of Reinsurance | Cumulative Claim Count |
|                |                             | Unaudited                        | Unaudited | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited         |  |                        |
| 2012 and prior | \$ 483,810                  | \$ —                             | \$ —      | \$ 441,510 | \$ 381,706 | \$ 362,016 | \$ 348,134 | \$ 342,639 | \$ 344,663 | \$ 345,204 | \$ 344,599        | \$ 3,748                               | n/a                    |
| 2013           | —                           | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2014           | —                           | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2015           | —                           | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2016           | —                           | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2017           | —                           | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2018           | —                           | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2019           | —                           | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2020           | —                           | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2021           | —                           | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2022           | —                           | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| <b>Total</b>   | <u>\$ 483,810</u>           |                                  |           |            |            |            |            |            |            |            | <u>\$ 344,599</u> | <u>\$ 3,748</u>                        | <u>n/a</u>             |

**Cumulative Paid Losses and Loss Expenses, Net of Reinsurance**

| Accident Year   | For the years ended December 31, |           |            |            |            |            |            |            |            |                   |
|---|----------------------------------|-----------|------------|------------|------------|------------|------------|------------|------------|-------------------|
|   | 2013                             | 2014      | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       | 2021       | 2022              |
|   | Unaudited                        | Unaudited | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited         |
| 2012 and prior  | \$ —                             | \$ —      | \$ 174,743 | \$ 222,139 | \$ 228,734 | \$ 271,699 | \$ 285,128 | \$ 284,927 | \$ 304,087 | \$ 308,070        |
| 2013  | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 |
| 2014  | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 |
| 2015  | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 |
| 2016  | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 |
| 2017  | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 |
| 2018  | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 |
| 2019  | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 |
| 2020  | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 |
| 2021  | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 |
| 2022  | —                                | —         | —          | —          | —          | —          | —          | —          | —          | —                 |
| <b>Total</b>  |                                  |           |            |            |            |            |            |            |            | <u>\$ 308,070</u> |
| <b>Total outstanding liabilities for losses and loss expenses, net of reinsurance</b> |                                  |           |            |            |            |            |            |            |            | <u>\$ 36,529</u>  |



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**10. Outstanding losses and loss expenses (continued)**

*Business acquired and contracts incepting in the year ended December 31, 2016:*

**Incurring Losses and Loss Expenses, and IBNR, Net of Reinsurance**

| Accident Year  | Total net reserves acquired | For the years ended December 31, |           |           |           |            |            |            |            |            |                   | December 31, 2022                      |                        |
|----------------|-----------------------------|----------------------------------|-----------|-----------|-----------|------------|------------|------------|------------|------------|-------------------|--|------------------------|
|                |                             | 2013                             | 2014      | 2015      | 2016      | 2017       | 2018       | 2019       | 2020       | 2021       | 2022              | Total IBNR Reserve, Net of Reinsurance | Cumulative Claim Count |
|                |                             | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited         |  |                        |
| 2012 and prior | \$ 201,229                  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ 199,508 | \$ 198,338 | \$ 201,950 | \$ 210,604 | \$ 216,880 | \$ 231,033        | \$ 104,249                             | n/a                    |
| 2013           | —                           | —                                | —         | —         | —         | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2014           | —                           | —                                | —         | —         | —         | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2015           | —                           | —                                | —         | —         | —         | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2016           | —                           | —                                | —         | —         | —         | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2017           | —                           | —                                | —         | —         | —         | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2018           | —                           | —                                | —         | —         | —         | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2019           | —                           | —                                | —         | —         | —         | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2020           | —                           | —                                | —         | —         | —         | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2021           | —                           | —                                | —         | —         | —         | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2022           | —                           | —                                | —         | —         | —         | —          | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| <b>Total</b>   | <u>\$ 201,229</u>           |                                  |           |           |           |            |            |            |            |            | <u>\$ 231,033</u> | <u>\$ 104,249</u>                      | <u>n/a</u>             |

**Cumulative Paid Losses and Loss Expenses, Net of Reinsurance**

| Accident Year   | For the years ended December 31, |           |           |           |           |           |           |           |           |                   |
|---|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|
|   | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022              |
|   | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited         |
| 2012 and prior  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ 9,204  | \$ 41,023 | \$ 51,048 | \$ 56,018 | \$ 75,731 | \$ 105,333        |
| 2013  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2014  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2015  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2016  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2017  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2018  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2019  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2020  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2021  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2022  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| <b>Total</b>  |                                  |           |           |           |           |           |           |           |           | <u>\$ 105,333</u> |
| <b>Total outstanding liabilities for losses and loss expenses, net of reinsurance</b> |                                  |           |           |           |           |           |           |           |           | <u>\$ 125,700</u> |

**CATALINA GENERAL INSURANCE LTD.  
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(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**10. Outstanding losses and loss expenses (continued)**

*Business acquired and contracts incepting in the year ended December 31, 2017:*

**Incurring Losses and Loss Expenses, and IBNR, Net of Reinsurance**

| Accident Year  | Total net reserves acquired | For the years ended December 31, |           |           |           |           |            |            |            |            |                   | December 31, 2022                      |                        |
|----------------|-----------------------------|----------------------------------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|-------------------|--|------------------------|
|                |                             | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018       | 2019       | 2020       | 2021       | 2022              | Total IBNR Reserve, Net of Reinsurance | Cumulative Claim Count |
|                |                             | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited  | Unaudited  | Unaudited  | Unaudited  | Unaudited         |  |                        |
| 2012 and prior | \$ 486,633                  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ 460,135 | \$ 462,289 | \$ 472,326 | \$ 480,777 | \$ 499,649        | \$ 200,087                             | n/a                    |
| 2013           | —                           | —                                | —         | —         | —         | —         | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2014           | —                           | —                                | —         | —         | —         | —         | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2015           | —                           | —                                | —         | —         | —         | —         | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2016           | —                           | —                                | —         | —         | —         | —         | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2017           | —                           | —                                | —         | —         | —         | —         | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2018           | —                           | —                                | —         | —         | —         | —         | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2019           | —                           | —                                | —         | —         | —         | —         | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2020           | —                           | —                                | —         | —         | —         | —         | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2021           | —                           | —                                | —         | —         | —         | —         | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| 2022           | —                           | —                                | —         | —         | —         | —         | —          | —          | —          | —          | —                 | —                                      | n/a                    |
| <b>Total</b>   | <b>\$ 486,633</b>           |                                  |           |           |           |           |            |            |            |            | <b>\$ 499,649</b> | <b>\$ 200,087</b>                      | <b>n/a</b>             |

**Cumulative Paid Losses and Loss Expenses, Net of Reinsurance**

| Accident Year   | For the years ended December 31, |           |           |           |           |           |           |           |            |                   |
|---|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-------------------|
|   | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021       | 2022              |
|   | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited  | Unaudited         |
| 2012 and prior  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ 28,980 | \$ 53,759 | \$ 91,692 | \$ 130,569 | \$ 166,864        |
| 2013  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| 2014  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| 2015  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| 2016  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| 2017  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| 2018  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| 2019  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| 2020  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| 2021  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| 2022  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| <b>Total</b>  |                                  |           |           |           |           |           |           |           |            | <b>\$ 166,864</b> |
| <b>Total outstanding liabilities for losses and loss expenses, net of reinsurance</b> |                                  |           |           |           |           |           |           |           |            | <b>\$ 332,785</b> |

**CATALINA GENERAL INSURANCE LTD.**  
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(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**10. Outstanding losses and loss expenses (continued)**

*Business acquired and contracts incepting in the year ended December 31, 2018:*

**Inurred Losses and Loss Expenses, and IBNR, Net of Reinsurance**

| Accident Year  | Total net reserves acquired | For the years ended December 31, |           |           |           |           |           |            |            |            |            |  | December 31, 2022      |            |
|----------------|-----------------------------|----------------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|--|------------------------|------------|
|                |                             | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019       | 2020       | 2021       | 2022       | Total IBNR Reserve, Net of Reinsurance | Cumulative Claim Count |            |
|                |                             | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited  | Unaudited  | Unaudited  | Unaudited  |  |                        |            |
| 2012 and prior | \$ 422,869                  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ 471,793 | \$ 531,589 | \$ 534,980 | \$ 569,298 | \$ (9,440)                             | n/a                    |            |
| 2013           | 18,472                      | —                                | —         | —         | —         | —         | —         | 28,333     | 28,335     | 28,335     | 28,328     | 577                                    | n/a                    |            |
| 2014           | 34,656                      | —                                | —         | —         | —         | —         | —         | 53,156     | 53,171     | 53,171     | 53,140     | 3,970                                  | n/a                    |            |
| 2015           | 33,448                      | —                                | —         | —         | —         | —         | —         | 51,303     | 51,331     | 51,331     | 51,353     | 5,359                                  | n/a                    |            |
| 2016           | 30,235                      | —                                | —         | —         | —         | —         | —         | 46,375     | 46,411     | 46,411     | 46,611     | 3,003                                  | n/a                    |            |
| 2017           | 17,708                      | —                                | —         | —         | —         | —         | —         | 27,161     | 27,183     | 27,183     | 27,343     | 1,152                                  | n/a                    |            |
| 2018           | 4,737                       | —                                | —         | —         | —         | —         | —         | 7,266      | 7,267      | 7,267      | 7,272      | 115                                    | n/a                    |            |
| 2019           | —                           | —                                | —         | —         | —         | —         | —         | —          | —          | —          | —          | —                                      | n/a                    |            |
| 2020           | —                           | —                                | —         | —         | —         | —         | —         | —          | —          | —          | —          | —                                      | n/a                    |            |
| 2021           | —                           | —                                | —         | —         | —         | —         | —         | —          | —          | —          | —          | —                                      | n/a                    |            |
| 2022           | —                           | —                                | —         | —         | —         | —         | —         | —          | —          | —          | —          | —                                      | n/a                    |            |
| <b>Total</b>   | <u>\$ 562,125</u>           |                                  |           |           |           |           |           |            |            |            |            | <u>\$ 783,345</u>                      | <u>\$ 4,736</u>        | <u>n/a</u> |

**Cumulative Paid Losses and Loss Expenses, Net of Reinsurance**

| Accident Year   | For the years ended December 31, |           |           |           |           |           |            |            |            |                   |  |
|---|----------------------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|-------------------|--|
|   | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019       | 2020       | 2021       | 2022              |  |
|   | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited  | Unaudited  | Unaudited  | Unaudited         |  |
| 2012 and prior  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ 179,308 | \$ 213,455 | \$ 290,804 | \$ 338,126        |  |
| 2013  | —                                | —         | —         | —         | —         | —         | 16,240     | 27,090     | 26,636     | 27,048            |  |
| 2014  | —                                | —         | —         | —         | —         | —         | 30,468     | 43,540     | 41,487     | 44,340            |  |
| 2015  | —                                | —         | —         | —         | —         | —         | 29,406     | 34,143     | 35,557     | 39,472            |  |
| 2016  | —                                | —         | —         | —         | —         | —         | 26,581     | 24,406     | 37,572     | 39,954            |  |
| 2017  | —                                | —         | —         | —         | —         | —         | 15,568     | 13,312     | 23,794     | 24,790            |  |
| 2018  | —                                | —         | —         | —         | —         | —         | 4,165      | 6,599      | 6,928      | 7,017             |  |
| 2019  | —                                | —         | —         | —         | —         | —         | —          | —          | —          | —                 |  |
| 2020  | —                                | —         | —         | —         | —         | —         | —          | —          | —          | —                 |  |
| 2021  | —                                | —         | —         | —         | —         | —         | —          | —          | —          | —                 |  |
| 2022  | —                                | —         | —         | —         | —         | —         | —          | —          | —          | —                 |  |
| <b>Total</b>  |                                  |           |           |           |           |           |            |            |            | <u>\$ 520,747</u> |  |
| <b>Total outstanding liabilities for losses and loss expenses, net of reinsurance</b> |                                  |           |           |           |           |           |            |            |            | <u>\$ 262,598</u> |  |

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**10. Outstanding losses and loss expenses (continued)**

*Business acquired and contracts incepting in the year ended December 31, 2019:*

**Incurring Losses and Loss Expenses, and IBNR, Net of Reinsurance**

| Accident Year  | Total net reserves acquired | For the years ended December 31, |           |           |           |           |           |           |            |            |            |  | December 31, 2022      |            |
|----------------|-----------------------------|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|--|------------------------|------------|
|                |                             | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020       | 2021       | 2022       | Total IBNR Reserve, Net of Reinsurance | Cumulative Claim Count |            |
|                |                             | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited  | Unaudited  | Unaudited  |  |                        |            |
| 2012 and prior | \$ 789,025                  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ 754,185 | \$ 762,913 | \$ 758,713 | \$ 422,023                             | n/a                    |            |
| 2013           | —                           | —                                | —         | —         | —         | —         | —         | —         | —          | —          | —          | —                                      | n/a                    |            |
| 2014           | —                           | —                                | —         | —         | —         | —         | —         | —         | —          | —          | —          | —                                      | n/a                    |            |
| 2015           | —                           | —                                | —         | —         | —         | —         | —         | —         | —          | —          | —          | —                                      | n/a                    |            |
| 2016           | —                           | —                                | —         | —         | —         | —         | —         | —         | —          | —          | —          | —                                      | n/a                    |            |
| 2017           | —                           | —                                | —         | —         | —         | —         | —         | —         | —          | —          | —          | —                                      | n/a                    |            |
| 2018           | —                           | —                                | —         | —         | —         | —         | —         | —         | —          | —          | —          | —                                      | n/a                    |            |
| 2019           | —                           | —                                | —         | —         | —         | —         | —         | —         | —          | —          | —          | —                                      | n/a                    |            |
| 2020           | —                           | —                                | —         | —         | —         | —         | —         | —         | —          | —          | —          | —                                      | n/a                    |            |
| 2021           | —                           | —                                | —         | —         | —         | —         | —         | —         | —          | —          | —          | —                                      | n/a                    |            |
| 2022           | —                           | —                                | —         | —         | —         | —         | —         | —         | —          | —          | —          | —                                      | n/a                    |            |
| <b>Total</b>   | <u>\$ 789,025</u>           |                                  |           |           |           |           |           |           |            |            |            | <u>\$ 758,713</u>                      | <u>\$ 422,023</u>      | <u>n/a</u> |

**Cumulative Paid Losses and Loss Expenses, Net of Reinsurance**

| Accident Year   | For the years ended December 31, |           |           |           |           |           |           |           |            |            |                   |
|---|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|-------------------|
|   | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021       | 2022       |                   |
|   | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited  | Unaudited  |                   |
| 2012 and prior  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ 58,697 | \$ 124,477 | \$ 234,434 |                   |
| 2013  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —          |                   |
| 2014  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —          |                   |
| 2015  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —          |                   |
| 2016  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —          |                   |
| 2017  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —          |                   |
| 2018  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —          |                   |
| 2019  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —          |                   |
| 2020  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —          |                   |
| 2021  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —          |                   |
| 2022  | —                                | —         | —         | —         | —         | —         | —         | —         | —          | —          |                   |
| <b>Total</b>  |                                  |           |           |           |           |           |           |           |            |            | <u>\$ 234,434</u> |
| <b>Total outstanding liabilities for losses and loss expenses, net of reinsurance</b> |                                  |           |           |           |           |           |           |           |            |            | <u>\$ 524,279</u> |

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(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**10. Outstanding losses and loss expenses (continued)**

*Business acquired and contracts incepting in the year ended December 31, 2020:*

**Incurring Losses and Loss Expenses, and IBNR, Net of Reinsurance**

| Accident Year  | Total net reserves acquired | For the years ended December 31, |           |           |           |           |           |           |           |           |            | December 31, 2022                      |                        |            |
|----------------|-----------------------------|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|--|------------------------|------------|
|                |                             | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022       | Total IBNR Reserve, Net of Reinsurance | Cumulative Claim Count |            |
|                |                             | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited  |  |                        |            |
| 2012 and prior | \$ 320,830                  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ 314,217 | \$ 307,579                             | \$ 27,077              | n/a        |
| 2013           | 30,721                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 30,082     | 29,469                                 | 2,618                  | n/a        |
| 2014           | 71,347                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 69,873     | 68,411                                 | 6,037                  | n/a        |
| 2015           | 74,170                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 72,646     | 71,092                                 | 6,238                  | n/a        |
| 2016           | 68,724                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 67,338     | 65,802                                 | 5,675                  | n/a        |
| 2017           | 62,778                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 61,524     | 60,075                                 | 5,134                  | n/a        |
| 2018           | 58,424                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 57,240     | 55,955                                 | 4,848                  | n/a        |
| 2019           | 58,986                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 57,778     | 56,527                                 | 4,945                  | n/a        |
| 2020           | 56,187                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 55,015     | 53,906                                 | 4,801                  | n/a        |
| 2021           | 28,069                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 27,473     | 26,959                                 | 2,443                  | n/a        |
| 2022           | 40                          | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 37         | 48                                     | 16                     | n/a        |
| <b>Total</b>   | <u>\$ 830,276</u>           |                                  |           |           |           |           |           |           |           |           |            | <u>\$ 795,823</u>                      | <u>\$ 69,832</u>       | <u>n/a</u> |

**Cumulative Paid Losses and Loss Expenses, Net of Reinsurance**

| Accident Year   | For the years ended December 31, |           |           |           |           |           |           |           |           |            |                   |
|---|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-------------------|
|   | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022       |                   |
|   | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited  |                   |
| 2012 and prior  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ 136,576 | \$ 198,273        |
| 2013  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —          | 18,902            |
| 2014  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —          | 44,041            |
| 2015  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —          | 45,911            |
| 2016  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —          | 42,893            |
| 2017  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —          | 39,351            |
| 2018  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —          | 36,384            |
| 2019  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —          | 36,565            |
| 2020  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —          | 34,526            |
| 2021  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —          | 17,080            |
| 2022  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —          | —                 |
| <b>Total</b>  |                                  |           |           |           |           |           |           |           |           |            | <u>\$ 513,926</u> |
| <b>Total outstanding liabilities for losses and loss expenses, net of reinsurance</b> |                                  |           |           |           |           |           |           |           |           |            | <u>\$ 281,897</u> |

**CATALINA GENERAL INSURANCE LTD.  
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(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**10. Outstanding losses and loss expenses (continued)**

*Business acquired and contracts incepting in the year ended December 31, 2021:*

**Incurring Losses and Loss Expenses, and IBNR, Net of Reinsurance**

| Accident Year  | Total net reserves acquired | For the years ended December 31, |           |           |           |           |           |           |           |           |           | December 31, 2022                      |                        |                   |            |
|----------------|-----------------------------|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|------------------------|-------------------|------------|
|                |                             | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022      | Total IBNR Reserve, Net of Reinsurance | Cumulative Claim Count |                   |            |
|                |                             | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |  |                        |                   |            |
| 2012 and prior | \$ —                        | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —                                   | \$ —                   | \$ —              | n/a        |
| 2013           | 26,500                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —         | —                                      | 29,833                 | 29,833            | n/a        |
| 2014           | 53,000                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —         | —                                      | 59,666                 | 59,666            | n/a        |
| 2015           | 53,000                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —         | —                                      | 59,666                 | 59,666            | n/a        |
| 2016           | 83,639                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —         | —                                      | 89,158                 | 83,755            | n/a        |
| 2017           | 118,773                     | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —         | —                                      | 122,975                | 111,376           | n/a        |
| 2018           | 125,967                     | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —         | —                                      | 129,899                | 117,032           | n/a        |
| 2019           | 109,028                     | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —         | —                                      | 109,269                | 94,716            | n/a        |
| 2020           | 44,695                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —         | —                                      | 43,021                 | 35,139            | n/a        |
| 2021           | —                           | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —         | —                                      | —                      | —                 | n/a        |
| 2022           | —                           | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —         | —                                      | —                      | —                 | n/a        |
| <b>Total</b>   | <u>\$ 614,602</u>           |                                  |           |           |           |           |           |           |           |           |           |  | <u>\$ 643,487</u>      | <u>\$ 591,183</u> | <u>n/a</u> |

**Cumulative Paid Losses and Loss Expenses, Net of Reinsurance**

| Accident Year   | For the years ended December 31, |           |           |           |           |           |           |           |           |                   |
|---|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|
|   | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022              |
|   | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited         |
| 2012 and prior  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —              |
| 2013  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2014  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2015  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2016  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 4,592             |
| 2017  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 9,858             |
| 2018  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 10,936            |
| 2019  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 12,369            |
| 2020  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 6,699             |
| 2021  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2022  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| <b>Total</b>  |                                  |           |           |           |           |           |           |           |           | <u>\$ 44,454</u>  |
| <b>Total outstanding liabilities for losses and loss expenses, net of reinsurance</b> |                                  |           |           |           |           |           |           |           |           | <u>\$ 599,033</u> |

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**10. Outstanding losses and loss expenses (continued)**

*Business acquired and contracts incepting in the year ended December 31, 2022:*

**Incurring Losses and Loss Expenses, and IBNR, Net of Reinsurance**

| Accident Year  | Total net reserves acquired | For the years ended December 31, |           |           |           |           |           |           |           |           |      | December 31, 2022                      |                        |            |     |
|----------------|-----------------------------|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------|--|------------------------|------------|-----|
|                |                             | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022 | Total IBNR Reserve, Net of Reinsurance | Cumulative Claim Count |            |     |
|                |                             | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |      |  |                        |            |     |
| 2012 and prior | \$ —                        | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ — | \$ —                                   | \$ —                   | \$ —       | n/a |
| 2013           | —                           | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —    | —                                      | —                      | —          | n/a |
| 2014           | —                           | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —    | —                                      | —                      | —          | n/a |
| 2015           | —                           | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —    | —                                      | —                      | —          | n/a |
| 2016           | 843                         | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —    | 834                                    | 76                     | n/a        |     |
| 2017           | 31,629                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —    | 31,284                                 | 4,025                  | n/a        |     |
| 2018           | 118,102                     | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —    | 116,815                                | 19,732                 | n/a        |     |
| 2019           | 180,015                     | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —    | 178,052                                | 41,670                 | n/a        |     |
| 2020           | 126,610                     | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —    | 125,230                                | 40,660                 | n/a        |     |
| 2021           | 37,864                      | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —    | 37,451                                 | 18,446                 | n/a        |     |
| 2022           | 3,952                       | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —    | 3,909                                  | 3,674                  | n/a        |     |
| <b>Total</b>   | <b>\$ 499,015</b>           |                                  |           |           |           |           |           |           |           |           |      | <b>\$ 493,575</b>                      | <b>\$ 128,283</b>      | <b>n/a</b> |     |

**Cumulative Paid Losses and Loss Expenses, Net of Reinsurance**

| Accident Year   | For the years ended December 31, |           |           |           |           |           |           |           |           |                   |
|---|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|
|   | 2013                             | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022              |
|   | Unaudited                        | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited         |
| 2012 and prior  | \$ —                             | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —      | \$ —              |
| 2013  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2014  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2015  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | —                 |
| 2016  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 818               |
| 2017  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 20,690            |
| 2018  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 63,897            |
| 2019  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 82,464            |
| 2020  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 44,658            |
| 2021  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 6,243             |
| 2022  | —                                | —         | —         | —         | —         | —         | —         | —         | —         | 25                |
| <b>Total</b>  |                                  |           |           |           |           |           |           |           |           | <b>\$ 218,795</b> |
| <b>Total outstanding liabilities for losses and loss expenses, net of reinsurance</b> |                                  |           |           |           |           |           |           |           |           | <b>\$ 274,780</b> |

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(unless otherwise noted, amounts in tables expressed in thousands of U.S. dollars, except share and per share amounts and percentages)

**10. Outstanding losses and loss expenses (continued)**

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated balance sheet is as follows:

|   | <b>2022</b>         |
|---|---------------------|
| <b>Net losses and loss expenses</b>                         |                     |
| Surety  | \$ 17,969           |
| Health  | 166,237             |
| International Casualty                                      | 983,748             |
| Property  | 380,578             |
| U.S. Casualty   | 928,279             |
| U.S. Professional   | 11,269              |
| Other lines   | 122,142             |
| <b>Total net outstanding losses and loss expenses</b>       | <b>2,610,222</b>    |
| <b>Loss reserves recoverable</b>                            |                     |
| Surety  | 9,387               |
| Health  | 11,501              |
| International Casualty                                      | 725,007             |
| Property  | 31,223              |
| U.S. Casualty   | 34,845              |
| U.S. Professional   | 13                  |
| Other lines   | 23,043              |
| <b>Total loss reserves recoverable</b>                      | <b>835,019</b>      |
| Unallocated loss adjustment expenses, net                   | 69,645              |
| Net deferred gain   | 5,054               |
| Structured settlements, life reserves and other adjustments | 146,596             |
| <b>Total gross outstanding losses and loss expenses</b>     | <b>\$ 3,666,536</b> |

The following unaudited supplementary information represents the average annual percentage payout of net losses and loss expenses, net of reinsurance, by accident year at December 31, 2022:

| Accident year | Average annual payout incurred claims since year of acquisition, net of reinsurance |       |       |       |       |        |        |        |         |  |
|---------------|---|-------|-------|-------|-------|--------|--------|--------|---------|--|
|               | 2014  | 2015  | 2016  | 2017  | 2018  | 2019   | 2020   | 2021   | 2022    |  |
| 2013          | 2.4 %   | 3.3 % | 4.1 % | 4.7 % | 5.0 % | 12.7 % | 17.8 % | 23.5 % | 26.5 %  |  |
| 2014          | 1.7 %   | 2.2 % | 2.8 % | 3.2 % | 3.4 % | 12.9 % | 17.1 % | 25.8 % | 30.9 %  |  |
| 2015          | — %   | — %   | — %   | — %   | — %   | 13.6 % | 15.8 % | 31.1 % | 39.5 %  |  |
| 2016          | — %   | — %   | — %   | — %   | — %   | 12.8 % | 11.8 % | 32.7 % | 42.7 %  |  |
| 2017          | — %   | — %   | — %   | — %   | — %   | 8.9 %  | 7.6 %  | 29.5 % | 54.0 %  |  |
| 2018          | — %   | — %   | — %   | — %   | — %   | 2.6 %  | 4.1 %  | 20.1 % | 73.3 %  |  |
| 2019          | — %   | — %   | — %   | — %   | — %   | — %    | — %    | 16.2 % | 83.8 %  |  |
| 2020          | — %   | — %   | — %   | — %   | — %   | — %    | — %    | 21.5 % | 78.5 %  |  |
| 2021          | — %   | — %   | — %   | — %   | — %   | — %    | — %    | 32.9 % | 67.1 %  |  |
| 2022          | — %   | — %   | — %   | — %   | — %   | — %    | — %    | — %    | 100.0 % |  |



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**11. Reinsurance balances recoverable on paid and unpaid losses**

Reinsurance balances recoverable on paid and unpaid losses as of December 31, 2022 and 2021 are as follows:

|                           | <b>2022</b>         | <b>2021</b>         |
|---------------------------|---------------------|---------------------|
| Case reserves             | \$ 230,294          | 271,490             |
| Incurred but not reported | 617,126             | 754,405             |
| Structured settlements    | 210,596             | 266,716             |
|                           | <u>\$ 1,058,016</u> | <u>\$ 1,292,611</u> |

CatGen, through its Canadian branch, has assumed ownership of certain structured settlements and has purchased annuities from life insurance companies to provide fixed and recurring payments to the claimants. The gross liability for the structured settlements is fully recoverable from the life insurance companies resulting in no net liability to the Company. These annuities are fully funded and were purchased from Canadian life insurance companies with an S&P Global Ratings (“S&P”) Financial Strength Rating of A+ and higher. In the event of the life insurance companies being unable to meet their obligations under the structured settlements to the Company, 85% of the total exposure is recoverable from the Canada Life and Health Insurance Compensation Corporation, under Canadian Federal regulation, leaving a net credit risk exposure of approximately \$31.6 million.

**Top Reinsurers**

The balance of reinsurance recoverable on paid and unpaid losses at December 31, 2022 and 2021 was distributed based on the ranking and ratings of the reinsurers:

|                  | <b>2022</b>         | <b>2021</b>         |
|------------------|---------------------|---------------------|
| Top 5 reinsurers | \$ 850,282          | \$ 1,065,352        |
| Other reinsurers | 207,734             | 227,259             |
|                  | <u>\$ 1,058,016</u> | <u>\$ 1,292,611</u> |

| <b>Rating</b> | <b>2022</b>         |                | <b>2021</b>         |                |
|---------------|---------------------|----------------|---------------------|----------------|
|               | <b>\$</b>           | <b>%</b>       | <b>\$</b>           | <b>%</b>       |
| A+ and above  | \$ 403,987          | 38.2 %         | \$ 554,543          | 42.9 %         |
| A             | 53,150              | 5.0 %          | 14,353              | 1.1 %          |
| A- and below  | 24,014              | 2.3 %          | 15,077              | 1.2 %          |
| Not rated (*) | 576,865             | 54.5 %         | 708,638             | 54.8 %         |
|               | <u>\$ 1,058,016</u> | <u>100.0 %</u> | <u>\$ 1,292,611</u> | <u>100.0 %</u> |

(\*) Out of the total reinsurance recoverable balance of non rated reinsurers, 93.7% (2021: 93.5%) pertains to Elbow Re Ltd and it is fully collateralized. Refer to “Note 18. Related party transactions”.

See “Note 13. Concentrations, commitments and contingencies” for additional information related to unrated balances included in the table above.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**12. Debt obligations**

The Company's debt obligations as of December 31, 2022 and 2021 were as follows:

| Facility                                    | Issuing Entity  | 2022       | 2021       |
|---|-----------------|------------|------------|
| Real estate investment term loan facilities | Oxenwood/Propco | \$ 91,439  | \$ 84,100  |
| Subordinated Notes due 2027                 | CII             | 25,457     | 26,849     |
| Subordinated Notes due 2027                 | CatGen          | 45,500     | 45,500     |
| Subordinated Notes due 2028                 | CatGen          | 25,000     | 25,000     |
| Mezzanine loans due to minority interest    | Oxenwood        | —          | 709        |
| Total debt obligations                      |                 | \$ 187,396 | \$ 182,158 |

The Company utilizes proceeds from its debt obligations for acquisitions, new business, to purchase real estate investments and for general corporate purposes.

**Real Estate Investment Term Loan Facilities**

On December 20, 2021, the Company's Oxenwood subsidiaries entered into a Term Loan Facility Agreement with National Westminster Bank plc ("NatWest"), to partially fund the purchase of real estate investments. £51.5 million was drawn on the total commitment of £56.8 million. The loan accrues interest daily and is calculated using a floating rate comprised of a margin plus the Sterling Overnight Index Average ("SONIA"). These term loans mature in 2024 and 2025 and are secured by a first ranking legal charge over the properties.

In 2020, the Company's Newport and Swansea subsidiaries entered into a Term Loan Facility Agreement with Allied Irish Bank ("AIB"), in order to fund their purchase of real estate investments. These term loans mature in 2024 and 2025 and are secured by a first ranking legal charge over the properties.

Each of the Real Estate Investment Term Loan Facility Agreements has financial covenants in relation to net rental income interest cover and loan to value. During 2022 and 2021, each of the Oxenwood, Newport and Swansea subsidiaries was in compliance with all covenants under their respective Term Loan Facility Agreements.

For the year ended December 31, 2022, interest expense on these loans was \$3.1 million (2021: \$0.5 million) and is included within interest expense in the consolidated statements of income and comprehensive income (loss).

**CII Subordinated Notes due 2027**

On December 14, 2016, CII issued €23.8 million (\$28.7 million) principal amount of floating rate unsecured subordinated notes due January 5, 2027. Effective December 23, 2019 the terms and conditions of the notes were amended to allow the Group to recognize the notes as Tier 2 Capital. The notes bear interest based on EURIBOR plus a margin of 7.95%, with interest payable quarterly. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of CII.

Interest expense on the notes for the year ended December 31, 2022 was \$2.0 million (2021: \$2.2 million) and is included within interest expense in the consolidated statements of income and comprehensive income (loss).

**CatGen Subordinated Notes due 2027 and 2028**

On May 5, 2017, CatGen issued \$45.5 million principal amount of floating rate unsecured subordinated notes due on May 5, 2027. The notes bear interest based on LIBOR (or agreed replacement benchmark) plus a margin of 7.55%, with interest payable quarterly. The notes may be redeemed in whole but not in part by CatGen prior to maturity on

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**12. Debt obligations (continued)**

any interest payment date on or after June 30, 2022, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of CatGen.

On March 16, 2018, CatGen issued \$25.0 million principal amount of floating rate unsecured subordinated notes due on March 16, 2028. The notes bear interest based on LIBOR (or agreed replacement benchmark) plus a margin of 7.1%, with interest payable each quarter. The notes may be redeemed in whole but not in part by CatGen prior to maturity on any payment interest date on or after March 16, 2023, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of of CatGen.

Interest expense on CatGen's 2027 and 2028 subordinated notes for the year ended December 31, 2022 was \$6.6 million (2021: \$5.4 million) and is included within interest expense in the consolidated statements of income and comprehensive income (loss).

Total interest expense in connection with the Company's debt facilities and long-term subordinated debt was \$11.6 million for the year ended December 31, 2022 (2021: \$7.3 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

As at December 31, 2022 and 2021, the Company was in compliance with all covenants under the debt obligations.

**13. Concentrations, commitments and contingencies**

**a. Concentrations of credit risk**

As of December 31, 2022 substantially all of the Company's cash and cash equivalents, and investments were held by twenty-five custodians (2021: twenty-four). Management monitors the credit ratings of these custodians and believes them to be of high credit quality. The Company's investment portfolio is managed primarily by external investment advisors in accordance with the Company's investment guidelines. The Company limits its exposure to any single issuer to 5% or less of the total portfolio's market value at the time of purchase, with the exception of government and agency securities of G-7 countries. Additionally, the 5% limit does not include funds comprised of investments, provided that no single underlying investment in the fund can exceed the relevant limitation set by the Board, or as expressly approved by the Board prior to investment. As of December 31, 2022, the largest single issuer, not including the above, accounted for 6.0% (2021: 3.5%) of the aggregate fair value of the Company's invested assets. As of December 31, 2022, the Company's fixed maturity investments had a weighted average Standard & Poor's ("S&P") credit rating of BBB+ (2021: BBB+).

At December 31, 2022, the Company had a provision for uncollectible premiums receivable of \$30.9 million (2021: \$30.2 million).

Reinsurance assets due from reinsurers include reinsurance balances recoverable. The Company is subject to credit risk with respect to reinsurance ceded because the ceding of risk does not relieve the Company from its primary obligations to its policyholders. See "Note 11. Reinsurance balances recoverable on paid and unpaid losses" for additional information related to the concentration of credit risk relating to the structured settlements. Failure of the Company's reinsurers to honor their obligations could result in credit losses. As of December 31, 2022 the Company has recorded a provision for credit losses relating to losses and loss expenses recoverable of \$29.8 million (2021: \$29.4 million) including \$26.7 million (2021: \$26.5 million) recorded in CHUK. During the year ended December 31, 2022, outstanding loss and loss expenses recoverable of \$0.9 million were written off (2021: \$2.7 million million).

An unrated domestic affiliated reinsurer accounts for 51.1% of the total reinsurance recoverable balance as of December 31, 2022 (2021: 51.2%). This recoverable is fully collateralized. See "Note 18. Related party transactions" for additional information. Excluding this unrated reinsurer, two other reinsurers accounted for 21.1%

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**13. Concentrations, commitments and contingencies (continued)**

of the reinsurance recoverable balance as of December 31, 2022 (2021: 23.5%) and were rated A+ by S&P at December 31, 2022 (2021: A+). The Company's reinsurers had an average S&P credit rating of A+ as at December 31, 2022 (2021: A+).

**b. Restricted assets**

The Company's bankers have issued letters of credit under the Company's credit agreements (for which cash and cash equivalents and investments are pledged as security) and in favor of certain ceding companies to collateralize the Company's obligations under contracts of insurance and reinsurance. See "Note 11. Reinsurance balances recoverable on paid and unpaid losses" for additional information.

The Company also utilizes trust accounts where the trust accounts are set up for the benefit of the ceding companies, and generally take the place of LOC requirements.

The fair values of these restricted assets by category at December 31, 2022 and 2021 are as follows:

|   | 2022  |                           |              | 2021  |                           |              |
|---|---|---------------------------|--------------|---|---------------------------|--------------|
|   | Restricted<br>Cash and<br>cash<br>equivalents | Restricted<br>Investments | Total        | Restricted<br>Cash and<br>cash<br>equivalents | Restricted<br>Investments | Total        |
| Deposits with U.S. insurance regulatory authorities | \$ 7,156                                      | \$ 4,513                  | \$ 11,669    | \$ 6,065                                      | \$ 7,405                  | \$ 13,470    |
| LOC pledged assets                                  | 84,767  | 63,854                    | 148,621      | 96,114  | 99,046                    | 195,160      |
| Trust accounts                                      | 90,787  | 1,795,209                 | 1,885,996    | 164,160                                       | 2,120,511                 | 2,284,671    |
| Total   | \$ 182,710                                    | \$ 1,863,576              | \$ 2,046,286 | \$ 266,339                                    | \$ 2,226,962              | \$ 2,493,301 |

**c. Fund commitments**

As of December 31, 2022, the Company has unfunded capital commitments for fund investments of \$103.8 million (2021: \$102.8 million).

**d. Contingent liabilities**

The Company, from time to time, is a party to litigation and/or arbitration that arises in the normal course of its business operations. The Company is also subject to other potential litigation, disputes and regulatory or governmental inquiries. As of December 31, 2022, the Company was not a party to any litigation or arbitration which is expected by management to have a material adverse effect on the Company's results of operations or financial condition and liquidity.

**14. Leases**

The Company leases office spaces, warehouses and office equipment under various long-term lease contracts expiring in various years through 2029, as lessee and 2038, as lessor. As discussed in "Note 2. Significant accounting policies", the Company adopted the new lease standard, Topic ASC 842, on January 1, 2022 using the modified retrospective transition method as required by the standard. Based on detailed analysis of the lease contracts, all leases are currently classified as operating leases. For operating leases that have a lease term of more than twelve months, the Company recognized a right-of-use assets and an offsetting lease liability on the consolidated balance sheet relating to office spaces that the Company is using to conduct its business from its various locations worldwide.

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**14. Leases (continued)**

The exercise of lease renewal options is at the sole discretion of the Company and none of the current lease renewal options are deemed to be reasonably certain to be exercised. The Company has made an accounting policy election not to include renewal, termination or purchase options that are not certain of exercise when determining the effective term of the borrowing. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As the lease contracts generally do not provide an implicit discount rate, the Company used a weighted average discount rate in determining the present value of the lease payments.

***Leases as lessee***

At December 31, 2022 the Company recorded on the consolidated balance sheet a right-of-use assets of \$4.7 million and a lease liability with an equivalent amount for the right-of-use assets. Right-of-use assets and lease liabilities are included within "Other assets" and "Accounts payable, accrued expenses and other liabilities" in the consolidated balance sheet, respectively.

The weighted-average of the remaining lease term and discount rate used for the Company's operating leases as of December 31, 2022, are as follows:

|                                       | <b>2022</b> |
|---------------------------------------|-------------|
| Weighted-average remaining lease term | 3.2 years   |
| Weighted-average discount rate        | 11.7 %      |

The table below provides a summary of the maturity of the operating lease liabilities as of December 31, 2022:

|                                   | <b>2022</b> |
|-----------------------------------|-------------|
| 2023                              | \$ 2,277    |
| 2024                              | 1,985       |
| 2025                              | 549         |
| 2026                              | 549         |
| 2027                              | 549         |
| Total undiscounted lease payments | 5,909       |
| Present value discount            | (1,243)     |
| Total discounted lease payments   | \$ 4,666    |

Under the new guidance, the Company continues to recognize the related lease expense on a straight-line basis over the lease term. Total rent expense under operating leases for the year ended December 31, 2022 was \$3.0 million (2021: \$4.3 million) which was recognized in the statement of income (loss) and comprehensive income (loss) consistent with the accounting treatment applicable in prior periods under Topic ASC 840.

The operating cash outflows from operating leases included in the measurement of the lease liability during the year ended December 31, 2022 was \$2.1 million.

***Leases as lessor***

The Company owns real estate properties within its investment portfolio, primarily through the property companies, Oxenwood UK, Oxenwood III, Yeovil, Greenock, Telford, Newport and Swansea. These properties are comprised of warehouses and office buildings that are rented to third-parties and generate rental income. The terms of the leases may vary but in most cases the lessees have the option to renew the lease contracts based on market rates but do not have an option to purchase the properties. As of December 31, 2022, all of the Company's real estate leased assets are classified as operating leases.

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**14. Leases (continued)**

The terms of the leases may also include provisions for the use of common areas. As a result of applying the practical expedient of not separating lease and non-lease components, consistently for all classes of leased assets, the non-lease components are not separately accounted for by the Company.

The rental revenue is recognized on a straight-line basis over the lease term. For the year ended December 31, 2022, the rental income was \$16.1 million (2021: \$9.6 million).

The table below provides a summary of the maturity of the undiscounted cash flows to be received from lease payments as of December 31, 2022:

|                                   | <b>2022</b>       |
|-----------------------------------|-------------------|
| 2023                              | \$ 16,751         |
| 2024                              | 15,684            |
| 2025                              | 14,493            |
| 2026                              | 13,726            |
| 2027                              | 11,656            |
| 2028 and beyond                   | 38,610            |
| Total undiscounted lease payments | <u>\$ 110,920</u> |

**15. Taxation**

Under current Bermuda law, the Company and its Bermuda subsidiaries are not required to pay any taxes in Bermuda on income, including realized capital gains. The Company has received an undertaking from the Minister of Finance of Bermuda that, in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until March 2035.

The Company has operating subsidiaries in the United States, United Kingdom, Malaysia, Singapore and Ireland and is subject to the relevant taxes in those jurisdictions. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Company to become subject to additional taxation. During 2022, the Company sold its subsidiary located in Switzerland, Glacier Re, exiting a major geographical and tax jurisdiction. Refer to “Note 5. Discontinued Operations” for further details.

During 2022, the Company made tax payments of \$2.6 million, \$2.5 million of which were paid in Malaysia (2021: total tax payments of \$2.9 million, \$1.1 million paid in Switzerland and \$1.9 million paid in Malaysia).

Deferred income taxes reflect net operating loss carry forwards and the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for income tax purposes. The significant components of the net deferred tax assets and liabilities as of December 31, 2022 and 2021 are as follows:

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**15. Taxation (continued)**

|   | <b>2022</b>     | <b>2021</b>      |
|---|-----------------|------------------|
| <b>Deferred tax assets:</b>                                     |                 |                  |
| Outstanding losses and loss expenses                            | \$ —            | \$ 4             |
| Unearned premiums   | —               | 14               |
| Net operating loss carry forwards                               | 72,911          | 59,110           |
| Capital loss carry forwards                                     | 164             | 347              |
| Other   | 316             | 2,536            |
| <b>Total deferred tax assets</b>                                | <b>73,391</b>   | <b>62,011</b>    |
| Valuation allowance   | (63,026)        | (49,935)         |
| <b>Total deferred tax assets, net of valuation allowance</b>    | <b>10,365</b>   | <b>12,076</b>    |
| <b>Deferred tax liabilities:</b>                                |                 |                  |
| Underwriting results subject to timing differences for taxation | (378)           | (631)            |
| Other   | (7)             | —                |
| <b>Total deferred tax liabilities</b>                           | <b>(385)</b>    | <b>(631)</b>     |
| <b>Net deferred tax asset</b>                                   | <b>\$ 9,980</b> | <b>\$ 11,445</b> |

The deferred tax asset and liability balances presented above represent the gross deferred tax asset and liability balances across each tax jurisdiction. The net deferred tax asset balance of \$10.0 million at December 31, 2022 (2021: net deferred tax asset of \$11.4 million) is included within other assets, and includes netting of certain deferred tax assets and liabilities within a tax jurisdiction to the extent such netting is consistent with the regulations of the tax authorities in that jurisdiction.

As of December 31, 2022, the Company has a deferred tax asset of \$72.9 million (2021: \$59.1 million) generated by net operating loss carry forwards (“NOL”) of approximately \$401.9 million (2021: \$327.2 million), of which \$347 million relates to NOL in United Kingdom (2021: \$286.8 million) (“UK NOL”), \$50.6 million (2021: \$34.1 million) relates to NOL in Ireland (“Irish NOL”), \$4.3 million (2021: \$4.2 million) relates to NOL in the United States, and \$0.01 million relates to Singapore (2021: \$2.1 million).

In relation to Irish NOL, the Company believes that it is more likely than not that the deferred tax asset will not be recognized. Accordingly, where there are no deferred tax liabilities against which the NOL could be offset, the Company has recognized a full valuation allowance against these net deferred tax assets as of December 31, 2022 and 2021. In relation to the UK NOL, the Company believes that it is more likely than not that a portion of the deferred tax asset will be recognized and has, therefore, recognized a partial valuation allowance.

Income tax expenses for the years ended December 31, 2022 and 2021 are as follows:

|  | <b>2022</b>     | <b>2021</b>     |
|--|-----------------|-----------------|
| Current income tax expense (credit)                        | \$ 9,244        | \$ (34)         |
| Deferred income tax expense                                | 77              | 3,793           |
| <b>Total income tax expense from continuing operations</b> | <b>\$ 9,321</b> | <b>\$ 3,759</b> |

The effective tax rate for the year ended December 31, 2022 of 11.6% (2021: 1.8%) differs from the rate of 0.0% under Bermuda law primarily due to the geographical distribution of the Company’s pre-tax net income between the Company’s taxable and non-taxable jurisdictions.

A reconciliation of the difference between the provision for income taxes and the expected tax provision at the weighted average tax rate is as follows:

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**15. Taxation (continued)**

|                                       | <b>2022</b>   | <b>2021</b>  |
|---------------------------------------|---------------|--------------|
| Expected tax rate                     | <b>0.0 %</b>  | <b>0.0 %</b> |
| Foreign taxes at local expected rates | (4.7) %       | 8.2 %        |
| Nondeductible expenses                | 1.4 %         | (0.2) %      |
| Tax exempt income                     | — %           | (0.9) %      |
| Prior year adjustments                | 2.0 %         | (5.2) %      |
| Other                                 | 12.9 %        | (0.1) %      |
| Actual tax rate                       | <b>11.6 %</b> | <b>1.8 %</b> |

**16. Shareholder's equity**

During 2022, the Company issued 6,312,600 shares with a par value of \$60 each. As at December 31, 2022, the total authorized share capital was \$500.0 million (2021: \$3.0 million). The share capital issued at December 31, 2022 was \$381.8 million (2021: \$3.0 million).

During 2022, the Company did not receive any capital contributions from its parent (2021: \$130.0 million) and paid a dividend of \$50.0 million (2021: \$110.0 million) and a capital distribution of \$50.0 million (2021: \$300.0 million) to its parent.

**17. Credit agreements**

The Company and its subsidiaries were party to the following letter of credit facility agreements:

| <b>Entity</b> | <b>Counterparty</b>  | <b>LOC Outstanding</b> |             |
|---------------|----------------------|------------------------|-------------|
|               |                      | <b>2022</b>            | <b>2021</b> |
| CatGen        | ABN Amro Bank N.V.   | \$ 200,000             | \$ —        |
| CatGen        | Comerica Bank        | 19,473                 | 25,605      |
| CatGen        | ING Bank             | 74,639                 | 86,537      |
| CatGen        | Natixis              | 35,000                 | —           |
| CatGen        | Citibank N.A.        | 11,501                 | 11,454      |
| CHUK          | Citibank Europe plc. | 58,259                 | 60,377      |
| ACR           | Barclays             | 44,692                 | 63,979      |
| ACR           | Citibank             | 3,419                  | 3,813       |

On October 28, 2021, the Company entered into a three-year, \$100.0 million, unsecured letter of credit facility with ING Bank. As at December 31, 2022, \$25.2 million of unutilized capacity was available under that facility. That facility has financial covenants in relation to its maximum gearing ratio, maximum value of letters of credit and minimum consolidated net assets. For the year ended December 31, 2022, \$0.1 million of interest expense was incurred in relation to that facility (2021: \$0.1 million) and is included in general and administrative expenses in the consolidated statement of income and comprehensive income.

CatGen has a discretionary collateralized LOC with Comerica Bank. The aggregate commitment under this agreement is up to \$50.0 million. The availability for issuances of LOCs on account of any borrower is based on the amount of eligible investments pledged by the applicable borrower(s). The agreements contain financial and other covenants, among them a requirement to maintain a minimum statutory capital and surplus value.

On June 29, 2022, the Company entered into a three-year unsecured credit facility with ABN Amro Bank N.V. of up to \$50.0 million (with accordion increases of up to \$150.0 million). On November 4, 2022, the Company exercised



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**17. Credit agreements (continued)**

the accordion increase of \$150.0 million and have utilized the allowable credit facility of \$200.0 million as at December 31, 2022.

On December 16, 2022, the Company entered into a three-year unsecured syndicated credit facility with Natixis (New York) Bank of up to \$525.0 million. As at December 31, 2022, \$490.0 million of unutilized capacity was available under the facility. The facility has financial covenants in relation to its maximum gearing ratio, minimum consolidated net assets and a requirement to maintain a minimum statutory capital and surplus value.

As at December 31, 2022 and 2021, the Company was in compliance with all covenants under the various letter of credit facilities.

**18. Related party transactions**

**a. Apollo**

Funds affiliated with Apollo Global Management LLC (“Apollo”) became majority shareholders of the Company in October 2018. The Company has investments in Apollo Credit Allocation Fund II Class A, Apollo Credit Allocation Fund III, Apollo Accord 3, Apollo AP Highlands fund, Apollo Offshore Credit Fund Limited Class S-1, Warwick European Opportunities Fund, L.P., Motive Fund II, Levine Leichtman Capital Partners Europe II SCSp, Reddingridge, Apollo Asia Real Estate Fund L.P., ESO Capital Real Assets Fund I SCSp, Apollo Overseas Partners X, L.P, and Apollo European Principal Finance Fund III (Dollar B), L.P. which are managed by an affiliate of Apollo.

In addition to the abovementioned funds, on December 31, 2022, the Company invested in one new fund also affiliated with Apollo, Apollo Management Holdings LP.

As of December 31, 2022, the total fair value of the Company’s investments in the funds affiliated with Apollo is \$450.5 million (2021: \$405.1 million) or 13.7% (2021: 16.0%) of investments at fair value.

**b. OXW Partners**

Funds affiliated with Oxenwood Partners. During the year the Company invested in Oxenwood Logistics Fund 1 Partners LP and Oxenwood Logistics Fund 1 SP.

The total fair value of the Company’s investments in these funds as of December 31, 2022 is \$14.2 million (2021: \$9.0 million) or 0.4% (2021: 0.4%) of investments at fair value.

**c. Reinsurance transactions**

As of December 31, 2022, insurance and reinsurance balances payable include technical balances due from Alea North American Insurance Company (“ANAIC”), a Company affiliate of \$0.3 million (2021: \$0.1 million).

As of December 31, 2022, the Company carried net losses and loss expenses of \$16.3 million (2021: \$16.7 million) relating to the reinsurance agreements with ANAIC.

On December 14, 2018, CatGen and Catalina London entered into a retrocession agreement with Elbow Re Ltd. (“Elbow Re” formerly known as Acra Re Ltd.). Elbow Re is an affiliated company as it is owned by funds affiliated with Apollo. Elbow Re reinsured 50% of the liabilities assumed by CatGen under the reinsurance and transfer deed with Zurich. As of December 31, 2022, total reserves ceded to Elbow Re are \$664.6 million (2021: \$817.4 million) and total insurance receivable from Elbow Re is \$23.3 million (2021: \$34.8 million).

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**18. Related party transactions (continued)**

**d. Funding Agreement Backed Notes (“FABN”)**

On November 1, 2022, CatGen entered into a retrocession agreement with Athene Annuity Re Ltd (“AARe”). AARe is an affiliated company that is owned by Apollo. The agreement is an investment contract classified as a financial derivative. CatGen provides for the payment leg of the contract, while taking on the risk of the receive leg related to the underlying’s excess spread return over payments made on FABN. As of December 31, 2022 there was \$20.5 million due to CatGen as a result of net settlements outstanding. Refer to “Note 8. Derivative instruments” for further information about the agreement.

**e. Other items**

Catalina U.S. Insurance Services LLC (“CUSIS”), a U.S.-domiciled service company, provides certain management services to the Company. During the year ended December 31, 2022, the Company paid a total of \$1.4 million (2021: \$1.4 million) to CUSIS in respect of this arrangement.

CatGen participates in a notional cash pooling arrangement to manage liquidity with its parent, CHBL. For further information regarding the agreement, refer to “Note 2. Significant accounting policies”, Cash and cash equivalents section.

**19. Statutory financial information and dividend restrictions**

CatGen is registered under the Insurance Act of 1978 of Bermuda (the “Insurance Act”), and licensed as a Class 3B general business insurer, and Class E long-term insurer. The Insurance Act grants the BMA powers to supervise the insurance companies. The Insurance Act requires CatGen to hold minimum statutory capital and surplus (Enhanced Capital Requirement or “ECR”) at least equal to the greater of a minimum solvency margin or the Bermuda Solvency & Capital Requirement (“BSCR”). The BSCR is calculated using the standard risk-based capital model developed by the BMA. The BSCR model follows a standard formula framework and capital attributed to each risk is calculated by applying capital factors to the assets and liabilities. The BMA sets a Target Capital equivalent to 120% of the ECR. CatGen’s licenses preclude it from effecting any new contracts without the permission of the BMA.

**CatGen Dividend Restrictions**

There were no significant restrictions on the Company's ability to pay dividends from retained earnings as of December 31, 2021. Bermuda law permits the payment of dividends if:

- the Company is not, or would not be after payment, unable to pay its liabilities as they become due; and
- the realizable value of the Company’s assets is in excess of its liabilities after taking such payment into account.

On March 24, 2016, Bermuda’s enhanced commercial insurance regime was approved as being fully equivalent to regulatory standards applied under Solvency II by the European Parliament. Solvency II sets out new capital adequacy and risk management requirements for insurers across the European Union with the aim to further enhance policyholder protection while instilling greater risk awareness. The equivalence was granted retroactive from January 1, 2016.

On April 25, 2017, the BMA approved the \$45.5 million long term subordinated notes as “Other Fixed Capital” and has deemed the note as Tier 2 eligible capital. On March 8, 2018, the BMA approved the additional \$25.0 million long term subordinated notes as “Other Fixed Capital” and Tier 2 eligible capital.

Effective June 25, 2019, the Company can pay dividends without prior BMA approval, provided the Company maintains an ECR of a minimum of 150% following the distribution.

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**19. Statutory financial information and dividend restrictions (continued)**

The BMA also acts as the Group Supervisor with the Company as Designated Insurer. The Company is required to file the audited U.S. GAAP financial statements, the Capital and Solvency Return and the Commercial Insurer's Solvency Self-Assessment on an annual basis.

At December 31, 2022, the Company met the minimum levels of solvency and liquidity in Bermuda.

**Subsidiary Statutory Financial Information and Dividend Restrictions**

The Company's insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions in which they operate, which are Ireland, Switzerland and the United States. The regulations in these jurisdictions include restrictions that limit the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities. Typically, these restrictions relate to minimum levels of solvency, capital and liquidity, as defined by the relevant insurance laws and regulations.

At December 31, 2022 and 2021, the Company met the minimum levels of solvency and liquidity in all jurisdictions in which the Company operates.

**a. Ireland**

CII is regulated by the Central Bank of Ireland. CII is a Solvency II Undertaking authorized under the European Union (Insurance and Reinsurance) Regulations 2015 to carry on insurance business. Under the Solvency II regime, CII is subject to minimum capital requirements and solvency capital requirements.

CII uses the standard formula to determine these in the context of the measurement of assets, liabilities and capital to satisfy the requirements set out in Pillar I of the regulations.

**b. United Kingdom**

The insurance subsidiaries based in the U.K. are regulated by the U.K. Prudential Regulatory Authority (the "PRA"). Since January 1, 2016, the UK companies have been required to comply with the Solvency II Framework Directive adopted by the PRA. The Solvency Capital Requirement for the U.K. subsidiaries are assessed using the Solvency II standard formula model.

In 2019, pursuant to Section 166 of the Financial Services and Markets Act 2000, as amended, the PRA initiated a Skilled Person's Report on Governance, Risk and Investment management effectiveness at the Catalina companies in the UK. The Company fully cooperated with this review and the final report was issued on March 20, 2020. As at December 31, 2022, the Company has addressed the findings of the final report and is no longer subject to the PRA's review.

**b. United States**

The Company's U.S. subsidiaries required statutory capital and surplus is determined using various criteria, including risk based capital tests. If a company falls below certain levels of risk based capital, and dependent upon the degree to which the company falls below, the commissioner of insurance with jurisdiction over the company is authorized to take certain regulatory actions to protect policyholders and creditors.

The Company is subject to a 30% withholding tax on certain dividends received from its U.S. subsidiaries.

As at December 31, 2022 and 2021, there are statutory restrictions on the payment of dividends from retained earnings or the return of capital from some of the Company's subsidiaries. Most of the Company's regulated reinsurance and insurance subsidiaries require regulatory approval before paying a dividend from retained earnings or returning capital.

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**19. Statutory financial information and dividend restrictions (continued)**

**c. Singapore, Malaysia, Korea and Hong Kong**

ACR is subject to the regulatory reporting requirements of the Monetary Authority of Singapore, the Bank Negara Malaysia in Malaysia, the Financial Supervisory Service in Korea and the Hong Kong Insurance Authority.

The Monetary Authority of Singapore and Bank Negara Malaysia Malaysia specify the minimum required capital that must be maintained at all times throughout the year. This minimum required capital is determined to be the risk based capital, based on the Monetary Authority of Singapore's or Bank Negara Malaysia's respective Risk Based Capital Framework. Both these frameworks are methods of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on factors deemed higher for those items with greater underlying risk. ACR and its Malaysia subsidiary has complied with the relevant minimum required capital requirement during the year.

**20. Pension plans**

The Company also maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation. During 2022, the Company's total pension expenses were \$1.6 million (2021: \$1.5 million) for the above retirement benefits.

**21. Subsequent events**

In preparing the consolidated financial statements, the Company has evaluated subsequent events through April 17, 2023, which is the date that these financial statements were issued, and has concluded that there are no subsequent events that require disclosure to the financial statements.