CATALINA HOLDINGS (BERMUDA) LTD.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

CATALINA HOLDINGS (BERMUDA) LTD.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Catalina Holdings (Bermuda) Ltd.

Opinion

We have audited the consolidated financial statements of Catalina Holdings (Bermuda) Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statement of income (loss) and comprehensive income(loss), consolidated statements of changes in shareholders' equity, and consolidated cash flows, for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included on page 44 to 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United Stated of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

April 17, 2023

CATALINA HOLDINGS (BERMUDA) LTD.
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021
(Expressed in thousands of U.S. dollars, except share and per share amounts)

	Notes	2022	2021
Assets			
Investments			
Fixed maturities, trading, at fair value	5,6	$ 148,178	$ 351,147
Fixed maturities, available-for-sale, at fair value (cost 2022: $2,224,577; 2021: $2,252,701)	5,6	1,808,690	2,238,385
Funds held - directly managed	5	300,470	—
Equity securities, at fair value	5,6	3,560	6,343
Other investments	5,8	1,510,972	1,553,714
Total investments		3,771,870	4,149,589
Cash and cash equivalents		155,443	246,612
Restricted cash and cash equivalents	13	194,334	278,240
Accrued investment income		23,069	25,509
Reinsurance recoverable on paid and unpaid losses	11	1,108,737	1,346,160
Deferred reinsurance premiums		1,327	5,551
Funds held by cedants and claims administrators		61,172	68,280
Insurance and reinsurance balances receivable		122,300	241,381
Other assets		263,659	74,456
Intangible assets	9	12,750	12,750
Assets held-for-sale	4	—	211,278
Total assets		$ 5,714,661	$ 6,659,806
Liabilities			
Outstanding losses and loss expenses	10	$ 3,736,439	$ 4,133,373
Unearned premiums		7,663	16,160
Insurance and reinsurance balances payable		82,722	90,732
Accounts payable, accrued expenses and other liabilities		84,261	44,245
Long term subordinated debt	12	398,180	417,482
Loans payable	12	429,040	403,932
Liabilities held-for-sale	4	—	122,679
Total liabilities		4,738,305	5,228,603
Shareholders’ equity			
Ordinary shares - $1 par value; $16,495 authorized capital; 14,393,264 shares issued and outstanding at December 31, 2022 (2021: 14,506,964)	16	14,393	14,507
Preference shares		703,006	650,932
Additional paid-in capital		600,531	604,283
Retained earnings		155,552	170,523
Accumulated other comprehensive loss		(503,656)	(14,987)
Total Catalina Holdings (Bermuda) Ltd. shareholders’ equity		969,826	1,425,258
Non-controlling interest		6,530	5,945
Total shareholders' equity		976,356	1,431,203
Total liabilities and shareholders' equity		$ 5,714,661	$ 6,659,806

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

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

	Notes	2022	2021
Revenues			
Net premiums earned		$ 11,745	$ 60,381
Net losses and loss expenses	10	(36,732)	(4,572)
Commissions		(7,955)	(18,475)
Net run-off (loss) income		(32,942)	37,334
Net investment income	5	116,889	107,308
Net (losses) gains on investments	5	(43,166)	68,364
Total other-than-temporary impairment losses	5	(1,945)	—
Rental income		16,133	9,632
Gain on sale of real estate and subsidiary		—	6,387
Total revenues		54,969	229,025
Expenses			
General and administrative expenses		(104,378)	(104,538)
Net foreign exchange gains		138,561	99,418
Change in subordinated debt fair value		11,628	(3,908)
Interest expense	12	(43,557)	(45,599)
Total expenses		2,254	(54,627)
Income from continuing operations before income taxes		57,223	174,398
Income tax expense	15	(9,329)	(3,762)
Net income from continuing operations		47,894	170,636
Net (loss) income from discontinued operations, net of tax	4	(13,311)	6,338
Net income		34,583	176,974
Net (income) loss attributable to non-controlling interest		(585)	379
Net income attributable to Catalina Holdings (Bermuda) Ltd.		$ 33,998	$ 177,353
Other comprehensive income (loss)			
Foreign currency translation adjustments		(5,065)	(32,150)
Unrealized losses on available-for-sale securities, net of tax		(345,372)	(78,424)
Foreign exchange losses on available-for-sale securities		(138,232)	(77,411)
Net foreign exchange gains on hedging	7	—	9,150
Other comprehensive loss, net of tax		(488,669)	(178,835)
Comprehensive loss		$ (454,671)	$ (1,482)

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

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

	2022	2021
Share capital - "A" Ordinary shares of par value $1.00 each		
Balance at beginning of the year	$ 13,488	$ 13,488
Balance at end of the year	13,488	13,488
Share capital - "B" Ordinary shares of par value $1.00 each		
Balance at beginning of the year	314	485
Repurchased during the year	(50)	(174)
Issued during the year	11	3
Balance at end of the year	275	314
Share capital - "C" Ordinary shares of par value $1.00 each		
Balance at beginning of the year	705	780
Repurchased during the year	(100)	(340)
Issued during the year	25	265
Balance at end of the year	630	705
Preference share capital - Preference shares of par value $1.00 each		
Balance at beginning of the year	650,932	527,923
Issued during the year	—	79,676
Change in accrued dividends during the year	52,074	43,333
Balance at end of the year	703,006	650,932
Total share capital	717,399	665,439
Additional paid-in capital		
Balance at beginning of the year	604,283	613,938
Repurchase of “B” Ordinary shares	(3,870)	(12,287)
Repurchase of "C" Ordinary shares	88	(117)
Issuance of “B” Ordinary shares	—	2,524
Issuance of "C" Ordinary shares	—	225
Other	30	—
Balance at end of the year	600,531	604,283
Retained earnings		
Balance at beginning of the year	170,523	38,596
Preference share dividends and subscription value increase	(52,074)	(43,333)
Dividends on "B" Ordinary shares	—	(2,093)
Impact of the deconsolidation of subsidiaries	3,105	—
Net income attributable to Catalina Holdings (Bermuda) Ltd.	33,998	177,353
Balance at end of the year	155,552	170,523
Accumulated other comprehensive income		
Balance at beginning of the year	(14,987)	160,019
Change in foreign currency translation adjustments	(5,065)	(32,150)
Change in net unrealized losses on available-for-sale securities	(345,372)	(78,424)
Change in foreign exchange losses on available-for-sale securities	(138,232)	(77,411)
Impact of the dedesignation of hedging activities	—	9,150
Income on hedging activities	—	3,829
Balance at end of the year	(503,656)	(14,987)
Non-controlling interest		
Balance at beginning of the year	5,945	6,324
Net income (loss) attributable to non-controlling interest	585	(379)
Balance at end of the year	6,530	5,945
Total shareholders' equity	$ 976,356	$ 1,431,203

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

CATALINA HOLDINGS (BERMUDA) LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(Expressed in thousands of U.S. dollars, except share and per share amounts)

	Notes	2022	2021
Cash flows from operating activities			
Net income		$ 34,583	$ 176,974
Less: Net loss (income) from discontinued operations		13,311	(6,338)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Net gains on sale of real estate		—	(6,387)
Depreciation of property and equipment		4,048	2,434
Amortization of net premiums (discounts) on investments		9,599	13,875
Net losses (gains) on investments	5	43,166	(68,364)
Total other-than-temporary impairment losses	5	1,945	—
Change in subordinated debt fair value	6	(11,628)	3,910
Other non cash items		155	67
Changes in assets and liabilities:			
Accrued investment income		2,441	(2,185)
Funds held by cedants and claims administrators		7,108	17,484
Outstanding losses and loss expenses recoverable	11	237,423	113,345
Insurance and reinsurance balances receivable		119,081	(19,224)
Deferred reinsurance premiums		4,225	5,279
Other assets		(128,436)	(15,626)
Outstanding losses and loss expenses	10	(520,537)	(204,399)
Unearned premiums		(8,497)	(39,185)
Insurance and reinsurance balances payable		(8,009)	46,735
Accounts payable, accrued expenses and other liabilities		40,015	(14,344)
Net cash (used in) provided by operating activities for continuing operations		(160,007)	4,051
Net cash used in operating activities for discontinued operations		(74,031)	(4,722)
Net cash used in operating activities		(234,038)	(671)
Cash flows from investing activities			
Purchases of investments		(1,427,366)	(3,466,077)
Proceeds from sale or maturity of investments		1,301,536	3,500,734
Investment in real estate		(42,557)	(166,377)
Net proceeds from sale of discontinued operations	4	47,363	—
Proceeds from sale of real estate and intangibles		—	287,698
Net cash (used in) provided by investing activities for continuing operations		(121,024)	155,978
Net cash provided by investing activities for discontinued operations		122,524	42,402
Net cash provided by investing activities		1,500	198,380
Cash flows from financing activities			
Repurchase of "B" ordinary shares	16	(3,920)	(12,461)
Repurchase of "C" ordinary shares	16	(12)	(457)
Proceeds from issuance of preference shares		—	79,676
"B" Ordinary shares dividend		—	(2,093)
Proceeds from issuance of long term subordinated debt	12	315,628	25,000
Proceeds from issuance of loans payable		19,302	314,332
Repayment of loans		(290,519)	(598,915)
Net cash provided by (used in) financing activities for continuing operations		40,479	(194,918)
Net cash used in financing activities for discontinued operations		(102,439)	—
Net cash used in financing activities		(61,960)	(194,918)
Effect of exchange rate changes		65,479	(26,123)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents		(229,019)	(23,332)
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of year		578,796	602,128
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of year		349,777	578,796
Less: cash, cash equivalents, restricted cash, and restricted cash equivalents of discontinued operation at end of year		—	(53,944)
Cash, cash equivalents, restricted cash, and restricted cash equivalents of continuing operations at end of year		$ 349,777	$ 524,852
Supplemental information:			
Interest paid		$ 42,537	$ 40,706
Income taxes paid	15	2,605	1,833
Supplemental information of non-cash investing activities:			
Securities received through quota share agreement		$ 123,603	$ 291,990
Securities transferred to securitization vehicle	8	56,687	—
Reconciliation to consolidated balance sheet:			
Cash and cash equivalents		$ 155,443	$ 246,612
Restricted cash and cash equivalents	13	194,334	278,240
Cash, cash equivalents, restricted cash, and restricted cash equivalents		$ 349,777	$ 524,852

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

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

1. Description of business

Catalina Holdings (Bermuda) Ltd. ("Catalina" or the "Company"), incorporated on June 25, 2007, is a holding company organized under the laws of Bermuda. Catalina, through its subsidiaries located in Bermuda, the United States, the United Kingdom, Ireland, Singapore and Malaysia, acquires and manages non-life insurance and reinsurance companies and portfolios of insurance and reinsurance business in run-off. Since October 2008, Catalina has completed the acquisition of insurance and reinsurance companies and portfolios of insurance and reinsurance business. The acquisitions are:

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

The portfolio transfers are:

• Contractors wrap-up policies	November 2012
• Marine insurance liabilities	June 2014
• Residential construction liabilities	February 2015
• UK and EU insurance liabilities	June 2015
• U.S. insurance liabilities	December 2017
• German medical malpractice liabilities	March 2018
• U.S. construction defect and general liabilities	April 2018
• Construction insurance liabilities	September 2018
• UK employers liability liabilities	June 2019
• Credit and surety liabilities on UK builders insurance	March 2021
• North American casualty insurance liabilities	April 2021
• Habitational and excess casualty liabilities	June 2022

Catalina has renamed many of the entities acquired and simplified the group structure by merging and amalgamating entities where possible. As at December 31, 2022, Catalina had eleven regulated entities of which the most significant are Catalina General Insurance Ltd. ("CatGen"), Catalina Worthing Insurance Limited ("CWIL" formerly HFPI), SPARTA Insurance Company ("SPARTA"), AGF, Catalina London Limited ("Catalina London"), ACR and Catalina Insurance Ireland dac ("CII").

In October 2017, Apollo Global Management LLC (together with its consolidated subsidiaries) signed a definitive agreement to acquire a majority shareholding in the Company. Regulatory approval for this transaction was received in October 2018 and the transaction closed on October 10, 2018.

1. Description of business (continued)

On March 31, 2021, the Company through its wholly owned subsidiary CatGen entered into a conditional 75% quota share reinsurance agreement under which the cedant's portfolio of UK builders' warranty insurance underwritten between 2016 and 2019 underwriting years was to be reinsured by CatGen. Completion of the reinsurance agreement was conditional upon CatGen receiving the BMA's prior approval and PRA non-objection. The approval from BMA was received on May 23, 2021 and the approval from PRA was received on May 20, 2021.

On April 22, 2021, the Company through its wholly owned subsidiary CatGen entered into an adverse development cover ("ADC") reinsurance agreement which covers the cedant's casualty assumed reinsurance portfolio for underwriting years 2013 to 2018. The approval from BMA to enter into the ADC agreement was received on June 15, 2021.

During May 2022 the Company through its wholly owned subsidiary CatGen entered into a conditional master transaction agreement and loss portfolio transfer retrocession agreement which cover primary and excess general liability policies underwritten by the cedant's various subsidiaries. The approval from the BMA to enter into this transaction agreement was received on June 23, 2022.
Effective January 1, 2022 (the risk transfer date), CatGen assumed net loss reserves of $334 million for a total consideration of $390 million in the form of premium.

On August 26, 2022, the Company entered into a share purchase agreement for the sale of Glacier Re. The closing date of the sale transaction was September 30, 2022 and the final consideration received was $47,363. Refer to "Note 4. Discontinued Operations".

2. Significant accounting policies

a. Basis of presentation

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

Certain balances in the 2021 consolidated financial statements have been reclassified to conform to 2022 consolidated financial statement presentation.

b. Use of estimates

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

- valuation of outstanding losses and loss expenses;
- valuation of investments and at fair value;
- valuation of long term subordinated debt;
- provisions for litigation and other contingent liabilities;
- provisions for reinsurance balances recoverable;
- recoverability of insurance and reinsurance balances receivable;

2. Significant accounting policies (continued)

- valuation of derivative contracts not actively traded;
- impairment charges on investment securities classified as available-for-sale ("AFS"), impairments on net deferred gains and assessment of recoverability of commercial mortgage loans; and
- valuation of commissions payable as it relates to reinsurance agreements entered into.

c. Premiums

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

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

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

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

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

d. Retroactive reinsurance

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

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

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

2. Significant accounting policies (continued)

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

e. Outstanding losses and loss expenses

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

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

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

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

f. Reinsurance recoverable

Reinsurance recoverables are recorded at fair value at the date that the subsidiary owning the assets is acquired. The fair value of the recoverable from reinsurers is based on the estimated timing of reserve settlements discounted at a risk adjusted rate determined by management.

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

2. Significant accounting policies (continued)

g. Insurance and reinsurance balances receivable

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

h. Funds Held

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

i. Commutations

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

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

The Company also enters into commutations with its reinsurers, assuming the reinsurers’ share of the obligations when the economic benefits are in excess of the additional exposures assumed.

j. Acquisitions

The Company accounts for acquisitions using the acquisition method of accounting, which requires that the acquirer recognize and measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. The fair values of each of the acquired reinsurance assets and liabilities are derived from probability-weighted ranges of the associated projected cash flows, based on actuarial prepared information and management’s run-off strategy.

The key assumptions used in the fair valuation of acquired companies are the projected timing and amount of claims payments, the related projected timing and amount of reinsurance collections, a risk-free discount rate, which is applied to determine the present value of the future cash flows, the estimated unallocated loss adjustment expenses to be incurred over the life of the run-off, the impact of any accelerated run-off strategy, and an appropriate risk margin.

The difference between the original carrying value of assets acquired and liabilities assumed at the date of acquisition and their fair value is recorded as an intangible asset or liability, which the Company refers to as the fair value adjustment. The fair value adjustment is amortized over the estimated payout period of outstanding losses and loss expenses acquired. To the extent the actual payout experience after the acquisition is materially faster or slower

2. Significant accounting policies (continued)

than anticipated at the time of the acquisition, or there is an adjustment to the estimated ultimate loss reserves, then the amortization of the fair value adjustment is adjusted to reflect such changes. Any excess between the fair value of net assets acquired and the purchase price is recorded as a gain on bargain purchase in the consolidated statements of income (loss) and comprehensive income (loss).

k. Life contracts

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

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

l. Structured settlements

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

m. Cash and cash equivalents

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

n. Pension plans

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

2. Significant accounting policies (continued)

o. Investments

The Company's investment portfolio consists of fixed maturity securities, equity securities and other private investments which are recorded at fair value.

Fixed maturity investments

The Company holds fixed maturity securities classified as trading, and are carried at fair value.
The Company also holds fixed maturity securities classified as AFS. These securities are recorded at fair value, adjusted for any impairment in fixed maturities, deemed "other than temporary". Effective January 1, 2020, the Company designated that all future fixed maturity securities purchased will be AFS.

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

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

Other-Than-Temporary Impairments ("OTTI")

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

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

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

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

2. Significant accounting policies (continued)

Equity securities

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

Derivatives

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

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

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

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

p. Fair value measurements

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

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

2. Significant accounting policies (continued)

- Level 2 – Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market based inputs.

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

q. Other investments

Other private investments

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

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

Mortgage loans

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

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

Investments in real estate

The Company invests in commercial real estate to generate returns via rental income and capital appreciation through its wholly-owned subsidiaries. The relevant subsidiaries are Catalina Oxenwood Investments Ltd.

2. Significant accounting policies (continued)

("COIL"), Catalina Oxenwood European Investments Ltd. ("COEIL"), Catalina Oxenwood Real Estate II Ltd. ("CORE II"), Propco (Swansea) Limited ("Swansea"), Propco (Newport) Limited ("Newport"), Propco (Telford) Limited ("Telford"), Propco (Greenock) Limited ("Greenock), Propco (Yeovil) Limited ("Yeovil"). These subsidiaries are consolidated by the Company. In addition, the Company used to invest in certain properties via Catalina ORE Ltd. ("CORE").

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

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

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

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

r. Other assets and liabilities

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

s. Intangible assets

Intangible assets with indefinite useful lives are not amortized but are tested annually for impairment by a comparison to their estimated realizable value. If the carrying amounts of intangible assets are greater than their fair values established during impairment testing, the carrying value is written-down to the fair value with a corresponding impairment loss recognized in the consolidated statements of income (loss) and comprehensive income (loss).

t. Leases

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

2. Significant accounting policies (continued)

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

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

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

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

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

u. Long term subordinated debt

Fair valued subordinated debt acquired by the Company is classified as Level 3 as similar debt trades infrequently and has few observable inputs in terms of valuation benchmarks. The fair value of the long-term subordinated debt reflects the risk of non-performance by the Company, which is captured by incorporating the Company's credit spread derived from the relevant yields to determine an appropriate discount rate, which is applied to the nominal value of the debt at each measurement date. The discount rate is adjusted by an additional factor, which reflects the implicit value, determined using management's judgement, of the value of the Company's options for early repayment of the debt. Interest expense in connection with this debt notes is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

Long term subordinated debt instruments issued by the Company are carried at amortized cost. Debt issuance costs are presented as a direct deduction from the related liability in the consolidated balance sheets. Amortization of debt issuance costs is included in interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

See "Note 12. Debt obligations" for additional information related to long term subordinated debt instruments acquired and issued by the Company.

v. Foreign currency translation

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

2. Significant accounting policies (continued)

w. Income taxes

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

x. Legal expenses

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

y. Share-based compensation

The Company has issued Class B ordinary shares, Class C ordinary shares and options on Class B ordinary shares as share-based compensation. The Company recognizes the compensation expense for stock grants based on the fair value of the award on the date of the grant over the requisite service period. Compensation expense is recognized once the occurrence of performance or service obligation associated with the stock grant is met.

z. New accounting standards adopted

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

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

The Company has adopted ASU 2016-02 and the related amendments on January 1, 2022 using the modified retrospective transition method as required by the standard and recognized a right-of-use asset and an associated lease liability of $4.8 million on the consolidated balance sheet, related primarily to office spaces that the Company is using to conduct its business from its various locations worldwide. Refer to "Note 14 Leases" for further details.

ASU 2019-12, Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, which amends the scope of Topic 740 via simplification to the accounting for income taxes. Among other things, the standard update eliminates certain exceptions for recognizing deferred taxes for investments. The standard is effective for annual periods beginning after December 15, 2021. The adoption of ASU 2019-12 did not have a material impact on the Consolidated financial statements and disclosures.

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

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

2. Significant accounting policies (continued)

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

aa. Recently issued accounting standards not yet adopted

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

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

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

In June 2016, the FASB issued ASU 2016-13, in November 2018 the FASB issued ASU 2018-19, in April 2019 the FASB issued ASU 2019-04, in May 2019 the FASB issued ASU 2019-05, in October 2019 the FASB issued ASU 2019-10, and in November 2019 the FASB issued 2019-11. These standards require loans, receivables and available-for-sale debt securities to record credit losses through an allowance for credit losses account. The update introduces a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new credit loss model, the Group will be required to recognize an allowance for its expected credit losses on certain financial assets including trade receivables, debt instruments not measured at fair value, and reinsurance receivables. Available-for-sale debt securities will record credit losses through an allowance for credit losses, which will be limited to the amount by which fair value is below amortized cost. The standard update is effective for annual periods beginning after December 15, 2022. The Company does not expect the ASU to have a material impact on the consolidated financial statements and disclosures.

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

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

3. Significant new reinsurance business

UK Home Warranty Loss Portfolio Transfer

On March 31, 2021, the Company through its wholly owned subsidiary CatGen entered into a conditional 75% quota share reinsurance agreement under which UK builders' warranty insurance underwritten between 2016 and 2019 underwriting years was reinsured by CatGen. Completion of the reinsurance agreement was conditional upon CatGen receiving the BMA's prior approval and the PRA's non-objection for the counterparty. The approval from the BMA was received on May 3, 2021 and the approval from the PRA was received on May 20, 2021.

As of March 31, 2021 (the risk transfer date) CatGen assumed net loss reserves of £217.0 million ($299.0 million) for a total consideration of £231.0 million ($318.3 million).

3. Significant new reinsurance business (continued)

U.S. Casualty Adverse Development Cover

On April 22, 2021, the Company through its wholly owned subsidiary CatGen entered into an adverse development cover ("ADC") reinsurance agreement which covers the cedants's North American casualty assumed reinsurance portfolio for underwriting years 2013 to 2018. The approval from the BMA to enter into the ADC agreement was received on June 15, 2021.

Effective April 22, 2021, CatGen assumed net loss reserves of $320.0 million for a total consideration of $336.2 million in the form of cash transferred.

Primary and Excess General Liabilities Loss Portfolio Transfer

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

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

4. Discontinued Operations

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

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

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

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

4. Discontinued Operations (continued)

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

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

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

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

5. Investments

a. Trading securities

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

	2022	2021
Fixed maturities:		
Corporate	$ 78,933	$ 201,994
Asset-backed securities	41,478	88,765
Mortgage-backed securities	15,347	30,412
U.S. government and agency	2,097	5,922
Non-U.S. government	5,502	18,930
Municipals	4,821	5,124
Total fixed maturities, trading	$ 148,178	$ 351,147

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

	2022
Fixed maturities:	
Due in one year or less	$ 28,991
Due after one year through five years	47,635
Due after five years through 10 years	9,401
Due after 10 years	5,326
Total	91,353
Mortgage and asset backed securities	56,825
Total fixed maturities, trading	$ 148,178

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

5. Investments (continued)

b. Available-for-sale securities

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

At December 31, 2022	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Fixed maturities:				
Corporate	$ 1,475,534	$ 1,413	$ (298,806)	$ 1,178,141
Asset-backed securities	219,434	487	(21,454)	198,467
Mortgage-backed securities	92,617	145	(21,564)	71,198
U.S. government and agency	149,681	1	(17,134)	132,548
Non-U.S. government	275,697	741	(56,930)	219,508
Municipals	11,614	—	(2,786)	8,828
Total fixed maturities	2,224,577	2,787	(418,674)	1,808,690
Total investments, available-for-sale	$ 2,224,577	$ 2,787	$ (418,674)	$ 1,808,690

At December 31, 2021	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Fixed maturities:				
Corporate	$ 1,570,551	$ 22,043	(36,522)	$ 1,556,072
Asset-backed securities	252,996	3,238	(725)	255,509
Mortgage-backed securities	102,944	943	(2,216)	101,671
U.S. government and agency	68,441	294	(1,846)	66,889
Non-U.S. government	246,097	8,513	(7,772)	246,838
Municipals	11,672	51	(317)	11,406
Total fixed maturities	2,252,701	35,082	(49,398)	2,238,385
Total investments, available-for-sale	$ 2,252,701	$ 35,082	$ (49,398)	$ 2,238,385

Proceeds from the sale of investments in available-for-sale securities during the year ended December 31, 2022 were $421.8 million (2021: $1,899.4 million).

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

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

5. Investments (continued)

	Amortized Cost	Fair Value
Fixed maturities:		
Due in one year or less	$ 86,786	$ 79,397
Due after one year through five years	449,453	406,201
Due after five years through 10 years	574,226	466,531
Due after 10 years	802,061	586,897
Total	1,912,526	1,539,026
Mortgage and asset backed securities	312,051	269,664
Total investments, available-for-sale	$ 2,224,577	$ 1,808,690

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

	Less than 12 Months		Greater than 12 Months		Total	
At December 31, 2022	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturities:						
Corporate	$ 287,776	$ (21,768)	$ 843,479	$ (277,038)	$ 1,131,255	$ (298,806)
Asset-backed securities	34,785	(3,847)	161,118	(17,607)	195,903	(21,454)
Mortgage-backed securities	4,697	(533)	63,224	(21,031)	67,921	(21,564)
U.S. government and agency	91,461	(4,012)	34,483	(13,122)	125,944	(17,134)
Non-U.S. government	141,814	(18,078)	61,765	(38,852)	203,579	(56,930)
Municipals	—	—	8,829	(2,786)	8,829	(2,786)
Total fixed maturities	560,533	(48,238)	1,172,898	(370,436)	$ 1,733,431	(418,674)
Total investments, available-for-sale	$ 560,533	$ (48,238)	$ 1,172,898	$ (370,436)	$ 1,733,431	$ (418,674)

	Less than 12 Months		Greater than 12 Months		Total	
At December 31, 2021	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturities:						
Corporate	$ 1,067,544	$ (35,346)	$ 22,838	$ (1,176)	$ 1,090,382	$ (36,522)
Asset-backed securities	85,667	(572)	6,995	(153)	92,662	(725)
Mortgage-backed securities	77,636	(1,343)	7,857	(873)	85,493	(2,216)
U.S. government and agency	36,719	(367)	17,343	(1,479)	54,062	(1,846)
Non-U.S. government	70,591	(3,938)	34,896	(3,834)	105,487	(7,772)
Municipals	9,848	(307)	743	(10)	10,591	(317)
Total fixed maturities	1,348,005	(41,873)	90,672	(7,525)	1,438,677	(49,398)
Total investments, available-for-sale	$ 1,348,005	$ (41,873)	90,672	(7,525)	$ 1,438,677	$ (49,398)

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

5. Investments (continued)

There were 1,588 securities as at December 31, 2022 (2021: 969) that account for the gross unrealized losses, three of which are deemed by the Company to be OTTI (2021: nil). As at December 31, 2022, the Company has determined that the unrealized losses on fixed maturity securities, other than the OTTI, were primarily due to market interest rate movements since their date of purchase.

c. Funds held - directly managed

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

The following table summarizes the components of the funds held - directly managed as of December 31, 2022 and 2021:

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

d. Other private investments

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

	2022	2021
Equities:		
Preferred and common stocks	$ 3,560	$ 6,343
Total equities	3,560	6,343
Other private investments:		
Hedge funds	17,677	31,353
Private equity	370,801	420,133
Fixed income funds	249,042	209,460
Debt funds	360,526	408,527
Real estate funds	158,226	75,319
Total other private investments	1,156,272	1,144,792
Total equities and other private investments	$ 1,159,832	$ 1,151,135

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

5. Investments (continued)

e. Net investment income

The components of net investment income for the years ended December 31, 2022 and 2021 was derived from the following sources:

	2022	2021
Fixed maturities, including mortgage and asset-backed securities	$ 83,665	$ 73,760
Equities	386	156
Other investments	38,488	41,306
Cash and cash equivalents	1,312	700
Gross investment income	123,851	115,922
Investment expenses	(6,962)	(8,614)
Net investment income	$ 116,889	$ 107,308

f. Net gains (losses) on investments

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

	2022	2021
Net realized gains (losses) on sales of investments	$ 8,052	$ 39,933
Net change in fair market value of fixed income investments, trading	(51,218)	28,431
Net gains (losses) on investments	$ (43,166)	$ 68,364

6. Fair value measurements

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

Fixed maturities

At each valuation date, the Company uses a market approach technique to estimate the fair value of the fixed maturities portfolios, where possible. This market approach includes, but is not limited to, prices obtained from third party pricing services and broker-dealers for identical or comparable securities.

When quoted market prices are unavailable, the pricing service prepares estimates of fair value measurements with its proprietary pricing applications, using observable market inputs such as yield curves, credit risks and spreads, measures of volatility, and expected cash flows, including prepayment speeds.
The following describes the significant inputs generally used to determine the fair value of fixed maturities by asset class:

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

6. Fair value measurements (continued)

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

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

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

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

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

Equity securities

Equity securities include exchange traded funds, mutual funds, common stocks and preferred stocks. Exchange traded debt and equity funds, common stocks and preferred stocks are classified within Level 1 as the fair values are based on quoted market prices in active markets. Certain convertible bond and multi-asset funds with daily liquidity and redemption values based on the Net Asset Value (“NAV”) of the fund are classified within Level 2. The policy for all equity securities classified within Level 3 has been described under other private investments below.

Other private investments

Other private investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, hedge funds, private equity, private equity funds, fixed income funds, private debt, corporate debt, debt funds, real estate funds, common trust funds, and venture capital funds. The underlying investments of such funds, whether invested in stock or other securities, are carried at their estimated fair value, however they are generally not currently traded in a public market and typically are subject to restrictions on resale. Such fair values are estimated by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees’

6. Fair value measurements (continued)

financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

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

Other private investments such as private debt, corporate debt and certain commercial real estate funds are reported at the lower of NAV or fair value. The carrying value of these investments approximate their fair values given the short duration and low credit risk.

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

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

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

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

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

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

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

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

6. Fair value measurements (continued)

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

At December 31, 2022	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets					
Fixed maturities:					
Corporate	$ —	$ 1,257,074	$ —	$ —	$ 1,257,074
Asset-backed securities	—	224,490	15,454	—	239,944
Mortgage-backed securities	—	48,839	37,706	—	86,545
U.S. government and agency	—	134,645	—	—	134,645
Non-U.S. government	—	225,010	—	—	225,010
Municipals	—	13,650	—	—	13,650
Total fixed maturities	—	1,903,708	53,160	—	1,956,868
Equity securities:					
Preferred and common stocks	—	3,560	—	—	3,560
Total equity securities	—	3,560	—	—	3,560
Other private investments:					
Hedge funds	—	10	—	17,667	17,677
Private equity	—	—	—	370,801	370,801
Fixed income funds	—	249,042	—	—	249,042
Real estate funds	—	—	—	158,226	158,226
Debt funds	—	—	—	360,526	360,526
Total other investments	—	249,052	—	907,220	1,156,272
Other assets - investment contract	—	—	165,768	—	165,768
Total assets	$ —	$ 2,156,320	$ 218,928	$ 907,220	$ 3,282,468
Liabilities					
Long term subordinated debt	$ —	$ —	$ 90,960		$ 90,960
Total liabilities	$ —	$ —	$ 90,960		$ 90,960

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

6. Fair value measurements (continued)

At December 31, 2021	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets					
Fixed maturities:					
Corporate	$ —	$ 1,758,067	$ —	$ —	$ 1,758,067
Asset-backed securities	—	322,741	21,533	—	344,274
Mortgage-backed securities	—	78,220	53,862	—	132,082
U.S. government and agency	—	72,811	—	—	72,811
Non-U.S. government	—	265,768	—	—	265,768
Municipals	—	16,530	—	—	16,530
Total fixed maturities	—	2,514,137	75,395	—	2,589,532
Equity securities:					
Preferred and common stocks	—	6,343	—	—	6,343
Total equity securities	—	6,343	—	—	6,343
Other private investments:					
Hedge funds	—	—	—	31,353	31,353
Private equity	—	—	6,545	413,588	420,133
Fixed income funds	—	209,460	—	—	209,460
Real estate funds	—	—	—	75,319	75,319
Debt funds	—	2,364	—	406,163	408,527
Total other investments	—	211,824	6,545	926,423	1,144,792
Other assets - investment contract	—	—	—	—	—
Total assets	$ —	$ 2,732,304	$ 81,940	$ 926,423	$ 3,740,667
Liabilities					
Long term subordinated debt	$ —	$ —	$ 102,588		$ 102,588
Total liabilities	$ —	$ —	$ 102,588		$ 102,588

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

6. Fair value measurements (continued)

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

	Investments	Long term subordinated debt
Balance at beginning of year, January 1, 2021	$ 13,829	$ (98,680)
Purchases	54,885	—
Sales	(2,616)	—
Transfers	17,606	—
Net gains (losses)	1,482	(3,908)
Foreign exchange losses	(3,246)	—
Balance at end of year, December 31, 2021	$ 81,940	$ (102,588)
Purchases	6,051	—
Sales	(28,006)	—
Transfers	—	—
Net (losses) gains*	(3,518)	11,628
Foreign exchange losses	(3,307)	—
Other assets - investment contract	165,768	—
Balance at end of year, December 31, 2022	$ 218,928	$ (90,960)
*Level 3 losses included in earnings attributable to the change in unrealized gains and losses relating to financial instruments held at the reporting date	$ (3,518)	$ 11,628

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

Net losses on long term subordinated debt are included within change in subordinated debt fair value in the consolidated statements of income (loss) and comprehensive income (loss).

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	$ 17,667	$ —	See below	See below
Private equity (*)	370,801	41,245	See below	See below
Debt funds	360,526	16,361	See below	See below
Real estate funds	158,226	48,158	See below	See below
	$ 907,220	$ 105,764		

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

6. Fair value measurements (continued)

Hedge funds

This relates largely to two investments. One is an open-ended fund incorporated in Ireland. The fund strategy is to establish synthetic credit exposure through sales of liquid, standardized exchange traded index contracts with daily observable prices via an internationally regulated clearing house. The program is expected to substantially narrow bid/offer costs and allow more efficient portfolio management, particularly in times of credit stress. The other is a fund whose strategy is to hold derivatives as hedge positions in order to protect the Catalina investment portfolio from negative market shocks in either equities or credit markets. The funds' NAV is calculated daily and both funds can be redeemed on a daily basis with a redemption notice period of one day.

Private equity

The Company's investments in private equity include investments in private equities and private equity funds. Private equity funds investments include funds involved in buyout strategies in the U.S., Canada, and Europe, and a fund that focuses on small capital and growth opportunities in high-yield products in the global food supply chain. These funds provide NAV on a quarterly basis. Private equities investments include equity interests in entities involved in the acquisition, development and production of unconventional oil and gas reserves located in the Permian basin in west Texas, U.S. The Company generally has no right to redeem its interest in these private equities in advance of dissolution. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the respective private equities. It is estimated that the majority of the underlying assets of the private equities would liquidate over four to twelve years from inception. Quarterly valuations are provided by the sponsor.

Debt funds

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

Real estate funds

This includes funds that originate mezzanine debt secured on commercial real estate to earn interest income and fees. The fund records its real estate debt at fair value. Prices are determined using observable prevailing market conditions, performance and other similar transactions in the marketplace. This also includes a fund that provides mezzanine financing in Ireland for single-asset and portfolio acquisitions, as well as for restructuring existing loan portfolios. This fund provides net asset valuation on a quarterly basis. The Company generally has no right to redeem its interest in these private equities in advance of dissolution. It is estimated that the majority of the underlying assets in these funds would liquidate over eight years from inception of the applicable fund.

7. Derivative instruments

On November 1, 2022, the Company entered into an agreement which includes funding agreement backed notes ("FABN") that is classified as a derivative. Refer to "Note 2. Significant accounting policies" and "Note 6. Fair value measurements" for further information. The instrument is classified as a Level 3 asset and included in Other assets on the consolidated balance sheets.

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

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

7. Derivative instruments (continued)

During the fourth quarter of 2019, the Company, entered into a rolling forward exchange contract to hedge the British pound against the U.S. dollar. During the fourth quarter of 2021, the Company entered into a rolling forward exchange contract to hedge the Euro against the U.S. dollar. These transactions have historically been designated as hedging instruments for financial purposes. The forward exchange contracts' fair value was included within accounts payable, accrued expenses, and other liabilities in the consolidated balance sheet. The realized and unrealized foreign exchange losses on the hedging instruments were then included within other comprehensive income in the consolidated statement of income and comprehensive income.

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

At December 31, 2021, the total fair value of these forward exchange contracts was an asset of $8.1 million included within other assets in the consolidated balance sheet. The realized and unrealized foreign exchange gains on the hedging instrument of $3.8 million for the year ended December 31, 2021 was included, after de-designation, as net foreign exchange gains and losses in the consolidated statement of income and comprehensive income (loss). The net impact of de-recognition of the hedge accounting, by recognizing the $13.0 million balance from prior years' accumulated other comprehensive income attributable to these hedges into net income, was a loss of $9.1 million at December 31, 2021. The fair value of the these forward exchange contracts de-recognized as at December 31, 2021 is as follows:

Foreign Exchange Forward Contracts	Contract Amount		Settlement Amount		Fair Value as at December 31, 2021	
British pound	GBP	141,078	USD	182,776	$	3,614
Euro	EUR	60,050	USD	67,069		4,469
					$	8,083

In addition, the Company enters into foreign exchange forward contracts to mitigate the foreign exchange rate risk of fluctuation in the U.S. Dollar against other certain foreign currencies. These derivatives have not been designated as hedging instruments. The fair value of the derivative instruments as at December 31, 2022 was a liability of $19.0 million (2021: an asset of $9.1 million) and is included in accounts payable, accrued expenses and other liabilities in the consolidated balance sheet (2021: included in other assets). The income on derivative instruments of $54.7 million for the year ended December 31, 2022 (2021: loss of $5.8 million) is included in net foreign exchange gains (losses) in the consolidated statements of income (loss) and comprehensive income (loss).

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

7. Derivative instruments (continued)

The foreign exchange forward contracts as at December 31, 2022 and 2021 are as follows:

Foreign Exchange Forward Contracts	Contract Amount		Settlement Amount		Fair Value as at December 31, 2022
Euro	EUR	83,400	USD	92,404	$ 2,668
Euro	EUR	(6,971)	GBP	6,113	(66)
Euro	EUR	79,499	USD	80,760	(4,544)
Euro	EUR	101,932	GBP	89,232	(1,301)
Euro	EUR	16,136	USD	16,000	1,372
Euro	EUR	5,882	GBP	5,203	36
Euro	EUR	(59,530)	USD	58,295	(5,527)
British Pound	GBP	7,400	USD	8,943	(17)
British Pound	GBP	222,442	USD	261,375	(7,996)
British Pound	GBP	19,373	EUR	22,271	485
British Pound	GBP	(83,150)	USD	92,997	(7,628)
U.S. Dollar	USD	9,004	AUD	13,000	(128)
U.S. Dollar	USD	20,090	JPY	2,700,000	851
U.S. Dollar	USD	19,664	KRW	25,028,000	446
U.S. Dollar	USD	5,233	PHP	304,000	192
U.S. Dollar	USD	12,487	SGD	17,589	683
U.S. Dollar	USD	4,199	THB	150,000	177
U.S. Dollar	USD	6,334	TWD	200,000	255
U.S. Dollar	USD	(60,166)	GBP	49,324	(498)
U.S. Dollar	USD	106,005	GBP	87,774	296
U.S. Dollar	USD	85,559	EUR	79,949	228
U.S. Dollar	USD	(61,969)	EUR	59,530	1,854
U.S. Dollar	USD	(208,282)	GBP	173,400	1,628
Canadian Dollar	CAD	9,200	USD	6,736	(60)
Malaysian Ringgit	MYR	138,000	USD	29,310	(2,099)
Australian Dollar	AUD	(3,760)	GBP	2,063	(67)
Australian Dollar	AUD	13,870	GBP	7,624	(242)
Total					$ (19,002)

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

7. Derivative instruments (continued)

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

8. Other investments

Other investments include investments in real estate, mortgage loans, investments in affiliate and other private investments. The other investments as at December 31, 2022 and 2021 are as follows:

	2022	2021
Investments in real estate	$ 276,839	$ 250,654
Investments in affiliate	6,184	8,174
Mortgage loans	71,677	150,094
Other private investments †	1,156,272	1,144,792
Total	$ 1,510,972	$ 1,553,714

† Other private investments are presented at fair value. Refer to "Note 5. Investments" and "Note 6. Fair value measurements". Investments in real estate, mortgage loans and investment in affiliate are held at cost.

a. Investments in Real Estate

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

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

8. Other investments (continued)

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

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

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

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

During 2022, the Company acquired the following properties:

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

During 2021, the Company acquired the following properties:

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

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

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

8. Other investments (continued)

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

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

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

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

b. Investments in affiliate

Included within the other investments balance is investments in affiliate balance of $6.2 million as at December 31, 2022 (2021: $8.2 million) which primarily relate to minority shareholdings in property companies.

c. Mortgage loans

Mortgage loans held at amortized cost are included within other investments. The carrying value of these loans as at December 31, 2022 is $71.7 million (2021: $150.1 million).

The following table presents a reconciliation of the beginning and ending balances of the mortgage loans at December 31, 2022:

	2022	2021
Balance at beginning of the year, January 1, 2022	$ 150,094	$ 100,045
Purchases	43,021	91,028
Sales and maturities (*)	(102,832)	(40,097)
Foreign exchange losses	(18,606)	(882)
Balance at end of year, December 31, 2022	$ 71,677	$ 150,094

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

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

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

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

9. Intangible assets

The carrying amount of identifiable intangible assets as at December 31, 2022 and 2021 arising from acquisitions consist of the following:

	Carrying value		Economic useful life
	2022	2021	
Insurance licenses - AGHBL	$ 6,375	$ 6,375	Indefinite
Insurance licenses - SPARTA	6,375	6,375	Indefinite
	$ 12,750	$ 12,750	

On the acquisition of AGHBL during March 2014, the Company acquired U.S. insurance licenses to operate in all 50 states plus a Washington D.C. admitted insurance license for Alea North America Insurance Company ("ANAIC"). These licenses were valued at $6.4 million as of the date of acquisition.

Through the acquisition of SPARTA during September 2014, AHUSCO acquired licenses to operate in various states. The Company determined the value of the SPARTA licenses at $6.4 million as of the date of acquisition.

No impairment expense has been recognized on the intangible assets.

10. Outstanding losses and loss expenses

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

Gross Reserves	2022	2021
Case reserves	$ 1,314,748	$ 1,417,990
Incurred but not reported	2,246,776	2,466,109
Structured settlements	210,596	266,716
Life reserves	4,312	5,774
Unamortized fair value adjustment	(43,152)	(40,443)
Deferred (loss) gain	3,159	17,227
	$ 3,736,439	$ 4,133,373

The fair value adjustments represent the unamortized difference between the carrying value of reserves of acquired companies at the date of acquisition and the fair value of the reserves. The fair value of the outstanding losses and loss expenses was based on the estimated timing of reserve settlements discounted at a risk free rate and a risk margin determined by management.

The $3.2 million deferred gain in 2022 relates primarily to deferred gains on the Employers Liability LPT and the new UK home warranty transaction, offset by the German medical malpractice business assumed by Catalina Insurance Ireland dac ("CII") and the U.S. Casualty ADC transaction.

The $17.2 million deferred gain in 2021 relates primarily to the Employers Liability LPT and the UK home warranty transaction. This was offset by the deferred charge on a U.S Casualty portfolio, the 65% Quota-Share Reinsurance Agreement of German medical malpractice business assumed by Catalina Insurance Ireland dac ("CII") and the U.S. Casualty ADC transaction.

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

10. Outstanding losses and loss expenses (continued)

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

	2022	2021
Gross outstanding losses and loss expenses, beginning of year	$ 4,133,373	$ 4,041,273
Less reinsurance recoverable, beginning of year	(1,346,160)	(1,459,203)
Net losses and loss expenses, beginning of year	2,787,213	2,582,070
Net losses and loss expenses assumed during the year	331,046	663,482
Net incurred losses related to:		
Current year	—	(45)
Prior years	36,732	4,617
	36,732	4,572
Net paid losses related to:		
Current year	—	(115)
Prior years	(357,291)	(396,956)
	(357,291)	(397,071)
Foreign exchange losses	(169,998)	(65,840)
Net losses and loss expenses, end of year	2,627,702	2,787,213
Reinsurance recoverable, end of year	1,108,737	1,346,160
Gross outstanding losses and loss expenses, end of year	$ 3,736,439	$ 4,133,373

During the year ended December 31, 2022, the Company experienced $36.7 million net unfavorable loss and loss adjustment expense development, primarily driven by adverse development in U.S. Casualty and German medical malpractice lines. This was offset by favorable development in UK construction defect and UK liability lines.

During the year ended December 31, 2021, the Company experienced $4.6 million unfavorable loss and loss adjustment expense development, primarily driven by development in U.S. Casualty including Asbestos and Pollution in CWIL.

a. Actuarial Methodology and Methods for Establishing Reserves

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

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

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

- *Reported development method* is based upon the assumption that the relative change in a given year's reported loss estimates from one evaluation point to the next is similar to the relative change in prior years' reported loss estimates at similar evaluation points. In utilizing this method, actual annual historical reported loss data is evaluated. Successive years can be arranged to form a triangle of data. Age to Age ("ATA") development factors are calculated to measure the change in cumulative reported costs from one evaluation point to the next. These

10. Outstanding losses and loss expenses (continued)

historical ATA factors and comparable benchmark factors form the basis for selecting ATA factors used in projecting the current valuation of losses to an ultimate basis. In addition, a potential tail factor is based on trends

shown in the data and consideration of external benchmarks. This method's implicit assumption is that the relative adequacy of case reserves has been consistent over time, and that there have been no material changes in the rate at which claims have been reported.

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

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

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

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

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

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

10. Outstanding losses and loss expenses (continued)

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

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

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

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

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

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

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

10. Outstanding losses and loss expenses (continued)

b. Short Duration Contract Disclosures

The Company has disaggregated its claims information presented in the tables below by the business acquisition year. The development is presented by accident year, net of reinsurance, from the last nine calendar years. Only nine years of information has been presented as it was impractical to obtain sufficiently detailed additional information on earlier years. The following tables set forth information about incurred and paid claims developments as of December 31, 2022, net of reinsurance, as well as cumulative claim frequency and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the net incurred claims amounts, related to the Company's 2013 through 2022 acquisition years. The Company being a run-off reinsurer, the claim counts were available on a very limited basis and therefore they have not been provided in the tables below as it was impractical to do so. The following tables show the incurred and paid claims development for business acquired and contracts incepting during the years ended December 31, 2013 to December 31, 2022.
Business acquired and contracts incepting in the year ended December 31, 2013:

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

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

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

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

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

10. Outstanding losses and loss expenses (continued)

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

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

		For the years ended December 31,										December 31, 2022	
Accident Year	Total net Reserves Acquired	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*			
2012 and prior	$619,373	$ —	$ —	$ 623,662	$ 634,072	$ 622,300	$ 620,339	$ 605,547	$ 601,997	$ 600,921	$ 600,777	$ 25,552	n/a
2013	85,814	—	—	88,130	102,086	104,609	102,446	103,229	103,860	103,968	103,833	1,563	n/a
2014	123,885	—	—	123,277	145,571	147,962	145,578	146,264	146,146	147,050	146,884	2,341	n/a
2015	38,071	—	—	35,147	43,485	43,353	43,132	43,036	42,286	43,082	43,051	778	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$867,143										$ 894,545	$ 30,234	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
2012 and prior	$ —	$ —	$ 348,237	$ 411,275	$ 442,112	$ 472,336	$ 484,105	$ 494,024	$ 504,224	$ 518,196
2013	—	—	54,915	70,040	85,191	90,339	95,065	97,988	99,391	100,432
2014	—	—	72,715	95,285	118,380	127,287	134,925	138,468	140,194	141,790
2015	—	—	17,800	25,245	33,189	36,948	39,860	40,480	40,803	41,358
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
Total										$ 801,776
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										$ 92,769

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

10. Outstanding losses and loss expenses (continued)

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

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

		For the years ended December 31,										December 31, 2022	
Accident Year	Total net Reserves Acquired	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*			
2012 and prior	$493,110	$ —	$ —	$ 450,510	$ 391,006	$ 371,316	$ 356,534	$ 350,857	$ 352,649	$ 353,190	$ 352,585	$ 3,271	n/a
2013	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$493,110										$ 352,585	$ 3,271	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
2012 and prior	$ —	$ —	$ 175,315	$ 222,275	$ 232,015	$ 275,197	$ 290,129	$ 290,016	$ 309,534	$ 313,846
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
Total										$ 313,846
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										$ 38,739

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

10. Outstanding losses and loss expenses (continued)

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

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

		For the years ended December 31,										December 31, 2022	
Accident Year	Total net Reserves Acquired	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*			
2012 and prior	$201,229	$ —	$ —	$ —	$ —	$ 199,508	$ 198,338	$ 201,950	$ 210,604	$ 216,880	$ 231,033	$ 104,249	n/a
2013	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$201,229										$ 231,033	$ 104,249	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
2012 and prior	$ —	$ —	$ —	$ —	$ 9,204	$ 41,023	$ 51,048	$ 56,018	$ 75,731	$ 105,333
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
Total										$ 105,333
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										$ 125,700

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

10. Outstanding losses and loss expenses (continued)

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

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

		For the years ended December 31,										December 31, 2022	
Accident Year	Total net Reserves Acquired	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*			
2012 and prior	$599,977	$ —	$ —	$ —	$ —	$ —	$ 576,479	$ 577,276	$ 585,924	$ 593,624	$ 610,312	$ 215,905	n/a
2013	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$599,977										$ 610,312	$ 215,905	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
2012 and prior	$ —	$ —	$ —	$ —	$ —	$ 55,167	$ 106,278	$ 159,595	$ 206,984	$ 249,486
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
Total										$ 249,486
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										$ 360,826

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

10. Outstanding losses and loss expenses (continued)

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

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

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

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

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

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

10. Outstanding losses and loss expenses (continued)

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

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

		For the years ended December 31,										December 31, 2022	
Accident Year	Total net Reserves Acquired	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*			
2012 and prior	$789,025	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 754,185	$ 762,913	$ 758,713	$ 422,023	n/a
2013	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2014	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2015	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2016	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2017	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2018	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2019	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2020	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2021	—	—	—	—	—	—	—	—	—	—	—	—	n/a
2022	—	—	—	—	—	—	—	—	—	—	—	—	n/a
Total	$789,025										$ 758,713	$ 422,023	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
2012 and prior	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 58,697	$ 124,477	$ 234,434
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	—
2017	—	—	—	—	—	—	—	—	—	—
2018	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—
2020	—	—	—	—	—	—	—	—	—	—
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
Total										$ 234,434
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										$ 524,279

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

10. Outstanding losses and loss expenses (continued)

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

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

		For the years ended December 31,										December 31, 2022	
Accident Year	Total net Reserves Acquired	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total IBNR Reserve, net of reinsurance	Cumulative Claim Count
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*			
2012 and prior	$320,830	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 314,217	$307,579	$ 27,077	n/a
2013	30,721	—	—	—	—	—	—	—	—	30,082	29,469	2,618	n/a
2014	71,347	—	—	—	—	—	—	—	—	69,873	68,411	6,037	n/a
2015	74,170	—	—	—	—	—	—	—	—	72,646	71,092	6,238	n/a
2016	68,724	—	—	—	—	—	—	—	—	67,338	65,802	5,675	n/a
2017	62,778	—	—	—	—	—	—	—	—	61,524	60,075	5,134	n/a
2018	58,424	—	—	—	—	—	—	—	—	57,240	55,955	4,848	n/a
2019	58,986	—	—	—	—	—	—	—	—	57,778	56,527	4,945	n/a
2020	56,187	—	—	—	—	—	—	—	—	55,015	53,906	4,801	n/a
2021	28,069	—	—	—	—	—	—	—	—	27,473	26,959	2,443	n/a
2022	40	—	—	—	—	—	—	—	—	37	48	17	n/a
Total	$830,276										$795,823	$ 69,833	n/a

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
2012 and prior	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 136,576	$ 198,273
2013	—	—	—	—	—	—	—	—	12,908	18,902
2014	—	—	—	—	—	—	—	—	30,268	44,041
2015	—	—	—	—	—	—	—	—	31,723	45,911
2016	—	—	—	—	—	—	—	—	30,107	42,893
2017	—	—	—	—	—	—	—	—	27,845	39,351
2018	—	—	—	—	—	—	—	—	25,434	36,384
2019	—	—	—	—	—	—	—	—	25,336	36,565
2020	—	—	—	—	—	—	—	—	23,519	34,526
2021	—	—	—	—	—	—	—	—	11,375	17,080
2022	—	—	—	—	—	—	—	—	—	—
Total										$ 513,926
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										$ 281,898

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

10. Outstanding losses and loss expenses (continued)

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

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

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

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance
For the years ended December 31,

Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
2012 and prior	—	—	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	4,592
2017	—	—	—	—	—	—	—	—	—	9,858
2018	—	—	—	—	—	—	—	—	—	10,936
2019	—	—	—	—	—	—	—	—	—	12,369
2020	—	—	—	—	—	—	—	—	—	6,699
2021	—	—	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—	—	—
Total										$ 44,454
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										$ 599,033

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

10. Outstanding losses and loss expenses (continued)

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

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

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

Cumulative Paid Losses and Loss Expenses, Net of Reinsurance

	For the years ended December 31,									
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	
2012 and prior	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2013	—	—	—	—	—	—	—	—	—	—
2014	—	—	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—	—	818
2017	—	—	—	—	—	—	—	—	—	20690
2018	—	—	—	—	—	—	—	—	—	63897
2019	—	—	—	—	—	—	—	—	—	82464
2020	—	—	—	—	—	—	—	—	—	44658
2021	—	—	—	—	—	—	—	—	—	6243
2022	—	—	—	—	—	—	—	—	—	25
Total										$ 218,795
Total outstanding liabilities for unpaid losses and LAE, net of reinsurance										$ 274,780

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

10. Outstanding losses and loss expenses (continued)

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

	2022
Net losses and loss expenses	
Surety	$ 17,679
Health	166,240
International Casualty	983,420
Property	380,883
U.S. Casualty	1,000,673
U.S. Professional	11,284
Other lines	122,374
Total net outstanding losses and loss expenses	2,682,553
Loss reserves recoverable	
Surety	9,462
Health	11,496
International Casualty	725,312
Property	32,264
U.S. Casualty	73,100
U.S. Professional	9
Other lines	23,163
Total loss reserves recoverable	874,806
Unallocated loss adjustment expenses	72,180
Deferred gain	3,159
Structured settlements and other adjustments	103,741
Total gross outstanding losses and loss expenses	$ 3,736,439

c. Annual Historical Duration of Claims

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

	Average annual payout incurred claims since year of acquisition, net of reinsurance								
Accident year	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	0.6 %	6.8 %	8.6 %	10.4 %	11.1 %	13.5 %	15.0 %	16.6 %	17.4 %
2014	0.4 %	6.2 %	8.1 %	9.9 %	10.7 %	13.7 %	15.0 %	17.3 %	18.8 %
2015	— %	3.6 %	5.1 %	6.7 %	7.5 %	14.1 %	15.2 %	22.0 %	25.8 %
2016	— %	— %	— %	— %	— %	12.8 %	11.8 %	32.7 %	42.7 %
2017	— %	— %	— %	— %	— %	8.9 %	7.6 %	29.5 %	54.0 %
2018	— %	— %	— %	— %	— %	2.6 %	4.1 %	20.1 %	73.3 %
2019	— %	— %	— %	— %	— %	— %	— %	16.2 %	83.8 %
2020	— %	— %	— %	— %	— %	— %	— %	21.5 %	78.5 %
2021	— %	— %	— %	— %	— %	— %	— %	32.9 %	67.1 %
2022	— %	— %	— %	— %	— %	— %	— %	— %	100.0 %

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

11. Reinsurance

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

Recoverables	2022	2021
Case reserves	$ 263,640	$ 316,872
Incurred but not reported	634,501	762,572
Structured settlements	210,596	266,716
	$ 1,108,737	$ 1,346,160

The fair value of the outstanding losses and loss expenses recoverable was based on the estimated timing of reserve settlements discounted at a risk-adjusted rate determined by management reflecting credit risk and duration. The fair value adjustments are amortized over the estimated payout period using the constant yield method.

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

Top Reinsurers

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

	2022	2021
Top 5 reinsurers	$ 850,282	$ 1,063,144
Other reinsurers	258,455	283,016
	$ 1,108,737	$ 1,346,160

	2022		2021	
Rating	$	%	$	%
A+ and above	$ 422,816	38.2 %	$ 572,357	42.6 %
A	69,238	6.2 %	33,949	2.5 %
A- and below	24,016	2.2 %	15,077	1.1 %
Not rated (*)	592,667	53.4 %	724,777	53.8 %
	$ 1,108,737	100.0 %	$ 1,346,160	100.0 %

(*) Out of the total reinsurance recoverable balance of non rated reinsurers, 91.2% (2021: 91.4%) pertains to Elbow Re Ltd and it is fully collateralized. Refer to “Note 18. Related party transactions”.

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

12. Debt obligations

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

Facility	Issuing Entity	2022	2021
Real Estate Investment Term Loan Facilities	Oxenwood/Propco	$ 91,439	$ 84,100
Revolving Credit Facility due 2025	CHBL	337,601	319,832
Total loans payable		429,040	403,932
Mezzanine loans due to minority interest	Oxenwood	—	709
Subordinated Notes due 2027	CII	25,457	26,849
Subordinated Notes due 2027	CatGen	45,500	45,500
Subordinated Notes due 2028	CatGen	25,000	25,000
Subordinated Notes due 2030	CHBL	22,795	24,214
Subordinated Notes due 2031	CHBL	40,133	42,630
Subordinated Notes due 2031	CHBL	75,000	75,000
Subordinated Notes due 2035	CHBL	73,335	74,993
Trust Preferred Shares due 2035	AHUSCO	90,960	102,587
Total long term subordinated debt		398,180	417,482
Total debt obligations		$ 827,220	$ 821,414

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

a. Real Estate Investment Term Loan Facilities

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

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

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

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

b. Revolving Credit Facilities and Term Loan

On February 28, 2020, the Company entered into a five year $650 million Revolving Credit Facility and a two year $200 million Term syndicated Loan Agreement with NatWest and other banks. The revolving credit facility matures in February 2025. The term loan was repaid in full on May 27, 2021. The agreement was most recently amended on August 25, 2022. The loans under the facility bear interest at a rate based on the Company's senior gearing. The reference rates for term rate loans are LIBOR for US dollar denominated term rate loans and EURIBOR for Euro denominated term rate loans, and for GBP denominated compounded rate loans the reference rate is SONIA.

12. Debt obligations (continued)

The entire facility is available to be utilized by the Company for permitted investments and for general corporate purposes. The agreement provides a right, subject to satisfying certain conditions, to increase the size of the revolving credit facility to $750 million. The total outstanding loans under the revolving credit facility as of December 31, 2022 were $326.6 million (2021: $319.8 million) comprised of loans of $89.5 million and £196.0 million ($237.1 million). As at December 31, 2022, $312.4 million of unutilized capacity was available under the facility. Subsequent to December 31, 2022, the Company borrowed $23.2 million, bringing the unutilized capacity under this facility to $289.2 million.

The Company's Revolving Credit Facility and Term Loan Agreement has financial covenants in relation to maximum gearing ratios and minimum aggregate group regulatory capital. During the years 2022 and 2021, the Company was in compliance with all covenants under the agreement.

For the year ended December 31, 2022, interest expense on these loans was $11.3 million (2021: $20.3 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

c. CII Subordinated Notes due 2027

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

Interest expense on the notes for the year ended December 31, 2022 was $2 million (2021: $2.2 million) and is included within interest expense in the consolidated statement of income and comprehensive income (loss).

d. CatGen Subordinated Notes due 2027 and 2028

On May 5, 2017, CatGen issued $45.5 million principal amount of floating rate unsecured subordinated notes due on May 5, 2027. The notes bear interest based on LIBOR (or agreed replacement benchmark) plus a margin of 7.55%, with interest payable quarterly. The notes may be redeemed in whole but not in part by CatGen prior to maturity on any interest payment date on or after June 30, 2022, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of CatGen.

On March 16, 2018, CatGen issued $25.0 million principal amount of floating rate unsecured subordinated notes. The notes bear interest based on LIBOR (or agreed replacement benchmark) plus a margin of 7.10%, with interest payable each quarter. The notes may be redeemed in whole but not in part by CatGen prior to maturity on any payment interest date on or after March 16, 2023, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of of CatGen.

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

e. Company Subordinated Notes due 2030, 2031, 2035

On December 5, 2019 the Company issued €21.3 million principal amount of floating rate unsecured subordinated notes due January 5, 2030. The notes bear interest based on EURIBOR (or agreed replacement benchmark) plus a margin of 6.2%, with interest payable quarterly. The notes rank subordinated to all direct, unconditional, secured or

12. Debt obligations (continued)

unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of the Company.

On December 12, 2019, the Company entered into an exchange and purchase arrangement whereby CHBL issued $54.0 million and €26.0 million principal amount of floating rate unsecured subordinated notes due in 2035 and purchased the same principal amounts of notes originally issued by Glacier Re. The Company notes bear interest based on LIBOR or EURIBOR (or agreed replacement benchmarks) plus a margin between 4% and 4.7%, with interest payable quarterly. The notes may be redeemed, in whole or in part, by the Company prior to maturity on any interest payment date on or after December 12, 2024, subject to certain conditions. The notes constitute direct, unconditional, unsecured and subordinated obligations of the Company. In 2019 these notes were exchanged at fair value and subsequently carried at amortized cost.

On December 16, 2020, the Company issued €37.5 million principal amount of floating rate unsecured subordinated notes due January 5, 2031. The notes bear interest based on EURIBOR (or agreed replacement benchmark) plus a margin of 6.825%, with interest payable quarterly. The notes may be redeemed in whole, but not in part, by the Company prior to maturity on any interest payment date on or after December 16, 2020, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of the Company.

On December 29, 2020, the Company issued $50.0 million principal amount of floating rate unsecured subordinated notes due February 28, 2031. Interest on the notes is based on LIBOR (or agreed replacement benchmark) plus a margin of 6.75%, with interest payable quarterly. The notes may be redeemed in whole, but not in part, by the Company prior to maturity on any interest payment date on or after February 28, 2020, subject to certain conditions. The notes rank subordinated to all direct, unconditional, secured or unsecured and unsubordinated obligations, pari passu without any preference among themselves, and in priority to holders of any undated subordinated obligations of the Company. On February 17, 2021, the Company issued a further $25.0 million principal amount of these notes under the same terms.

Interest expense in connection with CHBL's notes was $15 million for the year ended December 31, 2022 (2021: $14.3 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

f. AHUSCO TruPS due 2035

Prior to its acquisition by the Company, AHUSCO issued a total of $120 million of TruPS. The TruPS were issued by three Delaware trusts established by AHUSCO and provide for a preferred dividend at a rate of 3-month LIBOR plus a margin of 2.85%. These securities allow for the postponement of preferred dividends under certain circumstances for up to five years. The TruPS carry no financial covenants or cross default covenants, have fixed maturities in 2034 and 2035 and are currently callable. The holders of the TruPS may not put the securities prior to their maturity dates.

Interest expense on the TruPS for the year ended December 31, 2022 was $5.6 million (2021: $3.7 million) and is included within interest expense in the consolidated statement of income and comprehensive income (loss).

Total interest expense in connection with the Company's debt facilities and long-term subordinated debt was $43.6 million for the year ended December 31, 2022 (2021: $45.6 million) and is included within interest expense in the consolidated statements of income (loss) and comprehensive income (loss).

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

13. Concentrations, commitments and contingencies

a. Concentrations of credit risk

As of December 31, 2022 and 2021, substantially all of the Company's cash and cash equivalents, and investments were held by thirty-seven custodians (2021: thirty-three). Management monitors the credit ratings of these custodians and believes them to be of high credit quality. The Company's investment portfolio is primarily managed by external investment advisors in accordance with the Company's investment guidelines. The Company limits its exposure to any single issuer to 5% or less of the total portfolio's market value at the time of purchase, with the exception of government and agency securities of G-7 countries. Additionally, the 5% limit does not include funds comprised of investments, provided that no single underlying investment in the fund can exceed the relevant limitation set by the Company's Board, or as expressly approved by the Company's Board prior to investment. As of December 31, 2022, the largest single issuer, not including the above, accounted for 6.3% (2021: 3.3%) of the aggregate fair value of the Company's invested assets. As of December 31, 2022, the Company's fixed maturity investments had a weighted average S&P credit rating of BBB+ (2021: BBB+).

At December 31, 2022, the Company had a provision for uncollectible premiums receivable of $31.2 million (2021: $30.5).

Reinsurance assets due from reinsurers include outstanding losses and loss expenses recoverable and deferred reinsurance premiums. The Company is subject to credit risk with respect to reinsurance ceded because the ceding of risk does not relieve the Company from its primary obligations to its policyholders. The concentration of credit risk relating to the structured settlements is explained in "Note 10. Outstanding losses and loss expenses". Failure of the Company's reinsurers to honor their obligations could result in credit losses. As of December 31, 2022, the Company has recorded a provision for credit losses relating to outstanding losses and loss expenses recoverable of $30.3 million (2021: $30.5 million) including $26.7 million (2021: $26.5 million) recorded in CHUK. During the year ended December 31, 2022, outstanding loss and loss expenses recoverable of $0.9 million were written off (2021: $2.7 million).

Elbow Re Ltd., an unrated domestic affiliated reinsurer, accounts for 48.7% of the outstanding losses and loss expenses recoverable balance as of December 31, 2022 (2021: 49.2%). This recoverable is fully collateralized. For more information, refer to "Note 18 Related party transactions". Excluding this unrated reinsurer, two other reinsurers accounted for more than 20.2% of the outstanding losses and loss expenses recoverable balance as of December 31, 2022 (2021: 22.4%) and were rated A+ or above by S&P as at December 31, 2022. The Company's reinsurers had an average S&P credit rating of A+ and above as of December 31, 2022 (2021: A+).

b. Restricted assets

The Company and/or its subsidiaries is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations. These requirements are generally promulgated by the regulations of the individual locations within which the Company operates. These funds on deposit are available to settle insurance and reinsurance liabilities.

The Company's bankers have also issued letters of credit ("LOC") under the Company's credit agreements (for which cash and cash equivalents and investments are pledged as security) and in favor of certain ceding companies to collateralize the Company's obligations under contracts of insurance and reinsurance (see "Note 16. Shareholders' equity").

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

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

13. Concentrations, commitments and contingencies (continued)

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

	2022		2021	
	Restricted Cash and cash equivalents	Restricted Investments	Restricted Cash and cash equivalents	Restricted Investments
Deposits with U.S. insurance regulatory authorities	$ 10,203	$ 41,314	$ 7,660	$ 54,282
LOC pledged assets	84,767	63,854	96,114	99,046
Trust funds	99,364	1,840,918	174,466	2,176,381
Total	$ 194,334	$ 1,946,086	278,240	2,329,709

c. Fund commitments

As of December 31, 2022, the Company has unfunded capital commitments for fund investments of $105.8 million (2021: $105.3 million).

d. Contingent liabilities

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

e. Guarantees

As at December 31, 2022, the Company had issued parental guarantees supporting its subsidiaries' insurance obligations of $1,351.3 million (2021: $1,406.5 million).

14. Leases

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

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

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

14. Leases (continued)

Leases as lessee

At December 31, 2022 the Company recorded on the consolidated balance sheet a right-of-use assets of $4.8 million and a lease liability with an equivalent amount for the right-of-use assets. Right-of-use assets and lease liabilities are included within "Other assets" and "Accounts payable, accrued expenses and other liabilities" in the consolidated balance sheet, respectively.

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

	2022
Weighted-average remaining lease term	3.2 years
Weighted-average discount rate	11.7 %

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

	2022
2023	$ 2,277
2024	1,985
2025	549
2026	549
2027	549
Total undiscounted lease payments	5,909
Present value discount	(1,103)
Total discounted lease payments	$ 4,806

Under the new guidance, the Company continues to recognize the related lease expense on a straight-line basis over the lease term. Total rent expense under operating leases for the year ended December 31, 2022 was $4.0 million (2021: $4.2 million) which was recognized in the statement of income (loss) and comprehensive income (loss) consistent with the accounting treatment applicable in prior periods under Topic ASC 840. The operating cash outflows from operating leases included in the measurement of the lease liability during the year ended December 31, 2022 was $2.4 million.

Leases as lessor

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

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

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

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

14. Leases (continued)

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

	2022
2023	$ 16,751
2024	15,684
2025	14,493
2026	13,726
2027	11,656
2028 and beyond	38,610
Total undiscounted lease payments	$ 110,920

15. Taxation

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

The Company has operating subsidiaries in the United States, United Kingdom, Malaysia, Singapore and Ireland and is subject to the relevant taxes in those jurisdictions. There can be no assurance that there will not be changes in applicable laws, regulations or treaties, which might require the Company to become subject to additional taxation. During 2022, the Company sold its subsidiary located in Switzerland, Glacier Re, exiting a major geographical and tax jurisdiction. Refer to "Note 4. Discontinued Operations" for further details.

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

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

	2022	2021
Deferred tax assets:		
Investments	$ 1,804	$ 4,186
Outstanding losses and loss expenses	1,453	1,496
Unearned premiums	—	14
Net operating loss carry forwards	89,513	71,821
Capital loss carry forwards	265	448
Other	3,324	6,297
Total deferred tax assets	96,359	84,262
Valuation allowance	(73,987)	(61,263)
Total deferred tax assets net of valuation allowance	22,372	22,999
Deferred tax liabilities:		
Investments	(3,423)	(1,685)
Goodwill	(1,339)	(1,339)
Outstanding losses and loss expenses	(168)	(224)
Underwriting results subject to timing differences for taxation	(3,277)	(3,762)
Other	(4,186)	(4,545)
Total deferred tax liabilities	(12,393)	(11,555)
Net deferred tax asset	$ 9,979	$ 11,444

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

15. Taxation (continued)

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

As of December 31, 2022, the Company has a deferred tax asset of $89.5 million (2021: $71.8 million) generated by net operating loss carry forwards ("NOL") of approximately $480.9 million (2021: $387.7 million), of which $347.0 million relates to NOL in United Kingdom (2021: $286.8 million) ("UK NOL"), $83.3 million (2021: $64.7 million) relates to NOL in the United States ("U.S. NOL"), $50.6 million (2021: $34.1 million) relates to NOL in Ireland ("Irish NOL") and $0.01 million relates to Singapore (2021: $2.1 million).

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

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

	2022	2021
Current income tax expense (credit)	$ 9,252	$ (35)
Deferred income tax expense	77	3,797
Total income tax expense from continuing operations	$ 9,329	$ 3,762

The effective tax rate for the year ended December 31, 2022 of 16.3% (2021: 2.1%) differs from the rate of 0% under Bermuda law primarily due to the geographical distribution of the Company's pre-tax net income between the Company's taxable and non-taxable jurisdictions.

The following table presents a reconciliation of the actual income tax rate to the amount computed by applying the effective tax rate of 0% under Bermuda law to income before income taxes:

	2022	2021
Expected tax rate	**0.0 %**	**0.0 %**
Foreign taxes at local expected rates	(6.1) %	7.8 %
Nondeductible expenses	2.0 %	(0.3) %
Tax exempt income	— %	(1.0) %
Prior year adjustments	2.8 %	(5.9) %
Other	17.6 %	1.5 %
Actual tax rate	**16.3 %**	**2.1 %**

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

16. Shareholders' equity

a. Ordinary shares

As at December 31, 2022 the total authorized share capital for the ordinary shares of the Company was $16.5 million (2021: $16.5 million) divided and, where applicable, issued as follows:

Class of Share	2022 Authorised Share Capital	2022 Number of Shares Issued	2021 Authorised Share Capital	2021 Number of Shares Issued
Class A1 Shares	$ 14,000	12,696,015	$ 14,000	12,696,015
Class A2 Shares	900	791,549	900	791,549
Class B Shares	595	275,700	595	314,400
Class C Shares	1,000	630,000	1,000	705,000
Total	$ 16,495	14,393,264	$ 16,495	14,506,964

The share capital issued at December 31, 2022 was $14.4 million (2021: $14.5 million).

During 2022 the Company repurchased the following classes of ordinary shares from current and former members of the executive management team:

Class of Share	Date	Number of Shares Repurchased
Class B	March 31, 2022	4,250
Class B	April 29, 2022	10,000
Class B	August 31, 2022	10,000
Class C	August 31, 2022	100,000
Class B	December 23, 2022	25,000
Class B	December 31, 2022	800
Total		**150,050**

During 2022 the Company issued the following classes of ordinary shares to members of the executive management team:

Class of Share	Date	Number of Shares Issued
Class B	March 31, 2022	3,050
Class B	May 30, 2022	2,850
Class B	December 31, 2022	5,450
Class C	December 31, 2022	25,000
Total		**36,350**

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

16. Shareholders' equity (continued)

b. Preference shares

As at December 31, 2022 and 2021, the total authorised share capital for the preference shares of the Company was $1,331.7 million divided and, where applicable, issued as follows:

Class of Share	2022		2021	
	Authorised Share Capital	Number of Shares Issued	Authorised Share Capital	Number of Shares Issued
Class A1P Shares	$ 1,251,660	533,584,844	$ 1,251,660	533,584,844
Class A2P Shares	80,000	33,267,016	80,000	33,267,016
Total	$ 1,331,660	566,851,860	$ 1,331,660	566,851,860

During 2022, there were no preference share capital issued (2021: $79.7 million). The preference share capital as at December 31, 2022 was $703.0 million (2021: $650.9 million). The accrued interest on preferred shares as at December 31, 2022 was $52.1 million, (2021 $43.3 million).

17. Credit agreements

The Company's subsidiaries were party to the following letter of credit facility agreements.

Entity	Counterparty	LOC Outstanding	
		2022	2021
CatGen	ABN Amro Bank N.V.	$ 200,000	$ —
CatGen	Comerica Bank	19,473	25,605
CatGen	ING Bank	74,639	86,537
CatGen	Natixis	35,000	—
CatGen	Citibank N.A.	11,501	11,454
AHUSCO	Citibank	2,031	2,144
CHUK	Citibank Europe plc.	58,259	60,377
ACR	Barclays	44,692	63,979
ACR	Citibank	3,419	3,813

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

On June 29, 2022, the Company entered into a three-year unsecured credit facility with ABN Amro Bank N.V. of up to $50.0 million (with accordion increases of up to $150.0 million). On November 4, 2022, the Company exercised the accordion increase of $150.0 million and have utilized the allowable credit facility of $200.0 million as at December 31, 2022.

On December 16, 2022, the Company entered into a three-year unsecured syndicated credit facility with Natixis (New York) Bank of up to $525.0 million. As at December 31, 2022, $490.0 million of unutilized capacity was available under facility. The facility has financial covenants in relation to its maximum gearing ratio, minimum consolidated net assets and requirement to maintain a minimum statutory capital and surplus value.
As at December 31, 2022 and 2021, the Company was in compliance with all covenants under the various letter of credit facilities.

18. Related party transactions

a. Apollo

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

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

The total fair value of the Company's investments in these funds as of December 31, 2022 is $450.6 million or 13.2% of investments at fair value (2021: $516.7 million or 12.9%, respectively).

b. OXW Partners

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

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

c. Reinsurance transactions

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

d. Funding Agreement Backed Notes ("FABN")

On November 1, 2022, the Company, through its wholly owned subsidiary, CatGen, entered into a retrocession agreement with Athene Annuity Re Ltd ("AARe"). AARe is an affiliated company that is owned by Apollo. The agreement is an investment contract classified as a financial derivative. CatGen provides for the payment leg of the contract, while taking on the risk of the receive leg related to the underlying's excess spread return over payments made on FABN. As of December 31, 2022 there was $20.5 million due to CatGen as a result of net settlements outstanding. Refer to "Note 7. Derivative instruments" for further information about the agreement.

19. Statutory financial information and dividend restrictions

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

19. Statutory financial information and dividend restrictions (continued)

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

a. Bermuda

CatGen is registered under the Insurance Act of 1978 of Bermuda (the “Insurance Act”), and licensed as a Class 3B general business insurer, and Class E long-term insurer. CatGen was reclassed from Class 3A to 3B general business insurer, after gaining approval from the BMA on June 25, 2019. Class 3B is more reflective of CatGen’s size and scale of operations. The Insurance Act grants the BMA powers to supervise insurance companies.

The Insurance Act requires CatGen to hold minimum statutory capital and surplus (Enhanced Capital Requirement or “ECR”) at least equal to the greater of a minimum solvency margin or the Bermuda Solvency & Capital Requirement (“BSCR”). The BSCR is calculated using the standard risk-based capital model developed by the

BMA. The BSCR model follows a standard formula framework and capital attributed to each risk is calculated by applying capital factors to the assets and liabilities. The BMA sets a Target Capital equivalent to 120% of the ECR. CatGen’s licenses preclude it from effecting any new contracts without the permission of the BMA.

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

The BMA also acts as the Group Supervisor of Catalina. The Company, on an annual basis, is required to file the Group audited GAAP financial statements, the Group Capital and Solvency Return and the Group Solvency Self-Assessment with the BMA.

b. United Kingdom

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

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

c. Ireland

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

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

19. Statutory financial information and dividend restrictions (continued)

d. United States

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

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

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

e. Singapore, Malaysia, Korea and Hong Kong

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

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

20. Pension plans

The Company maintains defined contribution plans to provide retirement benefits to eligible employees. Contributions to the plans, which are managed externally, are based on eligible compensation. During 2022, the Company's total pension expenses were $1.8 million (2021: $1.7 million) for these retirement benefits.

21. Subsequent events

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