

AUDITED FINANCIAL STATEMENTS

**RenaissanceRe Specialty U.S. Ltd. and
Subsidiary**

December 31, 2022 and 2021

RenaissanceRe



April 21, 2023

Report of Independent Auditors

To the Board of Directors and Shareholder of RenaissanceRe Specialty U.S. Ltd.

Opinion

We have audited the accompanying consolidated financial statements of RenaissanceRe Specialty U.S. Ltd. and its subsidiary (the "Company"), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations, changes in shareholder's equity and cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements").

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

Basis for opinion

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

Other Matter

The consolidated financial statements of the Company as of December 31, 2021 and for the year then ended were audited by other auditors whose report, dated April 22, 2022, expressed an unmodified opinion on those statements.

Responsibilities of management for the consolidated financial statements

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

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



Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

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

Accounting principles generally accepted in the United States of America require that the required supplemental information pertaining to *Short-Duration Contracts* disclosures labelled as "Unaudited" within Note 7 on pages 30 to 38 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.


Inuwaliese Cooper *CPA*

Chartered Professional Accountants

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2022 AND 2021
(in thousands of United States Dollars)

	2022	2021
Assets		
Fixed maturity investments trading, at fair value - amortized cost \$4,076,275 at December 31, 2022 (2021 - \$3,636,750) (Notes 4 and 5)	\$ 3,798,312	\$ 3,629,047
Short term investments, at fair value - amortized cost \$245,995 at December 31, 2022 (2021 - \$449,150) (Notes 4 and 5)	245,824	449,150
Equity investments trading, at fair value (Notes 4 and 5)	441,744	107,377
Other investments (Notes 4 and 5)	124,464	87,654
Total investments	4,610,344	4,273,228
Cash and cash equivalents	147,075	98,389
Premiums receivable (Notes 6 and 8)	1,259,521	902,120
Prepaid reinsurance premiums (Notes 6 and 8)	329,348	189,936
Reinsurance recoverable (Notes 6, 7 and 8)	1,104,125	736,261
Accrued investment income	28,801	12,890
Deferred acquisition costs	369,689	288,369
Due from affiliates, net (Note 8)	461	142,392
Receivable for investments sold	9,034	68,517
Other assets	136,366	54,993
Goodwill and other intangible assets (Note 3)	104,846	105,828
Total assets	\$ 8,099,610	\$ 6,872,923
 Liabilities and Shareholder's Equity		
Liabilities		
Reserve for claims and claim expenses (Notes 6, 7 and 8)	\$ 4,675,976	\$ 3,568,785
Unearned premiums	1,262,931	1,021,980
Reinsurance balances payable (Notes 6 and 8)	548,878	325,289
Due to affiliates, net (Note 8)	20,849	—
Payable for investments purchased	51,747	140,502
Accounts payable and accrued liabilities	26,134	14,978
Total liabilities	6,586,515	5,071,534
Shareholder's Equity (Note 9)		
Common shares: \$120.00 par value - 120,000 shares authorized; 1,000 shares issued and outstanding at December 31, 2022 (2021 - 1,000)	120	120
Additional paid-in capital	1,612,052	1,662,052
Retained earnings	(99,077)	139,217
Total shareholder's equity	1,513,095	1,801,389
Total liabilities and shareholder's equity	\$ 8,099,610	\$ 6,872,923

On behalf of the Board:



Director



Director

See accompanying notes to the consolidated financial statements

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(in thousands of United States Dollars)

	<u>2022</u>	<u>2021</u>
Revenues		
Gross premiums written (Notes 6 and 8)	\$ 3,074,876	\$ 2,515,044
Net premiums written (Notes 6 and 8)	\$ 2,304,831	\$ 2,056,948
(Increase) decrease in net unearned premiums	(101,540)	(336,307)
Net premiums earned (Notes 6 and 8)	2,203,291	1,720,641
Net investment income (Note 4)	115,789	52,542
Net foreign exchange gains (losses)	(3,761)	1,348
Other income	14,901	14,664
Net realized and unrealized gains (losses) on investments (Note 4)	(409,274)	(44,248)
Total revenues	<u>1,920,946</u>	<u>1,744,947</u>
Expenses		
Net claims and claim expenses incurred (Notes 6, 7 and 8)	1,544,404	1,293,315
Acquisition expenses	624,380	464,187
Operational expenses (Note 8)	39,138	29,937
Corporate expenses (Note 8)	457	1,070
Amortization of other intangible assets (Note 3)	982	1,067
Total expenses	<u>2,209,361</u>	<u>1,789,576</u>
Income (loss) before taxes	(288,415)	(44,629)
Income tax benefit (expense) (Note 10)	50,121	14,251
Net income (loss)	<u>\$ (238,294)</u>	<u>\$ (30,378)</u>

See accompanying notes to the consolidated financial statements

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(in thousands of United States Dollars)

	2022	2021
Common shares		
Balance – January 1	120	120
Common shares	\$ 120	\$ 120
Additional paid-in capital		
Balance – January 1	1,662,052	1,062,052
Contribution of capital (Note 9)	—	600,000
Return of capital (Note 9)	(50,000)	—
Additional paid-in capital	1,612,052	1,662,052
Retained earnings (deficit)		
Balance – January 1	139,217	179,595
Net income (loss)	(238,294)	(30,378)
Dividends declared (Note 9)	—	(10,000)
Balance – December 31	(99,077)	139,217
Total shareholder's equity	\$ 1,513,095	\$ 1,801,389

See accompanying notes to the consolidated financial statements

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(in thousands of United States Dollars)

	2022	2021
<i>Cash flows provided (used) by operating activities</i>		
Net income (loss)	\$ (238,294)	\$ (30,378)
<i>Adjustments to reconcile net income (loss) to net cash provided by operating activities</i>		
Amortization and (accretion)	(767)	4,636
Amortization of other intangible assets	982	1,067
Net realized and unrealized (gains) losses on investments	408,331	44,248
Change in:		
Premiums receivable	(357,401)	(359,225)
Prepaid reinsurance premiums	(139,412)	(97,583)
Reinsurance recoverable	(367,864)	(127,623)
Accrued investment income	(15,911)	(649)
Deferred acquisition costs	(81,320)	(136,290)
Reserve for claims and claim expenses	1,107,191	786,847
Unearned premiums	240,951	433,368
Reinsurance balances payable	223,589	165,068
Other	92,380	(163,416)
<i>Net cash provided (used) by operating activities</i>	872,455	520,070
<i>Cash flows provided (used) in investing activities</i>		
Proceeds from sales and maturities of fixed maturity investments trading	3,913,808	3,147,584
Purchases of fixed maturity investments trading	(4,502,906)	(4,151,308)
Net sales (purchases) of short term investments	204,152	(70,513)
Net sales (purchases) of equity investments trading	(351,984)	106,453
Net sales (purchases) of other investments	(36,839)	(87,693)
<i>Net cash provided (used) in investing activities</i>	(773,769)	(1,055,477)
<i>Cash flows provided (used) by financing activities</i>		
(Distribution) Contribution of capital	(50,000)	600,000
Dividends paid	—	(10,000)
<i>Net cash provided (used) by financing activities</i>	(50,000)	590,000
<i>Net increase (decrease) in cash and cash equivalents</i>	48,686	54,593
<i>Cash and cash equivalents, beginning of period</i>	98,389	43,796
<i>Cash and cash equivalents, end of period</i>	\$ 147,075	\$ 98,389

See accompanying notes to the consolidated financial statements

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

NOTE 1. ORGANIZATION

RenaissanceRe Specialty U.S. Ltd. (“RenaissanceRe Specialty U.S.”) is incorporated under the laws of Bermuda to provide property and casualty and specialty reinsurance on both a quota share and excess of loss basis. RenaissanceRe Specialty U.S. is a wholly-owned subsidiary of RenaissanceRe Finance Inc. (“RenaissanceRe Finance”), whose ultimate parent is RenaissanceRe Holdings Ltd. (“RenaissanceRe”). The consolidated financial statements of RenaissanceRe Specialty U.S. include the financial position and results of operations of its wholly-owned subsidiary, Renaissance Reinsurance U.S. Inc. (“Renaissance Reinsurance U.S.”).

RenaissanceRe Specialty U.S. is a Bermuda-domiciled Class 3B insurer that has made a submission to the Internal Revenue Service (“IRS”) to elect, pursuant to §953(d) of Internal Revenue Code of 1986 (the “Code”), to operate subject to U.S. federal income tax. Renaissance Reinsurance U.S. is a reinsurance company domiciled in the state of Maryland and provides property and casualty and specialty reinsurance coverages to insurers and reinsurers, primarily in the Americas.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States (“GAAP”) and include the accounts of RenaissanceRe Specialty U.S. and its wholly-owned subsidiary, which are collectively referred to herein as the “Company”. All significant intercompany accounts and transactions have been eliminated from these statements.

Certain comparative information has been reclassified to conform to the current presentation.

Use of Estimates in Financial Statements

The preparation of consolidated financial statements in conformity with 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The major estimates reflected in the Company’s consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses; reinsurance recoverable and premiums receivable, including provisions for reinsurance recoverable and premiums receivables to reflect expected credit losses; estimates of written and earned premiums; fair value, including the fair value of investments, financial instruments and derivatives; impairment charges and deferred acquisition costs; and the Company’s deferred tax valuation allowance.

Premiums and Related Expenses

Premiums are recognized as income, net of any applicable reinsurance or retrocessional coverage purchased, over the terms of the related contracts and policies. Premiums written are based on contract and policy terms and include estimates based on information received from both insureds and ceding companies. Subsequent revisions to premium estimates are recorded in the period in which they are determined. Unearned premiums represent the portion of premiums written that relate to the unexpired terms of contracts and policies in force. Amounts are computed by pro rata methods based on statistical data or reports received from ceding companies. Reinstatement premiums are estimated after the occurrence of a significant loss and are recorded in accordance with the contract terms based upon paid losses and case reserves. Reinstatement premiums are earned when written.

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont’d.

Acquisition costs are incurred when a contract or policy is issued and only the costs directly related to the successful acquisition of new and renewal contract or policies are deferred and amortized over the same period in which the related premiums are earned. Acquisition costs consist principally of commissions, brokerage and premium tax expenses and are shown net of commissions earned on ceded reinsurance. Certain of our assumed contracts contain profit sharing provisions or adjustable commissions that are estimated based on the expected loss and loss adjustment expense on those contracts. Acquisition costs include accruals for such estimates of commissions. Certain of our ceded contracts contain profit sharing provisions which accrue to the benefit of the company. Acquisition costs are shown net of such commissions and profit commissions earned on ceded reinsurance. In addition, certain of our ceded contracts contain override and management fees which offset against operating expenses. Deferred policy acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated claims and claim expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

Claims and Claim Expenses

The reserve for claims and claim expenses includes estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported. The reserve is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled. In addition, the Company does not have the benefit of a significant amount of its own historical experience in certain casualty and specialty lines of business. Accordingly, the reserving for incurred losses in these lines of business could be subject to greater variability.

Ultimate losses may vary materially from the amounts provided in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the consolidated statements of operations in the period in which they become known and are accounted for as changes in estimates.

Reinsurance

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. If the Company determines that adjustments to earlier estimates are appropriate, such adjustments are recorded in the period in which they are determined. Reinsurance recoverable on dual trigger reinsurance contracts require the Company to estimate its ultimate losses applicable to these contracts as well as estimate the ultimate amount of insured industry losses that will be reported by the applicable statistical reporting agency, as per the contract terms. Amounts recoverable from reinsurers are recorded net of a provision for current expected credit losses to reflect expected credit losses.

Assumed and ceded reinsurance contracts that lack significant transfer of risk are treated as deposits.

Certain assumed and ceded reinsurance contracts that do not meet all of the criteria to be accounted for as reinsurance in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Financial Services - Insurance* have been accounted for at fair value under the fair value option in accordance with FASB ASC Topic *Financial Instruments*.

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont'd.

Investments

Fixed Maturity Investments

Investments in fixed maturities are classified as trading and are reported at fair value. Investment transactions are recorded on the trade date with balances pending settlement reflected in the balance sheet as a receivable for investments sold or a payable for investments purchased. Net investment income includes interest income together with amortization of market premiums and discounts and is net of investment management and custody fees. The amortization of premiums and accretion of discounts for fixed maturity securities is computed using the effective yield method. For mortgage-backed securities and other holdings for which there is prepayment risk, prepayment assumptions are evaluated quarterly and revised as necessary. Any adjustments required due to the change in effective yield and maturities are recognized on a prospective basis through yield adjustments. Fair values of investments are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications and/or internal pricing valuation techniques. The net unrealized appreciation or depreciation on fixed maturity investments trading is included in net realized and unrealized gains (losses) on investments in the consolidated statements of operations. Realized gains or losses on the sale of investments are determined on the basis of the first in first out cost method.

Short Term Investments

Short term investments, have a maturity of one year or less when purchased and are carried at fair value. The net unrealized appreciation or depreciation on short term investments is included in net realized and unrealized gains (losses) on investments in the consolidated statements of operations.

Equity Investments

Equity investments are accounted for at fair value in accordance with FASB ASC Topic *Financial Instruments*. Fair values are primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. Dividend income is included in net investment income and net realized and unrealized appreciation or depreciation on equity investments is included in net realized and unrealized gains (losses) on investments in the consolidated statements of operations.

Other Investments

The Company accounts for its other investments at fair value in accordance with FASB ASC Topic *Financial Instruments* with interest and dividend income included in net investment income. Realized and unrealized gains and losses on other investments are included in net realized and unrealized gains (losses) on investments.

The Company's other investments include investments in catastrophe bonds and term loans which are recorded at fair value. The fair value of catastrophe bonds is based on broker or underwriter bid indications. The fair value of term loans are based on discounted cash flow valuation models.

Cash and Cash Equivalents

Cash equivalents include money market instruments with a maturity of ninety days or less when purchased.

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont’d.

Derivatives

From time to time, the Company may enter into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for trading and to assume risk. The Company accounts for its derivatives in accordance with FASB ASC Topic *Derivatives and Hedging*, which requires all derivatives to be recorded at fair value on the Company’s consolidated balance sheet as either assets or liabilities, depending on their rights or obligations, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting. The fair value of the Company’s derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, the use of industry or internal valuation models.

Fair Value Option

The Company has elected to account for certain of its assets and liabilities at fair value in accordance with FASB ASC Topic *Fair Value Measurements and Disclosures*. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations.

Business Combinations, Goodwill and Other Intangible Assets

The Company accounts for business combinations in accordance with FASB ASC Topic *Business Combinations*, and goodwill and other intangible assets that arise from business combinations in accordance with FASB ASC Topic *Intangibles - Goodwill and Other*. A purchase price that is in excess of the fair value of the net assets acquired arising from a business combination is recorded as goodwill, and is not amortized. Other intangible assets with a finite life are amortized over the estimated useful life of the asset. Other intangible assets with an indefinite useful life are not amortized.

Goodwill and other indefinite life intangible assets are tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Finite life intangible assets are reviewed for indicators of impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable, and tested for impairment if appropriate. For purposes of the annual impairment evaluation, goodwill is assigned to the applicable reporting unit of the acquired entities giving rise to the goodwill.

The Company has established the third and fourth quarters of the year as the period for performing its annual impairment tests. The Company may determine to perform additional impairment testing at other times in the year if it is deemed necessary. The Company has elected to use the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. Under this option, the Company is not required to calculate the fair value of a reporting unit unless the Company determines, based on its qualitative assessment, that it is more likely than not that a reporting unit’s fair value is less than its carrying amount. If goodwill or other intangible assets are impaired, they are written down to their estimated fair value with a corresponding expense reflected in the Company’s consolidated statements of operations.

In accordance with FASB ASC Topic *Business Combinations*, transactions between entities under common control are to be initially recognized at 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.

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES, cont’d.

Foreign Exchange

The Company’s functional currency is the United States (“U.S.”) dollar. Revenues and expenses denominated in foreign currencies are revalued at the prevailing exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date, which may result in the recognition of exchange gains or losses which are included in the determination of net income.

Taxation

Income taxes have been provided for in accordance with the provisions of FASB ASC Topic *Income Taxes*. Deferred tax assets and liabilities result from temporary differences between the amounts recorded in the consolidated financial statements and the tax basis of the Company’s assets and liabilities. Such temporary differences are primarily due to GAAP versus tax basis accounting differences related to insurance adjustments, intangible assets, investments, accrued expenses, along with net operating loss carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance against net deferred tax assets is recorded if it is more likely than not that all, or some portion, of the benefits related to net deferred tax assets will not be realized.

Uncertain tax positions are also accounted for in accordance with FASB ASC Topic *Income Taxes*. Uncertain tax positions must meet a more-likely-than-not recognition threshold to be recognized.

Recently Adopted Accounting Pronouncements

Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes* (“ASU 2019-12”). Among other things, ASU 2019-12 eliminates certain exceptions for recognizing deferred taxes for investments, performing intra-period tax allocation and calculating income taxes in interim periods. ASU 2019-12 also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, ASU 2019-12 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Accordingly, the Company adopted ASU 2019-12 effective January 1, 2021. The adoption of ASU 2019-12 did not have a material impact on the Company’s consolidated statements of operations and financial position.

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

NOTE 3. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table shows an analysis of goodwill and other intangible assets included in the Company’s consolidated balance sheets:

<u>At December 31,</u>	<u>2022</u>	<u>2021</u>
Goodwill, net	\$ 94,399	\$ 94,399
Other intangible assets, net	10,447	11,429
Total goodwill and other intangible assets	<u>\$ 104,846</u>	<u>\$ 105,828</u>

Included in goodwill and other intangible assets at December 31, 2022 was gross goodwill of \$94.4 million (2021 - \$94.4 million). There were no adjustments or impairment losses associated with goodwill during 2022 or 2021. During 2022, the Company recorded amortization expense of \$1.0 million related to other intangible assets (2021 - \$1.1 million).

The gross carrying value and accumulated amortization by major category of other intangible assets is shown below:

<u>At December 31, 2022</u>	<u>Other intangible assets</u>		
	<u>Gross carrying value</u>	<u>Accumulated amortization and impairment losses</u>	<u>Total</u>
Customer relationships	\$ 10,525	\$ (8,478)	\$ 2,047
Licenses	8,400	—	8,400
Value of business acquired	14,123	(14,123)	—
Software	2,285	(2,285)	—
Covenants not-to-compete	1,900	(1,900)	—
Trade names	239	(239)	—
	<u>\$ 37,472</u>	<u>\$ (27,025)</u>	<u>\$ 10,447</u>

The remaining useful life of intangible assets with finite lives ranges from 2 to 7 years, with a weighted-average amortization period of 3.4 years. Expected amortization of the other intangible assets is shown below:

2023	\$ 888
2024	789
2025	194
2026	64
2027	50
2028 and thereafter	62
Total remaining amortization expense	<u>2,047</u>
Indefinite lived	8,400
Total	<u>\$ 10,447</u>

RENAISSANCERE SPECIALTY U.S. LTD. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

NOTE 4. INVESTMENTS

Fixed Maturity Investments Trading

The following table summarizes the fair value of fixed maturity investments trading:

<u>At December 31,</u>	<u>2022</u>	<u>2021</u>
U.S. treasuries	\$ 1,378,056	\$ 1,484,324
Corporate ⁽¹⁾	1,278,293	1,018,525
Asset-backed	520,250	476,108
Residential mortgage-backed	309,685	180,401
Agencies	150,160	125,425
Commercial mortgage-backed	101,993	274,909
Non-U.S. government	59,875	69,355
Total fixed maturity investments trading	<u>\$ 3,798,312</u>	<u>\$ 3,629,047</u>

(1) Corporate fixed maturity investments include non-U.S. government-backed corporate fixed maturity investments.

Contractual maturities of fixed maturity investments trading are described in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<u>At December 31, 2022</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in less than one year	\$ 124,296	\$ 122,487
Due after one through five years	1,650,337	1,568,518
Due after five through ten years	1,149,878	1,039,209
Due after ten years	165,640	136,170
Mortgage-backed	448,039	411,678
Asset-backed	538,085	520,250
Total	<u>\$ 4,076,275</u>	<u>\$ 3,798,312</u>

Equity Investments

The following table summarizes the fair value of equity investments:

<u>At December 31,</u>	<u>2022</u>	<u>2021</u>
Fixed income exchange traded funds	287,076	—
Communications and technology	48,672	40,370
Consumer	33,270	24,777
Industrial, utilities and energy	25,326	12,997
Financials	19,043	12,642
Healthcare	24,617	14,102
Basic materials	3,740	2,489
Total	<u>\$ 441,744</u>	<u>\$ 107,377</u>

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NOTE 4. INVESTMENTS, cont’d.

Pledged Investments

At December 31, 2022, \$284.9 million (2021 - \$910.2 million) of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to RenaissanceRe’s credit facilities. Of this amount, \$7.5 million (2021 - \$9.5 million) is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities.

Net Investment Income

The components of net investment income are as follows:

<u>Year ended December 31,</u>	<u>2022</u>	<u>2021</u>
Fixed maturity investments	\$ 99,454	\$ 53,492
Short term investments	3,780	204
Equity investments	11,701	2,754
Other investments	4,866	31
Cash and cash equivalents	880	(58)
	<u>120,681</u>	<u>56,423</u>
Investment expenses	(4,892)	(3,881)
Net investment income	<u>\$ 115,789</u>	<u>\$ 52,542</u>

Net Realized and Unrealized Gains (Losses) on Investments

Net realized and unrealized gains (losses) on investments are as follows:

<u>Year ended December 31,</u>	<u>2022</u>	<u>2021</u>
Net realized gains (losses) on fixed maturity investments	\$ (120,249)	\$ 8,042
Net unrealized gains (losses) on fixed maturity investments trading	(269,842)	(95,715)
Net realized and unrealized gains (losses) on fixed maturity investments trading	(390,091)	(87,673)
Net realized and unrealized gains (losses) on investments-related derivatives (1)	(1,545)	(30)
Net realized gains (losses) on equity investments	58,540	38,474
Net unrealized gains (losses) on equity investments	(76,159)	4,998
Net realized and unrealized gains (losses) on equity investments	(17,619)	43,472
Net realized and unrealized gains (losses) on other investments	(19)	(17)
Net realized and unrealized gains (losses) on investments	<u>\$ (409,274)</u>	<u>\$ (44,248)</u>

(1) Net realized and unrealized gains (losses) on investment-related derivatives includes fixed maturity investments related derivatives (interest rate futures). See “Note 12. Derivative Instruments” for additional information.

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NOTE 4. INVESTMENTS, cont’d.

Other Investments

The table below shows the fair value of the Company’s portfolio of other investments:

<u>At December 31,</u>	<u>2022</u>	<u>2021</u>
Catastrophe bonds	\$ 24,464	\$ 12,804
Term loans	100,000	74,850
Total	<u>\$ 124,464</u>	<u>\$ 87,654</u>

Catastrophe bonds

Catastrophe bonds are non-investment grade bonds generally issued by unrelated third parties that generally mature within one to five years.

Term loans

Term loans represent the Company’s participation interest in a senior secured term loan facility. The Company has committed to a loan participation interest of \$100.0 million and as of December 31, 2022 had fully funded its commitment (2021 - \$100.0 million and \$75.0 million, respectively). This facility pays interest, has a 5-year maturity and is fully secured by a diversified pool of primarily private equity assets.

Net Sales (Purchases) of Investments

The table below shows the Company’s cash flows in respect of gross and net purchases and sales of short term investments and equity investments for the year ended December 31, 2022.

<u>Year ended December 31, 2022</u>	<u>Gross Purchases</u>	<u>Gross Sales</u>	<u>Net</u>
Short term investments	\$ (5,946,116)	\$ 6,150,268	\$ 204,152
Equity investments	\$ (782,071)	\$ 430,087	\$ (351,984)
Other investments	\$ (57,829)	\$ 20,990	\$ (36,839)

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NOTE 5. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company’s consolidated financial statements. Fair value is defined under accounting guidance currently applicable to the Company as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains or losses arising from changes in fair value in its consolidated statements of operations.

FASB ASC Topic *Fair Value Measurements and Disclosures* prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

- Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access at the measurement date. The fair value is determined by multiplying the quoted price by the quantity held by the Company;
- Fair values determined by Level 2 inputs utilize inputs (other than quoted prices included in Level 1) that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices; and
- Level 3 inputs are based all or in part on significant unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management’s best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

In order to determine if a market is active or inactive for a security, the Company considers a number of factors, including, but not limited to, the spread between what a seller is asking for a security and what a buyer is bidding for the same security, the volume of trading activity for the security in question, the price of the security compared to its par value (for fixed maturity investments), and other factors that may be indicative of market activity.

There have been no material changes in the Company’s valuation techniques, nor have there been any transfers between Level 1 and Level 2, or Level 2 and Level 3 during the period represented by these consolidated financial statements.

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NOTE 5. FAIR VALUE MEASUREMENTS, cont’d.

Below is a summary of the assets that are measured at fair value on a recurring basis and also represents the carrying amount on the Company’s consolidated balance sheets:

<u>At December 31, 2022</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed maturity investments				
U.S. treasuries	\$ 1,378,056	\$ 1,378,056	\$ —	\$ —
Corporate ⁽¹⁾	1,278,293	—	1,278,293	—
Asset-backed	520,250	—	520,250	—
Agencies	150,160	—	150,160	—
Residential mortgage-backed	309,685	—	309,685	—
Commercial mortgage-backed	101,993	—	101,993	—
Non-U.S. government	59,875	—	59,875	—
Total fixed maturity investments	<u>3,798,312</u>	<u>1,378,056</u>	<u>2,420,256</u>	<u>—</u>
Equity investments trading	441,744	441,744	—	—
Short term investments	245,824	—	245,824	—
Other investments				
Catastrophe bonds	24,464	—	24,464	—
Term loans	100,000	—	—	100,000
Total other investments	<u>124,464</u>	<u>—</u>	<u>24,464</u>	<u>100,000</u>
Other assets and (liabilities)				
Derivative assets ⁽²⁾	1	1	—	—
Derivative liabilities ⁽²⁾	(32)	(32)	—	—
Assumed reinsurance contract	6	—	—	6
Total other assets and (liabilities) ⁽²⁾	<u>(25)</u>	<u>(31)</u>	<u>—</u>	<u>6</u>
	<u>\$ 4,610,319</u>	<u>\$ 1,819,769</u>	<u>\$ 2,690,544</u>	<u>\$ 100,006</u>

(1) Corporate fixed maturity investments include non-U.S. government-backed corporate fixed maturity investments.

(2) See “Note 12. Derivative Instruments” for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

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NOTE 5. FAIR VALUE MEASUREMENTS, cont’d.

<u>At December 31, 2021</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed maturity investments				
U.S. treasuries	\$ 1,484,324	\$ 1,484,324	\$ —	\$ —
Corporate ⁽¹⁾	1,018,525	—	1,018,525	—
Asset-backed	476,108	—	476,108	—
Commercial mortgage-backed	274,909	—	274,909	—
Residential mortgage-backed	180,401	—	180,401	—
Agencies	125,425	—	125,425	—
Non-U.S. government	69,355	—	69,355	—
Total fixed maturity investments	3,629,047	1,484,324	2,144,723	—
Short term investments	449,150	—	449,150	—
Equity investments trading	107,377	107,377	—	—
Other investments				
Catastrophe bonds	12,804	—	12,804	—
Term loans	74,850	—	—	74,850
Total other investments	87,654	—	12,804	74,850
Other assets and (liabilities)				
Derivative assets ⁽²⁾	3	3	—	—
Derivative liabilities ⁽²⁾	(3)	(3)	—	—
Assumed reinsurance contract	135	—	—	135
Total other assets and (liabilities) ⁽²⁾	135	—	—	135
	<u>\$ 4,273,363</u>	<u>\$ 1,591,701</u>	<u>\$ 2,606,677</u>	<u>\$ 74,985</u>

(1) Corporate fixed maturity investments include non-U.S. government-backed corporate fixed maturity investments.

(2) See “Note 12. Derivative Instruments” for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

Level 1 and Level 2 Assets and Liabilities Measured at Fair Value

Fixed Maturity Investments

Fixed maturity investments included in Level 1 consist of the Company’s investments in U.S. treasuries. Fixed maturity investments included in Level 2 are agencies, non-U.S. government, corporate (including non-U.S. government-backed corporate), residential mortgage-backed, commercial mortgage-backed and asset-backed securities.

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NOTE 5. FAIR VALUE MEASUREMENTS, cont’d.

The Company’s fixed maturity investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing; however, models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third-party data. Securities which are priced by an index provider are generally included in the index.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active and non-distressed markets.

The Company considers these broker quotations to be Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company’s fixed maturity investments are detailed below by asset class.

U.S. Treasuries

Level 1 - At December 31, 2022, the Company’s U.S. treasuries fixed maturity investments were primarily priced by pricing services and had a weighted average yield to maturity of 4.2% and a weighted average credit quality of AA (2021 - 1.1% and AA, respectively). When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker-dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

Agencies

Level 2 - At December 31, 2022, the Company’s agency fixed maturity investments had a weighted average yield to maturity of 4.6% and a weighted average credit quality of AA (2021 - 1.1% and AA, respectively). The issuers of the Company’s agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker-dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

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NOTE 5. FAIR VALUE MEASUREMENTS, cont’d.

Non-U.S. Government

Level 2 - At December 31, 2022, the Company’s non-U.S. government fixed maturity investments had a weighted average yield to maturity of 5.0% and a weighted average credit quality of AA (2021 - 1.1% and AA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Corporate

Level 2 - At December 31, 2022, the Company’s corporate fixed maturity investments principally consist of U.S. and international corporations and had a weighted average yield to maturity of 5.5% and a weighted average credit quality of A (2021 - 1.9% and BBB, respectively).

The Company’s corporate fixed maturity investments, other than non-U.S. government-backed corporations, are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations from markets and sector news. Evaluations are updated by obtaining broker-dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

Non-U.S. government-backed corporate fixed maturity investments are primarily priced by pricing services that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high quality credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Residential Mortgage-backed

Level 2 - At December 31, 2022, the Company’s residential mortgage-backed fixed maturity investments had a weighted average yield to maturity of 6.3%, a weighted average credit quality of non-investment grade and a weighted average life of 8.6 years (2021 - 2.0%, AA and 5.5 years, respectively). Residential mortgage-backed securities include both agency and non-agency mortgage-backed securities. The Company’s agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with active market quotes.

Non-agency mortgage-based securities are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review

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NOTE 5. FAIR VALUE MEASUREMENTS, cont’d.

collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

Commercial Mortgage-backed

Level 2 - At December 31, 2022, the Company’s commercial mortgage-backed fixed maturity investments had a weighted average yield to maturity of 7.1%, a weighted average credit quality of AA and a weighted average life of 3.3 years (2021 - 1.8%, AAA and 4.5 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bid and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

Asset-backed

Level 2 - At December 31, 2022, the Company’s asset-backed fixed maturity investments had a weighted average yield to maturity of 7.5%, a weighted average credit quality of AA and a weighted average life of 5.2 years (2021 - 1.6%, AA and 5.1 years, respectively). The underlying collateral for the Company’s asset-backed fixed maturity investments primarily consists of collateralized loan obligations. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

Short Term Investments

Level 2 - At December 31, 2022, the Company’s short term investments had a weighted average yield to maturity of 4.2% and a weighted average credit quality of AAA (2021 - 0.1% and AAA, respectively). Amortized cost approximates fair value for the majority of the Company’s portfolio of short term investments and, in certain cases, fair value is determined in a manner similar to the Company’s fixed maturity investments noted above.

Equity Investments

Level 1 - The fair value of the Company’s portfolio of equity investments, classified as trading is primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the pricing services utilize daily data from many real time market sources, including applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source was used for each security.

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NOTE 5. FAIR VALUE MEASUREMENTS, cont’d.

Other investments

Catastrophe Bonds

Level 2 - The Company’s other investments included investments in catastrophe bonds which were recorded at fair value based on broker or underwriter bid indications.

Other Assets and Liabilities

Derivatives

Level 1 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value of these transactions includes certain exchange traded futures contracts which are considered Level 1.

Level 3 Assets and Liabilities Measured at Fair Value

Below is a summary of quantitative information regarding the significant unobservable inputs (Level 3) used in determining the fair value of assets and liabilities measured at fair value on a recurring basis:

<u>At December 31, 2022</u>	<u>Fair Value (Level 3)</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Low</u>	<u>High</u>	<u>Weighted Average or Actual</u>
Other investments						
Term loans	\$100,000	Discounted cash flow	Credit spread adjustment	n/a	n/a	0.2 %
			Risk premium	n/a	n/a	2.6 %

<u>At December 31, 2021</u>	<u>Fair Value (Level 3)</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Low</u>	<u>High</u>	<u>Weighted Average or Actual</u>
Other investments						
Term loans	\$ 74,850	Discounted cash flow	Credit spread adjustment	n/a	n/a	0.2 %
			Risk premium	n/a	n/a	2.6 %

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NOTE 5. FAIR VALUE MEASUREMENTS, cont’d.

Below is a reconciliation of the beginning and ending balances, for the periods shown, of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs.

	Other investments	Other assets (liabilities)	Total
Balance - January 1, 2022	\$ 74,850	\$ 135	\$ 74,985
Included in net investment income	605	—	605
Included in other income (loss)	—	(129)	(129)
Purchases	25,000	—	25,000
Settlements	(455)	—	(455)
Balance - December 31, 2022	<u>\$ 100,000</u>	<u>\$ 6</u>	<u>\$ 100,006</u>

	Other investments	Other assets (liabilities)	Total
Balance - January 1, 2021	\$ —	\$ (190)	\$ (190)
Included in other income (loss)	—	325	325
Purchases	74,850	—	74,850
Balance - December 31, 2021	<u>\$ 74,850</u>	<u>\$ 135</u>	<u>\$ 74,985</u>

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NOTE 5. FAIR VALUE MEASUREMENTS, cont’d.

Other Investments

Term loans

Level 3 - At December 31, 2022, the Company’s other investments included a \$100.0 million investment in a term loan which is recorded at fair value (2021 - \$74.9 million), with the fair value obtained through the use of a discounted cash flow model. The significant unobservable inputs used in the discounted cash flow model are the cash flow projection of the associated term loan, and the discount rate. The discount rate used is based on the Secured Overnight Financing Rate, or SOFR, which is then adjusted for credit risk and a risk premium. These adjustments may be impacted by market movements implied by transactions of similar or related assets, loan-to-value, tenor, liquidity, credit risk adjustment or other risk factors. Assumptions used in the valuation process may significantly impact the resulting fair value.

Other Assets and Liabilities

Assumed Reinsurance Contracts

Level 3 - At December 31, 2022 and 2021 the Company had no material net assets on assumed contracts carried at a Level 3. The inputs to the internal valuation model are principally based on indicative pricing obtained from independent brokers and pricing vendors for similarly structured marketable securities. The most significant unobservable inputs include prices for similar marketable securities and a liquidity premium. The Company considers the prices for similar securities to be unobservable, as there is little, if any market activity for these similar assets. In addition, the Company has estimated a liquidity premium that would be required if the Company attempted to effectively exit its position by executing a short sale of these securities. Generally, an increase in the prices for similar marketable securities or a decrease in the liquidity premium would result in an increase in the expected profit and ultimate fair value of this assumed reinsurance contract.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The Company uses various financial instruments in the normal course of its business. The Company’s (re)insurance contracts are excluded from the fair value of financial instruments accounting guidance, unless the Company elects the fair value option, and therefore, are not included in the amounts discussed herein. The carrying values of cash and cash equivalents, accrued investment income, receivables for investments sold, certain other assets, payables for investments purchased, certain other liabilities, and other financial instruments not included herein approximated their fair values.

The Fair Value Option for Financial Assets

The Company has elected to account for certain financial assets and financial liabilities at fair value using the guidance under FASB ASC Topic *Financial Instruments*, as the Company believes it represents the most meaningful measurement basis for these assets. Below is a summary of the balances the Company has elected to account for at fair value:

At December 31,	2022	2021
Other investments	\$ 124,464	\$ 87,654
Other assets (liabilities)	6	135

The change in fair value of other investments resulted in net unrealized losses on investments of \$18.9 thousand for 2022 (2021 - \$Nil).

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NOTE 6. REINSURANCE

The Company purchases reinsurance and other products to manage its risk portfolio and to reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions or on a proportional basis. In addition to loss recoveries, certain of the Company’s ceded reinsurance contracts provide for payments of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to the respective reinsurance contracts. See “Note 8. Related Party Transactions and Major Customers” for information related to intercompany reinsurance agreements in place. The Company remains liable to the extent that any reinsurer fails to meet its obligations.

The following table sets forth the effect of reinsurance and retrocessional activity on net premiums written and earned and on net claims and claim expenses incurred:

<u>Year ended December 31,</u>	<u>2022</u>	<u>2021</u>
<u>Premiums written</u>		
Assumed	\$ 3,074,876	\$ 2,515,044
Ceded	(770,045)	(458,096)
Net premiums written	<u>\$ 2,304,831</u>	<u>\$ 2,056,948</u>
<u>Premiums earned</u>		
Assumed	\$ 2,833,924	\$ 2,081,153
Ceded	(630,633)	(360,512)
Net premiums earned	<u>\$ 2,203,291</u>	<u>\$ 1,720,641</u>
<u>Claims and claim expenses</u>		
Gross claims and claim expenses incurred	\$ 2,048,215	\$ 1,551,270
Claims and claim expenses recovered	(503,811)	(257,955)
Net claims and claim expenses incurred	<u>\$ 1,544,404</u>	<u>\$ 1,293,315</u>

In assessing an allowance for reinsurance assets, which includes premiums receivable and reinsurance recoverable, the Company considers historical information, financial strength of reinsurers, collateralization amounts, and counterparty credit ratings to determine the appropriateness of the allowance. In assessing future default for reinsurance assets, the Company evaluates the provision for current expected credit losses under the probability of default and loss given default method. The Company utilizes its internal capital and risk models, which use counterparty ratings from major rating agencies, and assesses the current market conditions for the likelihood of default. The Company updates its internal capital and risk models for counterparty credit ratings and current market conditions on a periodic basis. Historically, the Company has not experienced material credit losses from reinsurance assets.

Premiums receivable balances reflect premiums written based on contract and policy terms and include estimates based on information received from both insureds and ceding companies, supplemented by our own judgment, including our estimates of premiums that are written but not reported. Due to the nature of reinsurance, ceding companies routinely report and remit premiums to us subsequent to the contract coverage period, although the time lag involved in the process of reporting and collecting premiums is typically shorter than the lag in reporting losses.

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NOTE 6. REINSURANCE, cont’d.

At December 31, 2022, the Company’s premiums receivable balance was \$1.3 billion (2021 - \$902.1 million). Of the Company’s premiums receivable balance as of December 31, 2022, the majority are receivable from highly rated counterparties. The provision for current expected credit losses on the Company’s premiums receivable at December 31, 2022 was \$0.4 million (2021 - \$0.1 million). The following table provides a roll forward of the provision for current expected credit losses of the Company’s premiums receivable:

<u>Year ended December 31,</u>	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 139	\$ 1,168
Provision for allowance	267	(1,029)
Ending balance	<u>\$ 406</u>	<u>\$ 139</u>

Reinsurance recoverable reflects amounts due from reinsurers based on the claim liabilities associated with the reinsurance policy. The Company accrues amounts that are due from reinsurers based on estimated ultimate losses applicable to the contracts.

At December 31, 2022, the Company’s reinsurance recoverable balance was \$1.1 billion (2021 - \$736.3 million). Of the Company’s reinsurance recoverable balance at December 31, 2022, 53.0% is fully collateralized by the Company’s reinsurers, 46.4% is recoverable from reinsurers rated A- or higher by major rating agencies and 0.6% is recoverable from reinsurers rated lower than A- by major rating agencies (2021 - 49.2%, 50.4% and 0.4%, respectively). The reinsurers with the three largest balances accounted for 14.0%, 12.0% and 9.7%, respectively, of the Company’s reinsurance recoverable balance at December 31, 2022 (2021 - 19.7%, 11.9% and 10.5%), respectively), with the largest reinsurance recoverable balance at each of December 31, 2022 and 2021 being with Renaissance Reinsurance. See “Note 8. Related Party Transactions and Major Customers” for information related to intercompany reinsurance agreements in place.

The provision for current expected credit losses was \$1.8 million at December 31, 2022 (2021 - \$0.9 million). The three largest company-specific components of the provision for current expected credit losses represented 9.2%, 6.5% and 6.3% respectively, of the Company’s total provision for current expected credit losses at December 31, 2022 (2021 - 28.0%, 11.3% and 11.1%, respectively). The following table provides a roll forward of the provision for current expected credit losses of the Company’s reinsurance recoverable:

<u>Year ended December 31,</u>	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 937	\$ 609
Provision for allowance	900	328
Ending balance	<u>\$ 1,837</u>	<u>\$ 937</u>

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES

The Company believes the most significant accounting judgment made by management is its estimate of claims and claim expense reserves. Claims and claim expense reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs for unpaid claims and claim expenses arising from the insurance and reinsurance contracts the Company sells. The Company’s reserve for claims and claim expenses are a combination of case reserves, additional case reserves (“ACR”) and incurred but not reported losses and incurred but not enough reported losses (collectively referred to as “IBNR”). Case reserves are losses reported to the Company by insureds and ceding companies, but which have not yet been paid. If deemed necessary and in certain situations, the Company establishes ACR which represents the Company’s estimate for claims related to specific contracts which the Company believes may not be adequately estimated by the client as of that date or within the IBNR. The Company establishes IBNR using actuarial techniques and expert judgement to represent the anticipated cost of claims which have not been reported to the Company yet, or where the Company anticipates increased reporting.

The following table summarizes the Company’s reserve for claims and claim expenses by segment, allocated between case reserves, additional case reserves and IBNR:

<u>At December 31, 2022</u>	<u>Case Reserves</u>	<u>Additional Case Reserves</u>	<u>IBNR</u>	<u>Total</u>
Property	\$ 301,445	\$ 12,997	\$ 513,552	\$ 827,994
Casualty and Specialty	773,540	36,548	3,037,894	3,847,982
Total	<u>\$ 1,074,985</u>	<u>\$ 49,545</u>	<u>\$ 3,551,446</u>	<u>\$ 4,675,976</u>
<u>At December 31, 2021</u>	<u>Case Reserves</u>	<u>Additional Case Reserves</u>	<u>IBNR</u>	<u>Total</u>
Property	\$ 217,963	\$ 4,096	\$ 301,973	\$ 524,032
Casualty and Specialty	662,895	12,092	2,369,766	3,044,753
Total	<u>\$ 880,858</u>	<u>\$ 16,188</u>	<u>\$ 2,671,739</u>	<u>\$ 3,568,785</u>

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

Activity in the reserve for claims and claim expenses is summarized as follows:

<u>Year ended December 31,</u>	<u>2022</u>	<u>2021</u>
Reserve for claims and claim expenses, net of reinsurance recoverable, as of beginning of period	\$ 2,832,524	\$ 2,173,300
Net incurred related to:		
Current year	1,537,867	1,259,126
Prior years	6,537	34,189
Total net incurred	<u>1,544,404</u>	<u>1,293,315</u>
Net paid related to:		
Current year	122,404	136,323
Prior years	566,516	368,013
Total net paid	<u>688,920</u>	<u>504,336</u>
Loss portfolio transfer retrocessional agreement (1)	(114,237)	(128,296)
Foreign exchange (2)	(1,920)	(1,459)
Reserve for claims and claim expenses, net of reinsurance recoverable, as of end of period	3,571,851	2,832,524
Reinsurance recoverable, as of end of period	<u>1,104,125</u>	<u>736,261</u>
Reserve for claims and claim expenses, as of end of period	<u><u>\$ 4,675,976</u></u>	<u><u>\$ 3,568,785</u></u>

(1) During 2019, RenaissanceRe Europe AG (formerly known as Tokio Millennium Re AG) (“RenaissanceRe Europe”), US Branch, a related party whose ultimate parent is RenaissanceRe, transferred its U.S. casualty portfolio to Renaissance Reinsurance U.S. through a loss portfolio transfer retrocession agreement. See “Note 8. Related Party Transactions and Major Customers” for information related to the loss portfolio transfer retrocession agreement.

(2) Reflects the impact of the foreign exchange revaluation of the reserve for claims and claim expenses, net of reinsurance recoverable, denominated in non-U.S. dollars as at the balance sheet date.

The Company’s reserving methodology for each line of business uses a loss reserving process that calculates a point estimate for its ultimate settlement and administration costs for claims and claim expenses. The Company does not calculate a range of estimates and does not discount any of its reserves for claims and claim expenses. The Company uses this point estimate, along with paid claims and case reserves, to record its best estimate of additional case reserves and IBNR in its consolidated financial statements. Under GAAP, the Company is not permitted to establish estimates for catastrophe claims and claim expense reserves until an event occurs that gives rise to a loss.

Reserving involves other uncertainties, such as the dependence on information from ceding companies, the time lag inherent in reporting information from the primary insurer to the Company or to the Company’s ceding companies, and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of bordereaux, broker notifications of loss and/or discussions with ceding companies or their brokers. This information may be received on a monthly, quarterly or transactional basis and normally includes paid claims and estimates of case reserves. The Company sometimes also receives an estimate or provision for IBNR. This information is updated and adjusted periodically during the loss settlement period as new data or facts in respect of initial claims, client accounts, industry or event trends may be reported or emerge in addition to changes in applicable statutory and case laws.

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

The Company’s estimates of large losses are based on factors including currently available information derived from claims information from certain customers and brokers, industry assessments of losses, proprietary models, and the terms and conditions of the Company’s contracts. The uncertainty of the Company’s estimates for large losses is also impacted by the preliminary nature of the information available, the magnitude and relative infrequency of the events, the expected duration of the respective claims development period, inadequacies in the data provided to the relevant date by industry participants and the potential for further reporting lags or insufficiencies; and in certain large losses, significant uncertainty as to the form of the claims and legal issues, under the relevant terms of insurance and reinsurance contracts. In addition, a significant portion of the net claims and claim expenses associated with certain large losses can be concentrated with a few large clients and therefore the loss estimates for these large losses may vary significantly based on the claims experience of those clients. The contingent nature of business interruption and other exposures will also impact losses in a meaningful way, which may give rise to significant complexity in respect of claims handling, claims adjustment and other coverage issues, over time.

Given the magnitude of certain events, there can be meaningful uncertainty regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying the Company’s loss estimates. Loss reserve estimation in respect of the Company’s retrocessional contracts poses further challenges compared to directly assumed reinsurance. In addition, the Company’s actual net losses from these events may increase if the Company’s reinsurers or other obligors fail to meet their obligations.

The Company reevaluates its actuarial reserving assumptions on a periodic basis. Typically, the quarterly review procedures include reviewing paid and reported claims in the most recent reporting period, reviewing the development of paid and reported claims from prior periods, and reviewing the Company’s overall experience by underwriting year and in the aggregate. The Company monitors its expected ultimate claims and claim expense ratios and expected claims reporting assumptions on a quarterly basis and compares them to its actual experience. These actuarial assumptions are generally reviewed annually, based on input from the Company’s actuaries, underwriters, claims personnel and finance professionals, although adjustments may be made more frequently if needed. Assumption changes are made to adjust for changes in the terms of coverage the Company provides, changes in industry results for similar business, as well as its actual experience to the extent the Company has enough data to rely on its own experience. If the Company determines that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified.

Because of the inherent uncertainties discussed above, the Company has developed a reserving philosophy that attempts to incorporate prudent assumptions and estimates, and the Company has generally experienced favorable development on prior accident years net claims and claim expenses in the last several years. However, there is no assurance that this favorable development on prior accident years net claims and claim expenses will occur in future periods.

The Company establishes a provision for unallocated loss adjustment expenses (“ULAE”) when the related reserve for claims and claim expenses is established. ULAE are expenses that cannot be associated with a specific claim but are related to claims paid or in the process of settlement, such as internal costs of the claims function, and are included in the reserve for claims and claim expenses. The determination of the ULAE provision is subject to judgment.

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

Incurred and Paid Claims Development and Reserving Methodology

The information provided herein about incurred and paid accident year claims development for the years ended prior to December 31, 2022 on a consolidated basis and by segment is presented as supplementary information. The Company applied a retrospective approach with respect to acquisitions, presenting all relevant historical information for all periods presented. In addition, included in the incurred claims and claim expenses and cumulated paid claims and claim expenses tables below is a reconciling item that represents the unamortized balance of fair value adjustments recorded in connection with an acquisition to reflect an increase in net claims and claim expenses due to the addition of a market based risk margin that represented the cost of capital required by a market participant to assume the net claims and claim expenses of the acquiree, partially offset by a decrease from discounting in connection with an acquisition, to reflect the time value of money.

For incurred and paid accident year claims denominated in currencies other than the U.S. dollar, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

The following table details the Company’s consolidated incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2022, net of reinsurance, as well as IBNR and additional case reserve (“ACR”) included within the net incurred claims amounts.

Incurred claims and claim expenses, net of reinsurance											At December 31, 2022
For the year ended December 31,										IBNR and ACR	
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2013	\$ 244,995	\$ 239,739	\$ 224,913	\$ 214,703	\$ 209,277	\$ 202,133	\$ 196,469	\$ 202,132	\$ 207,995	\$ 204,709	\$ 10,495
2014	—	255,781	255,180	246,628	225,379	218,173	214,617	204,438	200,392	205,181	13,314
2015	—	—	232,710	249,749	244,320	237,661	238,533	244,186	249,363	250,140	21,286
2016	—	—	—	187,424	179,149	186,821	188,368	177,033	181,490	180,434	16,138
2017	—	—	—	—	282,779	254,569	244,622	253,574	263,312	272,826	21,321
2018	—	—	—	—	—	427,615	443,894	452,577	452,593	466,724	70,543
2019	—	—	—	—	—	—	525,098	516,261	516,087	520,225	116,911
2020	—	—	—	—	—	—	—	885,939	875,329	862,571	358,179
2021	—	—	—	—	—	—	—	—	1,248,805	1,225,766	678,161
2022	—	—	—	—	—	—	—	—	—	1,524,446	1,273,109
Total										<u>\$ 5,713,022</u>	<u>\$ 2,579,457</u>
Cumulative paid claims and claim expenses, net of reinsurance											
For the year ended December 31,											
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
2013	\$ 46,382	\$ 88,454	\$ 114,641	\$ 134,664	\$ 153,521	\$ 162,918	\$ 172,519	\$ 175,177	\$ 183,171	\$ 184,733	
2014	—	59,478	93,613	121,270	140,539	158,611	169,521	175,328	176,068	181,144	
2015	—	—	44,592	88,649	124,029	151,704	174,930	191,778	202,594	208,329	
2016	—	—	—	31,266	56,138	80,580	111,508	119,440	130,997	138,641	
2017	—	—	—	—	61,293	84,919	128,373	153,145	176,233	219,365	
2018	—	—	—	—	—	42,498	126,057	199,455	245,679	312,215	
2019	—	—	—	—	—	—	77,517	177,538	241,287	309,209	
2020	—	—	—	—	—	—	—	118,975	292,930	388,444	
2021	—	—	—	—	—	—	—	—	135,726	368,246	
2022	—	—	—	—	—	—	—	—	—	121,818	
Total										<u>\$ 2,432,144</u>	
											Outstanding liabilities from accident year 2012 and prior, net of reinsurance
											104,507
											Loss portfolio transfer retrocessional agreement (1)
											157,434
											Adjustment for unallocated loss adjustment expenses
											28,213
											Unamortized fair value adjustments in connection with an acquisition
											819
											<u>Liability for claims and claim expenses, net of reinsurance</u>
											<u>\$ 3,571,851</u>

(1) During 2019, RenaissanceRe Europe, US Branch, a related party whose ultimate parent is RenaissanceRe, transferred its U.S. casualty portfolio to Renaissance Reinsurance U.S. through a loss portfolio transfer retrocession agreement. See “Note 8. Related Party Transactions and Major Customers” for information related to the loss portfolio transfer retrocession agreement.

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

Property Segment

Included in the Property segment is property per risk, property (re)insurance, delegated authority arrangements and regional U.S. multi-line reinsurance. The Company’s predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered when arising from a covered peril. The Company’s coverages are offered on either a worldwide basis or are limited to selected geographic areas. Principally all of the business is reinsurance, although the Company also writes insurance business primarily through delegated authority arrangements. The Company offers these products principally through proportional reinsurance coverage or in the form of delegated authority arrangements. In a proportional reinsurance arrangement (also referred to as quota share reinsurance or pro rata reinsurance), the reinsurer shares a proportional part of the original premiums and losses of the reinsured.

Also within the Property segment, the Company writes property catastrophe excess of loss reinsurance contracts to insure insurance and reinsurance companies against natural and man-made catastrophes. Under these contracts, the Company indemnifies an insurer or reinsurer when its aggregate paid claims and claim expenses from a single occurrence of a covered peril exceeds the attachment point specified in the contract, up to an amount per loss specified in the contract. Generally, the Company’s most significant exposure is to losses from hurricanes, earthquakes and other windstorms, although the Company is also exposed to claims arising from other man-made and natural catastrophes, such as tsunamis, winter storms, freezes, floods, fires, tornadoes, explosions and acts of terrorism. The Company’s predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered under the Company’s catastrophe contracts when arising from a covered peril. The Company’s coverages are offered on either a worldwide basis or are limited to selected geographic areas. Coverage can also vary from “all property” perils to limited coverage on selected perils, such as “earthquake only” coverage. The Company also enters into retrocessional contracts that provide property catastrophe coverage to other reinsurers or retrocedants. This coverage is generally in the form of excess of loss retrocessional contracts and may cover all perils and exposures on a worldwide basis or be limited in scope to selected geographic areas, perils and/or exposures. The exposures the Company assumes from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound.

Claims and claim expenses in the Company’s Property catastrophe class of business are generally characterized by losses of low frequency and high severity. Initial reporting of paid and incurred claims in general, tends to be relatively prompt, particularly for less complex losses. The Company considers this business “short-tail” as compared to the reporting of claims for “long-tail” products, which tends to be slower. However, the timing of claims payment and reporting also varies depending on various factors, including: whether the claims arise under reinsurance of primary insurance companies or reinsurance of other reinsurance companies; the nature of the events (e.g., hurricanes, earthquakes or terrorism); the geographic area involved; post-event inflation which may cause the cost to repair damaged property to increase significantly from current estimates, or for property claims to remain open for a longer period of time, due to limitations on the supply of building materials, labor and other resources; complex policy coverage and other legal issues; and the quality of each client’s claims management and reserving practices. Management’s judgments regarding these factors are reflected in the Company’s reserve for claims and claim expenses.

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont'd.

Reserving for most of the Company's Property segment, in particular catastrophe exposure, generally does not involve the use of traditional actuarial techniques. Rather, claims and claim expense reserves are estimated by management by completing an in-depth analysis of the individual contracts which may potentially be impacted by the loss. The in-depth analysis generally involves: 1) estimating the size of insured industry losses; 2) reviewing reinsurance contract portfolios to identify contracts which are exposed; 3) reviewing information reported or otherwise provided by customers and brokers; 4) discussing the loss with customers and brokers; and 5) estimating the ultimate expected cost to settle all claims and administrative costs arising from the loss on a contract-by-contract basis and in aggregate for the event. Once a loss has occurred, during the then current reporting period, the Company records its best estimate of the ultimate expected cost to settle all claims arising from the loss. The Company's estimate of claims and claim expense reserves is then determined by deducting cumulative paid losses from its estimate of the ultimate expected loss. The Company's estimate of IBNR is determined by deducting cumulative paid losses, case reserves and additional case reserves from its estimate of the ultimate expected loss. Once the Company receives a valid notice of loss or payment request under a catastrophe reinsurance contract, it is generally able to process and pay such claims promptly.

Because losses from which claims arise under policies written within the Property segment are typically prominent, public events such as hurricanes and earthquakes, the Company is often able to use independent reports as part of its loss reserve estimation process. The Company also reviews catastrophe bulletins published by various statistical reporting agencies to assist in determining the size of the industry loss, although these reports may not be available for some time after an event.

For smaller events including localized severe weather events such as windstorms, hail, ice, snow, flooding, freezing and tornadoes, which are not necessarily prominent, public occurrences, the Company initially places greater reliance on catastrophe bulletins published by statistical reporting agencies to assist in determining what events occurred during the reporting period than the Company does for large events. This includes reviewing catastrophe bulletins published by Property Claim Services for U.S. catastrophes. The Company sets its initial estimates of reserves for claims and claim expenses for these smaller events based on a combination of its historical market share for these types of losses and the estimate of the total insured industry property losses as reported by statistical reporting agencies, although management may make significant adjustments based on the Company's current exposure to the geographic region involved as well as the size of the loss and the peril involved. This approach supplements the Company's approach for estimating losses for larger catastrophes, which as discussed above, includes discussions with brokers and ceding companies and reviewing individual contracts impacted by the event. For these small events, generally on the one year anniversary of when the event occurred, the Company will typically estimate IBNR for these events by using the reported Bornhuetter-Ferguson actuarial method. The loss development factors for the paid Bornhuetter-Ferguson actuarial method are selected based on a review of the Company's historical experience. The reported loss development factors were reviewed in 2022, although the impact was minimal.

In general, reserves for the Company's more recent large losses are subject to greater uncertainty and, therefore, greater potential variability, and are likely to experience material changes from one period to the next. This is due to the uncertainty as to the size of the industry losses, uncertainty as to which contracts have been exposed, uncertainty due to complex legal and coverage issues that can arise out of large or complex losses, and uncertainty as to the magnitude of claims incurred by the Company's customers. As the Company's claims age, more information becomes available and the Company believes its estimates become more certain.

For incurred and paid accident year claims denominated in currencies other than USD, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

The following table details the Company’s Property segment incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2022, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

Incurred claims and claim expenses, net of reinsurance													
For the year ended December 31,											At December 31, 2022		
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	IBNR and ACR		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)				
2013	\$ 34,594	\$ 33,319	\$ 32,637	\$ 28,875	\$ 28,538	\$ 28,001	\$ 28,026	\$ 32,276	\$ 32,412	\$ 32,148	\$ 22		
2014	—	42,578	38,764	38,128	37,570	38,922	39,354	38,104	38,473	38,294	2		
2015	—	—	36,638	36,698	35,313	42,415	42,908	41,218	43,381	43,464	109		
2016	—	—	—	30,302	24,398	24,918	29,760	28,456	27,498	27,047	1,485		
2017	—	—	—	—	104,360	77,798	74,584	82,909	82,097	81,764	5,310		
2018	—	—	—	—	—	121,896	145,506	142,685	123,386	125,319	7,431		
2019	—	—	—	—	—	—	162,040	169,070	167,887	169,938	6,962		
2020	—	—	—	—	—	—	—	280,532	276,286	280,125	19,754		
2021	—	—	—	—	—	—	—	—	380,098	366,423	29,688		
2022	—	—	—	—	—	—	—	—	—	484,200	314,607		
Total										<u>\$ 1,648,722</u>	<u>\$ 385,370</u>		
Cumulative paid claims and claim expenses, net of reinsurance													
For the year ended December 31,													
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022			
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)				
2013	\$ 13,793	\$ 26,220	\$ 28,976	\$ 30,185	\$ 30,577	\$ 30,566	\$ 30,725	\$ 32,057	\$ 31,883	\$ 32,030			
2014	—	19,091	28,188	33,092	34,764	35,596	36,413	36,231	36,888	36,975			
2015	—	—	17,585	28,070	31,409	34,183	35,538	34,177	37,236	37,274			
2016	—	—	—	12,357	14,911	12,309	13,812	16,693	17,613	16,811			
2017	—	—	—	—	46,496	49,508	64,396	74,024	74,466	79,138			
2018	—	—	—	—	—	28,053	73,936	101,856	107,925	119,820			
2019	—	—	—	—	—	—	49,507	108,553	134,472	149,233			
2020	—	—	—	—	—	—	—	88,086	178,783	219,874			
2021	—	—	—	—	—	—	—	—	86,225	232,009			
2022	—	—	—	—	—	—	—	—	—	80,972			
Total										\$ 1,004,136			
											Outstanding liabilities from accident year 2012 and prior, net of reinsurance	296	
												Adjustment for unallocated loss adjustment expenses	4,420
												Unamortized fair value adjustments recorded in connection with an acquisition	30
												<u>Liability for claims and claim expenses, net of reinsurance</u>	<u>\$ 649,332</u>

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

Casualty and Specialty Segment

The Company offers its casualty and specialty reinsurance products principally on a proportional basis, and it also provides excess of loss coverage. The Company offers casualty and specialty reinsurance products to insurance and reinsurance companies and provides coverage for specific geographic regions or on a worldwide basis. Principally all of the business is reinsurance, although the Company also writes insurance business.

As with the Company's Property segment, its Casualty and Specialty segment reinsurance contracts can include coverage for relatively large limits or exposures. As a result, the Company's casualty and specialty reinsurance business can be subject to significant claims volatility. In periods of low claims frequency or severity, the Company's results will generally be favorably impacted while in periods of high claims frequency or severity the Company's results will generally be negatively impacted.

The Company's processes and methodologies in respect of loss estimation for the coverages offered through its Casualty and Specialty segment differ from those used for its Property segment. For example, the Company's casualty and specialty coverages are more likely to be impacted by factors such as long-term inflation and changes in the social and legal environment, which the Company believes gives rise to greater uncertainty in its reserves for claims and claim expenses. Moreover, in many lines of business the Company does not have the benefit of a significant amount of its own historical experience and may have little or no related corporate reserving history in many of its newer or growing lines of business. The Company believes this makes its Casualty and Specialty segment reserving subject to greater uncertainty than its Property segment.

The Company calculates multiple point estimates for claims and claim expense reserves using a variety of actuarial reserving techniques for many, but not all, of its classes of business for each underwriting year within the Casualty and Specialty segment. The Company does not believe that these multiple point estimates are, or should be considered, a range. Rather, the Company considers each class of business and determines the most appropriate point estimate for each underwriting year based on the characteristics of the particular class including: (1) loss development patterns derived from historical data; (2) the credibility of the selected loss development pattern; (3) the stability of the loss development patterns; (4) how developed the underwriting year is; and (5) the observed loss development of other underwriting years for the same class. The Company also considers other relevant factors, including: (1) historical ultimate loss ratios; (2) the presence of individual large losses; and (3) known occurrences that have not yet resulted in reported losses. The Company makes determinations of the most appropriate point estimate of loss for each class based on an evaluation of relevant information and does not ascribe any particular portion of the estimate to a particular factor or consideration. In addition, the Company believes that a review of individual contract information improves the loss estimates for some classes of business.

When developing claims and claims expense reserves for its Casualty and Specialty segment, the Company considers several actuarial techniques such as the expected loss ratio method, the Bornhuetter-Ferguson actuarial method and the paid and reported chain ladder actuarial method.

For classes of business and underwriting years where the Company has limited historical claims experience, estimates of ultimate losses are generally initially determined based on the loss ratio method applied to each underwriting year and to each class of business. Unless the Company has credible claims experience or unfavorable development, it generally selects an ultimate loss based on its initial expected loss ratio. The selected ultimate losses are determined by multiplying the initial expected loss ratio by the earned premium. The initial expected loss ratios are key inputs that involve management judgment and are based on a variety of factors, including: (1) contract by contract expected loss ratios developed during

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

the Company’s pricing process; (2) historical loss ratios and combined ratios adjusted for rate change and trend; and (3) industry benchmarks for similar business. These judgments take into account management’s view of past, current and future factors that may influence ultimate losses, including: (1) market conditions; (2) changes in the business underwritten; (3) changes in timing of the emergence of claims; and (4) other factors that may influence ultimate loss ratios and losses.

The determination of when reported losses are sufficient and credible to warrant selection of an ultimate loss ratio different from the initial expected loss ratio also requires judgment. The Company generally makes adjustments for reported loss experience indicating unfavorable variances from initial expected loss ratios sooner than reported loss experience indicating favorable variances. This is because the reporting of losses in excess of expectations tends to have greater credibility than an absence or lower than expected level of reported losses. Over time, as a greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are typically based on the Bornhuetter-Ferguson actuarial method or the reported chain ladder actuarial method.

The Bornhuetter-Ferguson actuarial method allows for greater weight to be applied to expected results in periods where little or no actual experience is available, and, hence, is less susceptible to the potential pitfall of being excessively swayed by experience of actual paid and/or reported loss data, compared to the chain ladder actuarial method. The Bornhuetter-Ferguson actuarial method uses the initial expected loss ratio to estimate IBNR, and it assumes that past experience is not fully representative of the future. As the Company’s reserves for claims and claim expenses age, and actual claims experience becomes available, this method places less weight on expected experience and places more weight on actual experience. This experience, which represents the difference between expected reported claims and actual reported claims, is reflected in the respective reporting period as a change in estimate. The utilization of the Bornhuetter-Ferguson actuarial method requires the Company to estimate an expected ultimate claims and claim expense ratio and select an expected loss reporting pattern. The Company selects its estimates of the expected ultimate claims and claim expense ratios as described above and selects its expected loss reporting patterns by utilizing actuarial analysis, including management’s judgment, and historical patterns of paid losses and reporting of case reserves to the Company, as well as industry loss development patterns. The estimated expected claims and claim expense ratio may be modified to the extent that reported losses at a given point in time differ from what would be expected based on the selected loss reporting pattern.

The reported chain ladder actuarial method utilizes actual reported losses and a loss development pattern to determine an estimate of ultimate losses that is independent of the initial expected ultimate loss ratio and earned premium. The Company believes this technique is most appropriate when there are a large number of reported losses with significant statistical credibility and a relatively stable loss development pattern. Information that may cause future loss development patterns to differ from historical loss development patterns is considered and reflected in the Company’s selected loss development patterns as appropriate. For certain reinsurance contracts, historical loss development patterns may be developed from ceding company data or other sources.

In addition, certain specialty coverages may be impacted by natural and man-made catastrophes. The Company estimates reserves for claim and claim expenses for these losses, following a process that is similar to its Property segment described above.

For incurred and paid accident year claims denominated in currencies other than USD, the Company used the current year-end balance sheet foreign exchange rate for all periods provided, thereby eliminating the effects of changes in foreign currency translation rates from the incurred and paid accident year claims development information included in the tables below.

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

The following table details the Company’s Casualty and Specialty segment incurred claims and claim expenses and cumulative paid claims and claim expenses as of December 31, 2022, net of reinsurance, as well as IBNR and ACR included within the net incurred claims amounts.

Incurred claims and claim expenses, net of reinsurance													
For the year ended December 31,											At December 31, 2022		
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	IBNR and ACR		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2013	\$ 210,401	\$ 206,420	\$ 192,276	\$ 185,828	\$ 180,739	\$ 174,132	\$ 168,443	\$ 169,856	\$ 175,583	\$ 172,561	\$ 10,473		
2014	—	213,203	216,416	208,500	187,809	179,251	175,263	166,334	161,919	166,887	13,312		
2015	—	—	196,072	213,051	209,007	195,246	195,625	202,968	205,982	206,676	21,177		
2016	—	—	—	157,122	154,751	161,903	158,608	148,577	153,992	153,387	14,653		
2017	—	—	—	—	178,419	176,771	170,038	170,665	181,215	191,062	16,011		
2018	—	—	—	—	—	305,719	298,388	309,892	329,207	341,405	63,112		
2019	—	—	—	—	—	—	363,058	347,191	348,200	350,287	109,949		
2020	—	—	—	—	—	—	—	605,407	599,043	582,446	338,425		
2021	—	—	—	—	—	—	—	—	868,707	859,343	648,473		
2022	—	—	—	—	—	—	—	—	—	1,040,246	958,502		
Total										<u>\$ 4,064,300</u>	<u>\$ 2,194,087</u>		
Cumulative paid claims and claim expenses, net of reinsurance													
For the year ended December 31,													
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022			
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)			
2013	\$ 32,589	\$ 62,234	\$ 85,665	\$ 104,479	\$ 122,944	\$ 132,352	\$ 141,794	\$ 143,120	\$ 151,288	\$ 152,703			
2014	—	40,387	65,425	88,178	105,775	123,015	133,108	139,097	139,180	144,169			
2015	—	—	27,007	60,579	92,620	117,521	139,392	157,601	165,358	171,055			
2016	—	—	—	18,909	41,227	68,271	97,696	102,747	113,384	121,830			
2017	—	—	—	—	14,797	35,411	63,977	79,121	101,767	140,227			
2018	—	—	—	—	—	14,445	52,121	97,599	137,754	192,395			
2019	—	—	—	—	—	—	28,010	68,985	106,815	159,976			
2020	—	—	—	—	—	—	—	30,889	114,147	168,570			
2021	—	—	—	—	—	—	—	—	49,501	136,237			
2022	—	—	—	—	—	—	—	—	—	40,846			
Total										<u>\$ 1,428,008</u>			
											Outstanding liabilities from accident year 2012 and prior, net of reinsurance	104,211	
												Loss portfolio transfer retrocession agreement (1)	157,434
												Adjustment for unallocated loss adjustment expenses	23,793
												Unamortized fair value adjustments recorded in connection with an acquisition	789
												<u>Liability for claims and claim expenses, net of reinsurance</u>	<u>\$ 2,922,519</u>

(1) During 2019, RenaissanceRe Europe, US Branch, a related party whose ultimate parent is RenaissanceRe, transferred its U.S. casualty portfolio to Renaissance Reinsurance U.S. through a loss portfolio transfer retrocession agreement. See “Note 8. Related Party Transactions and Major Customers” for information related to loss portfolio transfer retrocession agreement.

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

Prior Year Development of the Reserve for Net Claims and Claim Expenses

The Company’s estimates of claims and claim expense reserves are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends and other variable factors. Some, but not all, of the Company’s reserves are further subject to the uncertainty inherent in actuarial methodologies and estimates. Because a reserve estimate is simply an insurer’s estimate at a point in time of its ultimate liability, and because there are numerous factors that affect reserves and claims payments that cannot be determined with certainty in advance, the Company’s ultimate payments will vary, perhaps materially, from its estimates of reserves. If the Company determines in a subsequent period that adjustments to its previously established reserves are appropriate, such adjustments are recorded in the period in which they are identified. On a net basis, the Company’s cumulative favorable or unfavorable development is generally reduced by offsetting changes in its reinsurance recoverable, as well as changes to loss related premiums such as reinstatement premiums, all of which generally move in the opposite direction to changes in the Company’s ultimate claims and claim expenses.

The following table details the Company’s prior year net development by segment of its liability for net unpaid claims and claim expenses:

<u>Year ended December 31,</u>	<u>2022</u>	<u>2021</u>
	(Favorable) adverse development	(Favorable) adverse development
Property	\$ (7,533)	\$ (24,083)
Casualty and Specialty	14,070	58,272
Total net (favorable) adverse development of prior accident years net claims and claim expenses	<u>\$ 6,537</u>	<u>\$ 34,189</u>

Changes to prior year estimated claims reserves decreased the Company’s net income by \$6.5 million during 2022 (2021 - decreased the Company net income by \$34.2 million), excluding the consideration of changes in reinstatement, adjustment or other premium items, profit commissions and income tax.

The net adverse development on prior accident years net claims and claim expenses of \$6.5 million for 2022 was primarily driven by the application of the Company’s actuarial reserving methodology with attritional net claims and claim expenses reported coming in higher than expected on prior accident years events in the Casualty and Specialty segment, partially offset by favorable development of net claims and claim expenses in the Property segment.

The net adverse development on prior accident years net claims and claim expenses of \$34.2 million for 2021 was primarily driven by the application of the Company’s actuarial reserving methodology with attritional net claims and claim expenses reported coming in higher than expected on prior accident years events in the Casualty and Specialty segment, partially offset by favorable development of net claims and claim expenses in the Property segment.

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Reserve for Claims and Claim Expenses

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

<u>At December 31, 2022</u>	
<u>Net reserve for claims and claim expenses</u>	
Property	\$ 649,332
Casualty and Specialty	2,922,519
Total net reserve for claims and claim expenses	<u>3,571,851</u>
<u>Reinsurance recoverable</u>	
Property	178,662
Casualty and Specialty	925,463
Total reinsurance recoverable	<u>1,104,125</u>
Total gross reserve for claims and claim expenses	<u><u>\$ 4,675,976</u></u>

Historical Claims Duration

The following is unaudited supplementary information about average historical claims duration by segment:

<u>At December 31, 2022</u>	<u>Average annual percentage payout of incurred claims by age, net of reinsurance (number of years)</u>									
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
Property	26.8 %	32.5 %	14.8 %	7.3 %	5.1 %	2.3 %	1.6 %	1.8 %	(0.1)%	0.5 %
Casualty and Specialty	7.3 %	12.6 %	12.5 %	12.6 %	11.4 %	9.7 %	4.5 %	1.3 %	3.9 %	0.8 %

Claims Frequency

Each of the Company’s main classes of business are broadly considered to be assumed reinsurance, where multiple claims are often aggregated, perhaps multiple times through retrocessional reinsurance, before ultimately being ceded to the Company. In addition, the nature, size, terms and conditions of contracts entered into by the Company changes from one accident year to the next and the quantum of contractual or policy limits, and accordingly the potential amount of claims and claim expenses associated with a reported claim, can range from nominal, to significant. These factors can impact the amount and timing of the claims and claim expenses to be recorded and accordingly, developing claim frequency information is highly subjective and is not prepared or utilized for internal purposes. In addition, the Company does not have direct access to claim frequency information underlying certain of its proportional contracts given the nature of that business. As a result, the Company does not believe providing claim frequency information is practicable as it relates to its proportional contracts.

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NOTE 7. RESERVE FOR CLAIMS AND CLAIM EXPENSES, cont’d.

Notwithstanding the factors noted above, the Company has developed claims frequency information associated with its excess of loss reinsurance contracts. As each accident year develops, the Company would expect the cumulative number of reported claims to increase in certain of its excess of loss reinsurance contracts, most notably in its Casualty and Specialty segment. In determining claims frequency for its excess of loss reinsurance contracts, the Company has made the following assumptions:

- Claims below the insured layer of a contract are excluded;
- If an insured loss event results in claims associated with a number of layers of a contract, the Company would consider this to be a single claim; and
- If an insured loss event results in claims associated with a number of the Company's operating subsidiaries, the Company considers each operating subsidiary to have a reported claim.

The following table details the Company's cumulative number of reported claims for its excess of loss reinsurance contracts allocated by segment:

Accident Year	At December 31, 2022	
	Cumulative number of reported claims	
	Property	Casualty and Specialty
2013	394	671
2014	383	837
2015	343	882
2016	452	1,104
2017	860	1,422
2018	964	1,449
2019	964	1,948
2020	1,442	1,867
2021	1,255	1,908
2022	953	1,101

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NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS

Amounts due to and from affiliates are non-interest bearing and payable on demand, or in accordance with the contractual terms of reinsurance-related transactions.

Guarantees and Capital Agreements

Effective July 1, 2015, each of RenaissanceRe Specialty U.S. and Renaissance Reinsurance U.S. entered into an amended net worth maintenance agreement with RenaissanceRe, whereby capital support of \$1.0 billion is available from RenaissanceRe. The capital support from RenaissanceRe maintains total shareholder’s equity of RenaissanceRe Specialty U.S. and Renaissance Reinsurance U.S. equal to \$500.0 million and \$400.0 million, respectively, and under no circumstances shall RenaissanceRe be obligated to contribute in excess of \$1.0 billion in the aggregate under the amended net worth maintenance agreement. All other terms and conditions of the original net worth maintenance agreement remain unchanged. The full \$1.0 billion remained available under the amended net worth maintenance agreement at December 31, 2022.

Reinsurance-Related Transactions

Effective September 19, 2013, RenaissanceRe Specialty U.S. entered into an agency agreement with RenaissanceRe Underwriting Managers U.S. LLC (“RUMUS”) whereby RUMUS is authorized to bind reinsurance on behalf of the Company. The Company reimburses RUMUS for costs and expenses incurred in connection with this agency agreement. During 2022, fees incurred under this agency agreement were \$11.6 thousand (2021 - \$103.3 thousand).

Effective July 1, 2015, the Company and RenaissanceRe Specialty Risks Ltd. (“RenaissanceRe Specialty Bermuda”) entered into a quota share retrocession agreement pursuant to which the Company retroceded to RenaissanceRe Specialty Bermuda, net of the Company’s unaffiliated retrocessional arrangements, a 40% whole account quota share of business underwritten by the Company. Effective October 1, 2016, in connection with the merger of RenaissanceRe Specialty Bermuda into Renaissance Reinsurance Ltd. (“Renaissance Reinsurance”), Renaissance Reinsurance Ltd. assumed all of the obligations of RenaissanceRe Specialty Bermuda. This agreement was then terminated as of December 31, 2017 on a cutoff basis. During 2022, ceded premiums written under this agreement were \$13.6 million (2021 - \$8.7 million), ceded premiums earned and claims and claim expenses recovered were \$13.6 million and \$34.5 million, respectively (2021 - \$4.7 million and \$11.2 million, respectively). At December 31, 2022, outstanding reinsurance recoverables under this agreement were \$154.9 million (2021 - \$144.7 million), prepaid reinsurance premiums were \$4.0 million (2021 - \$4.0 million) and net premiums receivable were \$45.8 million (2021 - \$36.5 million).

Effective January 1, 2021, RenaissanceRe Specialty U.S. entered into a reinsurance agreement to assume a portion of business from RenaissanceRe Europe AG, UK Branch, a branch of RenaissanceRe Europe AG (“RenaissanceRe Europe”), which is a wholly-owned subsidiary of RenaissanceRe. This agreement was not renewed in 2022. During 2022, assumed premiums written under this agreement were \$0.1 million (2021 - \$42.9 million) and assumed premiums earned and net claims and claim expenses incurred were \$0.1 million and \$11.7 million, respectively (2021 - \$42.9 million and \$21.6 million, respectively). At December 31, 2022, outstanding reinsurance balances payable under this agreement were \$2.0 thousand (2021 - \$2.6 million), and outstanding reserves for claims and claim expenses under this agreement were \$361.6 thousand (2021 - \$15.1 million).

Effective January 1, 2021, RenaissanceRe Specialty U.S. entered into a reinsurance agreement to cede a portion of its business to DaVinci Reinsurance Ltd. (“DaVinci”), a wholly-owned subsidiary of DaVinciRe Holdings Ltd., which is a minority-owned but controlled subsidiary of Renaissance Other Investments Holdings Ltd., which is a wholly-owned subsidiary of RenaissanceRe. During 2022, ceded premiums written under this agreement were \$20.5 million (2021 - \$8.3 million), ceded premiums earned were \$20.0 million (2021 - \$7.3 million), and net claims and claims expenses recovered were \$37.9 million

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NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont’d.

(2021 - \$Nil). At December 31, 2022, prepaid reinsurance premiums were \$1.6 million (2021 - \$1.0 million), reinsurance balances payable were \$7.6 million (2021 - \$Nil), and reinsurance balance recoverable was \$37.9 million (2021 - \$Nil).

Effective January 1, 2021, Renaissance Reinsurance U.S and RenaissanceRe Europe AG, entered into a quota share retrocession agreement pursuant to which Renaissance Reinsurance U.S retrocedes to RenaissanceRe Europe AG, net of unaffiliated retrocessional arrangements, a 10% quota share of casualty business underwritten by Renaissance Reinsurance U.S. During 2022, ceded premiums written under this agreement were \$143.8 million (2021- \$92.3 million), ceded premiums earned were \$126.0 million (2021- \$44.4 million) and net claims and claim expenses recovered was \$80.8 million (2021 - \$29.4 million). The total net underwriting income ceded in 2022 pursuant to this agreement was \$1.2 million (2021 - \$0.1 million). At December 31, 2022, outstanding reinsurance balances payable under this agreement was \$111.1 million (2021 - \$56.5 million, reinsurance balance recoverable was \$107.6 million (2021 - \$29.3 million) and prepaid reinsurance premiums receivable was \$65.6 million (2021 - \$47.8 million).

Effective January 1, 2022, RenaissanceRe Specialty U.S. Ltd and Subsidiary entered into a combined casualty and specialty quota share reinsurance agreements to cede a portion of its business to Fontana Re U.S. (“Fontana”). During 2022, ceded premiums written under this agreement were \$184.8 million, ceded premiums earned were \$85.5 million and net claims and claim expenses recovered was \$56.4 million. The total net underwriting loss ceded in 2022 pursuant to this agreement was \$1.1 million. At December 31, 2022, outstanding reinsurance balances payable under this agreement was \$135.9 million, reinsurance balance recoverable was \$56.2 million and prepaid reinsurance premiums receivable was \$99.3 million.

Effective October 1, 2019, Renaissance Reinsurance U.S. entered into a loss portfolio transfer retrocession agreement (the “LPT Retrocession Agreement”), with an affiliate, RenaissanceRe Europe, US Branch, with respect to all casualty business written by RenaissanceRe Europe, US Branch prior to the effective date of the LPT Retrocession Agreement. Pursuant to the LPT Retrocession Agreement, RenaissanceRe Europe, US Branch retrocedes to Renaissance Reinsurance U.S. 100% of its reserves, including unearned premium and reserve for claims and claim expenses for the related casualty reinsurance contracts. Renaissance Reinsurance U.S. pays a ceding commission equal to the actual acquisition expenses paid or incurred by RenaissanceRe Europe, US Branch on unearned premium for the related casualty reinsurance contracts plus a percentage of the unearned premium ceded to Renaissance Reinsurance U.S. under the LPT Retrocession Agreement. The LPT Retrocession Agreement is accounted for under FASB ASC Topic *Financial Services - Insurance* in accordance with retroactive reinsurance accounting principles.

During 2022, the Company amortized \$12.1 million of the deferred gain on the LPT Retrocession Agreement, which is included in other income (2021 - \$13.0 million). At December 31, 2022, reinsurance balances receivable associated with this loss portfolio transfer retrocession agreement were \$21.4 million, outstanding reserves for claims and claim expenses assumed under this agreement were \$157.4 million (2021 - payable, \$1.4 million, \$271.7 million , respectively).

Subsidiaries of the Company’s ultimate parent have entered into equity investments in the Tower Hill Companies, which are accounted for under the equity method of accounting. See “Note 3. Investments” for additional information regarding the Tower Hill Companies. As a result, the Tower Hill Companies are considered related parties to the Company. The Company has entered into reinsurance agreements with certain subsidiaries and affiliates of Tower Hill and has also entered into reinsurance agreements with respect to business produced by the Tower Hill Companies. During 2022, the Company recorded \$34.7 million (2021 - \$26.7 million) of ceded premiums written from Tower Hill and certain of its subsidiaries and affiliates. Total premiums ceded were \$32.8 million (2021 - \$14.3 million) and acquisition expenses

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NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS, cont'd.

recovered were \$8.3 million (2021 - \$3.7 million) related to these contracts. During 2022, the Company recovered net claims and claim expenses of \$16.5 million (2021 - \$7.8 million) and, as of December 31, 2022, had a net reserve for claims and claim expenses of \$21.4 million (2021 - \$7.7 million). The Company had a net related outstanding receivable balance of \$10.6 million as of December 31, 2022 (2021 - \$6.4 million).

Other Items

Under the terms of various administration agreements, the Company reimbursed RenaissanceRe Services Ltd. and RenRe North America Employee Services Inc. for administrative services, office lease, investment and certain employee benefit plans on the basis of directly identifiable costs plus an allocation of other expenses. During 2022, net allocated costs and expenses to the Company under these administration agreements were \$38.9 million and 38.9 million respectively (2021 - \$20.2 million and 30.0 million, respectively).

Major Customers

During 2022, the Company received 81.6% (2021 - 79.7%) of its gross premiums written from three reinsurance brokers. Subsidiaries and affiliates of Marsh & McLennan Companies, Inc., Aon plc, and Arthur J. Gallagher accounted for approximately 49.3%, 22.0% and 10.3%, respectively, of the Company's gross premiums written in 2022 (2021 - 47.1%, 21.2% and 11.4%, respectively).

On December 1, 2021, Arthur J. Gallagher completed its acquisition of Willis Re, a subsidiary of Willis Towers Watson Public Limited Company. The percentage of gross premiums written for Arthur J. Gallagher in 2021, as reflected above, includes gross premiums written which were generated through Willis Re, a subsidiary of Willis Towers Watson Public Limited Company.

NOTE 9. SHAREHOLDER'S EQUITY

During 2022, the Company returned additional paid-in capital to its parent, RenaissanceRe Finance, of 50.0 million which was settled in cash during the year.

During 2021, the Company's parent, RenaissanceRe Finance, contributed additional paid in capital of \$600.0 million which was settled in cash during the year.

NOTE 10. TAXATION

Under current Bermuda law, RenaissanceRe Specialty U.S. is not subject to any income or capital gains taxes in Bermuda. In the event that such taxes are imposed, RenaissanceRe Specialty U.S. would be exempted from any such tax until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, and Amended Act of 1987 and 2011, respectively. As discussed in "Note 1. Organization", RenaissanceRe Specialty U.S., a Bermuda-domiciled reinsurer, has elected, pursuant to §953(d) of the Code, to operate subject to U.S. federal income tax. Renaissance Reinsurance U.S. is a U.S. reinsurance company domiciled in the state of Maryland. Both entities will file as members of the RenaissanceRe Finance and subsidiaries consolidated income tax return for the year ended December 31, 2022. Under this agreement, federal income taxes are charged to operations based upon amounts estimated to be payable as a result of separate company tax return calculations. In the event that the sum of payments from all members of the RenaissanceRe Finance consolidated tax group exceeds the consolidated tax liability for any tax period as a result of any losses or tax credits of one or more member, RenaissanceRe Finance shall pay to each member having the losses or credits, its allowable portion of such excess. Intercompany tax payments of \$18.2 million were made during 2022 (2021 - refunds of \$8.2 million).

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NOTE 10. TAXATION, cont’d.

Income tax expense is comprised as follows:

<u>Year ended December 31, 2022</u>	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Total income tax (expense) benefit	\$ 46	\$ 50,075	\$ 50,121
<u>Year ended December 31, 2021</u>			
Total income tax (expense) benefit	\$ (7,068)	\$ 21,319	\$ 14,251

The Company’s expected income tax provision has been calculated as the pre-tax income multiplied by the U.S. federal corporate statutory tax rate of 21%. A reconciliation of the difference between the provision for income taxes and the expected tax provision is as follows:

<u>Year ended December 31,</u>	<u>2022</u>	<u>2021</u>
Expected income tax (expense) benefit	\$ 60,567	\$ 9,372
Royalty fees	—	(537)
Tax exempt income	932	218
Amortization of intangibles	5,460	5,460
Change in valuation allowance	(18,944)	—
Other	2,106	(262)
Income tax (expense) benefit	\$ 50,121	\$ 14,251

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

<u>Year ended December 31,</u>	<u>2022</u>	<u>2021</u>
Deferred tax assets		
Reserve for claims and claim expenses	\$ 54,828	\$ 44,484
Tax loss carryforward	17,959	28,201
Unearned premiums	39,255	34,954
Investments	64,063	—
Accrued expenses	175	1,768
	176,280	109,407
Deferred tax liabilities		
Investments	—	(8,044)
Deferred acquisition expenses	(53,045)	(46,906)
Amortization and depreciation	(2,095)	(2,336)
	(55,140)	(57,286)
Net deferred tax asset before valuation allowance	121,140	52,121
Valuation allowance	(18,944)	—
Net deferred tax asset	\$ 102,196	\$ 52,121

The Company’s deferred tax asset relates primarily to GAAP versus tax basis accounting differences related to insurance adjustments, intangible assets, investments and accrued expenses, along with net

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NOTE 10. TAXATION, cont’d.

operating loss carryforwards. The Company’s valuation allowance assessment is based on all available information including projections of future GAAP taxable income.

The Company has net operating loss carryforwards of \$85.5 million at December 31, 2022 (2021 - \$133.8 million). The net operating loss carryforwards will begin to expire in 2037. The Company has unrealized investment losses of \$302.8 million. These unrealized investment losses do not expire. However, if realized, these losses may only offset realized capital gains and would expire, if unused, at the end of the fifth taxable year following their realization. During 2022, the Company recorded a valuation allowance of \$18.9 million against a portion of the unrealized investment losses.

The Company has unrecognized tax benefits of \$Nil as of December 31, 2022 and 2021. Interest and penalties related to unrecognized tax benefits, would be recognized in income tax expense. At December 31, 2022 and 2021, interest and penalties accrued on unrecognized tax benefits was \$Nil.

Income tax returns filed for tax years 2019 through 2021 are open for examination by the Internal Revenue Service. The Company does not expect the resolution of these open years to have a significant impact on its results from operations and financial condition.

NOTE 11. STATUTORY REQUIREMENTS

RenaissanceRe Specialty U.S. and Renaissance Reinsurance U.S. are subject to insurance laws and regulations in Bermuda and the U.S., respectively. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the respective regulatory authorities.

The Insurance Act, as defined below, requires that the Company’s statutory assets exceed its statutory liabilities by an amount equal to or greater than the prescribed minimum solvency margin (“MSM”). The MSM is the greater of (i) \$1.0 million, (ii) 20% of the first \$6.0 million of net premiums written; if in excess of \$6.0 million, the figure is \$1.2 million plus 15% of net premiums written in excess of \$6.0 million, (iii) 15% of net aggregate loss and loss expense provisions and other insurance reserves, or (iv) 25% of the insurer’s Enhanced Capital Requirement (“ECR”). The ECR is calculated by reference to the Bermuda Solvency Capital Requirement (“BSCR”) model.

In addition, the Company is required to maintain available statutory economic capital and surplus at a level to meet it’s ECR. The BMA has also established a target capital level equal to 120% of the applicable ECR, which is not a required level of capital, but serves as an early warning tool to the BMA. The Company is currently completing its 2021 BSCR, which must be filed with the BMA on or before April 30, 2023, and at this time, the Company believes it will exceed the target capital level.

The statutory capital and surplus, required minimum statutory capital and surplus and unrestricted net assets of the Company are detailed below:

At December 31,	RenaissanceRe Specialty U.S. (Bermuda) (1)		Renaissance Reinsurance U.S. (United States)	
	2022	2021	2022	2021
Statutory capital and surplus	\$ 1,513,095	\$ 1,807,486	\$ 1,078,042	\$ 808,341
Required statutory capital and surplus	324,983	269,376	830,123	726,588

(1) RenaissanceRe Specialty U.S.’s capital and surplus is based on its statutory financial statements and required statutory capital and surplus is based on the minimum solvency margin.

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NOTE 11. STATUTORY REQUIREMENTS, cont’d.

The difference between statutory financial statements and statements prepared in accordance with GAAP varies by jurisdiction; however, the primary difference is that for the Company’s regulated entities the statutory financial statements generally do not recognize goodwill and intangible assets or deferred acquisition costs. Also, in the U.S., fixed maturity investments are generally recorded at amortized cost and deferred income tax is charged directly to equity.

RenaissanceRe Specialty U.S.

RenaissanceRe Specialty U.S. is registered as a Class 3B general business insurer under the Insurance Act 1978, amendments thereto and related regulations of Bermuda (collectively, the “Insurance Act”). Class 3B insurers are required to maintain available statutory economic capital and surplus at a level at least equal to their ECR and may be adjusted if the BMA concludes that the insurer’s risk profile deviates significantly from the assumptions underlying its ECR or the insurer’s assessment of its risk management policies and practices used to calculate the ECR. The BMA has established a target capital level which is set at 120% of the ECR.

Unlike other (re)insurers, special purpose insurers and collateralized insurers are fully funded to meet their (re)insurance obligations.

Class 3B insurers are prohibited from declaring or paying any dividends if in breach of the required minimum solvency margin or minimum liquidity ratio, or if the declaration or payment of such dividend would cause the insurer to fail to meet the required minimum solvency margin or minimum liquidity ratio. Further, Class 3B insurers are prohibited from declaring or paying in any financial year dividends of more than 25% of total statutory capital and surplus unless the insurer file an affidavit with the BMA stating that it will continue to meet the required minimum solvency margin or minimum liquidity ratio. Class 3B insurers must obtain the BMA’s prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year’s financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to the solvency requirements under the Companies Act 1981 which apply to all Bermuda companies.

Renaissance Reinsurance U.S.

Renaissance Reinsurance U.S. is required to meet certain minimum statutory capital and surplus requirements under Maryland law. Renaissance Reinsurance U.S. is also subject to risk-based capital (“RBC”) requirements under Maryland law, and must file an annual report of its RBC levels. If the report shows Renaissance Reinsurance U.S.’s statutory capital and surplus or total adjusted capital is below certain levels, Renaissance Reinsurance U.S. may be required to take certain corrective action or the Maryland Insurance Administration (“MIA”) may be permitted or required to take certain regulatory action.

Maryland law places limitations on the amounts of dividends or distributions payable by Renaissance Reinsurance U.S. At December 31, 2022, Renaissance Reinsurance U.S. had an ordinary dividend capacity of \$107.8 million which can be paid in 2023. Payment of ordinary dividends by Renaissance Reinsurance U.S. requires notice to the MIA. Declaration of an extraordinary dividend, which must be paid out of earned surplus, generally requires thirty days’ prior notice to and approval or non-disapproval of the MIA. An extraordinary dividend includes any dividend whose fair market value together with that of other dividends or distributions made within the preceding twelve months exceeds the lesser of (1) ten percent of the insurer’s surplus as regards policyholders as of December 31 of the preceding year or (2) the insurer’s net investment income, excluding realized capital gains (as determined under statutory accounting principles), for the twelve month period ending December 31 of the preceding year and pro rata distributions of any class of the insurer’s own securities, plus any amounts of net investment income

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NOTE 11. STATUTORY REQUIREMENTS, cont’d.

(subject to the foregoing exclusions), in the three calendar years prior to the preceding year which have not been distributed.

NOTE 12. DERIVATIVE INSTRUMENTS

From time to time, the Company may enter into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and to assume risk. The Company’s derivative instruments can be exchange traded or over-the-counter, with over-the-counter derivatives generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company’s derivative counterparties. In the event a party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions’ marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative

positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

The Company is not aware of the existence of any credit-risk related contingent features that it believes would be triggered in its derivative instruments that are in a net liability position at December 31, 2022.

The location and amount of the (losses) gains recognized in the Company’s consolidated statements of operations related to the Company’s principal derivative instruments are shown in the following table:

<u>Year ended December 31,</u>	<u>Location of (loss) gain recognized on derivatives</u>	<u>Amount of (loss) gain recognized on derivatives</u>	
		<u>2022</u>	<u>2021</u>
Interest rate futures (1)	Net realized and unrealized gains (losses) on investments	\$ (1,545)	\$ (30)

(1) Fixed income related derivatives included in net realized and unrealized gains (loss) on investments-related derivatives. See “Note 4. Investments” for additional information.

Interest Rate Derivatives

The Company uses interest rate futures and swaps within its portfolio of fixed maturity investments to manage its exposure to interest rate risk, which may result in increasing or decreasing its exposure to this risk.

Interest Rate Futures

At December 31, 2022, the Company had \$42.3 million of notional long positions and \$1.3 million of notional short positions of primarily U.S. treasury futures contracts (2021 - \$31.0 million and \$8.5 million of primarily Eurodollar, U.S. treasury and non-U.S treasury futures, respectively). The fair value of these derivatives is determined using exchange traded prices. At December 31, 2022, the gross amounts of recognized derivative assets at fair value included in other assets was \$1 thousand (2021 - \$3 thousand). At December 31, 2022, the gross amounts of recognized derivative liabilities at fair value included in other liabilities was \$32 thousand (2021 - \$3 thousand).

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NOTE 13. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Instruments which potentially subject the Company to concentration of credit risk consist principally of investments, cash and cash equivalents, premiums receivable and reinsurance balances. The Company limits the amount of credit exposure to any one financial institution and, except for the securities of the U.S. Government, U.S. Government related entities and money market securities, none of the Company’s fixed maturity or short term investments exceeded 10% of shareholder’s equity at December 31, 2022. See “Note 6. Reinsurance” and “Note 7. Reserve for Claims and Claim Expenses” for information with respect to reinsurance recoverable.

Letters of Credit and Other Commitments

The outstanding amounts issued or drawn under each of the Company’s significant credit facilities is set forth below:

<u>At December 31, 2022</u>	<u>Issued or Drawn</u>
RenaissanceRe Revolving Credit Facility ⁽¹⁾	\$ —
Bilateral Letter of Credit Facilities	
Secured	179,982
Unsecured ⁽¹⁾	118,219
Funds at Lloyd’s Letter of Credit Facility	275,000
	<u>\$ 573,201</u>

(1) At December 31, 2022, no amounts were issued or drawn under this facility.

RenaissanceRe Revolving Credit Facility

RenaissanceRe, the Company’s ultimate parent, and the Company, among other operating subsidiaries of RenaissanceRe, are parties to a third amended and restated credit agreement dated November 18, 2022 (the “Revolving Credit Agreement”) with various banks, financial institutions and Wells Fargo Bank, National Association (“Wells Fargo”) as administrative agent, which amended and restated a previous credit agreement. The Revolving Credit Agreement provides for a revolving commitment to RenaissanceRe of \$500.0 million, with a right, subject to satisfying certain conditions, to increase the size of the facility to \$700.0 million. Amounts borrowed under the Revolving Credit Agreement bear interest at a rate selected by RenaissanceRe equal to the Base Rate or Term SOFR (each as defined in the Revolving Credit Agreement) plus a margin. In addition to revolving loans, the Revolving Credit Agreement provides that the entire facility will also be available for the issuance of standby letters of credit, subject to the terms and conditions set forth therein, and swingline loans, which are capped at \$50.0 million for each of the swingline lenders. At December 31, 2022, RenaissanceRe had \$Nil of letters of credit outstanding under the Revolving Credit Agreement, of which \$Nil relates to the Company.

The Revolving Credit Agreement contains representations, warranties, covenants and certain financial covenants customary for bank loan facilities of this type, including limits on the ability of RenaissanceRe and its subsidiaries to merge, consolidate, sell a substantial amount of assets, incur liens and declare or pay dividends under certain circumstances. If certain events of default occur, in some circumstances the lenders’ obligations to make loans may be terminated and the outstanding obligations of RenaissanceRe under the Revolving Credit Agreement may be accelerated. The scheduled commitment maturity date of the Revolving Credit Agreement is November 18, 2027.

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NOTE 13. COMMITMENTS AND CONTINGENCIES, cont'd.

Certain subsidiaries of RenaissanceRe guarantee its obligations under the Revolving Credit Agreement. Subject to certain exceptions, additional subsidiaries of RenaissanceRe are required to become guarantors if such subsidiaries issue or incur certain types of indebtedness.

Bilateral Letter of Credit Facilities

Uncommitted, Secured Standby Letter of Credit Facility with Wells Fargo

RenaissanceRe, the Company’s ultimate parent, and certain of its subsidiaries and affiliates, including Renaissance Reinsurance U.S., are parties to an Amended and Restated Standby Letter of Credit Agreement dated June 21, 2019, as amended, with Wells Fargo Bank, National Association (“Wells Fargo”), which provides for a secured, uncommitted facility under which letters of credit may be issued from time to time for the respective accounts of the subsidiaries. Pursuant to the agreement, the applicants may request secured letter of credit issuances, and also have an option to request the issuance of up to \$100.0 million of unsecured letters of credit (outstanding on such request date). RenaissanceRe has unconditionally guaranteed the payment obligations of Renaissance Reinsurance U.S.

The agreement contains representations, warranties and covenants that are customary for facilities of this type. Under the agreement, each applicant is required to pledge eligible collateral having a value sufficient to cover all of its obligations under the agreement with respect to secured letters of credit issued for its account. In the case of an event of default under the agreement, Wells Fargo may exercise certain remedies, including conversion of collateral of a defaulting applicant into cash.

At December 31, 2022, RenaissanceRe had \$118.2 million of secured letters of credit outstanding and \$Nil of unsecured letters of credit outstanding under this agreement, of which \$0.4 million and \$Nil, respectively, relates to the Company.

Secured Letter of Credit Facility with Citibank Europe

Certain subsidiaries and affiliates of RenaissanceRe, including Renaissance Reinsurance, DaVinci Reinsurance, Renaissance Reinsurance of Europe Unlimited Company and RenaissanceRe Specialty U.S., are parties to a facility letter, dated December 19, 2022 with Citibank Europe plc (“Citibank Europe”), which replaced the facility letter dated September 17, 2010, and pursuant to which Citibank Europe has established a letter of credit facility under which Citibank Europe provides a commitment to issue letters of credit for the accounts of the participants in multiple currencies. From the effective date of the facility until January 15, 2023, the aggregate committed amount was \$230.0 million. With effect on and from January 16, 2023, the aggregate committed amount of the facility was reduced to \$160.0 million, with a right, subject to satisfying certain conditions, to increase the size of the facility to \$260.0 million. On January 26, 2023, the aggregate committed amount of the facility was increased by \$20.0 million to \$180.0 million.

The letter of credit facility is scheduled to expire on December 31, 2024. At all times during which it is a party to the facility, each participant is obligated to pledge to Citibank Europe securities with a value that equals or exceeds the aggregate face amount of its then-outstanding letters of credit. In the case of an event of default under the facility with respect to a participant, Citibank Europe may exercise certain remedies, including terminating its commitment to such participant and taking certain actions with respect to the collateral pledged by such participant (including the sale thereof). In the facility letter, each participant makes representations and warranties that are customary for facilities of this type and agrees that it will comply with certain informational and other undertakings.

At December 31, 2022, RenaissanceRe had \$204.7 million aggregate face amount of letters of credit outstanding and, subject to the sublimits described above, \$145.3 million remained unused and available

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NOTE 13. COMMITMENTS AND CONTINGENCIES, cont'd.

to the Participants under this facility, of which \$179.6 million of the aggregate face amount of letters of credit outstanding relates to the Company.

Uncommitted, Unsecured Letter of Credit Facility with Citibank Europe

The Company, among other operating subsidiaries of RenaissanceRe, the Company's ultimate parent, are parties to a Master Agreement for Issuance of Payment Instruments and a Facility Letter for Issuance of Payment Instruments with Citibank Europe dated March 22, 2019, as amended, which established an uncommitted, unsecured letter of credit facility pursuant to which Citibank Europe or one of its correspondents may issue standby letters of credit or similar instruments in multiple currencies for the account of one or more of the applicants. The obligations of the applicants under this facility are guaranteed by RenaissanceRe.

Pursuant to the master agreement, each applicant makes representations and warranties that are customary for facilities of this type and agrees that it will comply with certain informational and other customary undertakings. The master agreement contains events of default customary for facilities of this type. In the case of an event of default under the facility, Citibank Europe may exercise certain remedies, including requiring that the relevant applicant pledge cash collateral in an amount equal to the maximum actual and contingent liability of the issuing bank under the letters of credit and similar instruments issued for such applicant under the facility, and taking certain actions with respect to the collateral pledged by such applicant (including the sale thereof). In addition, Citibank Europe may require that the relevant applicant pledge cash collateral if certain minimum ratings are not satisfied.

At December 31, 2022, the aggregate face amount of the payment instruments issued and outstanding under this facility was \$326.8 million, of which \$118.2 million of aggregate face amount of the payment instruments issued and outstanding relates to the Company.

Investment Commitments

Refer to “Note 4. Investments” for additional information related to the Company's investment commitments.

Indemnifications and Warranties

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on past experience, management currently believes that the likelihood of such an event is remote.

Leases

The Company's operating leases primarily relate to office space for its underwriting platforms principally in the U.S. Included in other assets and accounts payable and accrued liabilities at December 31, 2022 is a right-to-use asset of \$32.0 million and a lease liability of \$32.3 million, respectively, associated with the Company's operating leases (2021 - Nil and \$2.9 million, respectively).

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NOTE 13. COMMITMENTS AND CONTINGENCIES, cont'd.

Litigation

The Company is subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct insurance policies, as applicable. In the Company’s industry, business litigation may involve allegations of underwriting or claims-handling errors or misconduct, disputes relating to the scope of, or compliance with, the terms of delegated underwriting agreements, employment claims, regulatory actions or other disputes. The Company may also directly or indirectly be subject to claims litigation involving disputed interpretations of policy coverages. In addition, the Company may from time to time engage in litigation or arbitration related to its claims for payment in respect of ceded reinsurance, including disputes that challenge the Company’s ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate. The Company believes that no individual litigation or arbitration to which the Company is presently a party is likely to have a material adverse effect on the Company’s financial condition, business or operations.

NOTE 14. SUBSEQUENT EVENTS

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2022, through April 21, 2023, the date the consolidated financial statements were available to be issued.